

## FRANCHISE DISCLOSURE DOCUMENT

American Express Travel Related Services Company, Inc.  
200 Vesey Street  
New York, NY 10285  
212-640-2000  
[www.AmericanExpress.com](http://www.AmericanExpress.com)



The franchisee will offer limited American Express Travel services in conjunction with its independently owned and operated travel business.

The total investment necessary to begin operation of the franchise business is \$30,000 to \$~~40~~50,000. This includes \$30,000 to \$35,000 that must be paid to us or our affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer and/or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 31, ~~2016~~2017  
(See State Cover Page for state effective dates.)

## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE REPRESENTATIVE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION, ARBITRATION, AND LITIGATION ONLY IN NEW YORK. OUT-OF-STATE MEDIATION, ARBITRATION, OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE, ARBITRATE, OR LITIGATE WITH US IN NEW YORK THAN IN YOUR OWN STATE.

2. THE FRANCHISE REPRESENTATIVE AGREEMENT STATES THAT NEW YORK LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. WE MAY ESTABLISH OTHER FRANCHISED OR COMPANY-OWNED OUTLETS AT ANY LOCATION THAT MAY COMPETE WITH YOUR FRANCHISED BUSINESS. WE MAY SELL THE SAME PRODUCTS AND SERVICES THROUGH OTHER CHANNELS OF DISTRIBUTION AND UNDER OTHER BRANDS AND TRADEMARKS THAT WE CONTROL.

4. THE REPRESENTATIVE AGREEMENT REQUIRES THAT YOUR IMMEDIATE FAMILY MEMBERS SIGN A CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT. THIS REQUIREMENT MAY PLACE PERSONAL AND MARITAL ASSETS OF YOU AND YOUR FAMILY MEMBERS AT RISK.

5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

(See the following page for state effective dates.)

**State Effective Dates:**

<b>STATE</b>	<b>EFFECTIVE DATE</b>
California	<del>April 14, 2016</del> <a href="#">January 26, 2017</a>
Florida	<del>April 26, 2016</del>
Hawaii	<del>April 21, 2016</del>
Illinois	<del>April 12, 2016</del>
Indiana	<del>April 12, 2016</del>
Kentucky	April 19, 2016
Maryland	
Michigan	<del>April 14, 2016</del>
Minnesota	<del>May 19, 2016</del>
Nebraska	April 14, 2016
New York	<del>April 12, 2016</del>
North Dakota	<del>April 14, 2016</del>
Rhode Island	<del>April 22, 2016</del>
South Dakota	<del>April 14, 2016</del>
Texas	April 14, 2016
Utah	<del>April 14, 2016</del>
Virginia	<del>June 20, 2016</del>
Washington	<del>May 20, 2016</del>
Wisconsin	<del>April 12, 2016</del>

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## Item 1

### THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

#### DEFINITIONS

To simplify the language in this disclosure document, “TRS” or “we” or “our” means American Express Travel Related Services Company, Inc., the franchisor. “You” means the ~~person or~~ entity ~~who~~that buys the franchise, the franchisee. This disclosure document may also refer to you and other franchisees as “Representatives”, the “American Express Travel Representative Network” or the “Representative Network”. The “Representative Agreement” is the franchise agreement that a Representative enters into with TRS; it is attached as Exhibit B. Each individual who owns an interest in the franchisee is known as an “Owner” and is required to sign the Guaranty and Assumption of Obligations attached as Exhibit IV to the Representative Agreement. We expect that only entities, and not individuals, will acquire our franchises.

#### BACKGROUND INFORMATION

TRS was incorporated in New York on May 3, 1982. TRS is a wholly-owned subsidiary of our parent company, American Express Company (the “Company”), which is also a New York corporation. Both we and the Company have a principal business address at 200 Vesey Street, New York, New York 10285. A list of our affiliates that we are required to disclose in this document and their respective addresses is attached as Exhibit C. Certain TRS affiliates operating outside the United States began offering travel franchises in 1966. Our affiliate, American Express International, Inc., has sold franchises in certain U.S. Territories (including, but not necessarily limited to, Puerto Rico and US Virgin Islands) and certain locations outside of the United States.

The Company, which is our predecessor, offered franchises to Representatives from 1967 to 1982 under Representative Agreements similar to those we offer today. The Company assigned all Representative Agreements in effect at the end of 1982 to TRS. TRS began offering travel franchises in January 1983.

In 2015, TRS ceased offering franchises under its old form of Representative Agreement (the “Legacy System”). TRS is in the process of phasing out the Legacy System. It ~~will begin~~began offering the franchises of the type described in this disclosure document in 2016. You will see references to the Legacy System throughout this disclosure document because it is substantially similar to the franchise business described in this disclosure document.

TRS has several current or former affiliates that previously offered franchises. In April 1998, TRS acquired Travel Impressions, Ltd. (“Travel Impressions”), a wholesale travel company, and Empress Travel, Ltd. (“Empress Travel”), a travel franchise system. Travel Impressions operated under its existing brand as a wholly owned subsidiary of TRS until TRS sold Travel Impressions on June 30, 2013. Empress Travel, which had franchise locations at the time of its acquisition by TRS, was consolidated into the Legacy System and is no longer a separate franchise system. In March 1999, TRS acquired Golden Bear Travel Agency, Inc. and its subsidiaries (collectively “Golden Bear”), a California-based cruise only agency with a wholesale business as well. On December 31, 2005, we transferred certain Golden Bear operations into TRS and dissolved Golden Bear.

In April 1999, TRS’s affiliate, American Express Financial Advisors Inc. (“AEFA”), a Delaware corporation, and at the time, a wholly-owned subsidiary of our predecessor, the Company, began offering

franchises to independent financial advisors (“Independent Advisors”) who offer financial planning, investment advice, consulting services, securities products, insurance products, brokerage services, tax services, lending services, and other related products under the “American Express Financial Advisors Inc.” name and logo. Effective September 30, 2005, the Company completed the spinoff of AEFA (now known as “Ameriprise Financial Inc.” or “Ameriprise”) to its shareholders. The Company no longer owns any shares of Ameriprise, and Ameriprise is now a separate, independent publicly traded company.

Except as provided in this Item 1, TRS, its predecessor, and its affiliates have not in the past offered, nor do they presently offer, franchises in any other line of business.

The American Express Travel & Lifestyle Services business unit of TRS (the “Travel Division”) ~~today~~ delivers premium travel and lifestyle (dining, entertainment) services to [individuals and entities that have entered into an agreement establishing an American Express card \(“Card”\) account with the Company \(“Card Members”\)](#) through a global network of personal advisors, as well as a network of online websites. The Company is one of the largest multi-channel consumer travel agencies in the world and celebrated 100 years in the travel industry in 2015.

## THE FRANCHISE BUSINESS

TRS is a financial and travel-related services corporation, which grants franchises to provide certain travel related services as described in this disclosure document to existing travel agencies.

You will work with the Travel Division. As a Representative, you must use your best efforts to sell services of suppliers preferred by the Travel Division.

Representatives operate their franchise businesses from their existing travel agencies. With our approval, you may provide travel-related services at additional locations. Any additional location is deemed to be a “branch office.” Branch offices may be established in any location. Representatives are not granted territorial exclusivity. Therefore, no territorial restrictions or limitations are imposed on branch offices, nor is a new territory granted. It is not necessary for you to sign a new Representative Agreement when you open a branch office. If you provide services from a branch office, and we approve the location, we will list the branch location on Exhibit I of your Representative Agreement. You must then operate the branch office according to the terms and conditions of the Representative Agreement.

## COMPETITION

Your competitors may include airlines, other travel suppliers, TRS and its affiliates, [other Representatives](#), other travel agents, tour operators, online travel services providers, and others in the travel industry. TRS currently has consumer travel websites that allow customers to make travel arrangements online. In addition, TRS provides travel products through its call centers. In 2004, TRS entered into an agreement with OurVacationStore.com to operate the cruise booking services of our consumer travel website. In 2009, we launched our Fine Hotels & Resorts online website allowing Card Members to directly book hotel nights under our luxury hotel program. In 2012, TRS entered into an agreement with Orbitz Worldwide, Inc. to operate the air, hotel, and car booking service of our consumer travel website. TRS plans to offer other new services in the future to respond to changes in the traditional travel agent distribution channel.

TRS has been providing business travel services through its subsidiary, GBT US LLC (d/b/a “American Express Global Business Travel”) (“GBT”), since February 1, 2014. Prior to that date, TRS provided business travel services through its Global Business Travel business unit, which also operated

under the American Express Global Business Travel brand. GBT currently has business travel websites that allow its business travel customers to make travel arrangements online. In addition, GBT has entered into a number of agreements with online travel reservation service providers for individuals and businesses to make reservations over the Internet and Intranets.

As between the franchisor and its franchisees, there are no limitations on TRS's or GBT's activities. TRS is engaged, and may in the future engage, in a wide variety of business activities, including direct marketing campaigns with other travel companies. Such activities may affect your franchise business. The Company is also engaged in a wide range of business activities and may in the future engage in business activities which affect franchise activities.

The travel agent industry is also undergoing significant changes. Commissions and incentive payments from travel suppliers generally have been declining throughout the industry, which will put additional financial pressure on you.

## REGULATIONS

TRS is aware of the following regulations specific to the travel agent and travel-related services industry:

Federal: Department of Transportation regulations, Department of Treasury regulations, Federal Trade Commission requirements, various Internal Revenue Code rules regarding cash transactions, the Bank Secrecy Act, Federal anti-money laundering laws, Department of Homeland Security and Transportation Security Administration regulations, and the USA Patriot Act.

State: Various states' laws require travel agents to register with the state, obtain a license to transact business (including, but not limited to, the sale of travel services and/or travel insurance products), maintain customer trust accounts or adhere to other financial security requirements to protect customer funds, provide customers with written disclosures and/or abide by certain rules regarding advertising. Some states' regulations regulate the travel agents' sales of sporting event and other special event tickets, which may be part of a travel package. Some state regulations regulate travel for educational purposes.

Other: Suppliers (for example, airlines, cruise lines, hotels, and car rental companies) and various trade organizations, such as the Airline Reporting Corporation ("ARC"), the Bank Settlement Plan ("BSP"), the International Air Transport Association ("IATA") and International Association of Travel Agents Network ("IATAN"), regulate the activities of travel agents, including, but not limited to, the establishment of initial and ongoing travel agency accreditation requirements.

Your franchise will also be subject to other federal, state and local regulations that are applicable to businesses generally and include the following, among others: consumer protection laws, privacy laws, marketing and advertising laws, labor regulations, occupational health and safety regulations, zoning and building codes, sales, payroll and income taxes. You must comply with all applicable laws and regulations.

TRS's agents for service of process are listed in Exhibit D.

## Item 2

### BUSINESS EXPERIENCE

Claire Bennett

Executive Vice President, American Express Travel & Lifestyle Services, TRS

Claire Bennett has been the Executive Vice President of the Travel Division, in New York, New York since May 2013. Ms. Bennett leads the team that is responsible for the digital and social customer experience, preferred supplier benefits and programs, loyalty marketing, as well as customer acquisition and engagement strategies for the Company's premium customer base. Prior to this role, from January 2012 until April 2013, Ms. Bennett was Executive Vice President of Loyalty & Membership Benefits. ~~From July 2009 until January 2012, Ms. Bennett was Senior Vice President, Global Advertising and Brand Management for the Company.~~

~~Yana C. Gutierrez~~

Tanuj Suri

Vice President, ~~Strategic Partnerships~~Premium Customer Experience, American Express Travel & Lifestyle Services, TRS

~~Yana C. Gutierrez~~Tanuj Suri has been the Vice President, ~~Strategic Partnerships~~Premium Customer Experience, of the Travel Division in New York, New York, since ~~July 2011~~January 2015. From January ~~2009~~2012 until ~~July 2011~~, ~~Ms. Gutierrez~~January 2015, Mr. Suri was the Vice President ~~for Industry Development, Customer Insights and Strategy~~, of the ~~Merchant Services Americas, TRS, Travel Division~~. From February 2009 until December 2011, Mr. Suri was Vice President, Strategic Planning, of the Company.

Ernesto G. Lavandero

Director of Sales and Account Development, U.S. Representative Travel Network, TRS

~~Mr.~~Ernesto Lavandero has been the Director of Sales and Account Development for the U.S. Representative Travel Network, in New York, New York, since November 2005.

Timothy J. Heine

Senior Vice President, Managing Counsel and Director, TRS

Timothy Heine has been Senior Vice President for TRS, in New York, New York, since November 1983; its Managing Counsel since December 2006; and a Director of TRS since December 2013.

Kenneth Chenault

Chairman and Chief Executive Officer, American Express Company

Chairman and Chief Executive Officer, TRS

~~Mr.~~Kenneth Chenault has been Chairman of the American Express Company and TRS, in New York, New York, since April 2001 and Chief Executive Officer since January 2001.

~~Douglas E. Buckminster~~

~~President, Global Consumer Services, American Express Company~~

~~Mr. Buckminster has been President of the Global Consumer Services Group of the Company, in New York, New York, since October 2015. Prior thereto, he was President, Global Network and International Card Services of the Company from February 2012 until September 2015 and President, International Consumer and Small Business Services of the Company from November 2009 until January 2012.~~

~~James Bush~~

~~President, Global Network and International Consumer Services, American Express Company~~

~~Mr. Bush has been President, Global Network and International Consumer Services of the Company, in New York, New York, since October 2015. Prior thereto, he was Executive Vice President, World Service of the Company from October 2009 until September~~

~~David L. Yowan~~  
~~Executive Vice President and Corporate Treasurer, TRS~~

~~David L. Yowan has been the~~ ~~2015.~~

~~Jeffrey C. Campbell~~

~~Executive Vice President and~~ ~~Chief Financial Officer, American Express Company~~~~Corporate Treasurer of TRS, in New York, New York, since June 2006.~~

~~Mr. Campbell has been Executive~~ ~~John D. Koslow~~  
~~Vice President, Finance, Assistant Treasurer, TRS~~

~~John D. Koslow has been Vice President and Assistant Treasurer~~ of ~~the Company~~ ~~TRS~~, in New York, New York, since ~~July 2013~~ ~~June 2011.~~

~~Carol Schwartz~~

~~Corporate Secretary, American Express Company and TRS~~

~~Carol Schwartz has been the Corporate Secretary and Chief~~ ~~Financial~~ ~~Governance~~ Officer of ~~the~~ ~~American Express Company and TRS~~ since ~~April 2009.~~ ~~Ms. August 2013.~~ ~~Mr. Campbell joined the~~ ~~Schwartz has been with American Express Company from~~ ~~McKesson Corporation, a health care services company in New York, New York, where he served as Executive Vice President and Chief Financial Officer from April 2004 until June 2013~~ ~~since 1981.~~

~~L. Kevin Cox~~

~~Chief Human Resources Officer, American Express Company~~

~~Mr. Cox has been Chief Human Resources Officer of the Company, in New York, New York, since April 2005.~~

~~Paul Fabara~~

~~President, Global Risk & Compliance Group and Chief Risk Officer~~

~~John J. Nowak~~

~~Assistant Corporate Secretary, American Express Company and TRS~~

~~Mr. Fabara~~ ~~John J. Nowak~~ has been ~~President, Global Risk & Compliance Group and Chief Risk Officer~~ ~~the Assistant Secretary~~ of ~~the Company, in New York, New York, since February 2016 and President, Global Banking Group of the Company since March 2013. He also served as President, Global~~

~~Network Business of the Company from September 2014 to October 2015. Prior thereto, he was Executive Vice President, Global Credit Administration of the Company from January 2011 to August 2014.~~

Marc D. Gordon

Executive Vice President and Chief Information Officer, American Express Company

~~Mr. Gordon has been Executive Vice President and Chief Information Officer of the Company, in New York, New York, since September 2012. Mr. Gordon joined the Company from Bank of America in Charlotte, North Carolina, where he served as Enterprise Chief Information Officer from December 2011 until since April 2012. Prior thereto, he was Chief Technology Officer, Global Delivery Operation at Bank of America from May 2008 until November 2011.~~

Ash Gupta

President, Credit Risk and Global Information Management, and Assistant Secretary of TRS since June 2009. He has been with American Express Company since January 1994.

~~Mr. Gupta has been President, Credit Risk and Global Information Management of the Company, in New York, New York, since February 2016. Prior thereto, he was President, Risk and Information Management and Chief Risk Officer of the Company from July 2007 to January 2016.~~

Michael J. O'Neill

Executive Vice President, Corporate Affairs and Communications, American Express Company

~~Mr. O'Neill has been Executive Vice President, Corporate Affairs and Communications of the Company, in New York, New York, since July 2014. Prior thereto, he was Senior Vice President, Corporate Affairs and Communications of the Company from March 1991 to July 2014.~~

Laureen Seeger

Executive Vice President and General Counsel, American Express Company

~~Ms. Seeger has been Executive Vice President and General Counsel of the Company, in New York, New York, since July 2014. Ms. Seeger joined the Company from McKesson Corporation in San Francisco, **California**, where she served as Executive Vice President and General Counsel from March 2006 until June 2014.~~

Susan Sabbott

President, Global Commercial Payments, American Express Company

~~Ms. Sabbott has been President, Global Commercial Payments of the Company, in New York, New York, since October 2015 and President, Global Corporate Payments of the Company since January 2014. From June 2004 until January 2014, she was the President of American Express OPEN.~~

Stephen J. Squeri  
Vice Chairman, American Express Company

~~Mr. Squeri has been Vice Chairman of the Company, in New York, New York, since July 2015. Prior thereto, he was Group President, Global Corporate Services of the Company from November 2011 until June 2015. Prior thereto, he had been Group President, Global Services of the Company from October 2009 until October 2011.~~

Anré Williams  
President, Global Merchant Services and Loyalty, American Express Company

~~Mr. Williams has been President of Global Merchant Services and Loyalty of the Company, in New York, New York, since October 2015 and President, Global Merchant Services of the Company since November 2011. Prior thereto, he was President of Global Corporate Payments of the Company from June 2007 until October 2011.~~

**Item 3**

**LITIGATION**

A. Pending Matters

1. The Department of Justice (“DOJ”), along with Attorneys General from Arizona, Connecticut, Hawaii (Hawaii has since withdrawn its claim), Idaho, Illinois, Iowa, Maryland, Michigan, Missouri, Montana, Nebraska, New Hampshire, Ohio, Rhode Island, Tennessee, Texas, Utah and Vermont filed a complaint in 2010 in the U.S. District Court for the Eastern District of New York against us, MasterCard International Incorporated and Visa, Inc., captioned United States, et al. v. American Express Company, et al., Case No. CV-10-4496 (E.D.N.Y) alleging a violation of Section 1 of the Sherman Antitrust Act. The complaint alleges that the defendants’ policies prohibiting merchants from steering a customer to use another network’s card, another type of card or another method of payment (“anti-steering and non-discrimination rules”) violate the antitrust laws. The complaint seeks a judgment permanently enjoining the defendants from enforcing their anti-steering and non-discrimination rules and contractual provisions. The complaint does not seek monetary damages. Following a non-jury trial in the DOJ case, the trial court found that the challenged provisions were anticompetitive and on April 30, 2015, the court issued a final judgment entering a permanent injunction. Following our appeal of this judgment, on December 18, 2015, the Court of Appeals for the Second Circuit stayed the trial court’s judgment as well as related matters before the trial court pending the issuance of its appellate decision. [On September 26, 2016, the Court of Appeals issued a ruling reversing the trial court’s judgment and directing that court to enter judgment in favor of American Express. On January 5, 2017, the Court of Appeals for the Second Circuit denied the government’s request for rehearing en banc. On January 25, 2017, the district court entered judgment for American Express. The DOJ may seek Supreme Court review.](#)

2. Since August 2005, the Company has been named in a number of putative class actions alleging that the Company’s anti-steering policies and contractual provisions violate the antitrust laws. Those cases were originally consolidated in the U.S. District Court for the Southern District of New York under the caption In re American Express Anti-Steering Rules Antitrust Litigation, Case No. 1:06-02974 (S.D.N.Y.). The plaintiffs’ complaint in that consolidated action seeks injunctive relief and unspecified

damages. In November 2010, two putative class action complaints making allegations similar to those in In re American Express Anti-Steering Rules Antitrust Litigation were filed in the U.S. District Court for the Eastern District of New York: Firefly Air Solutions, LLC v. American Express Company, et al., Case No. 2:10-cv-05200 (E.D.N.Y) and Plymouth Oil Corp. v. American Express Company, et al., Case No. 2:10-cv-05369 (E.D.N.Y.). In addition, in December 2010, a putative class action complaint making similar allegations, and seeking certification of a Wisconsin-only class, was filed and captioned Treehouse Inc. v. American Express Company, et al., Case No. 3:10-cv-00790 (W.D. Wis.). In January 2011, a putative class complaint, captioned Il Forno v. American Express Centurion Bank, Case No. 2:11-cv-00306 (C.D.Cal.), seeking certification of a California-only class and making allegations similar to those in In re American Express Anti-Steering Rules Antitrust Litigation, was filed in the U.S. District Court for the Central District of California. In February 2011, all of these pending putative class actions were transferred and consolidated by the U.S. Judicial Panel on Multi-District Litigation for pretrial proceedings before Judge Nicholas G. Garaufis in the Eastern District of New York, captioned In re: American Express Anti-Steering Rules Antitrust Litigation, Case No. 11-MD-0221 (E.D.N.Y.). On December 19, 2013, the Plaintiffs and the Company entered into an agreement to settle all injunctive claims asserted by the Plaintiffs on behalf of the putative class. On February 11, 2014, Judge Garaufis ordered preliminary approval of the settlement. On August 4, 2015, the court denied final approval of the settlement; ~~further proceedings are anticipated after~~ the matter was stayed pending resolution of the appeal in the DOJ case. Further proceedings are anticipated.

Separately, in June 2008, the following five separate lawsuits were filed against the Company in the Eastern District of New York alleging that the Company's anti-steering provisions in its merchant acceptance agreements with the merchant plaintiffs violate federal antitrust laws: 1) Rite Aid Corporation, et al. v. American Express Travel Related Services Company, Inc., et al., Case No. 08-CV-2315 (E.D.N.Y.); 2) CVS Pharmacy, Inc. v. American Express Travel Related Services Company, et al., Case No. CV 08-2316 (E.D.N.Y.); 3) Walgreen Co. v. American Express Travel Related Services Company, Inc. et al., Case No. CV 08-2317 (E.D.N.Y.); 4) Bi-Lo, LLC v. American Express Travel Related Services Company, Inc. et al., Case No. CV 08-2380 (E.D.N.Y.); and 5) H.E. Butt Grocery Company v. American Express Travel Related Services Company, et al., Case No. CV 08-2406 (E.D.N.Y.). The plaintiff in each action seeks damages and injunctive relief. On January 21, 2011, the following lawsuits were filed making similar allegations that the Company's "anti-steering" provisions violate antitrust laws: 1) Meijer, Inc., Publix Super Markets, Inc., Raley's Inc. and Supervalu v. American Express Travel Related Services Company, Inc., et al., Case No. CV 11-0338 (E.D.N.Y.); and 2) The Kroger Co., Safeway, Inc., Ahold U.S.A., Inc., Albertson's LLC, Hy-Vee, Inc. and the Great Atlantic & Pacific Tea Company, Inc. v. American Express Travel Related Services Company, Inc., Case No. CV 11-0337 (E.D.N.Y.). These new actions have been coordinated with the already-pending lawsuits in the Eastern District of New York filed by Rite-Aid Corp., CVS Pharmacy Inc., Walgreen Co., Bi-Lo LLC, and H.E. Butt Grocery Company.

As alleged by the plaintiffs, these provisions prevent merchants from offering consumers incentives at the point of sale to use alternative forms of payment when consumers wish to use an American Express-branded card. Plaintiffs seek damages and injunctive relief. These matters ~~have been~~ were stayed pending resolution of the appeal in the DOJ case. Further proceedings are anticipated.

3. In July 2004, we were named as a defendant in a putative class action captioned The Marcus Corporation v. American Express Company, et al., Case No. 1:04-cv-05432 (S.D.N.Y.), in which the plaintiff alleges an unlawful antitrust tying arrangement between certain of our charge cards and credit cards in violation of various state and federal laws. The plaintiff seeks injunctive relief and an unspecified amount of damages. In December 2013, we announced a proposed settlement of the Marcus case and the putative class actions challenging our anti-steering or non-discrimination provisions. The settlement, which provides for certain injunctive relief for the proposed classes, received preliminary

approval on February 11, 2014. On August 4, 2015, the court denied final approval of a proposed class settlement; ~~further proceedings are anticipated after~~ [the matter was stayed pending](#) resolution of the appeal in the DOJ case. [Further proceedings are anticipated.](#)

4. Alfredo M. Lopez and Lauren R. Greene v. American Express Bank, FSB and American Express Centurion Bank, Case No. CV09-7335, United States District Court, Central District of California, Western Division. Plaintiffs allege that various American Express entities improperly changed the purchase APR on credit cards from a fixed rate to a variable rate without prior disclosure. Plaintiffs assert claims for violation of the Truth in Lending Act, 15 U.S.C. § 1601 et seq., the California Unfair Competition Law and the California Consumer Legal Remedies Act and for breach of the implied covenant of good faith and fair dealing. The Complaint was served on October 19, 2009. American Express Bank, FSB and American Express Centurion Bank filed a motion to compel arbitration and a motion to dismiss. On June 2, 2010, the court entered an order denying the motion to compel arbitration. On June 30, 2010, the defendants filed a motion for reconsideration. On July 2, 2010, the court granted in part and denied in part the motion to dismiss. On August 11, 2010, plaintiffs filed a motion for class certification. The defendants filed an opposition on September 1, 2010. On September 17, 2010, the court entered an order granting in part and denying in part defendants' motion for reconsideration. The court again denied defendants' motion to compel arbitration; however, the court vacated all scheduled dates and stayed all proceedings pending the United States Supreme Court's decision in AT&T Mobility v. Concepcion. The defendants filed a notice of appeal of the court's rulings on the motions to compel arbitration and for rehearing on October 6, 2010. ~~An appellate mediation assessment conference took place on February 1, 2011, and the case was accepted into the Ninth Circuit Mediation Program. The briefing on appeal is currently stayed and settlement discussions have taken place.~~ On August 20, 2014, plaintiffs filed an amended nationwide complaint and, on December 28, 2015, filed an unopposed motion for preliminary approval of a settlement of the claims alleged in that complaint. The settlement provides for certain relief to class members, attorneys' fees and costs of up to \$6 million. The court granted preliminary approval of the settlement on February 3, 2016. ~~The final approval hearing is scheduled for October 17, 2016~~ [The final approval hearing took place on October 17, 2016. The settlement was finally approved and the effective date has occurred. Attorneys' fees, costs and incentive awards were paid in December 2016. The balance of the settlement must be funded/credited by March 31, 2016 but that date may be extended. The Ninth Circuit appeal is expected to be dismissed.](#)

5. Saul M. Kaufman v. American Express Travel Related Services Company, Inc., United States District Court, Northern District of Illinois, Case No. 1:07-cv-01707. On February 14, 2007, plaintiff Saul M. Kaufman, on behalf of himself and purportedly on behalf of a putative nationwide class of similarly situated consumers, alleged claims in Illinois state court for breach of contract, unjust enrichment and violation of the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCA 505/1 et seq. (as well as for violations of consumer protection statutes for each other state where this product is sold) against TRS. Plaintiff challenges various aspects of TRS gift card transactions, including the alleged difficulty of using gift cards in "split tender" transactions, an alleged lack of broad acceptance by merchants of gift cards, the fees associated with non-use or delayed use of the gift cards, and the fees associated with obtaining a check for the value of an unused gift card. Plaintiff seeks to represent a putative nationwide class of "all persons who purchased or were gifted" ~~an~~ TRS gift card. A settlement of this action has been reached. If approved, the settlement will resolve the Goodman action (described elsewhere in this Franchise Disclosure Document) as well as two other actions that were dismissed on July 19, 2011, subject to a Tolling Agreement between TRS and the named plaintiffs, entitled: (1) Gordon Jarratt v. American Express Company, United States District Court, Southern District of California, Case No. 09 CV 425 H (WMC); and (2) Amanda Rudd v. American Express Travel Related Services Company, Inc., United States District Court, Southern District of California, Case No. 09 CV 930 H (WMC). The settlement provides for a settlement fund of \$6,753,269.50 from which valid class

members' claims will be paid, after settlement administration and notice costs and attorneys' fees (of no more than \$1,529,000 subject to court approval) have been paid. Class members also would be permitted to register to purchase one \$100 "classic" gift card without paying any up-front purchase fee or shipping/handling fee. TRS also would implement a balance refund program wherein it would waive check issuance fees on gift cards with balances of \$25.00 or less. A final fairness hearing was held on January 22, 2016; [with the court granting final approval of the settlement on March 2, 2016. Three objectors filed appeals to the settlement, with all but one objector withdrawing. Appellate briefing is ongoing.](#)

6. On July 30, 2015, plaintiff Plumbers and Steamfitters Local 137 Pension Fund, on behalf of themselves and other purchasers of American Express stock, filed a suit, captioned [Plumbers and Steamfitters Local 137 Pension Fund v. American Express Co., Kenneth I. Chenault and Jeffrey C. Campbell](#), for violation of federal securities law, alleging that the Company deliberately issued false and misleading statements to, and omitted important information from, the public and investors relating to the financial importance of the Costco cobrand relationship to the Company, including, but not limited to, the decision to accelerate negotiations to renew the cobrand agreement. The plaintiff seeks damages and injunctive relief. ~~We intend to vigorously defend against these claims.~~ [Plaintiff filed an Amended Complaint on January 19, 2016. Defendants' motion to dismiss is fully briefed and pending with the court.](#)

7. On October 16, 2015, a putative class action, captioned [Houssain v. American Express Company, et al.](#), was filed in the United States District Court for the Southern District of New York against the Company and certain officers of the Company under the Employee Retirement Income Security Act of 1974 ("ERISA") relating to disclosures of the Costco cobrand relationship. The complaint alleges that the defendants violated certain ERISA obligations by: allowing the investment of American Express Retirement Savings Plan ("Plan") assets in American Express common stock when American Express common stock was not a prudent investment; misrepresenting and failing to disclose material facts to Plan participants in connection with the administration of the Plan; and breaching certain fiduciary obligations. The suit seeks, among other remedies, an unspecified amount of damages. ~~We intend to vigorously defend against these claims.~~ [The Company moved to dismiss the complaint on April 20, 2016 and is awaiting decision.](#)

~~8. On March 20, 2015, a putative shareholder derivative action captioned [Lankford v. Chenault et al., and American Express Co., Case No. 650866/2015](#), was filed in New York State Supreme Court, New York County. The defendants include current and former American Express executives, current and former members of the Company's Board of Directors ("Board") and the Company itself, as a nominal defendant. No demand preceded the filing of the complaint. Plaintiff alleges that the defendants permitted and/or caused the Company to violate the antitrust laws through inclusion of its non-discrimination rules in merchant contracts, which resulted in the District Court decision in [United States, et al. v. American Express Company, et al., 10 Civ. 4496 \(E.D.N.Y.\)](#). Plaintiff further alleges: breach of fiduciary duties by disseminating false and misleading information in our filings with the Securities and Exchange Commission ("SEC") and other public statements; failure to maintain internal controls, and failure to properly oversee and manage the Company; unjust enrichment; abuse of control; and gross mismanagement. The amount of purported damages is unspecified in the complaint. On October 29, 2015, the court dismissed the action with prejudice for failure to make a demand. The plaintiff has filed a notice of appeal.~~

~~9. On November 6, 2015, a putative representative action, captioned [People of the State of California, ex. rel. Dennis Herrera v. American Express Co. et al., Case No. CGC 15-548854](#), was filed in California state court on behalf of the People of California by the San Francisco City Attorney for the~~

~~benefit of California merchants that accept American Express cards. The complaint alleges that certain terms in our merchant agreements violate California law and seeks relief in the form of: (1) a declaratory judgment; (2) an injunction preventing us from enforcing those terms; (3) statutory civil penalties in an amount to be determined by the court; (4) restitution for alleged overcharges; and (5) attorney's fees and cost of suit. On January 13, 2016, the parties entered into an agreement partially staying the action pending a decision from the Court of Appeals for the Second Circuit in the United States v. American Express Co., No. 15-1672~~

~~10.~~ On November 26, 2014, Plaintiff CHS, Inc. filed a notice of arbitration with JAMS (JAMS Ref. No. 1390000208) asserting claims against the Company alleging that the Company's anti-steering and non-discrimination rules violate federal and Minnesota antitrust laws. CHS, Inc. seeks damages and injunctive relief. According to its demand letter, CHS, Inc. seeks \$58.5 million in damages.

Following the submission of strike lists by the parties, on January 20, 2014, JAMS appointed Hon. David H. Coar (Ret.) as the Arbitrator in this matter. Following the Court of Appeals for the Second Circuit stay of the trial court's judgment, the parties agreed to stay the arbitration pending a decision in United States v. American Express Co., No. 15-1672.

~~11.~~ On November 26, 2014, Plaintiff MN Airlines, LLC filed a notice of arbitration with JAMS (JAMS Ref. No. 1390000209) asserting claims against the Company alleging the Company's anti-steering and non-discrimination" rules violate federal and Minnesota antitrust laws. MN Airlines, LLC seeks damages and injunctive relief. According to its demand letter, MN Airlines, LLC seeks \$37.2 million in damages.

Following the submission of strike lists by the parties, on January 20, 2014, JAMS appointed Hon. Edward A. Bobrick (Ret.) as the Arbitrator in this matter. On May 15, 2015, Plaintiff sought collateral estoppel based on the findings from United States, et al. v. American Express Company, et al., 10 Civ. 4496 (E.D.N.Y.). No decision has been issued on Plaintiff's motion. Following the Court of Appeals for the Second Circuit stay of the trial court's judgment, the parties agreed to stay the arbitration pending a decision in United States v. American Express Co., No. 15-1672.

~~12~~10. Between March 2015 and August 2015, six separate putative class action lawsuits were filed against the Company in the United States District Court for the Eastern District of New York. The actions were brought on behalf of consumers who used their MasterCard, Visa or Discover credit cards in different states, alleging that they paid more for goods and services than they otherwise would have paid because the Company's anti-steering" and "non-discrimination" rules inflate consumer prices. The first action was filed on March 26, 2015, by Plaintiffs Jaynes, Oliver, Martin and Huey (Jaynes et al. v. American Express et al., 15 Civ. 1598 (E.D.N.Y.)). Four additional actions were filed on July 15, 2015, by Plaintiffs Eaton, Kashishian, Valdes, Tintrow and Moriarty; Plaintiffs O'Keefe, Robleto and Reid; Plaintiff Tiemann; and Plaintiffs Amend, Burdette, Draper and Gelman. The sixth action was filed on August 11, 2015, by Plaintiff Bridges. Plaintiffs seek certification of separate statewide classes and assert claims under state antitrust and consumer protection laws. The actions were consolidated under the Jaynes caption on July 14, 2015, and August 11, 2015, Case No. CV-15-1598 (E.D.N.Y.). On August 10, 2015, the court ordered the cases stayed until February 29, 2016, or an appellate ruling on the merits of the pending appeal in United States v. American Express Co., No. 15-1672.

~~13~~11. The Wave Studio, LLC v. American Express Company, New York Southern District Court, Case No. 7:15-cv-03420. The Wave Studio, a NY LLC with its principal place of business in Westchester County, NY, filed a lawsuit against the Company on January 26, 2015 in the United States District Court for the Northern District of California that asserts one count of copyright infringement

claim and one count of contributory infringement based on allegations that during some unspecified period of time, the Company published and displayed certain hotel photographs on certain travel websites and distributed such copyrighted hotel photos to third party affiliates. On April 30, 2015, the matter was transferred to the Southern District of New York. The case has been stayed as of August 19, 2015 on the Company's motion. [Cross motions for summary judgment between the Wave Studio and non-stayed defendants were filed on May 6, 2016 and are currently pending before the court.](#)

~~14. — Between November and December 2015, three putative class actions were filed against DraftKings and Fanduel in the United States District Court for the Southern District of Florida and the Southern District of New York. The actions were brought on behalf of consumers (Plaintiffs Guttman, Wax and Rosen, Gomez) alleging that Defendants FanDuel and DraftKings operate illegal online sports betting businesses that accept wagers from persons across the nation, and that the payment networks, including American Express, facilitated such illegal online gambling by permitting consumers to place wagers via credit cards and that the payment networks earned fees from the sites for the consumers' credit card use. DraftKings filed motions seeking consolidation of several dozen lawsuits. On February 4, 2016, a panel ruled that all cases would be consolidated in Boston before Judge George O'Toole. Our cases were not individually referenced but should be included in the consolidation as a "tag along."~~

15.12. B & R Supermarket, Inc. d/b/a Milam's Market and Grove Liquors LLC, Individually and on Behalf of All Others Similarly Situated v. Visa, Inc., et. al., United States District Court for the Northern District of California, Case No. 4:16-cv-01150. On March 8, 2016, Plaintiffs B & R Supermarket, Inc. d/b/a Milam's Market and Grove Liquors LLC filed a complaint for violations of the Sherman Antitrust Act, the Clayton Antitrust Act, California's Cartwright Act, and Unjust Enrichment against the Company, other credit and charge card networks, numerous issuing banks, and EMVCo, LLC. Plaintiffs allege that the Networks and Issuing Banks, through EMVCo, conspired to shift billions of dollars in liability for fraudulent, faulty and otherwise rejected consumer credit card transactions from themselves to merchants after the implementation of EMV chip payment terminals. Plaintiffs seek treble damages plus interest, attorneys' fees and costs, an order enjoining and restraining Defendants from committing any additional alleged violations of the law, and any additional relief the Court may deem necessary to correct the alleged anticompetitive market effects caused by Defendants' allegedly unlawful conduct. ~~We intend to vigorously defend against these claims.~~ [On June 24, 2016, the court granted American Express' motion to transfer the claims brought by American Express accepting merchants against it in New York. The court also granted plaintiffs leave to file an amended complaint, and on September 30, 2016, denied our motion to dismiss as to claims brought by merchants who do not accept American Express. Discovery is ongoing.](#)

16.13. Phil Hollingsworth v. Jackson Hewitt, American Express and Restaurant.com, United States District Court, Northern District of Illinois, Case No. 3:16-CV-50059. On March 11, 2016, plaintiff Phil Hollingsworth filed a putative nationwide class action on behalf of himself and other consumers similarly situated, alleging unauthorized text messages were sent to plaintiff's cellular telephone in violation of the Telephone Consumer Protection Act, 47 U.S.C. § 227, et seq. Plaintiff seeks \$500.00 for each and every call in violation of the TCPA pursuant to 47 U.S.C. § 227(b)(3)(B), treble damages of up to \$1,500.00 for each and every call in violation of the TCPA pursuant to 47 U.S.C. § 227(b)(3)(C) and injunctive relief. ~~We intend to vigorously defend against these claims.~~ [Jackson Hewitt has agreed to indemnify American Express and filed a motion to compel arbitration based on its arbitration clause with plaintiff. The motion was granted on November 16, 2016 as to Jackson Hewitt and American Express. No arbitration has been filed.](#)

17.14. Marbek Revocable Trust, et. al. v. Christy Wyatt, et. al., Delaware Court of Chancery, Case No. 11580-VCL. On October 9, 2015, certain holders of common stock of Good Technology

Corporation brought suit against members of the board of directors of Good Technology Corporation, including our Executive Vice President and Chief Information Officer, Marc D. Gordon. Plaintiffs allege that the board members breached their fiduciary duty to shareholders, and failed to act in good faith, by approving the proposed sale of Good Technology Corporation to Blackberry Limited. Plaintiffs seek declaratory relief, an injunction preventing the proposed merger, and damages. The case is in the pleading stage.

15. Helen Harris v. American Express Company, United States District Court, Southern District of New York, Case No. 1:17-cv-00732. On January 31, 2017, plaintiff Helen Harris filed a putative nationwide class action on behalf of herself and other consumers similarly situated, alleging American Express violated the Telephone Consumer Protection Act, 47 U.S.C. §227 et seq., by placing prerecorded telephone calls to plaintiffs' cellular telephone without prior express written consent. Plaintiff seeks \$500.00 for each and every violation of the TCPA, treble damages of up to \$1,500.00 for each and every violation of the TCPA and injunctive relief. We intend to vigorously defend against these claims.

## B. Prior Matters

Over the past 10 years, the Company has been the subject of the following material actions claiming that the Company committed fraud, violated the franchise, antitrust or securities laws, committed unfair or deceptive practices or violated other comparable laws.

1. In re: American Express Merchants' Litigation: The Company was named in a number of purported class actions in which the plaintiffs allege an unlawful antitrust tying arrangement between the Company's charge cards, credit cards and debit cards in violation of various state and federal laws, including the following: (i) Cohen Rese Gallery et al. v. American Express Company et al., U.S. District Court for the Northern District of California, Docket Number 03 CV 10271 (filed July 2003); (ii) Italian Colors Restaurant v. American Express Company et al., U.S. District Court for the Northern District of California, Docket Number 03 CV 9592 (filed August 2003); (iii) DRF Jeweler Corp. v. American Express Company et al., U.S. District Court for the Southern District of New York, Docket Number 03 CV 9517 (filed December 2003); (iv) Hayama Inc. v. American Express Company et al., Superior Court of California, Los Angeles County Docket Number BC 307987 (filed December 2003); (v) Chez Noelle Restaurant v. American Express Company et al., U.S. District Court for the Southern District of New York, Docket Number 04 CV 266 (filed January 2004); (vi) Mascari Enterprises d/b/a Sound Stations v. American Express Company et al., U.S. District Court for the Southern District of New York Docket Number 04 CV 366 (filed January 2004); (vii) Mims Restaurant v. American Express Company et al., U.S. District Court for the Southern District of New York, Docket Number 04 CV 1558 (filed February 2004); (viii) The Marcus Corporation v. American Express Company et al., U.S. District Court for the Southern District of New York, Docket Number 04 CV 5432 (filed July, 2004) and (ix) Greenporter LLC et al. v. American Express Company and American Express Travel Related Services Company, Inc. (filed February 2009). The plaintiffs in these actions seek injunctive and declaratory relief and an unspecified amount of damages. Each of the above-listed actions (except Hayama and Marcus) was consolidated in the Southern District of New York under the caption: In re American Express Merchants' Litigation. On August 20, 2013, following the Supreme Court's ruling in American Express Co. v. Italian Colors Restaurant, plaintiffs in In re American Express Merchants' Litigation voluntarily dismissed the Complaint with prejudice and without costs. The Hayama case in California has since been dismissed with prejudice.

2. United States v. American Express Bank International, 07-20602-CR, filed August 6, 2007 in the United States District Court for the Southern District of Florida. In early 2004, American Express Bank International ("AEBI"), a former affiliate of TRS, received subpoenas from the DOJ

relating to certain customer accounts and anti-money laundering (“AML”) compliance programs. In September 2006, the DOJ informed AEBI of concerns relating to its AML compliance program. In addition, in 2007, the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Financial Crimes Enforcement Network (“FinCEN”) of the Department of Treasury informed AEBI of potential enforcement actions relating to its AML programs. Also, in June 2007, FinCEN informed TRS that it separately had concerns relating to TRS’s compliance with the provisions of the Bank Secrecy Act regarding the filing of Suspicious Activity Reports in connection with its travelers check business. On August 6, 2007, AEBI entered into a settlement with the DOJ, the Federal Reserve and FinCEN relating to deficiencies in its AML program. As part of the settlement, AEBI entered into a Deferred Prosecution Agreement with the DOJ, a Cease and Desist Order with the Federal Reserve and a Consent Order with FinCEN, each of which provided for a money penalty. The Consent Order with FinCEN also resolved FinCEN’s determination that TRS did not file timely, accurate and complete Suspicious Activity Reports. The Company has paid a total of \$65 million in settlement of all these matters. Of the amount paid, \$60 million is attributable to the matters involving AEBI and \$5 million is attributable to the matter involving TRS. The DOJ assessed a \$55 million payment under the Deferred Prosecution Agreement. FinCEN assessed a civil money penalty in the amount of \$25 million under its Consent Order, \$15 million of which was concurrent with the DOJ payment and was therefore deemed satisfied by the payment made to the DOJ, while the remaining \$10 million assessed under the FinCEN Consent Order was paid to the Department of the Treasury. The Federal Reserve assessed a civil money penalty in the amount of \$20 million under its Cease and Desist Order, which was concurrent with the penalty assessed by the DOJ and FinCEN and was therefore deemed satisfied by the payments to the DOJ and the Department of the Treasury.

3. In December 2003, TRS was named as a defendant in a shareholder derivative action purportedly filed on behalf of InfoSpace Inc. The action, captioned Dreiling v. American Express Travel Related Services Company, Inc., was filed in the District Court for the Western District of Washington, case number 03cv3740. The complaint alleges that TRS violated the “short swing” liability provisions of Section 16(a) of the Securities Exchange Act of 1934, as amended, in connection with its sale of InfoSpace common stock. The plaintiff seeks disgorgement of profits from the sale of the InfoSpace shares, as well as fees and expenses. In June 2004, the Court granted our motion to dismiss the complaint without our ever having answered the complaint. In August 2006, the U.S. Court of Appeals for the Ninth Circuit reinstated the action because of certain unresolved factual disputes. The parties settled this action on October 15, 2007 and we paid \$1,950,000 pursuant to the settlement.

4. Gallagher-Sanchez vs. American Express Travel Related Services, Co., Inc. (Complaint No. 00107116). This complaint was filed in the Superior Court of California, Orange County on June 7, 2008. Plaintiff initially alleged that a certain TRS travel agent was not qualified to put together an African Safari Trip from Egypt to Kenya, which resulted in plaintiff Sanchez allegedly being attacked by baboons in the Kenya Serengeti. The amount claimed in the complaint was \$4,200,000. The matter settled on November 11, 2009. TRS forgave plaintiff’s debt of \$226,921.

5. James B. Steinhaus, et al. v. American Express Travel Related Services Company, Inc., et al., Case no. CGC-02-416248, Superior Court of the State of California for the County of San Francisco. The complaint alleged intrusion, public disclosure of private facts and misappropriation of likeness and identity. The matter was settled in 2007, with TRS agreeing to pay \$6,000,000.

6. Carbon Capital Management Inc. commenced an action in the Supreme Court of the State New York, Nassau County against American Express Co., Corporate Solutions Group, LLC and Irwin Selinger, (Carbon Capital Management, LLC v. American Express Co, Corporate Solutions Group, LLC and Irwin Selinger, Index No. 09-006483). Carbon Capital raised claims of fraud and breach of fiduciary

duty against the Company in connection with certain business dealings between Jonathan Landow, New York Medical, P.C., Corporate Solutions Group, LLC and Irwin Selinger. On September 16, 2010, the action was settled and all claims against the Company were dismissed pursuant to a settlement agreement. The Company paid the plaintiff \$500,000 plus mediation fees of approximately \$3,000.

7. Kazemi v. Westfield America, Inc. San Diego County, California Superior Court Case No. 37-2008-00075526-CU-BT-CTL. On January 11, 2008, plaintiffs Kambiz Kazemi and Katayoun Kazemi, on behalf of themselves and supposedly on behalf of a putative California class of consumers, filed a class action complaint asserting various causes of action relating to the sale by Westfield America, Inc. (“Westfield”) of the Westfield Mall Gift Cards (“Westfield Cards”) issued by TRS. The gravamen of plaintiffs’ claim was that the \$2.00 monthly servicing fee, which applied to the Westfield Cards after the first 12 months, was unlawfully assessed against the face value of the Westfield Cards and operated as a de facto expiration date in violation of California law. Plaintiffs further contended that disclosures were inadequate to apprise them of the existence and applicability of the fee to the Westfield Cards. TRS agreed to defend and (if necessary) indemnify Westfield on these claims. On February 25, 2011, the parties mediated this action and reached a California class action settlement, which was memorialized in a settlement agreement. The settlement agreement was submitted to the court for final approval, and a final fairness hearing occurred on November 10, 2011. There were no objections to, or opt-outs from, the settlement, and the court finally approved the settlement. The deadline for class members to submit a claim under the settlement was December 27, 2011. Only 5 claims were received, requesting total benefits of \$25. The settlement agreement did not set forth a specific figure for plaintiffs’ attorneys’ fees, and this matter was left for further litigation. On November 15, 2011, the Court awarded \$500,000 in fees, \$32,096.03 in expenses and incentive awards of \$5,000 to each of the two named plaintiffs. On February 10, 2012, the court denied plaintiffs’ motion for reconsideration of the fee order. Plaintiffs confirmed that they would not pursue appeal of the fee order.

8. Lipuma v. American Express Bank, American Express Travel Related Services Company, Inc. and American Express Centurion Bank. Filed in August 2003 in the U.S. District Court for the Southern District of Florida, Docket Number 04-20314. TRS had been named in several purported class actions in various state courts alleging that TRS violated the respective state’s laws by wrongfully collecting amounts assessed on converting transactions made in foreign currencies to U.S. dollars and/or failing to properly disclose the existence of such amounts in its Card Member agreements and billing statements. The plaintiffs in the actions sought, among other remedies, injunctive relief, money damages and/or attorneys’ fees on their own behalf and on behalf of the putative class of persons similarly situated. In December 2005, the U.S. District Court for the Southern District of Florida granted final approval of a nationwide class action settlement to resolve all lawsuits and allegations with respect to TRS’s collection and disclosure of fees assessed on transactions made in foreign currencies in this case. The settlement approved by the Court called for TRS to (a) deposit \$75 million into a fund that would be used to reimburse class members with valid claims, make certain contributions to charitable organizations to be identified later and pay attorneys’ fees and (b) make certain changes to the disclosures in its Card Member agreements and billing statements regarding its foreign currency conversion practices. The courts approval enjoined all other proceedings that made related allegations pending a final approval hearing including, but not limited to the following cases: (i) Environmental Law Foundation, et al. v. American Express Company, et al., Superior Court of Alameda County, California (filed March 2003); (ii) Rubin v. American Express Company and American Express Travel Related Services Company, Inc., Circuit Court of Madison County, Illinois (filed April 2003); (iii) Angie Arambula, et al. v. American Express Company, et al., District Court of Cameron County, Texas, 103rd Judicial District (filed May 2003); (iv) Fuentes v. American Express Travel Related Services Company, Inc. and American Express Company, District Court of Hidalgo County, Texas (filed May 2003); (v) Wick v. American Express Company, et al., Circuit Court of Cook County, Illinois (filed May 2003); (vi) Bernd Bildstein v.

American Express Company, et al., Supreme Court of Queens County, New York (filed June 2003); (vii) Janowitz v. American Express Company, et al., Circuit Court of Cook County, Illinois (filed September 2003); (viii) Paul v. American Express Company, et al., Superior Court of Orange County, California (filed January 2004); and (ix) Ball v. American Express, et al., Superior Court of San Joaquin, California (filed August 2004). The settlement became final in 2007 and administration was completed in 2009.

9. Stargazer, T.C.L., Imaster, S.A.R. v. American Express Company. On or about November 5, 2008, Stargazer and Imaster commenced an action against the Company in Federal District court in New Jersey similar to a previous action they had commenced and discontinued in 2006. Stargazer and Imaster are publishing guides displaying American Express marks in 14 locations around the world, including Puerto Rico, which is a U.S. territory. Plaintiffs advised that they would cease using the marks and discontinue the litigation in exchange for a payment of \$1 million (U.S.). On January 9, 2009, the Company filed an Answer to the Complaint, in which it asserted counterclaims for trademark infringement. The parties exchanged initial disclosures and the Company served document requests and interrogatories on plaintiffs, to which plaintiffs responded. In September 2009, the Company conducted the deposition of plaintiffs' representative. A mediation was held on April 28, 2010. At the mediation, the parties agreed to settle the action for a payment by the Company and other terms including plaintiffs' acknowledgement of the Company's exclusive ownership of the Marks and agreement to specific terms under which plaintiffs may publish further Guides.

10. The Wild Grape v. American Express, et al., United States District Court, Central District of California, Case No. CV 09-5259 DSF (RZx): The Wild Grape, LLC brought this action on or about June 20, 2009, claiming that the Company's practice of charging merchants a nonrefundable discount fee on sales transactions was a breach of contract, breach of the implied covenant of good faith and fair dealing, conversion, fraud and a violation of California's Unfair Competition Law, Cal. Bus. & Prof. Code § 17200. The plaintiff sought an undisclosed amount in restitution and punitive damages. On January 5, 2010, the Company moved to dismiss the complaint. Before the court decided the motion, the parties settled the case with a payment to the plaintiff in the amount of \$100,000, plus payment of the plaintiff's attorneys' fees in the amount of \$582,859.

11. Hoffman, et al. v. American Express Travel Related Services Company, et al., Superior Court of the State of California, Alameda County, Case No. 2001-022881: This case was filed on September 6, 2001. Plaintiffs claimed that TRS erroneously charged Card Member accounts in connection with its airflight insurance programs because in certain circumstances customers would need to request refunds, as disclosed in materials for the voluntary program. In January 2006, the Court certified a class of American Express charge Card Members asserting claims for breach of contract and conversion under New York law, with a subclass of California residents asserting violations of California Business & Professions Code §§ 17200 and 17500, and a subclass of New York residents asserting violation of New York General Business Law § 349. TRS sought to compel arbitration of the claims of all non-California residents. The motion to compel arbitration was denied by the trial court, which decision was affirmed by the California Court of Appeal on July 6, 2007. The case went to trial in November 2008 and January to February 2009. TRS was granted judgment on all counts. The court of appeal affirmed the judgment in an opinion issued on December 7, 2012, and subsequently denied Plaintiffs' petition for rehearing. On February 20, 2013, the California Supreme Court denied plaintiffs' petition for further review. The Company entered into a settlement agreement in the parallel case, Law Enforcement Systems, Inc., et al. v. American Express, et al., pursuant to which the Company agreed not to pursue costs against the plaintiffs in Hoffman.

12. G.R. Homa, individually and on behalf of all others similarly situated v. American Express Company and American Express Centurion Bank, United States District Court, District of New Jersey, Civil Action No. 06-2985. On June 29, 2006, Plaintiff filed a putative Class-Action Complaint against American Express Centurion Bank raising various claims relating to rebates provided by the Company's "Blue Cash" product. Essentially, the Complaint alleged that the Company marketed the cash back feature of the "Blue Cash" product in a misleading manner. The Complaint sought to certify a class consisting of all "Blue Cash" Card Members for a specified period. In response, on September 25, 2006, the Company filed a Motion to Compel Arbitration and Dismiss Action in Favor of Arbitration, or Alternatively, Stay Action Pending Arbitration. In response, on December 1, 2006, Plaintiff opposed the Motion and filed an Amended Complaint. The Amended Complaint only raised a claim under the New Jersey Consumer Fraud Act, and only sought to certify a class consisting of all consumers residing in New Jersey who applied for and received a "Blue Cash" card during a specified period. Per an Order dated May 31, 2007, the Court granted the Company's Motion, dismissed Plaintiff's Complaint, and compelled Plaintiff to assert his claim on an individual basis in an arbitration proceeding. On February 24, 2009, the United States Court of Appeals for the Third Circuit vacated the District Court's decision and remanded the matter back to the District Court. In October 2010, the case was stayed pending the Supreme Court's decision in AT&T Mobility v. Concepcion. In April 2011, the United States Supreme Court handed down its decision in AT&T Mobility, 131 S. Ct. 1740 (2011), reversing the Ninth Circuit Court of Appeals. The District Court then entered an Order reinstating its prior Order compelling arbitration on an individual basis. The Supreme Court denied Homa's writs of certiorari on June 27, 2013.

13. Maleksaedi v American Express Centurion Bank, Inc., United States District Court, Southern District of California, Case No. 3:11-cv-00790-JAH-CAB. Plaintiff alleged that American Express Centurion Bank ("AECB") violated the Telephone Consumer Protection Act, 47 U.S.C. § 227 ("TCPA") by sending a text message using an autodialer to her cellular telephone number without her prior express consent. Specifically, plaintiff alleged that: (1) after receiving account alerts to her cellular phone via text messages for a period of time, she responded to a text message with "stop," thereby revoking any consent to receive further text messages; and (2) in response to this revocation, AECB improperly sent a confirmatory text message. Plaintiff brought the action for herself and purportedly on behalf of all others within the United States to whom the challenged text messages were sent during a specified period. Plaintiff filed the putative Class Action Complaint on April 14, 2011. On June 17, 2011, AECB filed a Motion to Compel Arbitration and Stay Action. On February 12, 2013, the Court granted the motion and stayed the action pending completion of the arbitration. The matter was settled on an individual basis in June 2013 for a payment of \$7,500 by AECB.

14. The "Overseas Call Center Cases" settled in 2013 for total payments of \$92,250. These were a series of lawsuits and arbitrations alleging that various American Express entities failed to disclose that customer service contacts might be handled by personnel outside the United States. These matters included Charles Aneke, et al. v. American Express Centurion Bank, American Express Company, American Express Travel Related Services Company, Inc. and American Express Bank, FSB, United States District Court, District of Columbia, Case No. 1:11-cv-01008-GK; Amavi Kunu v. American Express Travel Related Services Company, Inc., American Express Centurion Bank and American Express Bank, FSB, Superior Court for the District of Columbia, Case No. 2011 CA 004311 B; Jeffrey Stein v. American Express Centurion Bank, American Express Company, American Express Travel Related Services Company, Inc. and American Express Bank, FSB, Superior Court for the District of Columbia, Case No. 2011 CA 004311 B and JAMS Case No. REF# 1410005904; and Heidi Pickman v. American Express Centurion Bank, American Express Company, American Express Travel Related Services Company, Inc. and American Express Bank, FSB, United States District Court, Northern District of California, Case No. 3:11-cv-05326-JCS and United States Court of Appeals, Ninth Circuit Case Nos.

12-15404, 12-16049, 12-16050, 12-16462 and 12-16465; Christopher Addison v. American Express Bank, FSB, JAMS, Case No. REF# 1410006017. All have been dismissed.

15. In July 2004, a purported class action complaint, Ross, et al. v. American Express Company, American Express Travel Related Services and American Express Centurion Bank, Case No. 04-cv-05723 (S.D.N.Y.), was filed in the United States District Court for the Southern District of New York alleging that we conspired with Visa, MasterCard and Diners Club in the setting of foreign currency conversion rates and in the inclusion of arbitration clauses in certain of our cardholder agreements. The suit sought injunctive relief and unspecified damages. The class was defined as “all Visa, MasterCard and Diners Club general-purpose cardholders who used cards issued by any of the MDL Defendant Banks.” American Express Card Members are not part of the class. The settlement of the claims asserted on behalf of the damage class concerning foreign currency conversion rates, under which the Company agreed to pay \$49.5 million into a settlement fund, was approved in 2012. On April 10, 2014, following a trial of the claims asserted by the injunction class concerning cardholder arbitration clauses, the Court dismissed plaintiffs’ claims and granted judgment in favor of the Company. That verdict was affirmed on appeal in November 2015.

16. Christopher C. Meeks v. American Express Centurion Bank, Inc., United States District Court, Northern District of Georgia, Atlanta Division Case No. 1:10-CV-3336-AT. Plaintiff alleged, on behalf of himself and a putative nationwide class, that AECB improperly increased interest rates and changed fixed rates to variable rates. (This action is similar to Lopez, described above.) The complaint was filed on September 9, 2010. AECB removed the action on October 15, 2010. The same day, plaintiffs filed an amended complaint, adding 3 new plaintiffs, California and New Jersey subclasses and alleging additional state law claims. AECB filed a motion to compel arbitration on April 27, 2011. On January 18, 2012, the court administratively closed the case with the motion to compel arbitration still pending, awaiting developments in Ross v. American Express. At the Court’s direction, on June 12, 2012, the parties filed supplemental briefs regarding AECB’s Motion to Compel Arbitration. In June 2014, Plaintiffs and their counsel settled this and two related cases (Manhattan Steamboat and Seldes) on an individual basis with a payment of \$5,000 to each plaintiff and \$150,000 to counsel for a total of \$180,000.

17. Manhattan Steamboat Company LLC, et al. v. American Express Company, et al., U.S. District Court, Southern District of New York, Case No. 1:13-cv-05580-GBD. Plaintiffs alleged that the Company, American Express Bank, FSB and TRS had improperly changed the purchase APR on small business credit cards from a fixed rate to a higher fixed rate or from a fixed rate to a variable rate without prior disclosure. Plaintiffs asserted claims for breach of contract, breach of the implied covenant of good faith and fair dealing, unconscionability and unjust enrichment. The Company was served on August 14, 2013 and filed a motion to dismiss, transfer or stay on October 4, 2013. The hearing on the motion and a case management conference was held May 15, 2014. In June 2014, Plaintiff settled this matter with Meeks and Seldes with an individual payment of \$5,000 to each plaintiff and \$150,000 to counsel.

18. Seldes, et al., v. American Express Centurion Bank (Inc.), Case No. 1:13-cv-03683 (N.D.Ga). In this putative class action, plaintiff and her husband indicated that they had opened an account with a fixed purchase rate of 9.9%. Plaintiff contended that although she was allegedly promised that the interest rate would remain fixed, AECB subsequently increased the rate, including by changing the fixed rate to a variable rate. Plaintiff asserted claims for breach of contract, breach of the covenant of good faith and fair dealing, unconscionability and unjust enrichment. Plaintiff sought to certify a nationwide class of all American Express Card Members who received unilateral interest rate increases. She also alleges that a timely opt-out of the arbitration provision in the Card Member agreement was submitted. While the case was originally filed in Florida, the Court granted AECB’s motion to transfer

the matter to the Northern District of Georgia, where the Meeks case was pending. On November 20, 2013 plaintiff filed an amended complaint. On November 27, 2013, AECEB moved to dismiss the Amended Complaint. On May 29, 2014 the court ordered plaintiff to file an amended complaint, adding her husband, the basic Card Member on the [Cardcard](#) account, as a party to the action. In June 2014, plaintiff settled this matter with Meeks and Manhattan Steamboat with an individual payment of \$5,000 to each plaintiff and \$150,000 to counsel.

19. J.L. Goodman v. American Express Travel Related Services Co., Inc., United States District Court, Eastern District of New York, Case No. 08-2299. On June 9, 2008, plaintiff J.L. Goodman (“Goodman”), on behalf of herself and purportedly on behalf of a putative nationwide class of similarly situated consumers, filed a class action complaint alleging claims for conversion, breach of contract, unjust enrichment and declaratory relief against TRS. Goodman challenged various aspects of TRS gift card transactions, including the alleged difficulty of using gift cards in “split tender” transactions (i.e., where payment is made in part by gift card and in part by cash or credit card). Goodman sought to represent a putative nationwide class of persons “who either purchased Gift Cards or received Gift Cards from others; and (ii) who were denied part of the value of their Gift Cards.” Goodman sought class certification, restitution, pre- and post-judgment interest and attorneys’ fees. An Amended Complaint was filed on August 28, 2008. As discussed in Kaufman (described below), the claims in this action were resolved by the nationwide settlement in Kaufman. The Goodman plaintiffs intervened in Kaufman upon learning of the original settlement in January of 2009. On December 22, 2009, while preliminary approval of the original settlement was pending, the Kaufman court also enjoined further prosecution of Goodman. See the discussion of the Kaufman matter for further details. This matter was administratively closed as of June 7, 2011 in light of the Kaufman proceedings.

20. Insider Escapes, Inc., v. American Express Company, et al., Case No. SACV13-00228 DOC (RNBx), U.S. District Court, Central District of California, Southern Division. Plaintiff Insider Escapes, Inc. initially filed this action on October 15, 2012, asserting claims for misappropriation of ideas (breach of implied-in-fact contract/”idea submission”), common law trademark infringement, violation of California’s Unfair Competition Law (Cal. Bus. & Prof. Code § 17200, et seq.), and breach of the implied covenant of good faith and fair dealing. Plaintiff contended that the Company and Yahoo! stole plaintiff’s idea for “insider” travel itineraries for affluent travelers. Plaintiff claims that its two principals, Tyler Strateman and Samuel Deutsch, developed the concept and website in 2009, and ultimately pitched it to, and nearly partnered with, the Company between January 2010 and May 2011. Plaintiff sought injunctive relief, restitution, statutory damages, compensatory damages, a finding of willful infringement and attorneys’ fees. Plaintiff filed its First Amended Complaint on January 7, 2013, and served it on the Company on January 10, 2013. On February 8, 2013, the Company removed the action to the United States District Court for the Central District of California, Southern Division. On December 9, 2013, Plaintiff dismissed its trademark claims against the Company and all claims against Yahoo!. As a result of the dismissal of the trademark claims, the case was remanded to Orange County Superior Court. The matter was settled for \$80,000 in May 2014.

21. In re American Express Company and American Express Travel Related Services Company, Inc.; In re American Express Bank, FSB. In October 2012, the Company announced that its settlements with several bank regulators to resolve reviews of certain aspects of its U.S. consumer card practices for compliance with certain consumer protection laws and regulations. Similar settlements were reached with several of the Company’s subsidiaries, including AECEB, American Express Bank, FSB and TRS. The Company agreed to pay civil money penalties totaling \$27.5 million and established, through its subsidiaries, a restricted fund pool totaling \$85 million for customer refunds (subject to adjustment depending on the ultimate amount of the refunds). The majority of those refunds were related to debt collection practices and late fee charges. In connection with the settlements, ongoing discussions with

regulators and the Company's own internal reviews, the Company and its subsidiaries made additional restitution to Card Members.

22. Clarke, et al. v. American Express Company, et al., U.S. District Court, Southern District of New York, Case No. 12-civ-7496. Plaintiffs Rosaleen Clarke, Ismael Alvarado and Larry Smith, on their own behalf and purportedly on behalf of all others similarly situated, filed suit against the Company, TRS, AECB and American Express Bank, FSB for breach of contract and the covenant of good faith and good dealing and for violations of N.Y. Gen. Bus. Law. §§ 349 et seq., various other state statutes and the federal Truth in Lending Act, arising out of the Company's Account Protector product. Plaintiffs also sought injunctive and declaratory relief, and asserted claims for unconscionability, unjust enrichment and fraud. Following a June 16, 2014 teleconference, a Stipulation of Voluntary Dismissal was filed on September 4, 2014 pursuant to the execution of a tolling agreement.

23. On December 24, 2013, TRS, AECB and American Express Bank, FSB reached settlements with several bank regulators to resolve regulatory reviews of marketing and billing practices related to several credit card add-on products. The settlements were signed by TRS with the Consumer Financial Protection Bureau ("CFPB"); AECB with the CFPB and the Federal Deposit Insurance Corporation; and American Express Bank, FSB with the CFPB and the Office of the Comptroller of the Currency ("OCC"). The Company agreed to pay civil money penalties totaling \$16.2 million and provided at least \$59.5 million in customer remediation.

24. Plaintiffs filed a purported class action complaint in the U.S. District Court for the Southern District of New York on September 17, 2012, captioned Shetiwy, et al., v. American Express Company, et al., Case No. 12-cv-7068 (S.D.N.Y.), against the Company and nineteen other defendants, including companies that provide consumer credit products and companies that engage in debt collection. Plaintiffs filed their amended complaint on December 6, 2012. On January 25, 2013, defendants filed a joint motion to dismiss and coordinated a Memorandum of Law in support of the motion to dismiss, the "debt buyer" defendants filed a separate coordinated Memorandum of Law in support of the motion to dismiss, and four defendants (including the Company) filed a joint motion to compel arbitration and to stay the action and coordinated a Memorandum of Law in support of the motion. The district court granted the Company's motion to compel arbitration. On December 3, 2013, the Second Circuit denied plaintiffs' motion for leave to appeal the district court's ruling. Plaintiffs have not filed an arbitration against American Express.

25. On March 20, 2015, a putative shareholder derivative action captioned Lankford v. Chenault et al., and American Express Co., Case No. 650866/2015, was filed in New York State Supreme Court, New York County. The defendants included current and former American Express executives, current and former members of the Company's Board of Directors ("Board") and the Company itself, as a nominal defendant. No demand preceded the filing of the complaint. Plaintiff alleged that the defendants permitted and/or caused the Company to violate the antitrust laws through inclusion of its non-discrimination rules in merchant contracts, which resulted in the District Court decision in United States, et al. v. American Express Company, et al., 10 Civ. 4496 (E.D.N.Y.). Plaintiff further alleged: breach of fiduciary duties by disseminating false and misleading information in the Company's filings with the Securities and Exchange Commission ("SEC") and other public statements; failure to maintain internal controls, and failure to properly oversee and manage the Company; unjust enrichment; abuse of control; and gross mismanagement. The amount of purported damages was unspecified in the complaint. On October 29, 2015, the court dismissed the action with prejudice for failure to make a demand. Plaintiff filed a notice of appeal on March 19, 2016 and the appeal was withdrawn following a stipulation of withdrawing appeal being filed.

26. On November 6, 2015, a putative representative action, captioned People of the State of California, ex. rel. Dennis Herrera v. American Express Co. et al., Case No. CGC-15-548854, was filed in California state court on behalf of the People of California by the San Francisco City Attorney for the benefit of California merchants that accept American Express cards. The complaint alleges that certain terms in our merchant agreements violate California law and seeks relief in the form of: (1) a declaratory judgment; (2) an injunction preventing us from enforcing those terms; (3) statutory civil penalties in an amount to be determined by the court; (4) restitution for alleged overcharges; and (5) attorney’s fees and cost of suit. On January 13, 2016, the parties entered into an agreement partially staying the action pending a decision from the Court of Appeals for the Second Circuit in the United States v. American Express Co., No. 15-1672. The parties agreed to a joint request for dismissal without prejudice on October 17, 2016.

27. Between November and December 2015, three putative class actions were filed against DraftKings and FanDuel in the United States District Court for the Southern District of Florida and the Southern District of New York. The actions were brought on behalf of consumers (Plaintiffs Guttman, Wax and Rosen, Gomez) alleging that Defendants FanDuel and DraftKings operate illegal online sports betting businesses that accept wagers from persons across the nation, and that the payment networks, including American Express, facilitated such illegal online gambling by permitting consumers to place wagers via credit cards and that the payment networks earned fees from the sites for the consumers' credit card use. DraftKings filed motions seeking consolidation of several dozen lawsuits. On February 4, 2016, a panel ruled that all cases would be consolidated in Boston before Judge George O’Toole. Our cases were not individually referenced but should be included in the consolidation as a “tag along.” On August 18, 2016, American Express, along with the remaining bank/facilitator defendants, were voluntarily dismissed without prejudice from the consolidated class action.

C. Cases Involving TRS Representatives under the Legacy System

Planetarium Travel, Inc. v. American Express Travel Related Services Company, Inc., Case No. 600794/10, New York Supreme Court (filed March 29, 2010). On March 29, 2010, plaintiff, a franchisee under the Legacy System, obtained a temporary restraining order to prevent TRS from declining to renew plaintiff’s Representative Agreement effective as of March 31, 2010. TRS had notified franchisee that franchisee’s Representative Agreement would not be renewed after its scheduled expiration on March 31, 2010. Plaintiff contended that its Representative Agreement was an “evergreen” agreement which TRS could not non-renew. In May 2010, the trial court held a hearing on plaintiff’s motion to preliminarily enjoin non-renewal of its Representative Agreement. The court denied plaintiff’s motion, and allowed its Representative Agreement to expire without renewal. Plaintiff appealed the trial court’s decision, which was upheld by the Appellate Department in June 2010. Plaintiff amended its complaint to assert claims against TRS for wrongful termination, breach of contract, breach of the implied covenant of good faith and fair dealing, unjust enrichment and violation of the New York Franchise Sales Act. TRS’s motion to dismiss plaintiff’s amended complaint was granted in part, and the court dismissed plaintiff’s claims that alleged violation of the New York Franchise Sales Act. TRS answered plaintiff’s amended complaint as to the remainder of plaintiff’s claims, denying all liability. In November 2012, the parties submitted the matter to mediation. The parties entered into a confidential settlement agreement on or about May 29, 2013, pursuant to which the action was settled and all claims were dismissed. TRS paid \$550,000 pursuant to the settlement and agreed to provide certain non-monetary benefits to plaintiff: plaintiff was allowed to advertise its former status as a TRS franchisee, and its excellence awards, on its website; plaintiff was allowed to transact certain “two for one” transactions until May 15, 2017; and plaintiff was allowed to continue to process “pay with points” transactions until May 15, 2017.

#### D. Routine Litigation Matters

Finally, approximately ~~451~~316 routine cases (not including bankruptcy avoidance or collection litigation) are filed against TRS and related entities each year. Most of these cases involve an individual Card Member or merchant claiming a disputed amount of less than \$50,000. Often the disputed amount is less than \$10,000. Most of these cases involve TRS's charge and credit card business and are unrelated to the franchise business. TRS believes it has meritorious defenses to these actions. Nonetheless, due to various business factors and the desire to resolve matters efficiently many of these cases result in settlements. Additionally, a few of these cases result in judgments against TRS. These settlements and judgments may require TRS to pay a certain amount of money to the other party. These cases generally involve one of the following issues:

- (1) Customer actions related to Card billing;
- (2) Customer actions alleging that TRS has violated the Fair Credit Reporting Act ("FCRA"), including reporting inaccurate information about customer accounts to credit bureaus or other actions that have a negative impact on customer credit rating;
- (3) Customer actions claiming that TRS is using harassment or other practices that violate the Fair Debt Collection Practices Act (FDCPA) or the Telephone Consumer Protection Act (TCPA) when collecting the customer's Card obligations. Counterclaims arising from TRS's collection of the customer's Card obligations;
- (4) Actions involving merchants who accept the Company's Cards, but are "charged back" by TRS because the Card Member disputes a charge on the Card Member's bill;
- (5) Customer actions involving third parties who demand that TRS refund to them an amount paid to TRS by a customer because the customer forged, stole or wrongfully used one of the third parties' checks or electronic banking information to pay TRS. (e.g., an employer alleging that his or her bookkeeper wrote \$10,000 in company checks to TRS to pay for the employee's personal Card debt);
- (6) Actions involving customers who demand that TRS refund to them an amount fraudulently charged on the customer's Card account. (for example, a small business owner alleging that an associate made personal charges on the company's credit card.);
- (7) Customer actions based on denial of a purchase protection claim, a car rental damage claim or air flight insurance death benefits claim;
- (8) Customer actions over TRS's refusal to provide a refund for allegedly lost or stolen Travelers Cheques;
- (9) Customer actions related to customer travel or retail financial services claims stating that: (a) an owned American Express Travel Service Office failed to provide services as promised; or (b) TRS is responsible for a travel supplier's failure to provide services as promised (for example, the customer who claims that the accommodations were not as luxurious as the brochure had suggested);
- (10) Customer actions involving contract disputes with vendors, independent contractors and other suppliers;
- (11) Customers suing TRS for false arrest because: (a) the Card Member is arrested or detained at point of sale for trying to purchase goods or services with a Card which has been reported lost

or stolen; or (b) a Travelers Cheque user is arrested or detained at point of sale for using a Travelers Cheque reported to be lost, stolen or counterfeited;

(12) Customer actions by Card Members alleging that TRS has violated state laws regarding gift cards, including by charging excess fees for gift cards or providing inadequate disclosures;

(13) Other claims that TRS violated the Fair Credit Billing Act, the FCRA, the Fair Debt Collections Practices Act, state credit reporting acts, state collection practice acts, the Truth in Lending Act or UDAAP provisions;

(14) Employment-related Litigation: (a) federal discrimination claims by employees who have been fired or feel they were unfairly passed over for promotions; (b) personal injury claims involving employees; (c) other discrimination claims based on alleged violation of ERISA, the Occupational Safety and Health Act, the American with Disabilities Act or other state and federal laws; or (d) other miscellaneous wage or labor law claims; and

(15) Employees, customers, or others suing TRS because they are injured on property owned or leased by TRS.

The types of litigation described above are generally not material, but are ordinary and routine litigation. Thus, TRS has not described these cases in detail.

Other than the matters stated above, there is no other litigation that is required to be disclosed in this Item.

#### **Item 4**

#### **BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

#### **Item 5**

#### **INITIAL FEES**

##### **Annual Fee**

Under the Representative Agreement, you must pay a nonrefundable “Annual Fee” of \$30,000 each year in two \$15,000 installments. The first installment will be paid on or about January 1 of each year of the term for the January – June billing cycle. The second installment will be paid on or about July 1 for the July – December billing cycle. If the first semi-annual billing cycle is less than six months, the first Annual Fee installment (the “Initial Fee”) shall be prorated by the applicable number of days in the billing cycle. The Initial Fee is due when you sign the Representative Agreement.

The Annual Fee (including the Initial Fee) is nonrefundable. TRS reserves the right to change the way in which this fee is determined and will provide ~~90~~<sup>60</sup> days’ written notice of any change in the fee calculation and assessment. Changes in the fee calculation and assessment may result in a change in the amount of total fees.

##### **Implementation Fee**

At the time that you pay your Initial Fee, you must also pay a lump sum, nonrefundable, “Implementation Fee” of \$3,500 to cover signage, training, and other start-up expenses. TRS will waive the Implementation Fee if you previously operated a travel franchise in the Legacy System. You may be charged approximately \$1,500 for the cost of signage (including manufacturing, shipping and installation). The cost may vary in different markets.

**Item 6**

**OTHER FEES**

<i>Type of Fee</i>	<i>Amount</i>	<i>Due Date</i>	<i>Remarks</i>
Annual Fee for Representative Office	\$30,000	Paid in two \$15,000 installments due on or about January 1 and July 1 of each year.	See Note 1.
Annual Fee Delinquency Fee Charge	18% per year or maximum amount allowed by law	Upon non-receipt of payment 30 days from receipt of invoice.	
Card Acceptance Agreement (Service Establishment Fee)	2.75% (or 3.05% for Card Not Present transactions) of the face amount of charge. Amount may be changed by TRS in writing with <del>30</del> 10 days’ notice	You must send the Summary of Charge Records to Card Group every week. TRS withholds this fee from amount TRS owes you for customers’ charges.	See Note 2.
Change of Ownership Fee	\$3,500	Before a transfer	You must pay us this fee if you want to transfer the franchise.
Cruise & Tour Preferred Supplier Override Program Fee	10%	As incurred	TRS will retain a portion of the overrides <del>as</del> received from <del>suppliers</del> Preferred Suppliers as an administration fee.
Revenue Share	0-10% of revenue received from the Personalized Travel Service program	Annually; in the first quarter of each year, within 10 days of receiving an invoice.	See Note 3.
Initial Training	\$0 unless you fail to attend or successfully complete the training program.	N/A; upon demand when costs are incurred as a result of your default	No charge for successful completion of initial training program; however, if you fail to attend and successfully complete the on-site training session, you must reimburse TRS for all costs and expenses caused by your default.

<i>Type of Fee</i>	<i>Amount</i>	<i>Due Date</i>	<i>Remarks</i>
<u>Annual National Meeting</u>	<del>\$1,500 non-compliance fee if you fail to attend</del> \$0 to \$600 for each individual who attends.	Upon demand As incurred	<del>If you or</del> Attendance is optional. You and your designee designees (who must be at the manager level or above) fails to may attend the annual American Express Representative National Meeting- you must pay TRS a non-compliance fee of \$1,500 for each failure to attend.
Fee For Customizing Advertisements	Up to \$500 per template	As incurred	If you ask us to customize an advertisement for your agency, you agree to pay any additional costs we incur due to the customization.
Fee For Value Added Promotions	Up to \$350 per promotion	As incurred	You agree to pay or contribute to the costs we incur in connection with special value-added promotions.
Fee For Preferred Supplier Program Promotional Materials	Up to \$200 per promotion	As incurred	You agree to pay for advertising and promotional materials related to the Preferred Supplier Program.
Global Distribution System Fees	\$1.95 per user per month (approx.)	Monthly	Payable to TRS or a third-party provider. Monthly access fee may vary.
Cost of Audit	\$1,500 (approx.)	As incurred	TRS has the right to charge you for reasonable costs and expenses associated with its inspection of your books and records if such inspection reveals any non-compliance with the agreement.

## Notes

1. The Annual Fee is payable only to TRS and is nonrefundable. Annual Fees are subject to review by TRS in its discretion. TRS has the right to increase the Annual Fee and/or to change the method by which it calculates the fee. TRS will send you notice of any increase in the fee or revision in the fees or the method by which such fees are calculated ~~90~~60 days in advance. Currently we collect this fee by automatic debit from a designated credit card. However, we reserve the right to change this method in the future.

2. The Card Acceptance Agreement requires a ~~service establishment fee~~ Service Establishment Fee for the right to accept the ~~American Express Cards (the “Card”)~~. This is not a franchise fee. Representative is entitled to the face value of the Card charges payable to the Representative, minus the ~~service establishment fee~~ Service Establishment Fee, currently a 2.75% discount for Card Present transactions or 3.05% for Card Not Present transactions. Service ~~establishment fees~~ Establishment Fees change from time to time. Please refer to your Card Acceptance Agreement to understand what “Card Present” and “Card Not Present” transactions are.

3. Representative shall pay to TRS up to ten percent (10%) of the revenue (e.g., commissions) that Representative receives from the sale of Personalized Travel Service products and services (“Personalized Travel Services Revenue”). The percentage of Personalized Travel Service Revenue that Representative must pay to TRS (the “Revenue Share”) will be determined annually and will be based on the aggregate amount of calendar year sales of Personalized Travel Service products and services by all Representatives. Representative’s Revenue Share percentage will be determined annually in accordance with the following schedule: zero percent (0%) Revenue Share for annual sales of Personalized Travel Service products and services below \$50,000,000; five percent (5%) Revenue Share for annual sales of Personalized Travel Service products and services between \$50,000,000 - \$100,000,000; and ten percent (10%) Revenue Share for annual sales of Personalized Travel Service products and services over \$100,000,000.

Item 7

ESTIMATED INITIAL INVESTMENT

**YOUR ESTIMATED INITIAL INVESTMENT**

<i>Type of Expenditure</i>	<i>Amount</i>	<i>Method of Payment</i>	<i>When Due</i>	<i>To Whom Payment is to be Made</i>
Initial Fee (Note 1)	\$30,000 (prorated)	Two installments of \$15,000	Paid upon sign the Representative Agreement	TRS
Implementation Fee	\$0—\$ <del>2</del> \$3,500	Lump Sum	Paid on or about January 1 and July 1.	TRS
<u>Furniture, Fixtures, and Equipment (Note 3)</u>	<u>\$0 - \$10,000</u>	<u>As agreed</u>	<u>As incurred</u>	<u>Third Parties.</u>
Real Estate and Improvements (Note 2)	\$0—\$ <del>2</del> \$5,000	As required by lease	As required by lease	Landlord
Additional Funds During Initial Phase (6 months) (Note 3)	\$0—\$ <del>2</del> \$1,500	As necessary	When due	<u>Third Parties</u>
TOTAL (Note 4)	<b>\$30,000 to \$4050,000</b>			

Notes

1. Under the Representative Agreement, you must pay a nonrefundable “Annual Fee” of \$30,000 each year in two \$15,000 installments. The first installment shall be paid on or about January 1 of each year of the term for the January – June billing cycle. The second installment shall be paid on or about July 1 for the July – December billing cycle. If the first semi-annual billing cycle is less than six months, the Initial Fee shall be prorated by the applicable number of days in the billing cycle.

2. You should not need to rent additional space as a result of becoming a Representative, as our Representatives are existing travel agencies and the Representative Agreement does not impose additional space requirements. In the event the Representative obtains new office space for a branch office, the Representative determines the appropriate size of such office. The cost of office space varies in different markets but the average annual cost is \$25.00 per square foot at an average of 1,500 square feet. TRS provides one free sign for each Representative office (see exception in footnote 3 below).

3. Because our Representatives are existing travel agencies when they enter into the Representative Agreements, you should not be required to incur substantial start-up expenses (other than the expenses specified above) during the first six months of operation as a result of becoming a Representative. In addition, because Representatives are existing travel agencies, you will already have the hardware and software to access a Global Distribution System (“GDS”). These figures are, ~~however,~~ estimates **and TRS cannot guarantee that you will not incur additional expenses.**only. Your costs may depend upon factors such as your management skill, experience and business acumen, local and national economic conditions, travel industry conditions, the local market for your services, the prevailing wage rates, competition, and your sales volume during the initial phase. When you convert from an existing travel agency to a Representative, you are not required to purchase new signage because we provide, at our expense, an American Express Travel Services Representative sign for each Representative office.

Exception: In the event that a Representative leaves the Representative Network, then rejoins the Network at a later date, it will be charged for the cost of signage which will cost approximately \$1,500 (including manufacturing, shipping and installation). The cost may vary in different markets. Representatives are not required to purchase stationery or business cards upon joining the Representative Network; Representatives retain the name under which they previously operated and are granted the right to display the American Express mark in addition to their own name according to specific branding guidelines. When new Representatives deplete their existing stock of business cards and stationery, they may elect to add the American Express name to their new supply of such items in accordance with the Representative Agreement.

4. TRS has relied upon its years of experience in the travel services business to compile these estimates. You should review these figures and your business plan carefully with a business advisor before making any decision to invest in the Representative Network with TRS.

## Item 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

#### **APPROVED SUPPLIERS**

We may require you to work with certain technology providers and use a particular computer reservation system in order to ensure consistent servicing and reporting across the Representative Network. You have the option to purchase goods and services from certain travel and non-travel suppliers with whom we have negotiated discount rates or special commissions ([“Preferred Suppliers”](#) ~~for your own use or resale~~ (the “Preferred Supplier Program”) ~~for your own use or resale.”~~). However, you are not limited to those suppliers.

Under the Preferred Supplier Program, we negotiate override commissions with suppliers of cruises, tours, car rentals and certain air carriers in exchange for our commitment to attempt to meet certain agreed total sales goals through all American Express Travel channels (including TRS-owned channels and the American Express Travel Representative Network) (see Item 6). When we meet such overall total sales goals and are paid the override commissions by our Preferred Suppliers, we pay the portion attributable to your sales over to you, less an administration fee of 10% as set forth in Item 6 above.

TRS periodically renegotiates with suppliers and sometimes adds or subtracts suppliers from the Preferred Supplier Program. TRS itself is not one of the Preferred Suppliers and none of our officers owns any interest in any of the participants in the Preferred Supplier Program.

If you would like us to consider a supplier to include in the Preferred Supplier Program, notify our Supplier Relations department. We will evaluate the supplier according to several criteria, including the supplier’s financial condition and the supplier’s market. If the supplier passes this evaluation, the subsequent approval process generally takes from 1 to 2 months. If we do not wish to include the proposed supplier in our Preferred Supplier Program, we will notify you of our reasons for not doing so.

In addition to the Preferred Supplier Program, we may from time to time negotiate purchase arrangements (including price terms) with suppliers of long distance telephone service, travel insurance, temporary employee services, software, travel publications, computer reservation systems, commission recovery services, and other suppliers for our benefit or the benefit of our Representatives. We may also negotiate additional purchasing arrangements with suppliers. Other than the above, you do not have to purchase any goods or services from these suppliers. We may from time to time receive payments from

these suppliers either based upon total system-wide purchases or based upon individual purchases by our Representatives. ~~THESE SUPPLIERS ARE THIRD PARTIES UNAFFILIATED TO TRS AND WE ARE NOT RESPONSIBLE FOR ANY OF THEIR ACTS OR OMISSIONS~~ These suppliers are third parties unaffiliated to TRS and we are not responsible for any of their acts or omissions.

You must accept any American Express Card when a customer chooses to use such Card. American Express Card acceptance and a valid Card Acceptance Agreement are conditions to participate in the American Express Travel Representative Network. However, exclusivity is not required and you may accept other cards. We described the American Express ~~Card Acceptance Fee in Item 6 above~~ Service Establishment Fee in Item 6 above. We and our affiliates are not currently an approved supplier of any other products or services purchased or leased by Representatives.

We do not have purchasing or distribution cooperatives.

Other than your right to receive override commissions when such commissions are paid to us, we do not provide any material benefits to our Representatives based on purchases made from Preferred Suppliers or any other suppliers with whom we negotiate purchase arrangements for the American Express Travel Representative Network.

## STANDARDS AND SPECIFICATIONS

You must perform your duties and obligations under the Representative Agreement with diligence and maintain facilities appropriate for the business. This includes the obligation to meet (our) minimum service level standards. Our current service level standards are attached to the Representative Agreement as Exhibit III, but we can change those standards at any time. You must perform all duties and obligations in accordance with the Representative Agreement, the Representative Manual, and such other operations and procedural manuals, instructions or standards as may be issued by TRS from time to time (instructions, manuals or standards provided by or on behalf of TRS are referred to collectively as the “TRS Standards”). The Representative Manual and TRS Standards will be furnished to you in a format determined by TRS, which may include an electronic format such as ~~AXtraweb~~ our extranet site for Representatives (“AXtraWeb”) (see Item 11). We have the right to delete, modify or add to the Representative Manual and the TRS Standards without notice.

All of your signage which incorporates any of our service marks and/or logos must comply with our specifications. These specifications are in the Representative Manual and updates that we provide to you. We formulate our specifications based on our market research, general consumer appeal and legal requirements.

## REVENUE RECEIVED

Upon certain conditions described in the “Approved Suppliers” section above and in Item 6, TRS will receive revenue from the Preferred Supplier Program. TRS may also derive an indirect benefit from the Representatives’ purchases made from Preferred Suppliers. A higher level of sales made through all TRS channels (including both Representatives and channels owned by TRS) will generally allow TRS to negotiate a higher override commission, which will benefit both TRS and the Representatives, but TRS cannot specifically calculate the amount of this benefit to TRS or to the Representatives.

The Company will receive ~~service establishment fees~~ Service Establishment Fees (described in Item 6 above) for any use of the Card, as well as certain finance charges from Card Members who decide to pay their travel purchases over time. As is the case with most credit and charge arrangements in the travel industry, the ultimate seller of the travel service (such as the hotel or airline) will ordinarily pay the

~~service establishment fees~~ Service Establishment Fees. You will only pay such fees if you receive direct payment for the travel goods or services purchased or a customer uses ~~the~~ Card to pay any travel agent service fees. TRS does not specifically calculate the amount of ~~service establishment fees~~ Service Establishment Fees and finance charges, if any, derived from sales made by Representatives.

The total revenues of the Company, including revenues from TRS’s non-franchise businesses, in ~~2016~~ ~~2015~~ were \$30,~~830~~~~093~~,000,000. (See Consolidated Statements of Income of the Company’s ~~2016~~ ~~2015~~ Annual Report attached to this Disclosure Document as Exhibit E.) TRS’s total gross revenue in ~~2016~~ ~~2015~~ from the regular Preferred Supplier Program for Representatives under the Legacy System was approximately ~~\$831,248,108~~~~769,780,970~~ (~~2.656~~% of the Company’s total revenues). TRS’s total gross revenue in ~~2016~~ ~~2015~~ from other optional programs in which Representatives elected to participate was approximately \$2,000,000 (.0065% of the Company’s total revenues).

As a credit and charge card company, the Company realizes some revenue, in discounts and finance charges, when customers of Representatives charge goods or services on their Cards. However, TRS does not distinguish the revenue received from Representatives’ Card sales from the revenue TRS receives from all Card charges and related sales. Thus, quantification of the revenue from discounts and finance charges generated through Representatives’ Card sales is not possible.

Of your total purchases which must conform to our specifications or which you must purchase from approved suppliers, we estimate that you will purchase 20% to 40% from us in establishing your Representative Office(s) and 50% to 70% from us during the continuing operation of your Representative Office(s).

**Item 9**

**FRANCHISEE’S OBLIGATIONS**

**This table lists your principal obligations under the Representative Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

<b>Obligation</b>	<b>Section in Representative Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	6	Items 1 and 12
b. Pre-opening purchases/leases	3 and 4	Item 7
c. Site development and other pre-opening requirements	None	<del>Item 11</del> <del>None</del>
d. Initial and ongoing training	8	Items 6, 11 and 15
e. Opening	None	Item 11
f. Fees	4	Items 5, 6, <del>7, 8,</del> and <del>7</del> <del>11</del>
g. Compliance with Standards and Policies/Operating Manual	Throughout Representative Agreement	Items 1, 6, 8, 11, 13, and 14
h. Trademarks and proprietary information	1, 3, 6, 7, 9, 16, 17, Exhibit II	Items 8, <del>11,</del> 13, <del>14</del> and <del>14</del> <del>15</del>
i. Restrictions on products/services offered	1.1, 3, 7, 10	Items 8, 15 and 16

Obligation	Section in Representative Agreement	Item in Disclosure Document
j. Warranty and customer service requirements	3.9, 11.2	Items 1 and 11
k. Territorial development and sales quotas	6.3	Items 1, <a href="#">11</a> and 12
l. Ongoing product/service purchases	9, 10 Card Acceptance Agreement	Items <a href="#">5</a> , 6 and 8
m. Maintenance, appearance and remodeling requirements	3, 6	Item 12
n. Insurance	24.5	<a href="#">None</a>
o. Advertising	1.3, 6.1, 9, 11, Exhibit II Card Acceptance Agreement	Items 6, 7, 11 and 13
p. Indemnification	15 Card Acceptance Agreement	Item 11
q. Owner's participation/management/staffing	3, 8	<del>Item</del> <a href="#">Items 11 and 15</a>
r. Records and reports	12	<del>Item</del> <a href="#">Items 6 and 11</a>
s. Inspections and audits	12	Item 6
t. Transfer	13, 14.1, Exhibit II and Card Acceptance Agreement	<del>Item</del> <a href="#">Items 6 and 17</a>
u. Renewal	2	Item 17
v. Post-Termination Obligations	14.3, 16, 26	Items 13, 14 and 17
w. Non-competition covenants	1.3, 5.3, 26	Items 15 and 17
x. Dispute Resolution	24, 25	Item 17
y. Right of Set-off	4	Item 17

### **Item 10**

### **FINANCING**

We do not offer direct or indirect financing. We do not guarantee any of your notes, lease(s) or obligations.

### **Item 11**

### **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

Except as listed below, TRS is not required to provide you with any assistance. The obligations listed below apply to both your main and branch offices, if any, unless otherwise specified.

### **PRE-OPENING PHASE OBLIGATIONS**

Before you begin operating as a Representative:

1) TRS will assess whether you qualify to become a Representative through its Third-party Lifecycle Management review (~~(“TLM”)~~). You will receive instructions on how to complete the TLM

process and must submit all requested information to demonstrate you have the appropriate compliance, reputational, anti-corruption and privacy policies in place.

2) TRS will assess whether you have complied with pre-opening obligations, including but not limited to the following: a call recording technology, 10 trained designated travel agents, 24/7 servicing, enrollment into Swiftreach, American Express Pay with Points and TBASS, after hours voice mail and email servicing, the ability to mask Card numbers on all booking documentation, a dedicated local line that identifies inbound calls, and the ability to provide sales data access to our designated third party vendor via an automated back-office system.

43) Within 30 days of signing the Representative Agreement, TRS will provide supplies, manuals and instructions for conducting business as a Representative (Representative Agreement: Sections 3.1, 3.5, 12.1, 11).

54) For new Representatives, TRS will conduct training programs at the Representative's office (see further information in Training section below) (Representative Agreement: Section 8).

5) Any materials, guidance, assistance, or training that we provide on employment-related policies or procedures, whether in the Representative Manual, on AXtraWeb, or otherwise, are solely for your optional use. Those materials, guidance, assistance, and training do not form part of mandatory TRS Standards. You will determine to what extent, if any, these materials, guidance, assistance, or training should apply to your franchised business. We do not dictate or control labor or employment matters for franchisees. You are solely responsible for determining the terms and conditions of employment for your employees, and the terms and conditions of contracts for your independent contractors. TRS and you are not joint employees of your employees.

## OPERATIONAL PHASE OBLIGATIONS

During the operation of the franchised business:

1) TRS will provide you with access to our Representative Manual, operation and procedure manuals and instructions. These materials and instructions are confidential and remain our property. TRS has the right to modify these materials without notice (Representative Agreement: Sections 3.1, 3.6, 11.2).

2) TRS may provide you with signs and promotional materials, at your expense. These materials remain our property (Representative Agreement: Sections 1.4, 9, 11.2).

3) The Travel Division will promote the travel products of Preferred Suppliers in its sole discretion for you to sell to your clients. (Representative Agreement: Sections 9, 10).

4) In addition to training programs, TRS will provide updated instructional material via ~~AXtraweb~~[AXtraWeb](#) and during general meetings of our Representatives (Representative Agreement: Sections 3, 8).

## REPRESENTATIVE MANUAL TABLE OF CONTENTS

The Representative Manual's table of contents is attached as Exhibit G. The contents of the Representative Manual are provided on our extranet site called "~~AXtraweb~~[AXtraWeb](#)", which you will not have access to until after you and TRS sign the Representative Agreement. Currently, the Representative Manual is approximately 40 pages.

## ADVERTISING PROGRAM

TRS has not established, and does not administer, an advertising fund. Representatives are not required to participate in a local or regional advertising cooperative. TRS will provide advertising and promotional materials related to the Preferred Supplier Program and the American Express programs, products, services, features, and benefits. We do not have an advertising council composed of Representatives. We are not required to spend any amount on advertising in your area.

The Travel Division may also furnish you with advertising and promotional materials related to ~~preferred supplier~~ Preferred Supplier products, including but not limited to: (a) advertising and publicity materials; (b) descriptive literature published by it for the promotion of travel throughout the world for local distribution; and (c) folders, posters and pamphlets. You will be required to display prominently all current literature provided by the Travel Division and to participate in joint advertising programs in accordance with the provisions of the TRS Standards or such instructions as may be provided from time to time by TRS. Display aids may also be provided to assist you in displaying all such materials to their best advantage. You cannot make changes to the materials provided to you.

TRS reserves the right to charge you for the costs and expenses of creating and producing advertising and promotional materials related to the Preferred Supplier Program (up to \$200 per Preferred Supplier Program promotion) or ~~preferred supplier~~ Preferred Supplier products. TRS will give you reasonable notice of any change in policy relating to charging you for these materials and the costs and expenses of such materials. You may also be responsible for reasonable costs of the value added offers in certain promotions. In addition, in the event you request customized changes be made to any advertising or promotional material, you will be responsible for any additional costs incurred in connection with such customization. Also note that you will be liable for any sales or use taxes due on amounts TRS charges you pursuant to this Section.

You may also develop advertising materials for your own use at your own cost. However, TRS must approve in writing any use of an American Express name or mark. In addition, we reserve the right to revoke or modify such approval at any time. If we object to a use, you must stop that use immediately.

## COMPUTER SYSTEM

We do not currently require you to purchase or use electronic cash registers or specific computer systems but any electronic cash registers or other computer systems used in the operation of your business must be tested and fully capable of providing accurate results using data having date ranges spanning the twentieth (20th) and twenty first (21st) centuries. As software, distribution technology, computer systems and telecommunication technology develop, TRS may request you to obtain access to certain tools which may become standard tools for the American Express Travel Network. TRS has the right, but not the obligation, to specify or require that certain brands, types, makes and/or models of software, telecommunications technology, computer systems, and hardware (as well as services) be used by, between, or among the Representatives, at each Representative's own cost and expense (the "Technology Requirements").

Without limiting the foregoing, the Technology Requirements currently include, without limitation, the following: (a) customer database software; (b) reporting software; (c) high speed Internet access; (d) an agency website (which must comply with the Representative Agreement, including the Trademark License Agreement and the TRS Standards); (e) access to ~~AXtraweb~~ AXtraWeb, (f) call recording technology, (g) a 24/7 emergency travel service, (h) enrollment into Swiftreach call routing, (i) enrollment in the American Express Pay with Points program, (j) enrollment in an online customer survey

program, (k) after hours voice mail and email servicing, (l) the ability to mask Card numbers on all booking documentation, (m) a dedicated local line that identifies inbound calls, and (n) the ability to provide sales data access to our designated third party vendor via an automated back-office system. We estimate that the cost to acquire a computer system that complies with the Technology Requirements ranges from \$0-\$10,000.

~~AXtraweb~~AXtraWeb is an extranet site that TRS currently operates to communicate with Representatives regarding various issues. The Representative Manual and other printed materials are made available on ~~AXtraweb~~AXtraWeb. You are required to maintain capability to access ~~AXtraweb~~AXtraWeb at all times and to access and use ~~AXtraweb~~AXtraWeb on a regular basis (and at least once every ten (10) days) to obtain updates to the TRS Standards. TRS's posting of changes to the TRS Standards on ~~AXtraweb~~AXtraWeb will be deemed to constitute notice of such changes to you. Your use ~~AXtraweb~~AXtraWeb must also at all times comply with TRS's requirements set forth in the Representative Manual or other written materials.

Although not required, it is standard in the industry for travel agencies to use some form of GDS to facilitate front-office travel reservations and ticketing, as well as back-office record-keeping functionality. As an existing travel agency, it is assumed that you already have the hardware and software to access a GDS. While TRS may require you to use a particular GDS in the future, it does not currently do so and you may currently change GDS providers without TRS's approval. You may also at any time, decide to participate in the GDS program negotiated by TRS. If you choose to do so, you must contract with TRS for the service. As an existing travel agency, the expenses associated with accessing a GDS computer system are approximately \$1.95 per user per month.

~~————We do~~We have independent access to certain information that is generated and stored in your GDS and other computer systems, which consists of your revenue from each travel supplier whose products and services you sold to customers. We require you to use certain reporting software and to provide performance data to TRS and certain third parties for the purpose of facilitating the reporting required under the Representative Agreement. This reporting software will also require you to, ~~among other things,~~ report the method of payment used by your customers for all purchases.

## TRAINING

Upon joining, if you did not operate a travel franchise in the Legacy System, TRS will provide you with a one day on-site training session in the Representative's office for management and staff. The training will consist of a review of TRS's products and services and a training session on our extranet site ~~AXtraweb~~AXtraWeb. The one day training course is mandatory for all Representatives and the cost of such training is included in the Initial Fee. If you fail to attend and successfully complete the on-site training session, you will be in default of the Representative Agreement and must reimburse TRS for all costs and expenses caused by your default. In addition to the initial one day training, TRS offers ongoing training on TRS's products and services and on our preferred cruise and tour suppliers in an electronic format available on ~~AXtraweb~~AXtraWeb. All initial training and ongoing training must be completed to TRS's satisfaction. The electronic training courses generally run from 5 to 20 minutes in length. TRS does not charge a fee for these electronic training courses. ~~—Training~~As of the issuance date of this document, training is conducted under the supervision of Robert Parente. Mr. Parente has 35 years of experience in the travel industry, and has overseen the training of our representatives for 13 years. His current title is Specialist II Sale Support, and he has previously served in various roles ranging from Travel Wholesaler to Senior Manager of Travel Service Offices.

## TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Overview of Products and Services	8	0	Representative's Office and On-line Extranet Site
Ongoing training on Products and Services	5 to <del>20</del> 60 minutes each	0	On-line Extranet Site

You will be required to conspicuously identify yourself in all dealings with customers, suppliers, public officials and others (including in all advertising) as an independent contractor exercising rights granted by TRS and must place notices of independent ownership on the Representative Offices and on such signs, forms, contracts, checks, advertising and other material as TRS may require from time to time. You must only use the preferred term "American Express Travel Representative" when describing or characterizing the functions you perform under the Representative Agreement. You must not employ the term "agent" with reference to your relationship with TRS, and you must not represent in any manner that you have any authority to act in any manner contrary to the terms of the Representative Agreement or that you have any general authority to act on behalf of TRS.

In each ~~subsequent~~ year during which you ~~remain~~ are a ~~franchisee~~ Representative, you will need to ~~attend, at your own cost and expense,~~ successfully complete a minimum of one additional TRS-provided training session per year with respect to travel and travel-related services and sales techniques. ~~You must send employees to training sessions~~ As discussed above, these training sessions are available on AXtraWeb, and you will not incur any costs or expenses in participating in such training on AXtraWeb. You must also require employees to successfully complete such training sessions on AXtraWeb in accordance with the requirements stated in the Representative Manual or as otherwise specified in the TRS Standards. Such training requirements may be modified from time to time by TRS at its discretion. ~~At least one person from the Representative, at the manager level or above, is~~ You will be permitted, but are not required, to attend, and to have your employees who are managers attend, the American Express Representative National Meeting at ~~its~~ your own cost and expense each year. ~~If you or your designee fails to attend a~~ The cost and expense for each individual who attends the National Meeting, ~~you must pay TRS a non-compliance fee of \$1,500 for each failure to attend.~~ ranges from \$0-\$600.

You must have at least 10 agents trained to support the Personalized Travel Service platform or other lead generation programs. You must ensure that your designated agents participate in annual training programs as TRS requires. During normal business hours, ~~You~~ you will be required to maintain and have available on staff at least one person who is knowledgeable in TRS's products and client servicing techniques and procedures.

### SITE SELECTION

Before we allow you to sign a Representative Agreement, one of our sales managers will visit your existing travel agency business to decide whether it will be a satisfactory location for the Representative Office. With respect to branch offices, however, we may not require a sales manager to visit the relevant location. We will base our approval of your existing travel agency business site on such factors as general location, traffic patterns, and physical characteristics of the building. There is no time

limit within which we must approve your location. If we do not approve your location, we will not allow you to sign a Representative Agreement.

## **TIME FRAME FOR OPENING BUSINESS**

Representatives must successfully complete and be approved through TRS's TLM review process before signing their Representative Agreement. This process includes submitting requested information to ensure that Representative has the appropriate policies in place, including compliance, reputational, anti-corruption and privacy policies. This process typically takes between 4 and 6 months, but may take longer if the Representative fails to promptly provide the requested information. Once that process is complete, Representatives must complete training prior to beginning their Representative functions. Representatives generally begin their Representative functions within 30 days after signing their Representative Agreement.

### **Item 12**

#### **TERRITORY**

You will not receive an exclusive territory. TRS, its affiliates, and licensees of TRS offer the same products and services that will be offered by you. Therefore, you may face competition from other franchisees and licensees, from outlets that we or our affiliates own, or from other channels of distribution or competitive brands that we control.

TRS may establish, in its sole discretion, at any place and at any time, other franchised or company-owned outlets or other businesses that may compete with your locations under the TRS name or marks or any other name or marks. TRS may use other channels of distribution, including the Internet, catalog sales, telemarketing, or other direct marketing, to make sales at any place and at any time using the TRS name or marks or any other names or marks.

Neither TRS nor any affiliate currently operates or franchises, or has present plans to operate or franchise, a business under different trademarks that sells goods and services similar to those being offered under the Representative Agreement. However, we have the right, in our sole discretion, to begin operating or franchising such a business at any place at any time.

All of your home and branch office locations (or those of your parent, subsidiaries or affiliates but excluding office locations over which you have no control, corporate or otherwise) will be designated Representative Offices unless TRS decides otherwise. Each of these office locations must comply with the signage specifications required by TRS and you must maintain all required equipment. If you want to open a branch office or designate the office of a parent, subsidiary or affiliate as a Representative Office, you must inform TRS. After a credit review of your Representative Office, a determination that you are in current compliance with the Representative Agreement and a review of the location and the marketplace generally, we will decide, at our sole discretion, whether this additional office may be a Representative Office.

You may relocate your Representative Office only with our approval. We will conduct a review of our needs in the proposed geographic area as a condition for approval.

**Item 13**

**TRADEMARKS**

**TRADEMARK USE: FRANCHISEE’S RIGHTS**

TRS grants you the limited right to provide certain travel sales and services at your designated location(s) under the mark and name “American Express”, as described below.

You have a limited, non-exclusive, nontransferable, non-assignable, without the right to grant sublicenses, terminable right, to use the marks shown below solely to identify and advertise your American Express travel business at locations as approved by TRS. These primary marks are registered on the United States Patent and Trademark Office Principal Register.

The following service mark is registered in the United States Patent and Trademark Office:

as of October 16, 2012, as Registration No. 4,225,805; and

as of November 11, 1975, as Registration No. 1,024,840, and has been renewed:

**AMERICAN EXPRESS**

The following is the logo type that may be used in certain configurations, as described below:



The blue box logo is registered in the United States Patent and Trademark Office:

as of September 25, 2012, as Registration No. 4,214,089; and

as of February 3, 1976, as Registration No. 1,032,516, and has been renewed.

TRS may grant other acceptable variations of the above marks in its discretion. TRS does not have any state registrations covering the above marks. All required affidavits pertaining to these registrations have been filed.

**TRADEMARK AND DOMAIN NAME USE: FRANCHISEE’S DUTIES**

You must follow our brand guidelines and other rules when you use these marks. You can only use our marks or name for American Express Travel. You may not use our name or marks as part of a corporate or business name, or with modifying words, designs or symbols. You may not use our marks or name in any electronic medium without our express written consent. You may not use our marks or name, or any variation of our marks or name, as a domain name, email address or social media handle on the internet. You may not use our marks or name in connection with any foreign currency exchange

operations. You may not use our marks or names for the sale of an unauthorized product or service or in a manner not authorized in writing by TRS. You cannot use any mark, name or domain name which is confusingly similar to any American Express marks. You may not alter the marks in any way. You may not depict the marks in a manner which will reduce the value or goodwill associated with the marks or detracts from the reputation of the marks. You may not use the marks in a descriptive or generic manner. You may not use the Blue Box Logo as text in a sentence. You may not [register or attempt to register, or assist anyone to register or attempt to register](#), any name, mark, logo, slogan, graphic, symbol, [domain name, social media handle, email address](#), or other designation which includes the words “American Express”, [“Amex”, “AXP”, or TRS](#) or a variation likely to be assumed to mean “American Express”, [“Amex”, “AXP”, or TRS](#), or any non-English language translation thereof. Any and all use of the marks by you will inure to the benefit of American Express. You must receive our express and explicit written approval for all uses of our name, marks and domain name in your advertising, promotions or other uses. You cannot assign, transfer or sub-license these rights. You must follow the highest ethical standards concerning this business and must use your best efforts to uphold the goodwill in our marks and name.

You must notify TRS immediately, in writing, when you learn about an infringement of or a challenge to your use of our trademark or any other matter which is likely to have a bearing on our goodwill. We will take the action we think appropriate. *While TRS is not obligated to do so, we may protect your right to use our marks and names and/or reimburse you for your liability and reasonable costs incurred defending the American Express name and mark.* However, to be eligible to receive reimbursement you must have notified us immediately upon learning about the infringement or challenge.

You must modify or stop your use of a trademark if TRS modifies or cancels it. You must not directly or indirectly contest our right to our trademarks. You must not register or attempt to register, [or assist anyone to register or attempt to register](#), a name or mark or domain name, email address or social media handle that is confusingly similar to a TRS name or mark. You must also promptly notify TRS of any unauthorized use of our marks and names.

## **PROCEEDINGS, LITIGATION AND INFRINGING USES DISCLOSURES**

Presently, neither the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, nor any court has made any effective determinations which are relevant to your use of the marks listed in Item 13 in your state. Additionally, there is no material litigation or pending infringement, opposition or cancellation proceedings involving the marks listed in Item 13, which is relevant to your use of the marks in your state. Finally, there are no agreements currently in effect which significantly limit TRS’s rights to use or license the use of these marks in any material manner.

At the present time, TRS does not know of any superior prior rights or infringing uses of our trademarks, service marks, trade names, logo types, or other commercial symbols in your state or the state in which your franchised business will be located which could materially affect your use of these marks, names, logos and symbols.

## Item 14

### PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

#### **PATENT INFORMATION**

There are no patents or pending patent applications that are material to this franchise.

#### **COPYRIGHT INFORMATION**

TRS, the Company or one of their respective affiliates owns or licenses copyright to the printed, software and other material provided to you for your use. These materials include, but are not limited to, training manuals, brochures, forms and other printed materials. Reproduction, in whole or in part, without written permission is prohibited. Items 8 and 11 of this disclosure document describe the Representative Manual and the manner in which we permit you to use it.

#### **PROPRIETARY INFORMATION**

Although TRS may not have filed an application for a copyright registration for some of its materials, it is our policy to claim statutory copyright by including the proper copyright notice on all training manuals, brochures, forms and other printed materials. In addition, other material and information including, but not limited to, organizational structure, marketing philosophy and objectives, financial results, processes, rates, agreements, programs, methods, techniques, systems, formulas, patterns, models, devices, compilations, lists of and information concerning customers and clients, and trade secrets are proprietary and confidential. You must keep this information in confidence, refraining from disclosure both during and after the term of the franchise. In addition, you must bind your Owners, immediate family members, employees, agents, licensees, independent contractors and subcontractors to do the same.

You must also promptly notify us, in writing, when you learn of any unauthorized use of our proprietary information. TRS is not obligated to take any action but will respond to this information as we think appropriate. In addition, TRS is not obligated to protect rights you have to use our patents or copyrights, or to protect you against claims of infringement or unfair competition.

If TRS decides to add, modify, or stop the use of an item or process covered by our patents, copyrights, trade secrets or the business techniques that are part of our business, you must also do so immediately upon notice from us.

#### **PROCEEDINGS, LITIGATION AND INFRINGING USES DISCLOSURES**

TRS is unaware of any pending administrative proceeding or lawsuit relating to copyrights, which could materially affect you. TRS's right to use or license these copyrighted items or processes is not materially limited by any current agreement or known infringing use.

## Item 15

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

Under the terms of your Representative Agreement, ~~you~~the Owners of the franchise have personal responsibility for the performance of the franchise business. TRS, therefore, requires ~~you~~the Owners to participate personally in the direct operation of the franchise business. We will provide you with training and instructional aids regarding American Express Travel.

The business must have at least one person on staff during normal business hours who is knowledgeable in TRS's products and client servicing techniques and procedures. The business will be required to have an emergency travel service that provides customers with emergency travel services for air, car and hotel reservations 24 hours per day, 7 days per week. You and the employees who meet the above requirement must be travel agents and licensed as such if required by applicable law. You must also hold an appointment to perform travel agent services from ARC and IATAN, or their successor organizations, unless otherwise specified by TRS. You may provide and sell only products and services approved by TRS. You must accept the Card for all goods and services you sell. You, your Owners, your officers, directors, employees and your personal guarantors cannot belong to or associate with any organization or consortium which competes with our travel business or the Representative Network. All of your competing travel-related associations are subject to our prior written approval.

You must sign a written agreement to maintain the confidentiality of the proprietary material and information described in Item 14 and to conform with the covenants not to compete described in Item 17(q). In addition, you must bind your Owners, immediate family members, employees, agents, licensees, independent contractors and subcontractors, in writing, to maintain the confidentiality of this proprietary material and information both during and after the franchise term.

## Item 16

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

TRS does not impose any restrictions or conditions on you as to the goods or services you may offer for sale, except those restrictions set forth in Item 15. In addition, TRS does not restrict the customers to whom you may sell these goods or services.

You are prohibited, however, from doing anything which would bring disrepute upon or in any manner damage the goodwill symbolized by TRS's trademarks, such as any act by you in connection with the franchise business that violates any local, state or federal criminal law.

**Item 17**

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

This table lists certain important provisions of the Representative Agreement and related agreements. You should read these provisions in the agreements attached to this disclosure document.

<b>Provision</b>	<b>Section in Representative Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 2	Term begins on the effective date of the Representative Agreement and is effective through December 31, <del>2019</del> 2020, unless governed by an applicable state or Federal statute or terminated by either party in accordance with its terms.
b. Renewal or extension of the term	Section 2	Renewal is automatic for successive three-year periods unless either party gives notice of non-renewal or the agreement is terminated or canceled in accordance with its terms. Either party may choose not to renew the Representative Agreement for any reason.
c. Requirements for you to renew or extend	Section 2	We may require you to sign the then-current form of Representative Agreement, which may contain materially different terms and conditions than your initial agreement. You must comply with our current operational prerequisites for Representatives, the TRS Standards, the trademark license terms, and TLM requirements. You must also provide all information and materials that we request. You do not have to pay a renewal fee other than the Annual Fee.
d. Termination by you	Section 2.1, 4.1.4	You may terminate by giving written notice of cancellation at least 30 days in advance of the expiration of the initial term or of any three-year renewal period. You may also terminate the Representative Agreement following any Annual Fee or Revenue Share increase by providing us with 30 days' written notice. These provisions are subject to state law.
e. Termination by TRS without cause	Section 2.1, 14.2(d)	TRS may terminate by giving written notice of non-renewal at least 30 days in advance of the expiration of the initial term or any three-year renewal period. TRS may also terminate you if TRS makes a policy decision to discontinue the TRS Representative Network in any State or States in which you have been designated as a Representative.

<b>Provision</b>	<b>Section in Representative Agreement</b>	<b>Summary</b>
f. Termination by TRS with cause	Section 14.1, 14.2 and Card Acceptance Agreement	TRS may terminate for “cause,” as defined in section g below, upon 30 days’ written notice or notice as required by any applicable state or Federal statute. TRS may terminate immediately or within the shortest period of time permitted under state or Federal statute if certain events occur as listed below in section h.
g. “Cause” defined – curable defaults	Section 14.2	Defaults (in some instances requiring a certain number of days written notice) unless cured within a certain number of days of receiving the written notice: (a) any breach under the Representative Agreement that is not remedied within 30 days after the delivery of notice to Representative; (b) failure of Representative to perform its duties and obligations hereunder in a diligent and satisfactory manner, where such failure is not remedied within 30 days after the delivery of notice to Representative; (c) failure to pay any Annual Fee, Preferred Supplier compensation, Revenue Share payments, or other amounts due and owing from Representative, where such breach is not remedied within 15 days after the delivery of notice to Representative; (d) a policy decision by TRS that it will discontinue the Representative Network referred to herein in any State or States in which you have been designated as an American Express Travel Representative.
h. “Cause” defined – non-curable defaults	Section 14.1 and Card Acceptance Agreement	Defaults with termination within the shortest period of time permitted by any pertinent State or Federal statute, or, in the absence of any pertinent State or Federal statute, immediately upon the occurrence of material default by Representative, including but not limited to any of the following events: if we have reason to suspect your material breach of key provisions of the Representative Agreement including trademark and advertising requirements, permits and licensing requirements, confidentiality and data protection provisions, or service level agreement standards; appointment of receiver, assignment for the benefit of creditors or impaired financial condition; suspension or revocation of your travel agent license or your appointment with ARC, BSP, IATA, IATAN or other industry organization; your affiliation with a travel business competitor; unapproved transfers; the transfer of or institution of foreclosure proceedings or of a lien or levy on your major asset(s); your death, total permanent disability or retirement if you are a sole proprietor; death, retirement or total permanent disability of any partner or dissolution of the partnership if you are a partnership; transfer of 25% or

<b>Provision</b>	<b>Section in Representative Agreement</b>	<b>Summary</b>
		more of your equity ownership (measured at the date of signing the initial Agreement) or your merger, dissolution, consolidation or acquisition; termination of the Card Acceptance Agreement for any reason; a misrepresentation by you in your application; acts by you which jeopardize our goodwill; or second or more occurrence of a default described in section g. above.
i. Your obligations on termination/ non-renewal	Section 14.3; 4.6	Upon termination or non-renewal: (i) all rights granted to the Representative will immediately terminate and revert to TRS, (ii) you must discontinue using the TRS Licensed Marks, and (iii) you must, without delay and at your own expense, commence and complete all legal and administrative steps necessary to delete all “American Express” marks from your signage, website, letterheads and any other identifying uses. In the event of an early termination, you must pay TRS lost future revenue that you would have been obligated to pay through the end of the term.
j. Assignment of contract by TRS	Section 13; Card Acceptance Agreement	TRS may assign the Representative Agreement and/or its rights to any third parties, including any party acquiring all or any portion of TRS’s consumer travel business, its subsidiaries or affiliates without your consent.
k. “Transfer” by you – defined	Sections 14.1; 13	Includes delegation of your duties, any sale, assignment, transfer, conveyance or encumbrance of your rights or interests.
l. TRS’s approval of transfer by you	Section 13.1; Card Acceptance Agreement	You may not make any transfers unless upon 30 days’ written notice to TRS and we consent to the transfer prior to the effective date of the transfer. If you do not seek our consent before a transfer, we may terminate your Representative Agreement (see also sections g and h above).
m. Conditions for TRS’s approval of transfer	Section 13.1	Only with our consent. You must give us 30 days’ prior notice in writing and receive our consent prior to the transfer. You must pay us a change of ownership fee of \$3,500, and the transferee must sign a new Representative Agreement.
n. TRS’s right of first offer to acquire your business	None	
o. TRS’s option to purchase your business	None	
p. Your death or disability	Sections 14.1(g); 14.1(h)	Your heirs or personal representatives have no rights in the Franchise upon your death or disability.

<b>Provision</b>	<b>Section in Representative Agreement</b>	<b>Summary</b>
q. Non-competition covenants during the term of the franchise	Section 5.3, 16.3, and Exhibit III	You and your <del>owners</del> Owners may not belong to or associate with any organization or consortium which competes with TRS's travel business or the Representative Network. You and your <del>owners</del> Owners, immediate family members, employees, contractors, and agents may not divert business to a competitor or have any interest in a competing business.
r. Non-competition covenants after the franchise is terminated or expires	Section 14.3	No right to use TRS trademarks, prompt de-identification from TRS.
s. Modification of the agreement	Sections 3.1; 7.3; 7.4; 4.1.3; 20; 21; Card Acceptance Agreement	No modifications unless made in writing and signed by both parties. TRS may unilaterally make changes in its Representative Manual upon 30 days' notice to you. TRS may unilaterally increase the Annual Fee or change or modify the method of calculation of the Annual Fee upon <del>90</del> 60 days' notice to you. The Card Acceptance Agreement may be amended with 10 days' prior written notice to you. You may terminate the Agreement if the changes are unacceptable.
t. Integration/merger clause	Section 20	Only the terms of the Representative Agreement and other related written agreements are binding, subject to state and Federal law. You must also perform in accordance with the Representative Manual and other instructions and manuals that may be issued.
u. Dispute resolution by arbitration	Section 25; Card Acceptance Agreement	The Representative Agreement and Card Acceptance Agreement require mediation and arbitration.
v. Choice of forum	Section 25	New York. See applicable State Addenda.
w. Choice of law	Section 25.1; Card Acceptance Agreement	New York. See applicable State Addenda.

### **Item 18**

### **PUBLIC FIGURES**

TRS does not use any public figures to promote its franchise.

**Item 19**

**FINANCIAL PERFORMANCE REPRESENTATIONS**

The Federal Trade ~~Commission's~~Commission's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ernesto Lavandero, American Express Travel Related Services Company, Inc., 200 Vesey Street, New York, New York 10285, 212-640-2000, the Federal Trade Commission, and the appropriate state regulatory agencies listed in Exhibit A.

**Item 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**LEGACY SYSTEM OUTLET SUMMARY\***

**Table 20.1A  
SYSTEM-WIDE OUTLET SUMMARY  
FOR YEARS ~~2013~~2014 TO ~~2016~~2015**

<i>Outlet Type</i>	<i>Year</i>	<i>Outlets at the Start of the Year</i>	<i>Outlets at the End of the Year</i>	<i>Net Change</i>
Franchised	<del>2014</del> <u>2013</u>	<del>126</del> <u>113</u>	<del>113</del> <u>104</u>	<del>-13</del> <u>-9</u>
	<del>2015</del> <u>2014</u>	<del>113</del> <u>104</u>	<del>104</del> <u>97</u>	<del>-9</del> <u>-7</u>
	<del>2016</del> <u>2015</u>	<del>104</del> <u>97</u>	<del>96</del> <u>44</u>	<del>-8</del> <u>-5</u>
Company-Owned	<del>2014</del> <u>2013</u>	<del>22</del> <u>0</u>	0	<del>-22</del> <u>0</u>
	<del>2015</del> <u>2014</u>	0	0	0
	<del>2016</del> <u>2015</u>	0	0	0
Total Outlets	<del>2014</del> <u>2013</u>	<del>148</del> <u>113</u>	<del>113</del> <u>104</u>	<del>-25</del> <u>-9</u>
	<del>2015</del> <u>2014</u>	<del>113</del> <u>104</u>	<del>104</del> <u>97</u>	<del>-9</del> <u>-7</u>
	<del>2016</del> <u>2015</u>	<del>104</del> <u>97</u>	<del>96</del> <u>44</u>	<del>-8</del> <u>-5</u>

\*Charts 20.1A, 20.2A, 20.3A, 20.4A, and 20.5A reflect the outlet summary for the Legacy System.

**Table 20.2A**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN THE FRANCHISOR)**  
**FOR YEARS ~~2013~~2014 TO ~~2016~~2015**

<i>State</i>	<i>Year</i>	<i>Number of Transfers</i>
<del>California</del> TOTAL	<del>2014</del> 2013	0
	<del>2015</del>	<u>0</u>
	<del>2016</del>	<u>0</u>
<del>Vermont</del>	2014	0
	2015	0
	<del>2016</del>	<u>1</u>
<del>New York</del>	<del>2014</del>	<u>0</u>
	<del>2015</del>	<u>0</u>
	<del>2016</del>	<u>1</u>
<del>Total</del>	<del>2014</del>	<u>0</u>
	<del>2015</del>	<u>0</u>
	<del>2016</del>	<u>2</u>

**Table 20.3A**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR YEARS ~~2013~~2014 TO ~~2016~~2015**

<i>State</i>	<i>Year</i>	<i>Outlets at Start of Year</i>	<i>Outlets Opened</i>	<i>Terminations</i>	<i>Non-Renewal</i>	<i>Reacquired by Franchisor</i>	<i>Ceased Operations - Other Reasons</i>	<i>Outlets at End of Year</i>
AL	<del>2014</del> <del>013</del>	3	0	0	<del>0</del> <u>2</u>	0	0	<del>3</del> <u>1</u>
	<del>2015</del> <del>014</del>	<del>3</del> <u>1</u>	0	0	<del>2</del> <u>0</u>	0	0	1
	<del>2016</del> <del>015</del>	1	0	0	<del>1</del> <u>0</u>	0	0	<del>0</del> <u>1</u>
AZ	<del>2014</del> <del>013</del>	3	0	0	0	0	0	3
	<del>2015</del> <del>014</del>	3	0	0	0	0	0	3
	<del>2016</del> <del>015</del>	3	0	0	0	0	<del>0</del> <u>1</u>	3
CA	<del>2014</del> <del>013</del>	<del>139</del> <u>97</u>	0	<del>0</del> <u>2</u>	0	0	<del>40</del> <u>0</u>	<del>97</del> <u>7</u>
	<del>2015</del> <del>014</del>	<del>97</del> <u>97</u>	0	<del>20</del> <u>0</u>	0	0	0	7
	<del>2016</del> <del>015</del>	7	0	0	0	0	<del>0</del> <u>3</u>	<del>74</del> <u>4</u>

<i>State</i>	<i>Year</i>	<i>Outlets at Start of Year</i>	<i>Outlets Opened</i>	<i>Terminations</i>	<i>Non-Renewal</i>	<i>Reacquired by Franchisor</i>	<i>Ceased Operations – Other Reasons</i>	<i>Outlets at End of Year</i>
CO	<del>2014</del> <del>013</del>	1	0	0	0	0	0	1
	<del>2015</del> <del>014</del>	1	0	0	0	0	0	1
	<del>2016</del> <del>015</del>	1	0	0	0	0	<del>0</del> 1	<del>1</del> 0
CT	<del>2014</del> <del>013</del>	4	0	0	0	0	0	4
	<del>2015</del> <del>014</del>	4	0	0	<del>0</del> 1	0	0	<del>4</del> 3
	<del>2016</del> <del>015</del>	<del>4</del> 3	0	0	<del>1</del> 0	0	<del>0</del> 1	<del>3</del> 2
DE	<del>2014</del> <del>013</del>	1	0	0	0	0	0	1
	<del>2015</del> <del>014</del>	1	0	0	0	0	0	1
	<del>2016</del> <del>015</del>	1	0	0	0	0	0	1
FL	<del>2014</del> <del>013</del>	8	0	0	0	0	0	8
	<del>2015</del> <del>014</del>	8	0	0	0	0	0	8
	<del>2016</del> <del>015</del>	8	0	0	0	0	<del>0</del> 2	<del>8</del> 6
GA	<del>2014</del> <del>013</del>	<del>5</del> 3	0	0	<del>2</del> 0	0	0	3
	<del>2015</del> <del>014</del>	3	0	0	0	0	0	3
	<del>2016</del> <del>015</del>	3	0	0	0	0	<del>0</del> 3	<del>3</del> 0
HI	<del>2014</del> <del>013</del>	<del>5</del> 0	0	0	<del>1</del> 0	0	0	<del>4</del> 0
	<del>2015</del> <del>014</del>	<del>4</del> 0	0	0	<del>1</del> 0	0	0	<del>3</del> 0
	<del>2016</del> <del>015</del>	<del>3</del> 0	0	<del>1</del> 0	0	0	0	<del>2</del> 0
IN	<del>2014</del> <del>013</del>	<del>2</del> 4	0	0	<del>0</del> 1	0	0	<del>2</del> 3
	<del>2015</del> <del>014</del>	<del>2</del> 3	0	<del>0</del> 1	0	0	0	2
	<del>2016</del> <del>015</del>	2	0	0	0	0	<del>0</del> 2	<del>2</del> 0

<i>State</i>	<i>Year</i>	<i>Outlets at Start of Year</i>	<i>Outlets Opened</i>	<i>Terminations</i>	<i>Non-Renewal</i>	<i>Reacquired by Franchisor</i>	<i>Ceased Operations – Other Reasons</i>	<i>Outlets at End of Year</i>
<u>K</u> <u>SIN</u>	<del>2014</del> <del>013</del>	<del>+2</del>	0	0	0	0	0	<del>+2</del>
	<del>2015</del> <del>014</del>	<del>+2</del>	0	0	0	0	0	<del>+2</del>
	<del>2016</del> <del>015</del>	<del>+2</del>	0	0	0	0	<del>0</del>	<del>+0</del>
<u>L</u> <u>A</u> <u>K</u> <u>S</u>	<del>2014</del> <del>013</del>	1	0	0	0	0	0	1
	<del>2015</del> <del>014</del>	1	0	0	0	0	0	1
	<del>2016</del> <del>015</del>	1	0	0	0	0	<del>0</del>	<del>+0</del>
<u>M</u> <u>D</u> <u>L</u> <u>A</u>	<del>2014</del> <del>013</del>	<del>2</del>	0	<del>+0</del>	0	0	0	1
	<del>2015</del> <del>014</del>	1	0	0	0	0	0	1
	<del>2016</del> <del>015</del>	1	0	0	0	0	<del>0</del>	<del>+0</del>
<u>M</u> <u>A</u> <u>M</u> <u>D</u>	<del>2014</del> <del>013</del>	<del>3</del>	0	0	0	0	0	<del>3</del>
	<del>2015</del> <del>014</del>	<del>3</del>	0	0	0	0	0	<del>3</del>
	<del>2016</del> <del>015</del>	<del>3</del>	0	0	0	0	<del>0</del>	<del>3</del>
<u>M</u> <u>I</u> <u>M</u> <u>A</u>	<del>2014</del> <del>013</del>	<del>2</del>	0	<del>+0</del>	0	0	0	<del>+3</del>
	<del>2015</del> <del>014</del>	<del>+3</del>	0	0	0	0	0	<del>+3</del>
	<del>2016</del> <del>015</del>	<del>+3</del>	0	0	0	0	<del>0</del>	<del>+0</del>
<u>M</u> <u>N</u> <u>M</u> <u>I</u>	<del>2014</del> <del>013</del>	<del>6</del>	0	<del>+0</del>	0	0	0	<del>5</del>
	<del>2015</del> <del>014</del>	<del>5</del>	0	0	0	0	0	<del>5</del>
	<del>2016</del> <del>015</del>	<del>5</del>	0	0	0	0	0	<del>5</del>
<u>N</u> <u>E</u> <u>M</u> <u>N</u>	<del>2014</del> <del>013</del>	<del>+5</del>	0	0	0	0	0	<del>+5</del>
	<del>2015</del> <del>014</del>	<del>+5</del>	0	0	0	0	0	<del>+5</del>
	<del>2016</del> <del>015</del>	<del>+5</del>	0	0	0	0	<del>0</del>	<del>+0</del>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewal	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
NJNE	<del>2014</del> 2013	<del>1</del> 1	0	0	0	0	0	<del>1</del> 1
	<del>2015</del> 2014	<del>1</del> 1	0	0	0	0	0	<del>1</del> 1
	<del>2016</del> 2015	<del>1</del> 1	0	0	<del>0</del> 20	0	0	<del>1</del> 91
NYNJ	<del>2014</del> 2013	<del>10</del> 11	0	0	0	0	0	<del>10</del> 11
	<del>2015</del> 2014	<del>10</del> 11	0	0	<del>0</del> 2	0	0	9
	<del>2016</del> 2015	9	0	0	0	0	<del>0</del> 4	<del>9</del> 95
NWNJ	<del>2014</del> 2013	<del>10</del> 10	0	0	<del>0</del> 1	0	0	<del>10</del> 9
	<del>2015</del> 2014	<del>10</del> 9	0	0	0	0	0	<del>10</del> 9
	<del>2016</del> 2015	<del>10</del> 9	0	0	0	0	<del>0</del> 5	<del>10</del> 14
NENY	<del>2014</del> 2013	<del>2</del> 1	0	0	0	0	0	<del>2</del> 1
	<del>2015</del> 2014	<del>2</del> 1	0	0	0	0	0	<del>2</del> 1
	<del>2016</del> 2015	<del>2</del> 1	0	<del>0</del> 10	0	0	<del>0</del> 1	<del>2</del> 10
OHNC	<del>2014</del> 2013	2	0	0	<del>0</del> 10	0	0	<del>2</del> 12
	<del>2015</del> 2014	<del>2</del> 2	0	<del>0</del> 1	0	0	0	1
	<del>2016</del> 2015	1	0	0	0	0	0	1
OKOH	<del>2014</del> 2013	1	0	0	0	0	0	1
	<del>2015</del> 2014	1	0	0	0	0	0	1
	<del>2016</del> 2015	1	0	0	0	0	<del>0</del> 1	<del>1</del> 10
OROK	<del>2014</del> 2013	1	0	0	0	0	<del>0</del> 10	<del>1</del> 1
	<del>2015</del> 2014	<del>1</del> 1	0	0	0	0	0	<del>1</del> 1
	<del>2016</del> 2015	<del>1</del> 1	0	0	0	0	0	<del>1</del> 1

<i>State</i>	<i>Year</i>	<i>Outlets at Start of Year</i>	<i>Outlets Opened</i>	<i>Terminations</i>	<i>Non-Renewal</i>	<i>Reacquired by Franchisor</i>	<i>Ceased Operations – Other Reasons</i>	<i>Outlets at End of Year</i>
PA	<del>2014</del> <del>013</del>	5	0	0	0	0	0	5
	<del>2015</del> <del>014</del>	5	0	<del>0</del> 1	0	0	0	<del>5</del> 4
	<del>2016</del> <del>015</del>	<del>5</del> 4	0	<del>0</del> 0	0	0	<del>0</del> 1	<del>4</del> 3
RI	<del>2014</del> <del>013</del>	1	0	0	0	0	0	1
	<del>2015</del> <del>014</del>	1	0	0	0	0	0	1
	<del>2016</del> <del>015</del>	1	0	0	0	0	<del>0</del> 1	<del>1</del> 0
TN	<del>2014</del> <del>013</del>	1	0	0	0	0	0	1
	<del>2015</del> <del>014</del>	1	0	0	0	0	0	1
	<del>2016</del> <del>015</del>	1	0	0	0	0	<del>0</del> 1	<del>1</del> 0
TX	<del>2014</del> <del>013</del>	17	0	0	<del>0</del> 2	0	0	<del>17</del> 15
	<del>2015</del> <del>014</del>	<del>17</del> 15	0	0	<del>2</del> 1	0	0	<del>15</del> 14
	<del>2016</del> <del>015</del>	<del>15</del> 14	0	0	<del>1</del> 0	0	<del>0</del> 8	<del>14</del> 6
UT	<del>2014</del> <del>013</del>	<del>2</del> 1	0	0	<del>1</del> 0	0	0	1
	<del>2015</del> <del>014</del>	1	0	0	0	0	0	1
	<del>2016</del> <del>015</del>	1	0	0	0	0	0	1
VT	<del>2014</del> <del>013</del>	2	0	0	0	0	0	2
	<del>2015</del> <del>014</del>	2	0	0	0	0	0	2
	<del>2016</del> <del>015</del>	2	0	0	0	0	<del>0</del> 2	<del>2</del> 0
VA	<del>2014</del> <del>013</del>	3	0	0	0	0	0	3
	<del>2015</del> <del>014</del>	3	0	0	0	0	0	3
	<del>2016</del> <del>015</del>	3	0	0	<del>0</del> 2	0	0	<del>3</del> 1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewal	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
WA	<del>2014</del> <del>013</del>	1	0	0	0	0	0	1
	<del>2015</del> <del>014</del>	1	0	0	0	0	0	1
	<del>2016</del> <del>015</del>	1	0	0	0	0	0	1
WI	<del>2014</del> <del>013</del>	4	0	0	<del>0</del> <u>1</u>	0	0	<del>4</del> <u>3</u>
	<del>2015</del> <del>014</del>	<del>4</del> <u>3</u>	0	0	<del>1</del> <u>0</u>	0	0	3
	<del>2016</del> <del>015</del>	3	0	0	0	0	<del>0</del> <u>1</u>	<del>3</del> <u>2</u>
WV	<del>2014</del> <del>013</del>	1	0	0	0	0	0	1
	<del>2015</del> <del>014</del>	1	0	0	0	0	0	1
	<del>2016</del> <del>015</del>	1	0	0	0	0	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>
Total	<del>2014</del> <del>013</del>	<del>126</del> <u>113</u>	0	<del>3</del> <u>2</u>	<del>5</del> <u>7</u>	0	<del>5</del> <u>0</u>	<del>113</del> <u>104</u>
	<del>2015</del> <del>014</del>	<del>113</del> <u>104</u>	0	<del>2</del> <u>3</u>	<del>7</del> <u>4</u>	0	0	<del>104</del> <u>97</u>
	<del>2016</del> <del>015</del>	<del>104</del> <u>97</u>	0	<del>3</del> <u>0</u>	<del>5</del> <u>2</u>	0	<del>0</del> <u>51</u>	<del>96</del> <u>44</u>

NOTE: Franchisees may have more than one location and possibly outside the state where they are incorporated.

**Table 20.4A**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**FOR YEARS ~~2013~~2014 TO ~~2016~~2015**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
<u>All States</u> <del>AZ</del>	<del>2014</del> <del>2013</del>	<del>1</del> <u>0</u>	0	0	<del>1</del> <u>0</u>	0	0
	<del>2015</del> <del>2014</del>	0	0	0	0	0	0
	<del>2016</del>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>
<u>Total</u>	<del>2014</del>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>	<del>0</del> <u>0</u>
	2015	0	0	0	0	0	0
<del>CA</del>	<del>2013</del>	<del>5</del>	<del>0</del>	<del>0</del>	<del>5</del>	<del>0</del>	<del>0</del>
	<del>2014</del> <del>2016</del>	0	0	0	0	0	0
	<del>2015</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>

<i>State</i>	<i>Year</i>	<i>Outlets at Start of Year</i>	<i>Outlets Opened</i>	<i>Outlets Reacquired from Franchisees</i>	<i>Outlets Closed</i>	<i>Outlets Sold to Franchisees</i>	<i>Outlets at End of the Year</i>
DC	2013	1	0	0	1	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
FL	2013	1	0	0	1	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
GA	2013	1	0	0	1	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
HI	2013	2	0	0	2	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
IL	2013	1	0	0	1	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
MA	2013	2	0	0	2	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
NJ	2013	1	0	0	1	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
NV	2013	1	0	0	1	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
NY	2013	3	0	0	3	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
TX	2013	2	0	0	2	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
VA	2013	1	0	0	1	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
<b>Total</b>	<b>2013</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>0</b>	<b>0</b>
	<b>2014</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The following table gives the projected number of new franchised and company-owned Legacy System businesses during the one-year period January 1, ~~2017~~2016 through December 31, ~~2017~~2016.

**Table 20.5A**  
**PROJECTED OPENINGS**  
**AS OF DECEMBER 31, ~~2015~~2016**

<i>State</i>	<i>Franchise <del>Agreement</del>Agreements Signed But Unit Not Yet Open</i>	<i>Projected New Franchised Units Opening in Fiscal Year <del>2016</del>2017</i>	<i>Projected New Company- Owned Units in Fiscal Year <del>2017</del>2016</i>
Total	0	0	0

**CURRENT SYSTEM OUTLET SUMMARY\***

**Table 20.1B**  
**SYSTEM-WIDE OUTLET SUMMARY**  
**FOR YEARS ~~2013~~2014 TO ~~2015~~2016**

<i>Outlet Type</i>	<i>Year</i>	<i>Outlets at the Start of the Year</i>	<i>Outlets at the End of the Year</i>	<i>Net Change</i>
Franchised	<del>2014</del> 2013	0	0	0
	<del>2015</del> 2014	0	0	0
	<del>2015</del> 2016	0	<del>0</del> 10	<del>0</del> +10
Company-Owned	<del>2014</del> 2013	0	0	0
	<del>2015</del> 2014	0	0	0
	<del>2015</del> 2016	0	0	0
Total Outlets	<del>2014</del> 2013	0	0	0
	<del>2015</del> 2014	0	0	0
	<del>2015</del> 2016	0	<del>0</del> 10	<del>0</del> +10

\*Charts 20.1B, 20.2B, 20.3B, 20.4B, and 20.5B reflect the outlet summary for the TRS franchise system being offered in this disclosure document.

**Table 20.2B**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN THE FRANCHISOR)**  
**FOR YEARS ~~2013~~2014 TO ~~2015~~2016**

<i>State</i>	<i>Year</i>	<i>Number of Transfers</i>
All States	<del>2014</del> 2013	0
	<del>2015</del> 2014	0
	<del>2015</del> 2016	0
Total	<del>2014</del> 2013	0
	<del>2015</del> 2014	0
	<del>2015</del> 2016	0

**Table 20.3B  
STATUS OF FRANCHISED OUTLETS  
FOR YEARS ~~2013~~2014 TO ~~2015~~2016**

<i>State</i>	<i>Year</i>	<i>Outlets at Start of Year</i>	<i>Outlets Opened</i>	<i>Terminations</i>	<i>Non- Renewal</i>	<i>Reacquired by Franchisor</i>	<i>Ceased Operations-- Other Reasons</i>	<i>Outlets at End of Year</i>
<u>Arizona</u>	<del>2013</del> 2014	0	0	0	0	0	0	0
<u>All States</u>	<del>2014</del> 2015	0	0	0	0	0	0	0
	<del>2015</del> 2016	0	<u>1</u>	0	0	0	0	<u>1</u>
<u>Total</u>	<del>2013</del> 2014	0	0	0	0	0	0	0
<u>Connecticut</u>	<del>2014</del> 2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2016	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Florida</u>	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>New York</u>	2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2016	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>Nevada</u>	2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2016	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Tennessee</u>	2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2016	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Vermont</u>	2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2016	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Virginia</u>	2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2016	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>West Virginia</u>	2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2016	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
<u>Total</u>	2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2016	<u>0</u>	<u>10</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10</u>

**Table 20.4B**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**FOR YEARS ~~2013~~2014 TO ~~2015~~2016**

<i>State</i>	<i>Year</i>	<i>Outlets at Start of Year</i>	<i>Outlets Opened</i>	<i>Outlets Reacquired from Franchisees</i>	<i>Outlets Closed</i>	<i>Outlets Sold to Franchisees</i>	<i>Outlets at End of the Year</i>
All States	<del>2014</del> 2013	0	0	0	0	0	0
	<del>2015</del> 2014	0	0	0	0	0	0
	<del>2015</del> 2016	0	0	0	0	0	0
Total	<del>2014</del> 2013	0	0	0	0	0	0
	<del>2014</del> 2015	0	0	0	0	0	0
	<del>2015</del> 2016	0	0	0	0	0	0

The following table gives the projected number of franchised and company-owned businesses to be opened in the Representative Network during the one-year period January 1, ~~2017~~2016 through December 31, 2017, including those operating Legacy System businesses that may convert to the Representative Network~~2016~~.

**Table 20.5B**  
**PROJECTED OPENINGS**  
**AS OF DECEMBER 31, ~~2015~~2016**

<i>State</i>	<i>Franchise Agreement Signed But Unit Not Yet Open</i>	<i>Projected New Franchised Units Opening in Fiscal Year <del>2017</del>2016</i>	<i>Projected New Company-Owned Units in Fiscal Year <del>2016</del>2017</i>
<del>AL</del> CA	0	1	0
<del>AZ</del> DE	0	<del>0</del> 1	0
<del>CA</del> FL	0	<del>0</del> 1	0
<del>CO</del> NJ	0	<del>0</del> 2	0
<del>CT</del> NC	0	1	0
<del>FL</del> NY	0	<del>1</del> 3	0
<del>GA</del>	<del>0</del>	<del>2</del>	<del>0</del>
<del>IL</del>	<del>0</del>	<del>2</del>	<del>0</del>
<del>IA</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>KS</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>LA</del>	<del>0</del>	<del>2</del>	<del>0</del>
<del>MD</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>MS</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>NE</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>NV</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>NH</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>NJ</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>NM</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>NY</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>OH</del>	<del>0</del>	<del>2</del>	<del>0</del>
<del>OR</del>	<del>0</del>	<del>1</del>	<del>0</del>
PA	0	2	0
<del>RI</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>SC</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>SD</del>	<del>0</del>	<del>1</del>	<del>0</del>
<del>TN</del>	<del>0</del>	<del>1</del>	<del>0</del>
TX	0	<del>2</del> 1	0

State	Franchise Agreement Signed But Unit Not Yet Open	Projected New Franchised Units Opening in Fiscal Year <del>2017</del> 2016	Projected New Company-Owned Units in Fiscal Year <del>2016</del> 2017
<del>UT</del>	0	+	0
<del>VT</del>	0	+	0
VA	0	21	0
<del>WA</del>	0	+	0
<del>WI</del>	0	+	0
Total	0	<del>36</del> 13	0

The names of all [franchisees and all remaining](#) Legacy System franchisees, and the addresses and telephone numbers of all of their outlets, are attached as [Exhibit H](#). The names and last known business address and telephone number of every [franchisee or](#) Legacy System franchisee who has had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the [Legacy System agreement or the current](#) Representative Agreement during ~~2015~~2016 or who has not communicated with TRS within 10 weeks of the date of this disclosure document are attached as [Exhibit I](#).

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. No current franchisees have signed confidentiality clauses during the last three fiscal years that restrict their ability to speak with you about their franchised business. As disclosed in Item 3 above, a former franchisee under the Legacy System has signed a confidential settlement agreement that restricts its ability to speak openly about its experience with the TRS Legacy System. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. We intend to endorse a franchise advisory council that will advise us on various matters relevant to the operation of the franchise business. The pool of candidates for the franchise advisory council will be selected by Representatives, and we will select the members of the franchise advisory council from the pool of candidates.

## Item 21

### FINANCIAL STATEMENTS

Attached to this Disclosure Document as [Exhibit E](#) are the ~~2015~~2016 audited consolidated financial statements of American Express Company, our parent, which includes the consolidated balance sheets as of December 31, ~~2015~~2016 and December 31, ~~2014~~2015, and the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, ~~2015~~2016.

~~On February 27, 2016, following the filing of the audited consolidated financial statements with the SEC, American Express Company reached a definitive agreement to sell the Costco portfolio. The sale of Costco portfolio is subject to customary closing conditions and is expected to be consummated in June 2016. The gain on the sale of the portfolio will be recognized upon consummation of the sale.~~

~~In addition, on March 18, 2016, American Express Company consummated the sale of the JetBlue portfolio, reported as Card Member loans and receivables held for sale at December 31, 2015. As a result of this sale, the Company will record an estimated gain of \$127 million.~~

American Express Company absolutely and unconditionally guarantees to assume the duties and obligations of TRS under the Representative Agreement. A copy of the guarantee is also attached as [Exhibit E](#).

**Item 22**

**CONTRACTS**

The Representative Agreement and Card Acceptance Agreement are attached to this Franchise Disclosure Document as Exhibit B and Exhibit F, respectively.

**Item 23**

**RECEIPTS**

The last two pages of this disclosure document are two copies of a detachable receipt. You should sign both copies. Keep one copy for your records and return one copy to us.

## **EXHIBIT A**

### **List of State Administrators**

The following is a list of state administrators responsible for registration and review of franchises for these states. We may register in one or more of these states.

#### **CALIFORNIA**

Department of Business Oversight  
320 West 4th Street  
Suite 750  
Los Angeles, California 90013  
(866) 275-2677

#### **HAWAII**

Securities Examiner  
Department of Commerce & Consumer Affairs  
Business Registration Division  
335 Merchant Street  
Honolulu, Hawaii 96813  
(808) 586-2722

#### **ILLINOIS**

Office of Attorney General  
Franchise Division  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

#### **INDIANA**

Secretary of State  
Franchise Section  
Indiana Securities Division  
302 West Washington, Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

#### **KENTUCKY**

Commonwealth of Kentucky  
Office of the Attorney General  
Consumer Protection Division  
1024 Capital Center Drive  
Frankfort, Kentucky 40601  
(502) 696-5300

#### **MARYLAND**

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

#### **MICHIGAN**

Michigan Department of Attorney General  
Consumer Protection Division  
Franchise Section  
525 W. Ottawa Street  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
Lansing, Michigan 48913  
(517) 373-7117

#### **MINNESOTA**

Department of Commerce  
85 7th Place East, Suite 500  
St. Paul, Minnesota 55101-2198  
(651) 296-6328

#### **NEBRASKA**

Nebraska Department of Banking and Finance  
Bureau of Securities  
1526 K Street, Suite 300  
PO Box 95006  
Lincoln, Nebraska 68508  
(402) 471-3445

#### **NEW YORK**

Office of the New York State Attorney General  
Investor Protection Bureau  
Franchise Section  
120 Broadway, 23rd Floor  
New York, NY 10271-0332  
(212) 416-8236 Phone  
(212) 416-6042 Fax

#### **NORTH DAKOTA**

Office of Securities Commissioner  
Fifth Floor  
600 East Boulevard Avenue  
Bismarck, North Dakota 58505  
(701) 328.4712

#### **RHODE ISLAND**

Director of Department of Business Regulation  
Department of Business Regulation  
Securities Division  
John O. Pastore Center, Building 69-1  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920  
(401) 462-9527

**SOUTH DAKOTA**

Department of Labor and Regulation  
Division of Securities  
124 S. Euclid Avenue, Suite 104  
Pierre, South Dakota 57501  
(605) 773-4823

**TEXAS**

Statutory Documents Section  
Secretary of State  
P.O. Box 13550  
Austin, Texas 78711  
(512) 475-0775

**VIRGINIA**

State Corporation Commission  
Division of Securities and Retail Franchising  
Ninth Floor  
1300 East Main Street  
Richmond, Virginia 23219  
(804) 371-9276

**WASHINGTON**

Department of Financial Institutions  
Securities Division  
150 Israel Rd SW  
Tumwater, Washington 98501  
(360) 902-8760

**WISCONSIN**

Department of Financial Institutions  
Division of Securities  
201 W. Washington Avenue, Suite 300  
Madison, Wisconsin 53703  
(608) 266-0448

**EXHIBIT B**

**Representative Agreement**

**AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.**

**REPRESENTATIVE AGREEMENT**

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**EXHIBITS**

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EXHIBIT V – NONDISCLOSURE AND NON-COMPETITION AGREEMENT

**AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.**  
**REPRESENTATIVE AGREEMENT**

This Representative Agreement (this “**Agreement**”), effective as of this \_\_\_\_ of \_\_\_\_\_, 20\_\_ (the “**Effective Date**”), is by and between American Express Travel Related Services Company, Inc., a New York corporation having its principal place of business at 200 Vesey Street, New York, New York 10285 (hereinafter referred to as “**TRS**”); \_\_\_\_\_, a \_\_\_\_\_ having its principal place of business at \_\_\_\_\_ (hereinafter referred to as “**Representative**”); and ~~if Representative is a partnership, corporation, limited liability company or other legal entity,~~ each individual ~~who~~ entity that holds a legal or beneficial interest in Representative of five percent (5%) or greater ~~in Representative~~ (“**Owners**”).

**BACKGROUND**

A. TRS has developed and extensively promoted through the expenditure of considerable time, effort and money, a network of travel agencies in the United States and its territories and possessions (collectively, the “**United States**”) (the “**TRS Network**”) that provide travel and travel-related services under the “American Express” trademark and other trademarks and/or service marks; and

B. TRS desires to be represented at locations throughout the United States to afford American Express Card Members and travel customers a wide range of service coverage; and

C. Representative desires to represent TRS at the location(s) designated herein for such purposes; and

D. TRS and Representative agree that their relationship is a business relationship defined by the terms of this Agreement, based on the rights and limited to the obligations established in this Agreement.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

**AGREEMENT**

**1. REPRESENTATIVE APPOINTMENT**

1.1 Subject to the provisions of this Agreement, TRS hereby appoints and designates Representative as an American Express Travel Services Representative. TRS grants Representative the right to engage in the arrangement and sale of travel by all forms of conveyance, lodging and other activities directly related thereto solely to the extent routinely provided by travel agencies to travel customers as determined by TRS in its sole discretion (“**Licensed Activities**”) at its locations in the United States, as listed in Exhibit I hereto and more fully described in Section 6 below (“**Representative Offices**”). TRS also grants Representative the right to use the TRS Licensed Marks (as defined in Exhibit II hereto), without the right to grant sublicenses, in strict accordance with the Trademark License Terms attached hereto as Exhibit II, at its Representative Offices.

1.2 Representative hereby acknowledges and agrees that the appointment under this Agreement shall designate Representative as an American Express Travel Services Representative only for the purpose of conducting Licensed Activities. TRS and Representative agree that their relationship is an arms-length business relationship defined solely by the terms of this Agreement, based on the parties’ respective rights and obligations herein and subject to the limitations established herein. Representative is a separate business entity that is independent from TRS. TRS is solely responsible for determining the manner in which its rights are exercised and obligations are fulfilled in the exercise of its business interest. Similarly, Representative is solely responsible for determining the manner in which its rights are exercised and obligations fulfilled in the exercise of its business interest. Representative will conduct its business in its own name, using the TRS Licensed Marks solely in order to identify the Representative Office as authorized to use the rights granted in this Agreement. TRS does not control any labor or employment matters of Representatives and has no authority to hire, fire, or determine the working conditions or compensation of any of Representative’s employees, contractors, or agents. Neither Representative nor its

employees or agents are employees or agents of TRS. TRS and Representative and not joint employers of Representative's employees. Neither Representative nor its employees or agents have any authority to create or assume in TRS's name any obligations, express or implied, or to act as an employee, agent or legal representative of TRS. No partnership, joint venture, joint employment, agency, fiduciary, or employment relationship is created by this Agreement or intended by the parties hereto. Representative acknowledges and agrees that TRS may offer products and services that are the same as or similar to those offered by Representative or that differ from those offered by Representative, and that TRS's business includes the licensing of Licensed Activities under the TRS Licensed Marks and the provision of training, advice, and support as set forth in this Agreement. Representative further acknowledges and agrees that Representative is solely responsible for the day-to-day management of the franchisee business, and that Representative's day-to-day performance provision of services to its customers is not subject to TRS's control and direction.

1.3 As used in this Agreement, the term "**Advertising**" means any and all marketing, promotion, solicitation and promotional materials or activities distributed, conducted or accessed online, offline or through any media including, without limitation, communications on or through Representative's internet site(s), Facebook, Twitter, LinkedIn, on-line blogs and forums and/or other social media sites ("**Networking Media Sites**"). Representative agrees that all Advertising and/or use of the TRS Licensed Marks shall be subject to the express and explicit written approval of TRS, in its sole and absolute discretion, and TRS reserves the right to cancel, revoke or modify such approval at any time for any reason or no reason. Any usage specifically objected to by TRS shall be immediately discontinued. Without limiting the foregoing, Representative acknowledges and agrees that in no event shall it use any TRS or other American Express name, service mark or trademark in any of its or its affiliates' domain names, email addresses, or social media handles. Representative agrees that it will not use the TRS Licensed Marks in any way that might create confusion, or give customers the wrong impression that the service or product is manufactured, produced or endorsed by TRS. Representative agrees to take any steps requested by TRS to ensure that (i) there is no confusion between the Representative's Networking Media Sites and sites operated by or on behalf of TRS, (ii) the Representative's internet sites are operated in accordance with the quality standards and other requirements specified in this Agreement, and (iii) Representative does not make any postings or other communications on any Networking Media Sites or otherwise that would give the impression that such postings or communications are being made by TRS. Representative further agrees that it shall not, during or after the Term (as defined herein), use the TRS Licensed Marks in connection with any foreign currency exchange operations.

1.4 TRS shall have the right to list Representative in any and all directories, indices, lists, brochures, newspaper advertisements, electronic media, pamphlets or any other materials pertaining to the promotion and advertising of the TRS Network or Licensed Activities. TRS shall also have the right to photograph Representative and Representative's employees or agents and place(s) of business and to utilize such photographs in the advertising, promotion and sale of the TRS Network and/or TRS's products and services.

## 2. TERM AND RENEWAL

2.1 This Agreement shall be effective commencing on the Effective Date and shall continue in force and effect through December 31, ~~2019~~2020 (the "**Initial Term**"). Thereafter, this Agreement will automatically renew for additional, successive three (3)-year periods (each, a "**Renewal Term**" and, together with the Initial Term, collectively, the "**Term**"), unless either party provides the other party written notice of non-renewal at least thirty (30) days prior to the expiration of the Initial Term or Renewal Term, as applicable. Either party may elect not to renew this Agreement for any reason or for no reason at all. Representative acknowledges and agrees that TRS has the right to require, as a condition for any renewal, that Representative comply with the then-applicable operational prerequisites to be a representative of American Express Travel, comply with the TRS Standards, comply with the Trademark License Terms, provide all required information and materials, otherwise satisfy all requirements associated with TRS's Third-Party Lifecycle Management program and sign the then-current form of Representative Network Agreement for the TRS Representative Network.

## 3. CONDUCT OF BUSINESS

3.1 Representative shall perform its duties and obligations hereunder with diligence and shall maintain facilities appropriate therefor. Representative shall perform such duties and obligations and continuously exert its best efforts to promote and enhance the Representative Office in accordance with this Agreement (including any

schedules or exhibits), the representative manual (the “**Representative Manual**”), and such other operations and procedural manuals, instructions or standards as may be issued by TRS from time to time (instructions, manuals or standards provided by or on behalf of TRS shall be collectively referred to herein as the “**TRS Standards**”). The TRS Standards include TRS’s then-current Service Level Agreement, the current version of which is attached as Exhibit III. The Representative Manual and the TRS Standards shall be in the format determined by TRS, including an electronic format such as ~~AXtraweb~~[AXtraWeb](#) (as defined below). Representative acknowledges and agrees that any guidance or information that TRS provides in the Representative Manual, the TRS Standards, or otherwise, which relates to employment-related policies or procedures, is solely for Representative’s optional use. Representative will determine to what extent, if any, such guidance or information should apply to Representative’s employees and contractors. TRS reserves the right to delete, modify or add to the Representative Manual and the TRS Standards from time-to-time, in its sole discretion.

3.2 Representative acknowledges and agrees that it is Representative’s sole responsibility to secure and maintain in force all required licenses, permits and certificates related to conducting the Licensed Activities and to the operation of the Representative Offices or branch offices, if any. Representative shall comply at all times with (a) all applicable laws, rules and regulations of local, state and federal governments (including, but not limited to, export, privacy, data protection, money-laundering and anti-corruption laws or regulations) relating to the Licensed Activities, (b) all applicable laws, rules and regulations where applicable to the sale of insurance, including, but not limited to, licensing requirements for the sale or solicitation of insurance-related products and/or services, and (c) all applicable rules, regulations, policies or procedures of suppliers or industry bodies or organizations, such as the Airlines Reporting Corporation (“**ARC**”), the Bank Settlement Plan (“**BSP**”), the International Air Transport Association (“**IATA**”) and the International Airlines Travel Agent Network (“**IATAN**”), and their successor organizations, relating to the Licensed Activities.

3.3 Representative expressly acknowledges and agrees that TRS shall exercise no control whatsoever over the day-to-day activities and operations of Representative. ~~Nevertheless,~~ Representative agrees that, in the conduct of [the Licensed Activities](#) and any other business activities not related hereto, Representative will maintain high ethical and legal standards of conduct and will, in no way, injure the goodwill of TRS [or the TRS Licensed Marks](#).

3.4 Representative may not use, in any form or medium, including but not limited to, print, radio, television, or electronic, any TRS or other American Express name, service mark, trademark, logo or other branding unless expressly and explicitly authorized in writing by TRS pursuant to this Agreement.

3.5 As software, distribution technology, computer systems and telecommunication technology develop, TRS may require that Representative obtain access to certain tools which may become standard tools for the TRS Network. TRS shall have the right, but not the obligation, to specify or require that certain brands, types, makes and/or models of software, telecommunications technology, computer systems, and hardware (as well as services) be used by, between, or among Representatives, at each Representative’s own cost and expense (the “**Technology Requirements**”). Without limiting the foregoing, the Technology Requirements currently include, without limitation, the following: (a) customer database software; (b) reporting software, including software that tracks and reports the method of payment used by customers; (c) high speed Internet access; (d) its own agency website (which shall comply with this Agreement and the TRS Standards); and (e) access to TRS’s extranet site for Representatives, currently called ~~AXtraweb~~ (“~~AXtraweb~~[AXtraWeb](#) (“**AXtraWeb**”). Representative is required to access ~~AXtraweb~~[AXtraWeb](#) on a regular basis (but in any event not less than every ten (10) days) to obtain updates to the TRS Standards, it being agreed that TRS’s posting of changes to the TRS Standards shall be deemed to constitute notice of such changes to Representative. Representative shall comply with TRS’s requirements (as set forth in TRS’s Representative Manual or otherwise in writing) with respect to connection to, and utilization of, ~~AXtraweb~~[AXtraWeb](#).

3.6 Representative and TRS acknowledge and agree that changes to technology are dynamic and not predictable during the Term. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Representative agrees that TRS shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the TRS Network; and Representative agrees that it shall abide by those reasonable new standards established by TRS. Representative acknowledges and agrees that (i) the implementation of the Technology Requirements will be at its sole cost and expense and (ii) it is Representative’s responsibility to

ensure that it complies with the Technology Requirements in an efficient, safe and secure manner, it being agreed that TRS shall not be liable for any claims, losses or damages resulting from or arising out of Representative's compliance with the Technology Requirements including, without limitation, the act or omission of any supplier, third party data consolidator or any third party service provider engaged in connection therewith.

3.7 Representative acknowledges and agrees that exchanging information with TRS by e-mail and fax is an important way to enable quick, effective and efficient communication, and that TRS is entitled to rely upon Representative's use of e-mail and faxes for communicating as part of the economic bargain underlying this Agreement. Representative acknowledges that personal information or any other sensitive data transmitted over e-mail, fax or any other electronic device will be made using industry standard levels of encryption.

3.8 Representative shall provide services in accordance with the Representative Manual, the TRS Standards or any other instructions issued by TRS, and represents and warrants that it will promptly notify TRS of, and will handle directly and expeditiously, all TRS client claims, complaints and inquiries. Representative agrees to institute such quality assurance measures as TRS may request from time to time, including, without limitation, the distribution of customer surveys in accordance with instructions issued by TRS. Representative shall promptly log and forward to TRS any Inquiries Representative receives related to the Personalized Travel Service products or services or the Gold Card Travel Program products or services, but in no event more than thirty (30) days following receipt of such Inquiry. "Inquiry(ies)" shall mean any written, oral, or electronic communication to or received by Representative, from or on behalf of a customer of TRS, related to a product or service offered by, or on behalf of, TRS, including, but not limited to, any communication or complaint that (1) indicates a particular act or practice may be in violation of TRS policy or any law or regulation to which TRS is subject, including prohibitions of unfair, deceptive, or abusive acts or practices, or (2) that expresses dissatisfaction or confusion concerning terms, costs, features or any other element of a product or service offered by, or on behalf of, TRS.

3.9 To the extent Representative provides foreign currency exchange or financial services other than as expressly set forth in this Agreement, Representative agrees not to use the TRS Licensed Marks or any other TRS or American Express name, service mark, trademark, logo or other branding in connection with such services, and Representative shall conspicuously separate such activities from the activities performed under the TRS Licensed Marks.

3.10 Representative agrees to notify TRS in writing within five (5) days of the receipt of any notice of violation of any law, ordinance or regulation relating to the Licensed Activities or the Representative Office, or the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect Representative, Representative's financial condition, the operation of the Representative Office or the reputation of TRS or its affiliates.

#### **4. FEES**

##### **4.1 Annual Fee and Revenue Share.**

4.1.1 Representative agrees to pay TRS an annual license fee of \$30,000 (the "**Annual Fee**"). Representative shall pay the Annual Fee to TRS in two (2) \$15,000 installments each year. The first installment shall be paid on or about January 1 of each year during the Term for the January – June billing cycle. The second installment shall be paid on or about July 1 for the July – December billing cycle. In the event that the first semi-annual billing cycle period of this Agreement is less than six (6) months, the first Annual Fee installment shall be prorated by the applicable number of days in the billing cycle period. Representative agrees to pay the Annual Fee each year in accordance with this Section 4.1. Representative acknowledges and agrees that TRS has fully earned the Annual Fee and that the Annual Fee is nonrefundable once paid to TRS. The first Annual Fee payment shall be paid upon execution of this Agreement.

4.1.2 If Representative has not previously been a TRS representative, Representative shall pay to TRS an initial implementation fee ("**Implementation Fee**") of \$3,500 with its first Annual Fee payment. Representative acknowledges and agrees that TRS has fully earned the Implementation Fee and that the Implementation Fee is nonrefundable once paid to TRS.

4.1.3 If Representative was previously a TRS representative and left the TRS Network, TRS reserves the right to charge a Representative who is rejoining the TRS Network for the cost of new signage (including manufacturing, shipping and installation).

4.1.4 Representative shall pay to TRS up to ten percent (10%) of the revenue that Representative receives from the sale of Personalized Travel Service products and services (“**Personalized Travel Services Revenue**”). The percentage of Personalized Travel Service Revenue that Representative must pay to TRS (the “**Revenue Share**”) will be determined annually and will be based on the aggregate amount of calendar year sales of Personalized Travel Service products and services by the entire TRS Representative Network, as defined in Section 7.2 below. Representative’s Revenue Share percentage will be determined annually in accordance with the following schedule: zero percent (0%) Revenue Share for annual sales of Personalized Travel Service products and services below \$50,000,000; five percent (5%) Revenue Share for annual sales of Personalized Travel Service products and services between \$50,000,000 - \$100,000,000; and ten percent (10%) Revenue Share for annual sales of Personalized Travel Service products and services over \$100,000,000. Representative shall remit to TRS, in the first quarter of each year within ten (10) days of receiving a Revenue Share invoice, its Revenue Share for the prior calendar year.

4.1.5 Representative acknowledges and agrees that Annual Fees and Revenue Share are subject to review by TRS and TRS reserves the right to increase the Annual Fee and/or the Revenue Share and/or to change or modify the method pursuant to which it calculates the Annual Fee and/or the Revenue Share. Representative shall receive advance written notice of Annual Fee and/or Revenue Share increases or revisions, including any change or modification in the method pursuant to which TRS calculates the Revenue Share, no less than sixty (60) days prior to such increase taking effect. Representative shall have the right to terminate this Agreement following any such Annual Fee and/or Revenue Share increase by providing written notice to TRS no later than thirty (30) days following Representative’s receipt of such notice. Representative acknowledges and agrees that failure by Representative to terminate this Agreement during such period shall be deemed to be acceptance by Representative of the increase in Annual Fees and/or Revenue Share.

4.1.6 In addition to the payments set forth above, Representative must pay to the TRS certain Preferred Supplier compensation, as described in Section 10 below and in the TRS Standards.

4.2 Except as otherwise set forth herein, all payments by Representative to TRS required under this Agreement shall be paid by the due date specified in the invoice delivered to Representative or as TRS may otherwise specify from time-to-time. All payments hereunder shall be made by credit card or such other payment method expressly approved by TRS. Representative agrees to comply with any requirement that TRS may impose to the effect that certain or all fees, dues, and charges specified in this Section 4 be paid by credit card, wire transfer, direct deposit, automated clearinghouse transfer (“**ACH**”), or by such other means as TRS may specify from time-to-time, in accordance with such procedures as TRS may specify from time-to-time in the TRS Standards or otherwise by TRS in writing. Representative acknowledges and agrees that any payment not received by TRS by the due date set forth in the applicable invoice or otherwise in writing by TRS is subject to payment by Representative to TRS of a late payment fee thereon at a rate equal to the lesser of one and one-half percent (1.5%) per month or the maximum amount allowed by law. Representative acknowledges and agrees that entitlement by TRS to such late payment fee shall be in addition to any other remedies TRS may have under this Agreement, at law or in equity. If TRS is ever deemed to have contracted for, charged or received late fees or late payment charges on any overdue sums in an amount that exceeds the amount permitted under applicable law, then such excess amount shall be deemed intended for, and will be applied as, payment of outstanding fees or other amounts due under this Agreement and, if no such amounts remain outstanding, such excess shall be returned to Representative.

4.3 Representative agrees to pay all amounts due under this Agreement without deduction, set-off or abatement. Representative further agrees that it shall not, on alleged grounds of non-performance by TRS of any of its obligations under this Agreement, withhold payment of any fees or other amounts due to TRS or any of its affiliates. In the event of termination or expiration of this Agreement for any reason whatsoever, TRS shall have the right to set off, from any monies which TRS owes Representative under this Agreement or any other agreement between the parties, those sums due TRS pursuant to the terms of this Agreement or any other agreement between the parties. In addition, in the event Representative fails to make payment of any Annual Fee or any other amounts due TRS hereunder, under any supplement or any other agreement between the parties, TRS reserves the right to set

off from any amounts owed to Representative hereunder the sums due TRS under this Agreement or any other agreement between the parties.

4.4 Notwithstanding any other provision of this Agreement, when TRS receives a payment required under this Section 4, TRS has the unfettered right to apply it as it sees fit to any past due indebtedness of Representative, including late charges or late fees, all without regard to how Representative designates or directs that a particular payment be applied.

4.5 If Representative fails to pay TRS as required under this Agreement, or if Representative fails to satisfy any of its other obligations arising under this Agreement, then, in addition to the assessment of late charges and late fees as set forth above, TRS shall have the right to suspend, during such period of delinquency, any or all benefits and services afforded to Representative as a TRS franchisee. Among other remedies, TRS shall have the right to: remove Representative from the TRS web roster; deny Representative access to ~~AXtraweb~~ [AXtraWeb](#); declare Representative ineligible for referrals; and bar Representative from registering, attending or participating in any applicable TRS conferences. Suspension of these or any other benefits and services shall not be an exclusive remedy and shall not in any way affect TRS's rights to receive or collect all outstanding fees, dues and other amounts owed by Representative or to terminate this Agreement because of Representative's failure to make payments required under this Agreement.

4.6 In the event of an early termination of this Agreement, which for purposes of this Section shall mean any termination of the Agreement by TRS for cause (Section 14), prior to the conclusion of the Term or any applicable renewal thereof ("**Early Termination**"), Representative shall immediately become obligated to pay TRS for lost future revenue ("**Lost Future Revenue**"). Lost Future Revenue shall consist of all amounts which Representative would have been obligated to pay TRS as Annual Fees, Revenue Share or any other identifiable amounts that would be due and owing from the date of Early Termination through what would have been the end of the Term. TRS and Representative acknowledge that it would be impracticable or extremely difficult to calculate the actual amount of Lost Future Revenue payable by Representative, and that the following method of calculation represents a fair and reasonable estimate of foreseeable Lost Future Revenue: Lost Future Revenue shall mean, with respect to the Revenue Share, an amount equal to (i) the total sales of Personalized Travel Service products and services during the twelve-month period immediately preceding the date of Early Termination multiplied by (ii) the Representative's Revenue Share percentage applicable during the immediately preceding year of the Term preceding the date of Early Termination. For example, if, at the time of Early Termination, Representative had \$99,000,000 in sales of Personalized Travel Services products and services during the twelve-month period immediately preceding the date of Early Termination and the Representative's Revenue Share percentage applicable during the immediately preceding year of the Term was five percent (5%), then Representative shall owe TRS \$4,950,000 in Lost Future Revenue immediately upon Early Termination.

## 5. REPRESENTATIVE AFFILIATIONS

5.1 Representative hereby represents and warrants to TRS that it is and shall be for the Term a travel agent and, where required by local law, licensed as such, and that it holds an appointment to perform Licensed Activities from industry organizations such as ARC, BSP, IATA and IATAN or, if applicable, their successor organizations, unless otherwise specified by TRS. Representative hereby authorizes TRS to represent Representative as a member of the TRS Network at any and all meetings of ARC, BSP, IATA and IATAN on matters of interest to the TRS Network.

5.2 Representative shall notify TRS in writing and with specificity of the name and nature of all travel-related appointments and any other affiliations or agency or representative relationships which Representative may have as of the effective date of this Agreement. During the Term, Representative will notify TRS in writing within five (5) business days in the event that any appointment with any airline, ARC, BSP, IATA, IATAN or other industry organization is suspended or terminated, or in the event that any other affiliation or agency or representative relationship of Representative is terminated, suspended or commenced.

5.3 Representative, and its Owners, officers, directors, employees and personal guarantors, shall not belong to or associate with any organization, consortium or association which competes or conflicts with the travel

services products or travel business of the TRS Representative Network (defined below). All travel-related associations in which Representative participates are subject to the prior written approval of TRS.

5.4 All Owners shall be required to execute, as of the date of this Agreement, the Guaranty and Assumption of Obligations attached as Exhibit IV, through which such Owners agree to assume and discharge all of Representative's obligations under this Agreement and to be personally liable hereunder for all of the same.

## **6. REPRESENTATIVE OFFICES; REPRESENTATIVE IS AN INDEPENDENT CONTRACTOR OF TRS**

6.1 All home and branch office locations of Representative and its parent, subsidiary(ies) or affiliate(s) located within the United States shall be appointed as Representative Offices unless otherwise specified by TRS. All Representative Office locations must be listed in Exhibit I to this Agreement, and Representative must promptly advise TRS, in writing, of any changes to Exhibit I. Each Representative Office must be a location generally accessible to the public. Representative will provide TRS with written notice prior to the opening or relocation of any office and TRS, in its sole discretion, will have the right to determine whether such office will be a Representative Office.

6.2 Representative agrees to comply with the signage requirements of TRS as specified in this Agreement or the TRS Standards and to maintain all equipment at each Representative Office as required by TRS, as provided for in this Agreement and the TRS Standards.

6.3 Representative acknowledges that TRS has not granted an exclusive service area under this Agreement and that TRS has the right in its absolute discretion to use the TRS Licensed Marks itself and to perform services the same as or similar to those described herein, at any place and at any time, to add other representatives of the TRS Network and/or grant to others the rights to use the TRS Licensed Marks and the system and to perform services the same as or similar to those described herein or otherwise participate in various elements of the business any place and at any time.

6.4 TRS and Representative agree that this Agreement does not create a fiduciary relationship between them, that Representative shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, joint employer, partner, employee, or servant of the other for any purpose whatsoever. Representative acknowledges and agrees that TRS's usual business is the offering and selling of rights to operate Representative Offices using the TRS Licensed Marks and TRS Standards, developing enhancements to the TRS Network and providing assistance to the TRS Network and, accordingly, TRS's usual business is different from Representative's usual business of operating one or more Representative Offices. Representative acknowledges and agrees that Representative has the sole authority, and it is Representative's sole obligation hereunder, to make all employment-related decisions for each Representative Office, including, without limitation, decisions related to hiring, firing, discharging and disciplining employees, and to setting their wages, hours of employment, and any benefits, and that TRS shall have no direct or indirect authority or control over any employment-related matters for Representative's employees and independent contractors. Representative shall require each of its employees and independent contractors to acknowledge in writing that Representative (and not TRS) is the employer of such employee or the contracting party of such independent contractor. Notwithstanding any other provision of this Agreement, Representative acknowledges and agrees that it is solely responsible for all personnel decisions relating to the Representative Office.

6.5 Representative shall conspicuously identify itself in all dealings with customers, suppliers, public officials and others (including in all Advertising) as an independent contractor exercising rights granted by TRS under this Agreement and shall place notices of independent ownership on the Representative Offices and on such signs, forms, contracts, checks, Advertising and any other material as TRS may require from time-to-time. Representative shall only use the preferred term "American Express Travel Representative" when describing or characterizing the functions it performs under this Agreement. Representative shall not employ the term "agent" with reference to its relationship with TRS, and shall not represent in any manner that it has any authority to act in any manner contrary to the terms of this Agreement or that it has any general authority to act on behalf of TRS.

## 7. TRS NETWORK

7.1 TRS has developed and, as described herein, continues to engage in development of concepts, procedures and proprietary rights related to the provision of travel and travel-related services to its customers on a worldwide basis. The TRS Network, comprised of owned, affiliated, and franchised offices, is the means by which TRS delivers the travel and travel-related services developed by TRS.

7.2 As used herein, the term “**TRS Representative Network**” refers to locations operated by TRS franchisees in the United States under the TRS Licensed Marks. The TRS Representative Network is part of the TRS Network.

7.3 Representative acknowledges that, from time to time, TRS may change or modify the Representative Manual, the TRS Standards and the TRS Representative Network currently identified by the TRS Licensed Marks. TRS may develop new products, new equipment or new techniques, based on its short- or long-term business interests including adapting the TRS Representative Network to new conditions. Such changes or modifications will be made in the sole judgment of TRS based on TRS’s determination as to the short- or long-term interests in developing its business. Whenever TRS has reserved in this Agreement a right to take or withhold an action, or to grant or decline to grant Representative a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, TRS may make decisions or exercise rights on the basis of the information readily available to it, and TRS’s judgment of what is in its best interests and/or in the best interests of the TRS Network, at the time the decision is made, shall be deemed to be reasonable and enforceable, without regard to whether other reasonable or even arguably preferable alternative decisions could have been made by TRS and without regard to whether TRS’s decision or the action taken promotes TRS’s financial or other interests. TRS has the right to operate, develop and change the TRS Representative Network in any manner it deems appropriate. Any improvements to the TRS Representative Network that may be developed by Representative shall be dedicated, conveyed to and become the sole and exclusive property of TRS, which will have the right to adopt and perfect such improvements without compensation to Representative.

7.4 Representative acknowledges that it is likely that the development of the TRS Representative Network and/or the TRS Network will involve the opening of new locations and the formation of new subsidiaries, affiliates, alliances or partnerships with respect to which Representative has no right or interest, and that such market development benefits the short- or long-term business interests of the entire TRS Network of TRS’s locations and is an integral part of the TRS Representative Network. Representative acknowledges that development, licensing or franchising of a new location may lead to an alteration in customer trading patterns and that decisions by customers to patronize a new or different location is nothing more than a reflection of the ongoing process of market development acknowledged above. Representative also acknowledges that there are numerous economic, demographic, competitive and other market factors which may change the character and extent of customer demand for the Representative Office(s). The economic effects of all of the foregoing are understood by Representative to be elements of the business risk accepted by Representative in the operation of a Representative Office under this Agreement. Accordingly, TRS shall not be liable to Representative for any damages, loss of sales or profits (if any), based on actual or anticipated adverse consequences to Representative’s business which may result from TRS’s continuing activities in the development of the TRS Representative Network, the TRS Network or other exercise of TRS’s reserved rights, including but not limited to the opening of additional owned, affiliated, franchised or licensed travel agencies.

## 8. TRAINING; STAFFING

8.1 Upon Representative joining the TRS Network, TRS shall provide Representative with a one day on-site training session in Representative’s office for ~~management and staff.~~ Representative’s management. Representative has the option of allowing its non-management staff to attend the on-site training session. If Representative’s non-management staff does not attend the on-site training, Representative shall promptly provide such training to its non-management staff. The training will consist of a review of TRS’s products and services and a training session on ~~AXtraweb~~ AXtraWeb. The one-day training course is mandatory for all Representatives and the cost of such training is included in the Annual Fee paid by Representative to TRS. If Representative fails to attend and successfully complete, to TRS’s satisfaction, the on-site training session, such failure shall be an event of default under Section 14 below, and Representative shall reimburse TRS for all costs and expenses incurred directly

or indirectly by TRS or any of its affiliates as a result thereof. In addition to the initial one-day training described above, TRS offers ongoing training on TRS's products and services and on TRS's preferred suppliers in an electronic format available on ~~AXtraWeb~~ AXtraWeb. Such electronic training courses generally run from five (5) to twenty (20) minutes in length. TRS does not charge a fee for such electronic training courses. During the Term, Representative agrees to attend, at its own cost and expense, a minimum of one additional TRS-provided training session per year with respect to travel and travel-related services and sales techniques. Representative shall send employees to training sessions in accordance with the requirements stated on ~~AXtraWeb~~ AXtraWeb or as otherwise specified in the TRS Standards. Such training requirements may be modified from time to time by TRS in its sole discretion.

8.2 ~~At least one Representative employee~~ Representative's employees, at the manager level or above, ~~is required~~ are permitted to attend the American Express Representative National Meeting at Representative's sole cost and expense each year. ~~If Representative or~~ shall pay all costs and expenses incurred by its designee fails to attend employees in connection with their attendance at the American Express Representative National Meeting; ~~Representative shall promptly pay to TRS a non-compliance fee of \$1,500 for each such failure to attend.~~

8.3 Representative shall maintain all Third Party Lifecycle Management ("TLM") Program compliance requirements and shall provide TRS with evidence of compliance upon request by TRS.

8.4 Representative shall comply with all of the Pre-Requisites and Performance Metrics set forth in the Service Level Agreement attached as Exhibit III to this Agreement. TRS reserves the right to modify or add to the Service Level Agreement at any time and from time-to-time in its sole discretion.

8.5 Representative agrees to attend, at its own cost and expense, any other training that TRS deems necessary to comply with applicable laws.

8.6 Background Checks. Representative acknowledges responsibility for the performance, actions and omissions of its employees and subcontractors, in furtherance of the Licensed Activities they engage in under this Agreement. Representative further agrees to take reasonable preventative steps to ensure that its employees, and any contractors, will not engage in inappropriate conduct while at or on any TRS designated facility or while engaging in Licensed Activities. This will include being affected by illegal drugs or alcohol; the use, distribution, sale or possession of illegal drugs or alcohol; the possession of a weapon; harassment, threats or violent behavior.

The Representative agrees, and shall have its subcontractors, agents or licensees agree, to perform background checks on all of its employees and contractors that engage in Licensed Activities pursuant to this Agreement and as permitted by applicable law. The Representative also is responsible for ensuring that any subcontractors, agents or licensees it utilizes to engage in Licensed Activities under this Agreement as permitted by TRS undergo the following background checks in advance of engaging in any Licensed Activities hereunder:

- (a) Criminal Check: For U.S. based employees and subcontractors; Criminal records checks for all felony and misdemeanor convictions based on a seven (7) year residence history through SSNV (Social Security Trace using two credit bureaus minimum). The search should include all records that exist as far back as the county holds such records (subject to applicable laws) to include pleas of guilty and nolo contendere, regardless of whether adjudication has been withheld. In New Hampshire, Maine and South Carolina, all indices must be searched including felony and misdemeanor. For Florida searches, Palm, Broward and Dade counties must all be searched if the individual has lived in any one of the three.
- (b) Representative agrees, as part of its application process, to: (1) ask the question, "Have you ever been convicted of a Felony or Misdemeanor?"; (2) verify the individual's Social Security Number; (3) perform a sanctions screening, including against the lists published by the Office of Foreign Asset Control (OFAC), Office of Terrorism and Financial Intelligence (TFI), Bureau of Industry and Security (BIS); and (4) verify any claimed licenses or certifications.

- (c) Representative agrees to assign to TRS only individuals who have no felony or misdemeanor convictions, regardless of whether adjudication has been withheld, whose social security numbers have been verified and who do not appear on a government sanctions screening list; it being understood, however, that nothing contained herein shall require Representative to breach any “ban the box” statute or policy applicable to such Representative.
- (d) For personnel based in countries outside the U.S., Representative will perform and have its subcontractors perform, background investigations in accordance with Representative’s standard background investigation procedures, unless revised or amended by a Local Enabling Agreement.
- (e) Drug Screening: Representative agrees to have all of its employees, subcontractors of Representative and such subcontractor’s employees assigned to TRS tested for the presence of the following substances prior to assignment in accordance with applicable law. The test required under this policy will consist of NIDA 5 Panel: i) Amphetamines, ii) Cocaine, iii) Marijuana, iv) Opiates, and v) Phencyclidine. Representative agrees not to assign to TRS, directly or indirectly (through its agents or subcontractors), those individuals who test positive for controlled substances not lawfully prescribed or for misuse of a lawfully prescribed controlled substance.

TRS reserves the right to audit Representative’s, and its subcontractors’ performing Services hereunder, background check/drug screening files (including its applicable subcontractors’ files) and Representative agrees to make these files available to TRS within five (5) business days of TRS’s request.

## **9. ADVERTISING AND PROMOTION**

9.1 TRS may, in its sole discretion, furnish Representative with Advertising materials related to Preferred Supplier (defined below) products, including, but not limited to: (a) Advertising and publicity materials; (b) descriptive literature published by it for the promotion of travel throughout the world for local distribution; and (c) folders, posters and pamphlets. Representative agrees to display prominently all current Advertising provided by TRS and to participate in joint advertising programs in accordance with the provisions of the TRS Standards or such instructions as may be provided from time to time by TRS. Display aids may also be provided to assist Representative in displaying all such materials to best advantage.

9.2 TRS reserves the right to charge Representative for the costs and expenses of creating and producing advertising, promotional and solicitation materials related to Preferred Supplier products, as described in Section 10 below and in the TRS Standards. Representative may also be responsible for costs of the value-added offers in certain promotions. In addition, in the event Representative requests customized changes to any advertising, promotional or solicitation material, Representative shall be responsible for any additional costs incurred in connection with such customization. Representative acknowledges and agrees that the determination of whether to customize any such materials shall be made by TRS in its sole discretion. Representative shall be liable for any sales and use taxes due on amounts TRS charges Representative pursuant to this Section 9.

9.3 Representative may, at its option and expense, place in a local newspaper Advertising in such form as supplied to Representative by TRS.

9.4 Representative understands and agrees that to the extent TRS agrees to provide Advertising services to Representative pursuant to this Agreement or pursuant to any supplement hereto, such access will be provided in accordance with TRS’s then-current policies and procedures, and such access will not include direct access to any customer data, but rather that TRS shall mail to customers on Representative’s behalf, at Representative’s cost and expense (unless otherwise specified in a supplement hereto), through a TRS approved mailing house.

9.5 Representative acknowledges and agrees that any of its marketing material, public statements, offers, and/or any customer facing material shall comply with all laws, including but not limited to Unfair Deceptive or Abusive Acts or Practices (“UDAAP”) laws, as well as any guidelines, policies or trainings provided by TRS with regard to UDAAP.

9.6 Representative shall take such steps as are necessary to ensure that its employees and contractors do not violate TRS’s policies relating to the use of Networking Media Sites and other Advertising, including but not limited to the posting of any information relating to TRS, the System, the TRS Licensed Marks, or the Representative Offices on any Networking Media Site that is inconsistent with such policies; provided, however, that Representative shall not prohibit or restrict any social media communications or activity which prohibition or restriction violates its employees’ right to engage in protected concerted activity under the National Labor Relations Act. Representative shall be solely responsible for all employment decisions and functions of the Representative Office, including, without limitation, those related to determining the status of an individual as either an employees or independent contractor, hiring, firing, training, wage and hour requirements, record-keeping, supervision, and discipline of its employees and contractors.

## 10. PREFERRED SUPPLIER COMPENSATION AND TRS TRAVEL TOOLS

10.1 TRS has established a program wherein TRS negotiates favorable commission rates with certain suppliers of travel services on behalf of the TRS Network (“**Preferred Suppliers**”) in exchange for meeting certain agreed upon network-wide percentage of sales goals: (“Preferred Suppliers Program”). TRS receives Preferred Supplier compensation based on the amount of revenue that Representative receives from Preferred Suppliers. Such Preferred Supplier compensation is included in the Revenue Share calculation described in Section 4.1.4 above. The terms of such program will be described in the TRS Standards.

10.2 Representative shall not disclose to any third party the commission rates or any other terms of the Preferred Supplier programs~~Program~~. Representative agrees that any such actions will materially and adversely affect the TRS Network’s Preferred Supplier ~~relationship~~relationships and TRS Network performance.

10.3 TRS makes no representations or warranties as to any Preferred Supplier’s capabilities and/or financial status, and Representative understands and agrees that it shall perform its own reasonable due diligence on each Preferred Supplier prior to selling such Preferred Supplier’s products. TRS shall not be liable for any claims, losses or damages whatsoever resulting from, arising out of or related to any Preferred Supplier’s acts or omissions.

10.4 TRS may modify or terminate any or all of its Preferred Supplier programs from time-to-time without notice to Representative.

10.5 Representative acknowledges and agrees that certain suppliers may pay TRS compensation for various marketing and administrative services that TRS performs for them, such as granting them access to TRS’s marketing channels, participating in marketing programs and supporting technology initiatives. Certain suppliers may also from time to time pay TRS and/or TRS’s travel counselors incentives. Representative will make the following disclosure on its website and in its terms and conditions prior to the booking: “[INSERT REPRESENTATIVE NAME] acts solely as sales agent for travel suppliers and is not responsible for the actions or inactions of such suppliers. Representative expressly acknowledges that certain suppliers pay TRS or its affiliates commissions and other incentives for reaching sales targets or other goals, and may also provide incentives to its travel counselors. For more information, please visit [INSERT WEB ADDRESS FOR TERMS AND CONDITIONS]. [INSERT STATE SELLER OF TRAVEL LAW REGISTRATIONS NUMBERS].” Representative will also require its travel counselors to expressly state to all individuals who are provided travel services by Representative that such individuals should review Representative’s terms and conditions prior to booking. Such incentives are in addition to amounts payable under any Preferred Supplier program and Representative acknowledges and agrees that it has no right to any such compensation or incentives. From time to time, TRS may, in its sole discretion, enter into other business relationships with a particular supplier and these arrangements, including levels of compensation paid to TRS, are subject to change.

10.6 TRS will provide Representative with the following travel tools:

10.6.1 Card Verification Tool – that enables Representative to verify what type of American Express Card their customers have so they can determine [for](#) which TRS travel program their customer is eligible; and

10.6.2 Membership Rewards Pay With Points and Bonus Points Tools – subject to Representative’s enrollment in such programs and agreements; and

10.6.3 Free Subscription with Vecto for the Booking Builder tool, subject to Representative agreeing to the terms and conditions of Vecto’s subscription agreement.

## **11. TRS LICENSED MARKS; MATERIALS**

11.1 TRS hereby grants to Representative the limited, non-exclusive right to use the TRS Licensed Marks in accordance with the Trademark License Terms attached hereto as Exhibit II. Representative agrees to comply with all of the terms and conditions contained in the Trademark License Terms. The TRS Licensed Marks shall be used by Representative only in the manner specified by TRS and solely for the purpose of identifying and advertising Representative’s business of providing the Licensed Activities at locations approved by TRS and further shall be used only in connection with operations and services of a nature and quality as specified by TRS in the TRS Standards or such other instructions that TRS may issue from time-to-time.

### **11.2 Materials.**

- (a) TRS may, in its sole discretion, provide promotional materials, display materials, Advertising materials, signs and the like to use in carrying out the terms of this Agreement. Such materials provided by TRS to Representative must be used by Representative only in the manner directed by TRS and only for the time period specified by TRS.
- (b) All materials and supplies furnished to Representative from TRS including, without limitation, equipment, signs, forms, Advertising and promotional materials are and shall remain the sole and exclusive property of TRS.
- (c) ALL MATERIALS AND SERVICES PROVIDED BY OR ON BEHALF OF TRS HEREUNDER ARE PROVIDED “AS IS” AND WITH ALL FAULTS. TRS, ITS AFFILIATES AND THEIR RESPECTIVE THIRD-PARTY SUPPLIERS, SERVICE PROVIDERS AND LICENSORS SPECIFICALLY DISCLAIM ALL REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESSED OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, NON-INFRINGEMENT OR ACCURACY.

## **12. FURNISHING OF INFORMATION AND ACCESS TO RECORDS AND PREMISES**

12.1 Representative agrees to maintain up-to-date and accurate financial books and records, other books, records, documents (in print, electronic or any other form) or other business materials reflecting or bearing on Representative’s compliance with all of its obligations set forth in this Agreement (including, without limitation, the TRS Standards). Representative’s books and records relating to sales and/or revenues made or generated by Representative in connection with Representative’s provision of Licensed Activities shall be full, complete, up-to-date, accurate, in compliance with generally accepted accounting principles (GAAP) and prepared in a form satisfactory to TRS. Representative shall retain specific detailed records as may be specified by TRS from time-to-time in written manuals or written communications provided to Representative.

12.2 Representative shall submit to TRS on a monthly, quarterly and annual basis complete information about all sales and revenues made or generated by Representative in connection with Representative’s provision of Licensed Activities, in such format as requested by TRS, which may include, but is not limited to, implementing

automated software systems providing for the automatic electronic transmission of such data to a TRS third-party service provider who consolidates such information into reports for TRS. Representative shall also submit annually and at any other time upon request from TRS an unaudited financial statement (balance sheet, income statement, cash flow statement, forecasts, etc.) and a true copy of its U.S. Federal tax return reporting receipts from all Representative travel and travel-related sales. Representative hereby also authorizes TRS to receive sales information data from one or more global distribution systems (each, a “GDS”), ARC, BSP, IATA and/or IATAN, individual carriers, hotels, car rental companies, tour and cruise operators and any of their successor organizations. Representative agrees to provide any written authorizations required by a GDS, ARC, BSP, IATA, IATAN or such travel suppliers for TRS to receive such sales data, if required by TRS in its sole discretion.

12.3 Representative must give, and must ensure that its subcontractors give, TRS and its designees (including internal and external auditors and advisers or any government officials) (collectively, “**Audit Personnel**”) full access at all reasonable times during regular business hours and on reasonable notice to the following for the purpose of allowing TRS to audit Representative’s compliance with this Agreement and for operational risk reasons: (a) any premises at which or from which the Representative or a subcontractor provides the Licensed Activities; (b) Representative personnel; and (c) Representative’s books, records, equipment, software, systems, data, accounts, and documents relating to the Licensed Activities. Without limiting the foregoing, Representative must promptly and efficiently give TRS and any Audit Personnel any assistance they reasonably require, including, if requested, installing and operating audit software. TRS and the Audit Personnel agree to use reasonable efforts to conduct any audit under this Section 12.3 so as not to materially interrupt or interfere with Representative’s business operations. TRS and the Audit Personnel will comply with Representative’s reasonable security requirements when conducting an audit. If TRS or Audit Personnel discovers any non-compliance with this Agreement (including, without limitation, the TRS Standards), then Representative agrees to (1) reimburse TRS for all costs and expenses incurred by TRS and all Audit Personnel in connection with such inspection or audit and (2) to submit a plan for rectifying such non-compliance within thirty (30) days of the date of such inspection or audit. The rights described in this Section 12.3 shall survive the expiration or termination of this Agreement for one (1) year thereafter.

12.4 Without limiting the audit rights set forth in this Agreement, TRS may conduct periodic performance reviews of Representative, in a form determined by TRS. Representative acknowledges that comparison to the performance of any other locations owned, affiliated, franchised or licensed by TRS shall not be an excuse for performance contrary to the standards, procedures, practices and policies that Representative is obligated to observe.

12.5 Representative shall document and, if requested by TRS, promptly provide to TRS, at a minimum, access to copies of all relevant Representative’s privacy, data protection, information security, confidentiality and general travel-related policies, procedures and standards (including escalation procedures for non-compliance) for TRS’s review. Representative agrees to allow TRS to assess the manner in which Representative uses, stores, accesses, acquires or processes Personal Data, subject to Representative’s reasonable confidentiality and security precautions and procedures. Representative shall ensure that it has obtained sufficient permissions or consents that may be required under applicable laws to ensure that TRS is permitted to conduct such assessments. Representative shall fully cooperate with TRS in connection with any inspections, on-site or by phone, including inspections for privacy, data protection and information security compliance, and with self-assessment security compliance reviews.

12.6 Following an audit, TRS may elect to provide Representative a written report summarizing the audit’s findings as to any actual or potential errors or problems affecting the services provided by the Representative or TRS data and/or Confidential Information, violations of this Agreement or other issues pertaining to Representative (or its subcontractors) (each, an “Audit Finding”). Within thirty (30) days after receiving a report from TRS containing Audit Findings, Representative will meet with TRS to jointly develop and agree upon an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in such audit report. TRS may provide relevant information obtained in connection with the audits, including the Audit Findings, to its auditors and regulators.

12.7 Representative acknowledges that in connection with TRS’s entering into this Agreement, TRS may have, through its TLM Program (or successor program), requested certain information and materials from Representative for the purposes of performing due diligence on Representative. To the extent TRS executes this

Agreement prior to receipt of all requested information, then unless the Parties otherwise agree in writing, Representative shall within thirty (30) days of the execution of this Agreement provide all information and materials for which requests are outstanding.

12.8 Until the later of (a) three (3) years after expiration or termination of this Agreement, (b) all pending matters relating to this Agreement (e.g., disputes) are closed, (c) the information is no longer required to meet TRS's then current records retention policy, and (d) any periods as required by law (such period being the "Record Retention Period"), Representative shall maintain and provide access upon request to the records, documents and other information required to meet TRS's audit rights under this Agreement. Before Representative destroys or otherwise disposes of such information, TRS shall have the right to request Representative to return such information to TRS by giving notice at least sixty (60) days prior to the applicable record retention expiration date, and Representative shall deliver such information to TRS.

12.9 Representative expressly consents and agrees that TRS may provide and maintain all disclosures, agreements, amendments, notices, and all other evidence of transactions between TRS and Representative in electronic form. Representative expressly agrees that electronic copies of the Representative Network Agreement and related agreements between TRS and Representative are valid. Representative also expressly agrees not to contest the validity of the originals or copies of the Agreement and related agreements, absent proof of altered data or tampering. Representative also expressly agrees to execution of the Representative Agreement and related agreements by electronic means and that such execution shall be legally binding and enforceable as an "electronic signature" and the legal equivalent of Representative's handwritten signature.

### **13. ASSIGNABILITY**

13.1 This Agreement shall not be assigned or transferred by Representative, in whole or in part, whether voluntarily or by operation of law (including by way of sale of assets, merger, consolidation, or otherwise), nor shall the responsibility for the performance of Representative's obligations hereunder be delegated, without the prior written consent of TRS. Where an assignment or transfer of this Agreement occurs by operation of law or without TRS's prior written consent, TRS reserves the right to terminate this Agreement with immediate effect and without any resulting liability. Any such assignment or transfer that occurs without TRS's consent shall be null and void. If TRS approves the assignment or transfer of this Agreement or of a Change of Control pursuant to Section 13.3 below, Representative shall pay TRS a \$3,500 transfer fee prior to completing the transaction.

13.2 TRS has the right to assign or transfer this Agreement, in whole or in part, and all or some of its rights and responsibilities under this Agreement, to any third party in its sole discretion, and TRS is not required to obtain the consent of Representative in connection therewith. In addition, TRS has the right to sell any or all of its assets or stock to a third party in its sole discretion, and TRS is not required to obtain the consent of Representative in connection therewith. Except as otherwise specified herein, this Agreement binds, and inures to the benefit of, the parties and their respective successors and permitted assigns.

13.3 No less than thirty (30) days prior to Representative initiating a sale process (including discussions with third parties with respect to any such process or any potential transaction) with respect to (i) the sale or other disposition, directly or indirectly, of substantially all of the assets of, or securities sufficient to result in a Change of Control (as defined below) of the Representative or (ii) a merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, tender offer, liquidation, dissolution, sale of majority of assets or other transaction involving the Representative, (A) the Representative shall deliver to TRS prompt written notice of the commencement of such process, and (B) TRS shall be entitled to participate as a bidder in such process (which shall not include direct or indirect discussions with such third parties); provided that TRS responds by providing an indication of interest to participate in the process by the time period set forth in such notice, which shall in no event be less than fifteen (15) days. TRS's notice, diligence and participatory rights with respect to such process shall be no less favorable than the notice, diligence and participatory rights of any other bidder participating in such process. For purposes of this Agreement, a "Change of Control" means (i) any transaction in which Representative would merge or consolidate with or into another entity; (ii) any transaction or series of transactions under which Representative would sell or otherwise transfer more than thirty percent (30%) of its capital stock (without regard to class or voting rights) or other securities or ownership interests; or (iii) the sale, transfer or other disposition of all or substantially all of Representative's assets or the complete liquidation or dissolution of

Representative. Prior to engaging in any Change of Control negotiations or sale process, Representative agrees to provide TRS with written notice of Representative's intention to engage in such negotiations or sale process.

#### 14. DEFAULT AND TERMINATION

14.1 Representative shall be deemed to be in default under this Agreement, and this Agreement may be terminated by TRS immediately upon the occurrence of any of the following events ("**Material Default**"):

- (a) if TRS shall have reason to suspect Representative of any material breach of the provisions of Sections 1.3, 3.2, 16, 17, or of Exhibit III, or if the Representative's Card Acceptance Agreement with TRS terminates for any reason;
- (b) if Representative shall come under the control of a receiver or make any assignment for the benefit of creditors, or if Representative's financial condition becomes impaired in a manner which warrants TRS to reasonably conclude that Representative's ability to perform its obligations hereunder on a continuing basis is questionable, including, but not limited to, Representative's inability to pay debts as they become due, and such condition continues for at least thirty (30) days;
- (c) if Representative's appointment with any airline, ARC, BSP, IATA, IATAN or other industry organization is revoked, suspended or terminated or if Representative's travel agent license, insurance license or any other permit or license applicable to the Licensed Activities or required under applicable law is suspended or revoked;
- (d) if Representative affiliates with, or its officers, directors, employees or personal guarantors affiliate with, any organization, consortium or association which competes or conflicts with the travel business of TRS in violation of the provisions of Section 5.3 above;
- (e) if there shall be a sale, assignment, transfer, conveyance or encumbrance in violation of Section 13 above;
- (f) if, in the sole judgment of TRS, the occurrence of any of the following events impairs Representative's ability to perform its obligations hereunder: (1) the sale, transfer or other disposition of a major asset of Representative including, but not limited to, the leasehold premises constituting a Representative Office; or (2) the institution of foreclosure proceedings or the institution of a lien or levy by anyone against a Representative Office;
- (g) if Representative is a sole proprietorship, the death, total permanent disability or retirement of Representative's sole proprietor, unless Representative or Representative's successor furnishes to TRS immediate written notice of the occurrence of such event;
- (h) if Representative is a legal entity, the death, retirement or total permanent disability of any of the Owners or dissolution of the legal entity for any reason, unless the ownership interest is transferred to an approved transferee within sixty (60) days of the occurrence of the event, and Representative or Representative's successor furnishes to TRS immediate written notice of the occurrence of such event;
- (i) regardless of the legal form of Representative, the transfer, after the Effective Date, of twenty-five percent (25%) or more of the equity ownership of Representative, whether effected by transfer of assets, shares of stock or otherwise, or the occurrence of a dissolution, merger, consolidation or acquisition of Representative in violation of Section 13 above;

- (j) any act or acts by Representative which in any way jeopardize the goodwill symbolized by any of the TRS Licensed Marks;
- (k) any material misrepresentation by Representative on the Representative Travel Network application form; or
- (l) ~~representative~~ Representative or any Owner, officer, manager, director or partner of Representative is convicted, arraigned or arrested of or for a crime, which in the sole judgment of TRS may adversely affect the goodwill or interests of TRS, the TRS Representative Network, the TRS Network, other Representatives or the public.

Representative agrees that the occurrence of any Material Default constitutes a breach of this Agreement whose materiality will not be questioned, entitling TRS (at its option) to terminate this Agreement effective upon receipt by Representative of written notice of such Material Default (or at the earliest time permitted by applicable law) without need for further action by TRS or process. Representative shall not have the right to cure such Material Default and all rights granted to Representative under this Agreement shall automatically terminate.

14.2 Except as otherwise provided in Section 14.1, this Agreement may be terminated in accordance with the subsections below upon the occurrence of any of the following events (“**Curable Default**”):

- (a) except as otherwise set forth in this Section 14, by TRS if Representative breaches any of its obligations hereunder, where such breach is not cured by Representative within thirty (30) days after its receipt of written notice of such breach;
- (b) by TRS if Representative fails to perform its obligations hereunder in a diligent and satisfactory manner, or fails to comply with the TRS Standards, where such failure is not cured by Representative within thirty (30) days after receipt by Representative of written notice of such breach;
- (c) by TRS if Representative fails to pay any Annual Fee, Preferred Supplier compensation, Revenue Share payments, or any other amounts due and owing TRS hereunder, where such breach is not cured by Representative within fifteen (15) days after receipt by Representative of written notice of such breach; or
- (d) by TRS if TRS makes a policy decision to discontinue the TRS Representative Network in any State or States in which Representative has been designated as an American Express Travel Representative.

TRS and Representative agree that “cure” of any Curable Default must include: (a) cessation of conduct resulting in such breach or failure; (b) correction of all factors contributing to the occurrence of the conduct resulting in such breach or failure; and (c) with respect to any nonmonetary breach or failure, the establishment of such corrective measures which provide TRS with a basis for concluding that Representative will be able to perform all of its obligations under this Agreement in the future without breach or failure. TRS and Representative agree that “cure” of any breach or failure will not be permitted if the breaching party has previously received a notice of breach or failure.

14.3 Upon any termination, expiration or non-renewal of this Agreement in accordance with its terms, (i) all rights granted to Representative hereunder shall immediately terminate and revert to TRS, (ii) Representative shall discontinue making any use whatsoever of the TRS Licensed Marks and (iii) Representative shall, without delay and at its own expense, commence and complete all legal and administrative steps necessary to delete any American Express name, logo, trademark, service mark or other branding from its signage, Advertising, websites, social networking sites, letterheads and any other identifying usage whatsoever.

## 15. INDEMNIFICATION

15.1 Except to the extent that TRS is entitled to indemnification under Section 15.2 below, TRS shall indemnify and hold Representative harmless from and against any and all claims, losses, damages, liabilities and expense incurred by Representative arising out of any third-party claim due to the gross negligence or willful misconduct of TRS.

15.2 Except to the extent that Representative is entitled to indemnification under Section 15.1 above, Representative and its Owners, officers, directors, employees, independent contractors and licensees shall indemnify and hold TRS harmless from and against any and all claims, losses, damages, liabilities and expenses arising out of any claim due to, including, but not limited to, the following:

- (a) the offer, sale or furnishing by Representative of any non-TRS or non-American Express product or service to any person;
- (b) the use or operation by Representative of any real or personal property owned, leased or otherwise procured and used by Representative for any purpose;
- (c) the negligence or willful misconduct of Representative;
- (d) any breach or alleged breach of this Agreement or the TRS Standards by Representative or any act of Representative that is not authorized by this Agreement or the TRS Standards;
- (e) any failure or alleged failure of Representative to maintain conditions of physical or personal safety in or about the premises used by Representative to carry out its obligations under this Agreement;
- (f) any failure or alleged failure of Representative to comply with any local, State or Federal laws, rules or regulations; or
- (g) any claims by Preferred Suppliers, other suppliers, vendors or any other third parties due to Representative's acts or omissions.

Representative shall bear all reasonable expenses, including attorneys' fees, incurred in processing any claim or defending against any legal action described in this Section 15.2. If requested by TRS, Representative shall retain attorneys to defend TRS's interests and shall pay all attorneys' fees so incurred. Notwithstanding the foregoing provision, TRS reserves the right to retain its own attorneys, at Representative's expense, to appear and defend its interests and to assert its rights hereunder. If applicable, Representative shall provide to TRS periodic reports on the progress of all proceedings, and of any settlement negotiations and any settlement offers.

15.3 If any claim is asserted or legal action as described in Section 15.2 is filed against TRS, TRS shall have the right, in its sole discretion, to settle such claim or legal action, whether or not Representative is also a party to the claim or action. TRS shall notify Representative of the terms of any offer of settlement which may involve Representative. TRS shall have the right to settle any such claim or action with respect to both Representative and TRS, at its expense, and thereafter to assert its rights against Representative pursuant to Section 15.2 above. TRS shall also have the right to propose to Representative the joint acceptance of any offer of settlement, and to propose that Representative bear all or a portion of the costs of such settlement ("**Proposed Settlement**"). If Representative elects not to join in acceptance of such Proposed Settlement and thereafter pays, either voluntarily or pursuant to a judgment, any amount, including the judgment or settlement amount, attorneys' fees and expenses, or other amounts paid by Representative in connection with such claim or action, Representative shall have no claim for contribution from TRS in excess of the amount that TRS would have been required to pay under the Proposed Settlement.

15.4 TRS shall recover from Representative any amount paid in any settlement pursuant to Section 15.3, together with its attorneys' fees and other costs related to such settlement.

## 16. CONFIDENTIALITY

16.1 Each Party agrees to preserve the confidentiality of all the terms of this Agreement and any information of a confidential and proprietary nature that the receiving party or its affiliates (the “**Receiving Party**”) receive from the other party or its affiliates (the “**Disclosing Party**”) in the performance of or in connection with this Agreement, including, without limitation, the Representative Manual and information pertaining to TRS’s business, customers, customer data, employee data, methodologies and strategies (collectively, the “**Confidential Information**”) using at least the same degree of care as it employs in maintaining in confidence its own confidential information of a similar nature, but in no event less than a reasonable degree of care. The foregoing confidentiality and restricted use obligations shall not apply to information that is: (a) in an aggregate form not attributable to the Disclosing Party; (b) already known and free of any restriction on the Receiving Party at the time it is obtained; (c) subsequently learned from an independent third party free of restriction; (d) publicly available; or (e) required by applicable law or court order to be disclosed; provided, however, that if not prohibited by law and if practicable, the Receiving Party shall (i) give prompt written notice of any such request or requirement to the Disclosing Party, and the Confidential Information of the Disclosing Party it believes it is required to disclose; and (ii) cooperate to the extent practicable with the Disclosing Party, at the Disclosing Party’s expense, with any reasonable efforts of the Disclosing Party to avoid or minimize such disclosure and/or obtain confidential treatment thereof or other protective order. If the Disclosing Party is unable to obtain a protective order of confidential treatment, the Receiving Party may disclose the Disclosing Party’s Confidential Information without breach of this Agreement. Notwithstanding the foregoing, Representative acknowledges and agrees that TRS may publicly disclose that Representative is a member of the TRS Representative Network.

16.2 The Receiving Party will not use or disclose the Disclosing Party’s Confidential Information to any person, firm or other legal entity; provided, however, that (a) TRS may disclose the Representative’s Confidential Information to its affiliates, employees, officers, agents, representatives, including, without limitation, its legal and financial consultants, provided that such persons, firms or legal entities comply with the confidentiality provisions of this Agreement; (b) TRS may use or disclose Representative’s Confidential Information in connection with performing its obligations under this Agreement and/or providing or offering existing or new TRS benefits, products and services, including, without limitation, disclosing Representative’s Confidential Information to third-party service providers (or licensees) who are bound to keep such information confidential; and (c) Representative may use TRS’s Confidential Information only to the extent necessary for Representative to comply with its obligations under this Agreement. In addition, in no event shall Representative use client or customer information or other Confidential Information received by Representative under this Agreement to direct TRS clients or customers away from TRS proprietary channels. Nothing contained in this Agreement will limit or otherwise affect TRS’s right to use travel data in an aggregate form or otherwise in a format that does not contain personally identifiable information.

16.3 TRS has the right to require any holder of a legal or beneficial interest in Representative, and any member of their immediate families or households, and any officer, director, executive, manager, employee, licensee, franchisee, subcontractor and independent contractor of Representative who has access to Trade Secrets or other Confidential Information, to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit V, upon execution of this Agreement or prior to each such person’s affiliation with Representative. Upon TRS’s request, Representative shall provide TRS with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Representative and are subject to audit or review as otherwise set forth herein. TRS shall be a third party beneficiary with the right to enforce covenants contained in such agreements.

16.4 Any breach of this Section 16 by Representative shall be considered a Material Default and shall be cause for immediate termination of this Agreement as described in Section 14.1 above. In addition, in the event of a breach of this Section 16 by Representative, TRS shall be entitled, without the requirement of posting a bond or other security, and even if this Agreement has been terminated or has expired, to seek equitable relief, including, without limitation, temporary and permanent injunctive relief and specific performance, as a remedy for any such breach to (1) enforce the provisions of this Agreement related to Representative’s use of the Licensed Marks and Representative’s non-disclosure and non-competition obligations under this Agreement, (2) to prohibit any act or omission by Representative or its agents or employees that constitute a violation of any applicable law, ordinance, or

regulation, constitutes a danger to the public, or may impair the goodwill associated with the Licensed Marks, the System, TRS, or TRS's affiliates, or (3) to prevent any other irreparable harm to TRS's interests. Such relief shall be in addition to, and not in lieu of, all other remedies available to TRS under this Agreement, at law or in equity.

## 17. DATA PROTECTION

17.1 For purposes of this Agreement, Personal Data shall mean means information provided and/or otherwise collected to or by Representative in connection with the customers and employees of TRS or any of its subsidiaries, affiliates, or licensees; or the accounts, names, addresses, social security numbers or any other personal identifier of such customers and employees; or any information derived therefrom that (i) could reasonably identify the individual to whom such information pertains, such as name, card number, address and/or telephone number, or (ii) can be used to authenticate that individual, such as passwords or PINs, biometric data, unique identification numbers or answers to security questions, or (iii) is protected under Applicable Laws.

17.2 Representative agrees to (a) implement appropriate measures designed to ensure the security and confidentiality of TRS's Confidential Information including, without limitation, those measures specified in any Information Protection Contract Requirements provided from time to time as part of the TRS Standards ("IPCR"), (b) protect such information against any anticipated threats or hazards to the security or integrity of such information, (c) protect against unauthorized access to, or use of, such Personal Data that could result in substantial harm or inconvenience to any customer or employee of TRS or any of its subsidiaries, affiliates, or licensees, and (d) cause all its agents, representatives, subcontractors, or any other party to whom Representative may provide access to, or disclose, TRS's Personal Data to implement appropriate measures designed to meet the objectives set forth in this Section.

17.3 Representative agrees to obtain all legally required consents from any individual whose Personal Data is collected by Representative in connection with the use, storage, and/or transfer of such Personal Data.

17.4 Representative shall provide data security awareness training to all of its employees and/or subcontractors who have access to Personal Data.

17.5 Representative shall notify TRS, immediately and in no event later than 24 hours, in writing in the event of any unauthorized disclosure of or access to Personal Data.

17.6 Upon request from TRS, Representative shall provide TRS with copies of annual audits and test result information reasonably sufficient to assure TRS that Representative has implemented information security measures consistent with this Section 17.

## 18. NOTICES

Any notice, payment or report required under this Agreement to be sent to TRS shall be in writing and addressed to TRS as follows, unless otherwise indicated by TRS:

American Express Travel Related Services Company, Inc.  
200 Vesey Street  
New York, New York 10285  
Attention: Vice President Strategic Partnerships & US Representative Travel Network

With a copy to:

American Express Travel Related Services Company, Inc.  
200 Vesey Street  
New York, New York 10285  
Attention: General Counsel's Office

Any notice, payment or report required under this Agreement to be sent to Representative shall be sent to the address listed in the preamble of this Agreement unless Representative provides written notice of a change in address in accordance with the terms of this Section 18.

## **19. REPRESENTATIONS AND WARRANTIES**

Representative represents and warrants to TRS as of the Effective Date and continuing throughout the Term that: (a) it has full right, title and authority to enter into this Agreement and to fulfill its obligations hereunder, and that the execution of this Agreement and the performance of such obligations do not and will not conflict with any of its other agreements or obligations; (b) it will fulfill its obligations in a competent and professional manner using qualified personnel; (c) it does not and will not violate any laws that prohibit discrimination because of age, race, gender, sexual orientation, religion, creed, color, national origin, marital status, veteran status or disability; (d) it will comply with all applicable federal, state and local laws, rules and regulations in the performance of its obligations hereunder including, but not limited to, Anti-Terrorism Laws meaning Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future U.S. federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war, the United States Foreign Corrupt Practices Act of 1977, as amended, the United Kingdom Bribery Act of 2010, as amended, Americans with Disabilities Act of 1990, laws prohibiting money-laundering, and all applicable laws pertaining to the privacy of consumer, employee and transactional information, including, but not limited to, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act"), UDAAP, Gramm Leach –Bliley Act, European Data Directive, as amended from time to time, Office of Foreign Assets Control (OFAC); and (e) the performance of the obligations by it do not and will not infringe upon or violate the rights of any third party.

## **20. ENTIRE AGREEMENT**

This Agreement constitutes the entire agreement between the parties hereto, and supersedes any previous oral or written agreements or understandings between the parties relating to the subject matter hereof. Except as otherwise specified, this Agreement and its terms may be amended, supplemented, or modified only by a writing signed by both parties.

## **21. SEVERABILITY**

In the event that any provision of this Agreement is held to be illegal, invalid or unenforceable, the remaining provisions of this Agreement will remain in full force and effect unless, in the opinion of TRS, the purpose of this Agreement has been frustrated, in which case TRS shall have the right to immediately terminate this Agreement upon written notice thereof to Representative without liability.

## **22. NO WAIVER OR GUARANTEES**

Except as otherwise expressly provided in this Agreement, if at any time TRS does not exercise a right or power available to TRS under this Agreement or does not insist on Representative's strict compliance with the terms of the Agreement, or if there develops a custom or practice which is at variance with the terms of this Agreement, TRS shall not be deemed to have waived its right to demand exact compliance with any of the terms of this Agreement at a later time. Similarly, TRS's waiver of any particular breach or series of breaches under this Agreement or under any other agreement between TRS and any representative will not affect TRS's rights with respect to any later breach. It will also not be deemed to be a waiver of any breach of this Agreement for TRS to accept payments which are due to TRS under this Agreement

If in connection with this Agreement, TRS provides to Representative any waiver, approval, consent or suggestion, or if TRS neglects or delays its response or denies any request for any of these, TRS shall not be deemed to have made any warranties or guarantees that Representative may rely on, and will not assume any liability or obligation to Representative.

## 23. ACKNOWLEDGEMENTS

Representative hereby acknowledges that:

- (1) REPRESENTATIVE RECEIVED FROM TRS A FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE TRS TRAVEL FRANCHISE, AT THE EARLIER OF: (A) THE FIRST PERSONAL MEETING BETWEEN REPRESENTATIVE AND TRS OR TRS'S AGENT; (B) AT LEAST TEN (10) BUSINESS DAYS PRIOR TO THE EXECUTION OF THIS OR ANY OTHER BINDING AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION TO TRS; AND (C) AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS OR ANY OTHER BINDING AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION TO TRS. REPRESENTATIVE ALSO RECEIVED THIS AGREEMENT AND ANY RELATED AGREEMENTS WITH ALL BLANKS COMPLETED AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT;
- (2) REPRESENTATIVE'S SUCCESS IN OWNING AND OPERATING A TRS TRAVEL FRANCHISE IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, REPRESENTATIVE'S INDEPENDENT BUSINESS ABILITY AND PERSONAL EFFORTS. REPRESENTATIVE FURTHER AGREES THAT REPRESENTATIVE OR ONE OF ITS OWNERS WILL BE RESPONSIBLE FOR, AND INTENDS TO DEVOTE BEST EFFORTS AND FULL TIME TO, THE MANAGEMENT AND DEVELOPMENT OF THE TRS TRAVEL FRANCHISE;
- (3) NEITHER TRS NOR ANY PERSON OR AFFILIATE HAVE GUARANTEED ANY RESULTS TO REPRESENTATIVE AND CANNOT, EXCEPT UNDER AND TO THE EXTENT OF THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER REPRESENTATIVE'S BUSINESS;
- (4) REPRESENTATIVE DID NOT RECEIVE FROM TRS ORAL OR WRITTEN INFORMATION CONTRARY TO THE INFORMATION CONTAINED IN THE FRANCHISE DISCLOSURE DOCUMENT AND THIS AGREEMENT. NOTHING IN THIS AGREEMENT IS INTENDED TO DISCLAIM THE REPRESENTATIONS TRS MADE IN THE FRANCHISE DISCLOSURE DOCUMENT THAT TRS PROVIDED TO REPRESENTATIVE;
- (5) REPRESENTATIVE DID NOT RECEIVE ORAL OR WRITTEN FINANCIAL PERFORMANCE REPRESENTATIONS AND HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT;
- (6) TRS HAS ENCOURAGED REPRESENTATIVE, AND REPRESENTATIVE HAS HAD AMPLE OPPORTUNITY, TO SEEK LEGAL AND/OR OTHER PROFESSIONAL GUIDANCE AND ADVICE PRIOR TO SIGNING THIS AGREEMENT, AND TRS HAS ENCOURAGED REPRESENTATIVE TO CONTACT EXISTING TRS REPRESENTATIVES TO GAIN A BETTER UNDERSTANDING OF THE REQUIREMENTS AND BENEFITS OF OWNING A TRS TRAVEL FRANCHISE;
- (7) REPRESENTATIVE HAS HAD FULL OPPORTUNITY TO REVIEW THE FRANCHISE DISCLOSURE DOCUMENT, THIS AGREEMENT, AND RELATED AGREEMENTS PROVIDED BY TRS AND TO UNDERSTAND THE TERMS, CONDITIONS AND OBLIGATIONS OF THIS AGREEMENT;
- (8) NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY TRS OR ANY PERSON OR AFFILIATE TO INDUCE REPRESENTATIVE TO ENTER INTO THIS AGREEMENT, EXCEPT AS SPECIFICALLY INCLUDED IN THIS AGREEMENT;

- (9) REPRESENTATIVE HAS NOT RELIED ON ANY STATEMENTS ABOUT TRS OR THE TRS TRAVEL FRANCHISE OTHER THAN THOSE CONTAINED IN THE FRANCHISE DISCLOSURE DOCUMENT IN MAKING ITS DECISION TO SIGN THIS AGREEMENT; AND
- (10) REPRESENTATIVE HAS DEALT IN MANY VARIED BUSINESS TRANSACTIONS IN THE PAST WHICH HAVE BEEN OF GREATER COMPLEXITY THAN THIS TRANSACTION, AND REPRESENTATIVE IS NOT PURCHASING A TRS TRAVEL FRANCHISE FOR SPECULATIVE PURPOSES.

## **24. LIABILITY**

24.1 If Representative is owned by more than one (1) person or legal entity, or a combination thereof: (i) the obligations and liabilities to TRS of each individual signing this Agreement and each officer or member of the legal entity shall be joint and several with respect to the obligations of Representative under this Agreement; (ii) a right under the Agreement exercised by any one of them is deemed to be exercised jointly; and (iii) a representation, warranty, or undertaking made by one (1) person or legal entity is deemed to be a representation made by each of them.

24.2 Except as otherwise specifically provide herein, this Agreement is for the sole benefit of the parties hereto and their successors and permitted assigns and nothing herein express or implied shall give or be construed to give any person other than the parties hereto any legal or equitable rights hereunder. TRS shall not, because of this Agreement or by virtue of any approvals, advice or services provided to Representative, be liable to any person or entity that is not a party to this Agreement. No third party shall be a beneficiary of this Agreement. Representative expressly acknowledges and agrees that it is not a third party beneficiary of any other Representative Network Agreement between TRS and other representatives and that Representative shall have no independent right to enforce the terms of, or require performance under, any other Representative Network Agreement.

24.3 NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, UNLESS PROHIBITED BY APPLICABLE LAW, IN NO EVENT SHALL THE AGGREGATE LIABILITY OF TRS OR ITS DIRECT OR INDIRECT SUBSIDIARIES, AFFILIATES, AGENTS, EMPLOYEES OR REPRESENTATIVES FOR ALL CLAIMS, DAMAGES, LAWSUITS, LOSSES AND CAUSES OF ACTION ARISING UNDER OR RELATING TO THIS AGREEMENT (WHETHER IN CONTRACT, TORT, WARRANTY OR OTHERWISE) EXCEED THE AMOUNT OF THE ANNUAL FEE. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THE FOREGOING LIMITATION OF LIABILITY SHALL NOT APPLY TO AMOUNTS DUE AND OWING TO TRS OR ANY TRS ENTITY HEREUNDER. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL TRS OR ITS DIRECT OR INDIRECT SUBSIDIARIES, AFFILIATES, AGENTS, EMPLOYEES OR REPRESENTATIVES BE LIABLE TO REPRESENTATIVE OR ANY THIRD PARTY FOR ANY INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES OF ANY KIND (INCLUDING, WITHOUT LIMITATION, LOST REVENUES, LOST SAVINGS, LOST PROFITS, OR LOST BUSINESS) IN CONNECTION WITH, ARISING FROM OR RELATING TO THIS AGREEMENT.

24.4 EXCEPT FOR CERTAIN CLAIMS AND ACTIONS AS SET FORTH BELOW, ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT (INCLUDING, BUT NOT LIMITED TO, THE OFFER AND SALE OF THE FRANCHISE COVERED BY THIS AGREEMENT), THE RELATIONSHIP BETWEEN TRS AND REPRESENTATIVE, OR REPRESENTATIVE'S OPERATION OF THE FRANCHISE, BROUGHT BY REPRESENTATIVE AGAINST TRS AND/OR TRS'S AFFILIATES AND THEIR PRINCIPALS, EMPLOYEES AND AGENTS, SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE ACTS OR OMISSIONS GIVING RISE TO SUCH CLAIM OR ACTION, OR SUCH CLAIM OR ACTION SHALL BE BARRED. THE FOREGOING ONE (1) YEAR LIMITATION PERIOD WILL NOT APPLY TO CLAIMS OR ACTIONS RELATING TO THE INDEMNIFICATION OBLIGATIONS UNDER SECTION 15 OR TO CLAIMS AND ACTIONS BY TRS: (A) FOR MONIES DUE UNDER THIS AGREEMENT; (B) RELATING TO THE TRS LICENSED MARKS, OR THE TRADE NAMES, COPYRIGHTS, TRADE SECRETS OR CONFIDENTIAL INFORMATION

BELONGING TO TRS OR ITS AFFILIATES; OR (C) RELATING TO THE POST-TERMINATION OBLIGATIONS SET FORTH IN SECTION 14 OF THIS AGREEMENT.

24.5 Representative shall maintain appropriate insurance relating to the conduct of Representative's Licensed Activities, including but not limited to workers' compensation insurance, employers' liability insurance, commercial general liability insurance, commercial automobile liability insurance, and all-risk property insurance. Without limiting the foregoing, from time to time, TRS may establish specific insurance requirements in the Representative Manual and/or TRS Standards, and Representative agrees to comply with such requirements. Any and all expenses associated with such insurance shall be paid by Representative. These insurance requirements shall not in any way limit Representative's indemnity obligations to TRS as set forth elsewhere in this Agreement, nor shall they relieve or decrease the liability of Representative in any way. TRS does not in any way represent that the insurance or limits of insurance specified below or in the TRS Standards (if any) are sufficient or adequate to protect the Representative's interests or liabilities. The Representative is responsible at Representative's sole expense for providing any additional insurance Representative deems necessary to protect Representative's interests.

Representative agrees to provide and to maintain in effect at all times during the Term, at Representative's sole expense, the following minimum insurance coverage:

- (a) Workers' compensation insurance covering all Representative employees in accordance with applicable statutory, federal, and other legal requirements and employers' liability insurance covering all Representative employees in an amount of not less than \$1,000,000 and for bodily injury by accident, \$1,000,000 policy limit for bodily injury by disease, and \$1,000,000 each employee for bodily injury by disease. The Employers' Liability Insurance limits may be met using a combination of primary and umbrella/excess policies.
- (b) Commercial general liability insurance written on an occurrence form and including coverage for bodily injury, property damage, products and completed operations, personal injury, advertising injury and contractual liabilities arising out of the services and/or products provided by Representative under this Agreement with minimum limits of \$1,000,000 per occurrence and annual aggregate (limits may be met using a combination of primary and umbrella/excess policies). The policy shall include TRS, its parent and subsidiary companies, and their respective directors, officers, employees, agents and affiliates as additional insured for liabilities arising in whole or in part from the acts, omissions or operations of Representative and shall apply as primary to and non-contributory with any insurance maintained by such additional insured as respects such liabilities.
- (c) Commercial automobile liability insurance providing coverage for owned, hired, and non-owned motor vehicles used in connection with this Agreement in an amount of not less than \$1,000,000 per accident combined single limit for bodily injury and property damage (limits may be met using a combination of primary and umbrella/excess policies). The policy shall include TRS, its parent and subsidiary companies, and their respective directors, officers, employees, agents and affiliates as additional insured for liabilities arising in whole or in part from the acts, omissions or operations of Representative and shall apply as primary to and non-contributory with any insurance maintained by such additional insured as respects such liabilities.
- (d) Professional liability / errors and omissions insurance coverage of not less than \$1,000,000 each claim and annual aggregate for liabilities arising out of the acts, errors, or omissions of Representative while performing or failing to perform its professional services provided under this Agreement.
- (e) All-risk property insurance covering the Representative's real and personal property on a replacement cost basis. If Representative will have any TRS property in its care,

custody, or control, the policy shall also provide replacement cost coverage for such property and include TRS as a loss payee as respects such property.

All insurance policies shall be issued by companies authorized to do business in the jurisdictions where the services are provided and must be rated A-, VII or better by A.M. Best, or the reasonable equivalent by another reputable rating agency. With the exception of the commercial crime insurance, all insurance policies shall include waivers of subrogation against TRS, its parent and subsidiary companies, and their respective directors, officers, employees, agents and affiliates unless waivers of subrogation are prohibited by law or commercially unavailable in an applicable jurisdiction. If any of the required policies are written on a claims-made or discovery basis, coverage with respect to this Agreement shall be maintained for a period of at least three (3) years after the expiration or termination of this Agreement. Upon execution of this Agreement and thereafter upon request from TRS, Representative shall cause its insurers or their authorized agents to provide TRS with current certificates of insurance evidencing the required coverage. Representative shall require that all of its subcontractors maintain and evidence to Representative their own insurance of such types and in such amounts as are reasonably appropriate for the services being provided by the subcontractors. These insurance requirements shall not in any way limit Representative's indemnity obligations to TRS as set forth elsewhere in this Agreement, nor shall they relieve or decrease the liability of Representative in any way. TRS does not in any way represent that the insurance or limits of insurance specified above are adequate or sufficient to protect the Representative's interests or liabilities. The Representative is responsible, at Representative's sole expense, for providing any additional insurance Representative deems necessary to protect Representative's interests.

## 25. GOVERNING LAW; DISPUTE RESOLUTION

25.1 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York, United States of America without regard to the choice of law provisions thereof. The parties agree that they will subject themselves to the exclusive jurisdiction of the New York courts and that venue is proper in the courts of New York, New York. Each party agrees that a final judgment in any action or proceeding of such New York court(s) shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Representative and Owners hereby waive all objections to personal jurisdiction and venue. Nothing in this Agreement shall be deemed to prevent TRS from removing an action from state court to federal court.

### 25.2 Dispute Resolution.

25.2.1 The parties agree that any and all disputes, claims or controversies arising out of or related to this Agreement, including any claims under any statute or regulation ("**Disputes**"), shall be submitted to mediation. If a Dispute is not resolved through mediation within forty-five (45) days from such submission, it shall be submitted for binding arbitration upon the demand of either party. Any mediation and/or arbitration shall take place in the State of New York, New York County, and shall be administered by, and pursuant to the rules of, the American Arbitration Association or JAMS, upon the election of the party asserting the Dispute. In the event of any inconsistency between this Section 25.2 and any rule of the arbitration organization, this Section 25.2 will control. Except as otherwise provided for herein, no party will have the right to litigate Disputes.

25.2.2 ALL DISPUTES, WHETHER IN LITIGATION OR ARBITRATION, SHALL BE RESOLVED ON AN INDIVIDUAL BASIS. THERE SHALL BE NO RIGHT OR AUTHORITY FOR ANY DISPUTES TO BE ARBITRATED ON A CLASS ACTION BASIS OR IN A PURPORTED REPRESENTATIVE CAPACITY ON BEHALF OF THE GENERAL PUBLIC OR OTHER ENTITIES SIMILARLY SITUATED. The arbitrators' authority to resolve Disputes and to make awards is limited to Disputes between the parties alone, and is subject to the limitations of liability set forth in this Agreement. Furthermore, Disputes brought by any party against the other party may not be joined or consolidated in arbitration with Disputes brought by or against any third party, unless agreed to in writing by all parties. No arbitration award or decision shall be given preclusive effect as to issues or claims in any Dispute with anyone who is not a party to the arbitration. Should any portion of this 25.2.2 be stricken from this Agreement or deemed otherwise unenforceable, then this entire Section 25.2 shall not apply, other than this sentence.

25.2.3 Subject to the second sentence of Section 25.2.4 below, the parties will be equally responsible for paying the arbitration fees (including filing, administrative, hearing and/or other fees) incurred hereunder, provided by the rules of the arbitration organization selected in accordance with this Section 25.2.

25.2.4 The parties agree that the arbitrators' decision shall be final and binding. The provisions of this Section 25.2 may be enforced in a court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all costs, fees and expenses incurred in obtaining the enforcement of this provision to be paid to the party against whom enforcement is ordered. Any party shall have the right to seek equitable relief (i) in arbitration prior to the arbitration proceedings to enforce the status quo, and (ii) in a court to enforce the confidentiality provisions set forth in this Agreement. The mediation/arbitration proceedings and all documentation and/or information related to such processes shall be deemed confidential. This arbitration provision is made pursuant to a transaction involving interstate commerce, and shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16, as it may be amended.

25.3 THE PARTIES TO THIS AGREEMENT HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. NO PARTY MAY INITIATE OR BE PART OF A CLASS ACTION LAWSUIT OR LEGAL PROCEEDING AGAINST THE OTHER.

25.4 Nothing herein contained (including, without limitation, the arbitration provisions in Section 25.2) shall bar TRS's right to seek and obtain injunctive relief from a court of competent jurisdiction against threatened conduct that will cause TRS or its affiliates any loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.

## **26. SURVIVAL**

Any provision of this Agreement that contemplates performance or observance subsequent to termination or expiration of this Agreement (including, without limitation, post-termination requirements as well as Indemnification, Confidentiality, Liability, Governing Law and Dispute Resolution provisions) shall survive the termination or expiration of this Agreement and continue in full force and effect until such obligations are satisfied in full or by their nature expire.

## **27. NEGOTIATED TERMS**

This Agreement has been negotiated by the parties and their respective legal counsel and will be fairly interpreted in accordance with its terms and provisions without any strict construction in favor of or against any party.

## **28. ACCEPTANCE**

THE SUBMISSION OF THIS AGREEMENT TO REPRESENTATIVE DOES NOT CONSTITUTE AN OFFER, AND THIS AGREEMENT SHALL BECOME EFFECTIVE ONLY UPON ITS EXECUTION BY REPRESENTATIVE, TRS AND OWNERS. THIS AGREEMENT SHALL NOT BE BINDING ON TRS UNLESS AND UNTIL IT IS ACCEPTED BY TRS; THAT IS, SIGNED BY TRS'S AUTHORIZED OFFICER AND RETURNED TO REPRESENTATIVE AND OWNERS.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the Effective Date.

**AMERICAN EXPRESS TRAVEL  
RELATED SERVICES COMPANY, INC.**

**[INSERT REPRESENTATIVE NAME]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Name: \_\_\_\_\_  
(Type Name)

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**OWNER**

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Date: \_\_\_\_\_

**OWNER**

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Date: \_\_\_\_\_

**EXHIBIT I**

**OFFICE LOCATIONS**

Attached to and made a part of that certain Representative Network Agreement entered into by and between TRS, Representative and Owners effective as of \_\_\_\_\_, 20\_\_.

Representative's office appointed location, Main Office Address (Mailing Address)

\_\_\_\_\_  
Name  
\_\_\_\_\_  
Street  
\_\_\_\_\_  
City                                  State                                  Zip

Representative's branch office(s) appointed location(s):

\_\_\_\_\_  
Name  
\_\_\_\_\_  
Street  
\_\_\_\_\_  
City                                  State                                  Zip

\_\_\_\_\_  
Name  
\_\_\_\_\_  
Street  
\_\_\_\_\_  
City                                  State                                  Zip

**AMERICAN EXPRESS TRAVEL  
RELATED SERVICES COMPANY, INC.**

**[INSERT REPRESENTATIVE NAME]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Name: \_\_\_\_\_  
(Type Name)

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**OWNER**

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Date: \_\_\_\_\_

## EXHIBIT II

### TRADEMARK LICENSE TERMS

#### 1. LICENSE RIGHTS

##### 1.1 Grant of License.

(a) Subject to the terms and conditions of this Agreement and these Trademark License Terms, TRS hereby grants to Representative, and Representative hereby accepts from TRS, a limited, non-exclusive, non-transferable, non-assignable, royalty-free license and privilege to use the TRS Licensed Marks (as defined below), without the right to grant sublicenses, solely in connection with performing the Licensed Activities in those locations within the United States authorized by TRS under this Agreement (the “Territory”). “TRS Licensed Mark” or “TRS Licensed Marks” means:

(i) the trademarks and/or service marks set forth in Exhibit A to these Trademark License Terms; and

(ii) any other signs, decals, logos, service marks, trade names, trademarks, copyrights or other identification or trademark of TRS or its affiliates, which in the sole judgment of TRS are necessary for the operation of the Licensed Activities in the Territory and which are added to Exhibit A to these Trademark License Terms by specific written notice from TRS to Representative.

(b) Nothing in these Trademark License Terms shall authorize Representative to use the TRS Licensed Marks in connection with any activity, product or services other than those specifically authorized in these Trademark License Terms. All rights, opportunities and approvals not expressly granted to Representative under these Trademark License Terms are reserved by TRS. Representative shall not [register or attempt to register, or assist anyone to register or attempt to register](#), any name, trademark, service mark, logo, slogan, graphic, symbol, domain name, social media handle, email address or other designation which includes the words “American Express”, “Amex”, “AXP” or “TRS” or a variation likely to be assumed to mean “American Express”, “Amex”, “AXP”, “TRS” or any non-English language translation thereof.

(c) Representative understands that any licenses granted hereunder are non-exclusive and the TRS Licensed Marks may be used by TRS and/or be granted to third parties without restriction in or outside of the Territory.

(d) Any rights not granted to the Representative in this Agreement are specifically reserved by and for TRS. Representative hereby accepts this grant of license, subject to the terms and conditions set forth in this Agreement and these Trademark License Terms.

##### 1.2 Ownership of TRS Licensed Marks.

(a) The TRS Licensed Marks are the property of TRS and/or its affiliates, and TRS warrants that it has the legal right to license the TRS Licensed Marks. TRS offers no warranty as to the validity, enforceability or scope of the TRS Licensed Marks. Any implied warranty or condition, including that of non-infringement, is expressly excluded. Any rights which arise or are created as a result of the licensed use will accrue to and be owned solely by TRS or any of its affiliates, as the case may be. At TRS’s request, Representative shall execute any documents requested by TRS to confirm TRS’s ownership of its rights in and to the TRS Licensed Marks. Representative shall fully cooperate with TRS’s requests in connection with the filing, maintenance, renewal, enforcement and protection of all applications and registrations for the TRS Licensed Marks.

(b) Representative acknowledges that, as between TRS and Representative, TRS is the owner of all right, title and interest in and to the TRS Licensed Marks and the goodwill associated therewith and that the rights granted in this Agreement and these Trademark License Terms extend merely a permissive right that is not an ownership interest of the TRS Licensed Marks. Representative further acknowledges that all use of the TRS Licensed Marks inures to the benefit of TRS and the TRS Licensed Marks are valid and will not be challenged.

(c) Representative shall not, without the express prior written consent of TRS, use the TRS Licensed Marks in combination with any name, trademark, service mark, logo, word (in English or any other language), symbol, domain name, email address, letter or design in any manner that could create a joint, composite or combination trademark.

(d) Representative shall not use the TRS Licensed Marks in a descriptive or generic manner or in a manner that would tarnish the goodwill and reputation that TRS has established in the TRS Licensed Marks.

**1.3 Assignability of License.** These Trademark License Terms and the rights and licenses granted hereunder shall in no way be construed to be an assignment, conveyance or sale of any interest in any of the TRS Licensed Marks covered by this Agreement or these Trademark License Terms. The rights and licenses granted hereunder shall be personal to Representative and shall not be sold, assigned, sublicensed, divided, mortgaged, or transferred by Representative either voluntarily or by operation of law without the prior written consent of TRS, which consent may be granted or withheld in the sole discretion of TRS.

**1.4 Changes or Modifications to TRS Licensed Marks.** If it becomes advisable at any time, in TRS's sole discretion, for TRS to modify or discontinue use of any or all of the TRS Licensed Marks identified in Exhibit A to these Trademark License Terms, and/or use one or more additional or substitute trademarks, service marks, trade names, logotypes, or other commercial symbols, Representative shall comply with TRS's directions to modify, discontinue, add, or substitute such TRS Licensed Marks within such reasonable time and pursuant to such directions as TRS specifies to Representative in writing. TRS shall have no liability or obligation whatsoever with respect to Representative's modification, discontinuance, addition or substitution of any TRS Licensed Mark, or the costs associated with changing any materials in connection with such modification, discontinuance, addition, or substitution.

## **2. CONDITION OF LICENSE; PROTECTION OF AMERICAN EXPRESS BRAND**

### **2.1 Conditions of License**

(a) Representative will ensure that its use of the TRS Licensed Marks shall at all times conform to the TRS Standards, and with the highest standards of business ethics, practices and good taste.

(b) Representative shall not use the TRS Licensed Marks in any manner that is unfair, deceptive, abusive or misleading or that reflects unfavorably upon the good name, goodwill, reputation or image of TRS or any of its affiliates, or in any way that is contrary to applicable laws. Representative will not, during the Term or thereafter, use the TRS Licensed Marks in any way which would tarnish or dilute them or encumber them in any way. Representative shall not use the TRS Licensed Marks as part of its legal name.

(c) Representative shall not adopt or use any trade name, logo, trademark, service mark, graphic, slogan, domain name, social media handle or designation that includes or is confusingly similar to, or a simulation or colorable imitation of, any of the TRS Licensed Marks.

(d) Representative may not use the TRS Licensed Marks in any manner that violates any agreement to which Representative is a party or is otherwise bound.

(e) TRS or a third-party service provider designated by TRS shall have the right, at Representative's expense, to conduct an audit of the Representative's website to evaluate whether or not the Representative website(s) meets the standards stipulated by TRS prior to providing Representative with the approval necessary to launch the Representative website(s).

### **2.2 Approvals**

(a) All uses of the TRS Licensed Marks, including, without limitation, all marketing, promotional, solicitation and Advertising materials used in connection with the Licensed Activities, shall be prepared in accordance with these Trademark License Terms and the TRS Standards, and shall be subject to TRS's prior review

and written approval in order to determine whether such materials are consistent with the requirements of these Trademark License Terms and the TRS Standards. When requested by TRS, Representative will send copies of all materials which contain uses of the TRS Licensed Marks to TRS in advance of their use at the address indicated in the TRS request.

(b) Following TRS's approval of representative samples of Representative's proposed materials, which approval shall be granted or not granted in TRS's sole discretion, Representative shall not depart therefrom or institute any material changes in the quality or materials exemplified by the representative samples or utilize such materials in a manner not approved by TRS without first obtaining TRS's written approval for such change.

(c) TRS reserves the right to require Representative to discontinue any unapproved use of TRS Licensed Marks within ten (10) days of receipt by Representative of written notice thereof. Representative, and not TRS, shall be responsible for ensuring that Representative's marketing, promotional, solicitation and Advertising materials, and letters and other communications in connection with the Licensed Activities comply with applicable federal, state and local laws, rules and regulations.

**2.3 Protection of the American Express Brand.** If, during the Term, misuse or unauthorized use of the TRS Licensed Marks occurs in the Territory or outside the Territory, Representative shall, immediately upon learning thereof, notify TRS verbally and then in writing, setting forth the facts in reasonable detail. Representative agrees that TRS shall have the sole right to determine whether any action should be taken to terminate such misuse or unauthorized use or settle any action, proceeding or claim brought by TRS to terminate such misuse or unauthorized use. The expenses and fees resulting from such legal action, including attorneys' fees, will be borne solely by Representative.

### **3. DURATION AND TERMINATION/EXPIRATION**

The license contained in these Trademark License Terms shall be coterminous with the Term of the Agreement and shall automatically terminate, immediately and without prior judicial resolution or decree and without penalty, in the event that this Agreement is terminated, for any reason whatsoever, or expires in accordance with its terms.

### **4. CONSEQUENCES OF TERMINATION OR EXPIRATION OF LICENSED RIGHTS**

Upon termination or expiration of this Agreement, the right of Representative to use the TRS Licensed Marks authorized in these Trademark License Terms will automatically terminate, and Representative will, without any demand from or cost to TRS, remove any name, sign, logo type or symbol representing the TRS Licensed Marks used by Representative under these Trademark License Terms and will cease to use all such names and marks in any manner whatsoever.

**EXHIBIT A  
(TO TRADEMARK LICENSE TERMS)**

**MARKS**

<b>Trademark</b>	<b>Registration Number</b>	<b>Registration Date</b>	<b>Classes</b>
AMERICAN EXPRESS	4,225,805	October 16, 2012	39, 43
AMERICAN EXPRESS BLUE BOX LOGO	4,214,089	September 25, 2012	39, 43

**EXHIBIT III**

**CURRENT SERVICE LEVEL AGREEMENT**

PRE-REQUISITES (Requirements for Joining)	What is it?	Metric/ Measurement	On-Going Oversight	Timing	Remediation of Gaps & Timing (Warning Period)	Consequence of Non-Compliance (Final Notice)
Call Recording Service	The Representative must require their call recording service to record and store incoming calls for 25 months. The Representative also needs to have the ability to provide selected calls or give access to the call recording system to a designated Call Monitoring party, as determined by American Express.	Recording all calls and storing for 25 months	Representative provides current proof of Call Recording Service via AExtraWeb	Annually	If the current service is terminated for any reason, the Representative is required to contract with another Call recording service within one quarter.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Designated Travel Agents	The Representative is required to have at least 10 designated agents that are trained on relevant American Express Card benefits to support Personalized Travel Service platform. The Representative will be required to have at least 1 person on duty during normal business hours.	Maintain at least 10 Agents on Gold Card Travel Program Requirements	Representative provides list of designated agents via AExtraWeb Enrollment Form	Annually	If the Representative loses an agent causing support to dip below 10 agents, the replacements must be in place within 30 days	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
24/7 Emergency Travel Services	The Representative is required to have an Emergency Travel Service that provides customers with emergency travel services for air, car and hotel reservations 24 hours per day, 7 days per week.	Offer Emergency Travel Services	Representative provides proof of Emergency Travel Service contract via AExtraWeb	Annually	If the current service is terminated for any reason, the Representative is required to contract with another emergency travel service vendor within 3 business days.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
After-Hours E-mail or Voicemail Service	The Representative is required to offer CM the ability to leave an email or voicemail message for the agent.	Provides this service for after hours calls and responds within 24 hours	Enrollment form will require agencies to confirm that this service is in place.	Annually	If the service lapses for any reason, the Representative must reconnect within 3 business days.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Enrolled with Swiftreach Toll Free Program	The Representative is required to be on the Swiftreach platform. Swiftreach is the 800# call routing platform used by TLS.	One phone number in the routing platform.	TRS will review Swiftreach enrollment list to validate Representative enrollment.	Annually	If the active line is terminated or if there are technical glitches for any reason, another phone number must be provided to Swiftreach within 3 business days.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Enrolled with Online Customer Survey Program (TBASS)	The Representative and design agents are required to be enrolled in TBASS that enables Customers to receive American Express automated satisfaction survey questionnaire.	Representative and designated agent enrolled	Representative provides proof of TBASS enrollment via AExtraWeb	Annually	If TBASS connectivity lapses for any reason, the Representative is required to implement fixes within 1 month of the lapse.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Enrolled with Membership Rewards Pay with Points	The Representative is required to be enrolled in the American Express Pay with Points platform in order to redeem American Express Membership Rewards points.	Representative must be enrolled	Representative provides proof of PWP tool via AExtraWeb Enrollment Form	Annually	Pay with Point enrollment must be established within 30 days of Gold Card Lead Referral Program enrollment	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Masking credit card number on invoices	The Representative is required to comply with Bank regulations of masking credit card numbers on invoices, to ensure proper privacy and mitigating operating risk.	Representative must have credit card masking in place on all customer facing documents, where this would apply.	Representative provides proof of masking by submitting an invoice via Enrollment form on AExtraWeb.	Annually	If masking functionality is disrupted in any way, the Representative is required to fix the issue within 24 hours of disruption.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Enrolled with Management Reporting Services	The Representative is required to have MRS' eDatastream software to facilitate automated capture and reporting of transaction level information.	Representative must be enrolled.	TRS will review MRS enrollment list to validate Representative enrollment.	Annually	If the activity or connect is terminated or if there are technical glitches for any reason, the Representative must make all efforts to resolve with MRS within 24 hours of disruption notification.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.

PERFORMANCE METRICS (Required performance for On-Going Participation)	What is it?	Metric/ Measurement	On-Going Oversight	Timing	Remediation of Gaps & Timing (Warning Notice)	Consequence of Non-Compliance (Final Notice)
Meet consistency of applying service fee structure associated with the platform	The agent is required to consistently apply \$25 service fee to all air transactions that come through the platform designated toll free phone number or the back of the card routing. The purpose is to establish consistent service fees and Card Member experience across participating Representative locations for airline tickets (issuance, reissuance, cancellations)	100% compliance with applying \$25 service fee to all airline ticket transactions	Business Self Testing for service fees conducted by American Express in accordance with Compliance requirements.	Quarterly	Representative will have to show consistent service fees applied in subsequent reporting.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Meet CM servicing platform invoicing requirements	The Representative is required to invoice CM servicing platform transactions via a designated accounting branch in accordance with the Operating Manual. Agent are required to specify American Express travel programs on transactions, as applicable.	100% adherence by designated agents to invoice CM servicing platform transactions.	Business Self Testing for American Express program to ensure compliance with UDAAP rig or and proper branch utilization.	Quarterly	Representative will have to show consistent report within 1 week.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Meet all training requirements	Every designated agent is required to complete all assigned American Express product and Enterprise Essential Training modules in order to provide a consistent customer service experience and to be knowledgeable of all applicable laws and regulations pertaining to the business. Details are provided in the Operating Manual.	100% of existing designated agents complete required training modules. Newly designated agents are required to complete training prior to servicing CMs.	Track Product and EET training completions and conduct follow ups, as needed, to the Representative to ensure 100% compliance.	Annually	Any designated agent not completing training modules by the designated deadlines will be warned that they have 5 extra business days to complete training.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Meet call monitoring requirements	The Representative is required to comply with the call monitoring criteria and protocols to prove the agents ability to fulfill on bookings and program benefits. The call monitoring criteria is detailed in the Operations Manual.	Agent scores 80% for the quarter	Representative Managers will complete and submit automated call monitoring form on AExtraWeb for each of the designated agents.	Quarterly	If an agent's call monitoring score falls below 80%, the Representative will to improve the agents score by the following quarter. American Express may conduct random joint calibration calls review sessions, upon request.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Meet U.S. Sanctions regulations	The Representative is required to follow applicable laws and regulations in respect to Sanctioned transactions. Prohibited destinations, restricted destinations and prohibited airline guidelines must be followed for all transactions directed to the Representative as part of the platform. In addition, the Representative must provide support, as requested by American Express, to resolve any flagged destinations or Specially Designated Nationals (SDN). Details are provided in the Operating Manual.	Zero (0) unresolved sanctions destination, sanction carrier or SDN transactions	American Express will be screening invoiced transactions for sanctions destination, carriers and SDN.	Weekly	Representative is required to provide information to close out any flags within 24 hours.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Meet Unusual Activity reporting procedures	The designated agent is required to follow Unusual Activity reporting (UIAR) guidelines that are provided in the Operating Manual.	100% compliance with reporting any suspicious activity via UIAR form on AExtraWeb.	Submitted UIAR forms are submitted to American Express Compliance for ongoing oversight.	Ongoing	Representative is required to submit UIAR within 24 hours of suspicious activity.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Meet customer incident procedures	The designated agent is required to capture and report American Express Card Member inquiries and complaints by telephone, in person, email or letter to meet compliance requirements.	80% of all complaints must be closed in 20 days; 100% of all complaints must be closed in 60 days	Submitted Customer Inquiries Forms via AExtraWeb online form within 24 hours of an occurrence. AExtraWeb system alerts to close issues are triggered to ensure compliance with closure requirements.	Annually	For any open complaints beyond 60 days, American Express will step in.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Meet VOC Customer Satisfaction Refer to a Friend (RTF) score	The Representative is required to meet a designated Refer to a Friend (RTF) score. RTF measures Gold Card Member loyalty and customer experience.	80% RTF per Representative per quarter	Reporting from Medallia will be review Quarterly by TRS for oversight monitoring	Quarterly	By the end of the following quarter RTF must be up to 80%.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Meet visa /passport servicing procedures	The Representative is required to use visa and/or passports processed for transactions that originate through the Lead Generation program must follow the AXP policy including only utilizing intermediaries that have been approved to support AXP transactions.	100% compliance with this requirement	Call Monitoring process captures the adherence to this requirements.	Quarterly	If an agent's overall call monitoring score falls below 80%, the Representative will to improve the agents score by the following quarter. American Express may conduct random joint calibration calls review sessions, upon request.	If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Meet Marketing guidelines	The Representative is required to utilize the American Express Marketing Checklist when marketing utilizing the American Express logo lock up. Ensuring all requirements are met. Representative also agrees to provide quarterly BSAs defined in the Operating Guide	100% compliance with this requirement	Business Self Testing provided by Representative will be reviewed quarterly by American Express Marketing ensuring proper adherence	Quarterly		If not remediated or cured by Representative within 30 days of notice of breach, American Express may terminate the Representative Agreement.
Meet Insurance Guidelines	Provide disclosures and deliver all appropriate documentation associated with travel insurance and trip cancellation products	100% compliance with this requirement	American Express will have oversight into the selling of insurance as it relates to lead generation transactions via call monitoring.	Quarterly		If not remediated, Representative will be notified that if not resolved within 30 days the Representative will be in breach of contract.
Provide disclosures and deliver all appropriate documentation associated with travel insurance and trip cancellation products	The Representative must comply with all requirements applicable to the sale of travel insurance and trip cancellation products as outlined in the Operations Document found on AExtraWeb	100% compliance with this requirement	American Express will monitor the calls on which travel insurance and trip cancellation products are sold in connection with Personalized Travel Service products and services	Quarterly		Any non-compliance with such requirements will constitute a Material Default under the Agreement

**EXHIBIT IV**

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by \_\_\_\_\_.

In consideration of, and as an inducement to, the execution of that certain Representative Network Agreement dated \_\_\_\_\_ herewith ("Agreement") by American Express Travel Related Services Company, Inc. ("TRS"), each of the undersigned hereby personally and unconditionally guarantees to TRS and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that \_\_\_\_\_ ("Representative") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement. Each of the undersigned shall be personally bound by, and personally liable for, Representative's breach of any provision in the Agreement, including those relating to monetary obligations and obligations to take or refrain from taking specific actions or engaging in specific activities, such as those contemplated by Sections 3, 11 and 16 of the Agreement. Each of the undersigned waives: (a) acceptance and notice of acceptance by TRS of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right it may have to require that an action be brought against Representative or any other person as a condition of liability; and (e) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (a) its direct and immediate liability under this Guaranty shall be joint and several; (b) it shall render any payment or performance required under the Agreement upon demand if Representative fails or refuses punctually to do so; (c) such liability shall not be contingent or conditioned upon pursuit by TRS of any remedies against Representative or any other person or entity; and (d) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which TRS may from time to time grant to Representative or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

This Guaranty represents the entire agreement and understanding of these parties concerning the subject matter hereof, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

Successors and Assigns; Death of Guarantor. This Guaranty shall be binding upon Guarantor and his or her heirs, executors, administrators, successors and assigns and shall inure to the benefit of TRS and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, Guarantor expressly agrees that Guarantor's death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that Guarantor's estate and heirs shall continue to be liable hereunder with respect to any Guaranteed Obligations created or arising after Guarantor's death.

The validity, interpretation, and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and TRS, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of New York (without giving effect to principles of conflicts of law).

Guarantor agrees that the dispute resolution provisions of the Agreement apply to Guarantor. Guarantor also hereby irrevocably consents and submits to the non-exclusive jurisdiction of the Courts of the State of New York located in New York, New York and waives any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Guaranty or any of the other Representative Network Agreements or in any way connected with or related or incidental to the dealings of Guarantor and TRS in respect of this Guaranty or any of the other Representative Network Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising and whether in contract, tort, equity or otherwise, and agrees that

any dispute arising out of the relationship between Guarantor or Representative and TRS or the conduct of any such persons in connection with this Guaranty, the other Representative Network Agreements or otherwise shall be heard only in the courts described above (except that TRS shall have the right to bring any action or proceeding against Guarantor or his or her property in the courts of any other jurisdiction which TRS deems necessary or appropriate in order to realize on any collateral at any time granted by Representative or Guarantor to TRS or to otherwise enforce its rights against Guarantor or his or her property).

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

**PERSONAL GUARANTOR**

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Signature)

HOME ADDRESS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN REPRESENTATIVE: \_\_\_\_\_%

**PERSONAL GUARANTOR**

\_\_\_\_\_  
Personally and Individually (Printed Name)

\_\_\_\_\_  
Personally and Individually (Signature)

HOME ADDRESS

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TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN REPRESENTATIVE: \_\_\_\_\_%

**PERSONAL GUARANTOR**

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Personally and Individually (Printed Name)

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Personally and Individually (Signature)

**PERSONAL GUARANTOR**

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Personally and Individually (Printed Name)

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Personally and Individually (Signature)

HOME ADDRESS

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TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN REPRESENTATIVE: \_\_\_\_\_%

**PERSONAL GUARANTOR**

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Personally and Individually (Printed Name)

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Personally and Individually (Signature)

HOME ADDRESS

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TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN REPRESENTATIVE: \_\_\_\_\_%

**PERSONAL GUARANTOR**

\_\_\_\_\_  
Personally and Individually (Printed Name)

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Personally and Individually (Signature)

HOME ADDRESS

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TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN REPRESENTATIVE: \_\_\_\_\_%

HOME ADDRESS

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TELEPHONE NO.: \_\_\_\_\_  
PERCENTAGE OF OWNERSHIP  
IN REPRESENTATIVE: \_\_\_\_\_%

**EXHIBIT V**

**NONDISCLOSURE AND NON-COMPETITION AGREEMENT**

*Directions: Each Representative and Owner (and members of their immediate families or households), and any officer, director, executive, manager, employee, licensee, franchisee, subcontractor and independent contractor who has access to TRS's Trade Secrets and/or Confidential Information, shall complete and sign one copy of this Nondisclosure and Non-Competition Agreement and Representative shall return it to TRS.*

Print your name		
Your address (street, town, state, ZIP)	Street	
	Town	
	State	ZIP
Your phone number (with area code)	(            )	
Name of Representative		
City and state in which Representative Office is located	City	State
Identify the position you hold or will hold with Representative		

In consideration of your position with the above Representative (the "Representative"), you, the undersigned, hereby acknowledge and agree that:

1. **Nondisclosure Agreement.** Representative operates a franchised American Express Travel Services Representative Office (the "Representative Office") under a franchise agreement with American Express Travel Related Services Company, Inc. ("TRS"). During the term of your relationship with Representative, you agree not to communicate, divulge, or use for the benefit of any person or entity (such as a partnership, association, limited liability company, corporation, or other entity) any confidential information, knowledge, or know-how concerning the training you receive and the methods of operation of the Representative Office that may be communicated to you by virtue of your affiliation with Representative. Any and all information, knowledge, know-how, techniques, and other data that TRS designates as confidential shall be deemed confidential for purposes of this Nondisclosure and Non-competition Agreement (the "Agreement").

2. **Non-Competition Agreement.** You agree you will receive certain valuable information about the TRS's system of operation (the "TRS Network"), and that this information would not have been given to you without your execution of this Agreement. You covenant that while you are affiliated with Representative you shall not in any way (directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity): (a) divert or attempt to divert any present or prospective business or customer of any Representative Office to any competitor, by direct or indirect inducement or otherwise; or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with TRS's marks or the TRS Network; or (b) own, maintain, operate, engage in, act as a consultant for, or have any interest in, any retail business which: (i) is the same as, or substantially similar to, a Representative Office; or (ii) offer to sell or sell any services, product, or other item which is the same as, or substantially similar to, any of the services, product, or other items offered by a Representative Office.

**Exceptions to the restrictions in this Paragraph 2.** TRS has the right, but not the obligation, at any time, to reduce the scope of any covenant in Paragraph 2 or any portion of any covenant in Paragraph 2, without your consent, effective immediately upon receipt by you of written notice; and you shall comply immediately with any covenant as so modified, which shall be fully enforceable without regard to any other provision of Paragraph 2.

3. **Third-party beneficiary.** TRS is a third-party beneficiary of this Agreement and may enforce it, solely or jointly with Representative at TRS's sole discretion. Any violation of this Agreement will cause TRS and Representative irreparable harm, and, therefore, TRS or Representative, or both, may apply for the issuance of an injunction preventing you from violating this Agreement in addition to any other remedies it or they may have hereunder, at law or in equity.

I have read and understand this Nondisclosure and Non-competition Agreement. I agree to be bound by this Nondisclosure and Non-competition Agreement. I have a copy of this Nondisclosure and Non-competition Agreement.

This Agreement shall be construed under the laws of the state in which the Representative Office is located. Except as provided in Paragraph 2 above, the only way this Agreement can be changed is in a writing signed by TRS, Representative, and you.

ACKNOWLEDGED BY YOU:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

## **EXHIBIT C**

### **Predecessor and Affiliates**

#### **PREDECESSOR:**

American Express Company  
200 Vesey Street  
New York, New York 10285

#### **FRANCHISE OR LICENSE AFFILIATES OF AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC. OR AFFILIATES THAT MAY PROVIDE PRODUCTS OR SERVICES TO FRANCHISEES OR LICENSEES:**

American Express Company (Mexico) S.A. de C.V.  
Avenue Patriotismo 635  
Col. Ciudad de Los Deportes  
Delegacion Benito Juarez  
03710 Mexico City, D.F., Mexico

GBT US II LLC  
200 Vesey Street  
New York, NY 10285

American Express (India) Private Limited  
MGF Metropolitan - Saket, 7th Floor, Office Block  
District Centre Saket  
New Delhi, 110017 India

American Express Voyages d'Affaires  
4 rue Louis Blériot  
92500, Rueil-Malmaison, France

American Express International, Inc.  
200 Vesey Street  
New York, New York 10285

American Express Argentina S.A.  
Plaza San Martin  
Arenales 707 Entrepiso  
C1061AAA Buenos Aires, Argentina

American Express Europe LLC  
Belgrave House, 76 Buckingham Palace Road  
London SW1W 9AX, United Kingdom

American Express Prepaid Card Management Corporation  
20022 N 31st Avenue  
Phoenix, AZ 85027

GBT II Argentina SRL  
Av Cordoba 972  
Buenos Aires, Argentina C1054 AAV

GBT TRAVEL SERVICES MEXICO S. de R.L. de C.V.  
Eje 5 Norte 900 Edificio C  
Piso 1 y 2  
Mexico, DF 02230

GBT Travel Services UK Limited  
230 Blackfriars Road  
London, UK SE1 8NW

GBT India Private Limited  
DLF Building No 8  
DLF Phase 2  
Gurgaon, HR, India 122016

## **EXHIBIT D**

### **List of Agents for Service of Process**

The following state agencies are designated as our agent for service of process in accordance with the applicable state laws. We may register in one or more of these states.

#### **CALIFORNIA**

Commissioner of Business Oversight  
Department of Business Oversight  
320 West 4th Street  
Suite 750  
Los Angeles, California 90013  
(866) 275-2677

#### **MICHIGAN**

Michigan Department of Attorney General  
Consumer Protection Division  
Franchise Section  
525 W. Ottawa Street  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
Lansing, Michigan 48913

#### **HAWAII**

Commissioner of Securities of the State of Hawaii  
Department of Commerce & Consumer Affairs  
Business Registration Division  
335 Merchant Street  
Honolulu, Hawaii 96813

#### **MINNESOTA**

Commissioner of Commerce  
85 7th Place East, Suite 500  
St. Paul, Minnesota 55101-2198

#### **ILLINOIS**

Attorney General of the State of Illinois  
500 South Second Street  
Springfield, Illinois 62706

#### **NEBRASKA**

Nebraska Department of Banking and Finance  
Bureau of Securities  
1526 K Street, Suite 300  
PO Box 95006  
Lincoln, Nebraska 68508

#### **INDIANA**

Secretary of State  
302 West Washington, Room E-111  
Indianapolis, Indiana 46204

#### **NEW YORK**

Attention: New York Secretary of State  
New York Department of State  
One Commerce Plaza,  
99 Washington Avenue, 6th Floor  
Albany, NY 12231-0001  
(518) 473-2492

#### **KENTUCKY**

Commonwealth of Kentucky  
Office of the Attorney General  
Consumer Protection Division  
1024 Capital Center Drive  
Frankfort, Kentucky 40601

#### **NORTH DAKOTA**

Securities Commissioner  
Fifth Floor  
600 East Boulevard Avenue  
Bismarck, North Dakota 58505

#### **MARYLAND**

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

#### **RHODE ISLAND**

Director of Business Regulation  
Department of Business Regulation  
John O. Pastore Center, Building 69-1  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920

**SOUTH DAKOTA**

Director of the Department of Labor and Regulation  
Division of Securities  
124 S. Euclid Avenue, Suite 104  
Pierre, South Dakota 57501

**TEXAS**

Statutory Documents Section  
Secretary of State  
P.O. Box 13550  
Austin, Texas 78711

**VIRGINIA**

Clerk of the State Corporation Commission  
1<sup>st</sup> Floor  
1300 East Main Street  
Richmond, Virginia 23219

**WASHINGTON**

Director of the Department of Financial Institutions  
Securities Division  
150 Israel Rd SW  
Tumwater Washington 98501

**WISCONSIN**

Administrator  
Division of Securities  
Department of Financial Institutions  
201 W. Washington Avenue, Suite 300  
Madison, Wisconsin 53703

**EXHIBIT E**

**American Express Company's Audited Financial Statements and Guarantee of Performance**



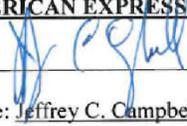
**GUARANTEE OF PERFORMANCE  
(Virginia)**

For value received, American Express Company, a New York Company, located at 200 Vesey Street, New York, New York 10285, absolutely and unconditionally guarantees to assume the duties and obligations of American Express Travel Related Services Company, Inc., located at 200 Vesey Street, New York, New York 10285 (the "Franchisor") under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2016 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at 200 Vesey Street, New York, New York 10285, on the 20 day of June, 2016.

Guarantor:

AMERICAN EXPRESS COMPANY

By: 

Name: Jeffrey C. Campbell

Title: Executive Vice President and Chief  
Financial Officer

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Refer to "Risk Management" under MD&A.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (GAAP), and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework (2013)*.

Based on management's assessment and those criteria, we conclude that, as of December 31, 2015, our internal control over financial reporting is effective.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has issued an attestation report appearing on the following page on the effectiveness of our internal control over financial reporting as of December 31, 2015.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF AMERICAN EXPRESS COMPANY:**

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity present fairly, in all material respects, the financial position of American Express Company and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



New York, New York  
February 19, 2016

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## CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31 (Millions, except per share amounts)	2015	2014	2013
<b>Revenues</b>			
Non-interest revenues			
Discount revenue	\$ 19,297	\$19,389	\$ 18,591
Net card fees	2,700	2,712	2,631
Travel commissions and fees	349	1,118	1,913
Other commissions and fees	2,517	2,508	2,414
Other	2,033	2,989	2,274
Total non-interest revenues	<u>26,896</u>	<u>28,716</u>	<u>27,823</u>
<b>Interest income</b>			
Interest on loans	7,309	6,929	6,718
Interest and dividends on investment securities	157	179	201
Deposits with banks and other	79	71	86
Total interest income	<u>7,545</u>	<u>7,179</u>	<u>7,005</u>
<b>Interest expense</b>			
Deposits	475	373	442
Long-term debt and other	1,148	1,334	1,516
Total interest expense	<u>1,623</u>	<u>1,707</u>	<u>1,958</u>
Net interest income	<u>5,922</u>	<u>5,472</u>	<u>5,047</u>
Total revenues net of interest expense	<u>32,818</u>	<u>34,188</u>	<u>32,870</u>
<b>Provisions for losses</b>			
Charge card	737	792	648
Card Member loans	1,190	1,138	1,115
Other	61	114	69
Total provisions for losses	<u>1,988</u>	<u>2,044</u>	<u>1,832</u>
Total revenues net of interest expense after provisions for losses	<u>30,830</u>	<u>32,144</u>	<u>31,038</u>
<b>Expenses</b>			
Marketing and promotion	3,109	3,216	2,939
Card Member rewards	6,996	6,931	6,457
Card Member services and other	1,018	822	767
Salaries and employee benefits	4,976	6,095	6,191
Other, net	6,793	6,089	6,796
Total expenses	<u>22,892</u>	<u>23,153</u>	<u>23,150</u>
Pretax income	7,938	8,991	7,888
Income tax provision	2,775	3,106	2,529
Net income	<u>\$ 5,163</u>	<u>\$ 5,885</u>	<u>\$ 5,359</u>
<b>Earnings per Common Share — (Note 22) <sup>(a)</sup></b>			
Basic	\$ 5.07	\$ 5.58	\$ 4.91
Diluted	<u>5.05</u>	<u>5.56</u>	<u>4.88</u>
Average common shares outstanding for earnings per common share:			
Basic	999	1,045	1,082
Diluted	<u>1,003</u>	<u>1,051</u>	<u>1,089</u>

(a) Represents net income less (i) earnings allocated to participating share awards of \$38 million, \$46 million and \$47 million for the years ended December 31, 2015, 2014 and 2013, respectively, and (ii) dividends on preferred shares of \$62 million for the year ended December 31, 2015, and nil for the years ended December 31, 2014 and 2013.

See Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<u>Years Ended December 31 (Millions)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net income .....	<b>\$ 5,163</b>	\$5,885	\$5,359
Other comprehensive loss:			
Net unrealized securities (losses) gains, net of tax .....	<b>(38)</b>	33	(252)
Foreign currency translation adjustments, net of tax .....	<b>(545)</b>	(409)	(336)
Net unrealized pension and other postretirement benefit (losses) gains, net of tax .....	<b>(32)</b>	(117)	89
Other comprehensive loss .....	<b>(615)</b>	(493)	(499)
Comprehensive income .....	<b>\$4,548</b>	\$5,392	\$4,860

See Notes to Consolidated Financial Statements.

## CONSOLIDATED BALANCE SHEETS

<u>December 31 (Millions, except share data)</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents		
Cash and due from banks	\$ 2,935	\$ 2,628
Interest-bearing deposits in other banks (includes securities purchased under resale agreements: 2015, \$41; 2014, \$204)	19,569	19,190
Short-term investment securities	258	470
Total cash and cash equivalents	22,762	22,288
Card Member loans and receivables held for sale (includes gross loans and receivables available to settle obligations of consolidated variable interest entities: 2015, \$4,966)	14,992	—
Accounts receivable		
Card Member receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2015, \$6,649; 2014, \$7,025), less reserves: 2015, \$462; 2014, \$465	43,671	44,386
Other receivables, less reserves: 2015, \$43; 2014, \$61	3,024	2,614
Loans		
Card Member loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2015, \$23,559; 2014, \$30,115), less reserves: 2015, \$1,028; 2014, \$1,201	57,545	69,184
Other loans, less reserves: 2015, \$20; 2014, \$12	1,254	920
Investment securities	3,759	4,431
Premises and equipment, less accumulated depreciation and amortization: 2015, \$6,801; 2014, \$6,270	4,108	3,938
Other assets (includes restricted cash of consolidated variable interest entities: 2015, \$155; 2014, \$64)	10,069	11,342
Total assets	<b>\$161,184</b>	<b>\$159,103</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Customer deposits	\$ 54,997	\$ 44,171
Travelers Cheques and other prepaid products	3,247	3,673
Accounts payable	11,822	11,300
Short-term borrowings (includes debt issued by a consolidated variable interest entity: 2015, \$100; 2014, nil)	4,812	3,480
Long-term debt (includes debt issued by consolidated variable interest entities: 2015, \$13,602; 2014, \$19,516)	48,061	57,955
Other liabilities	17,572	17,851
Total liabilities	<b>\$140,511</b>	<b>\$138,430</b>
<b>Commitments and Contingencies (Note 13)</b>		
<b>Shareholders' Equity</b>		
Preferred shares, \$1.66 <sup>2/3</sup> par value, authorized 20 million shares; issued and outstanding 1,600 shares as of December 31, 2015 and 750 shares as of December 31, 2014 (Note 17)	—	—
Common shares, \$0.20 par value, authorized 3.6 billion shares; issued and outstanding 969 million shares as of December 31, 2015 and 1,023 million shares as of December 31, 2014	194	205
Additional paid-in capital	13,348	12,874
Retained earnings	9,665	9,513
Accumulated other comprehensive loss		
Net unrealized securities gains, net of tax of: 2015, \$32; 2014, \$52	58	96
Foreign currency translation adjustments, net of tax of: 2015, \$(100); 2014, \$(317)	(2,044)	(1,499)
Net unrealized pension and other postretirement benefit losses, net of tax of: 2015, \$(223); 2014, \$(223)	(548)	(516)
Total accumulated other comprehensive loss	(2,534)	(1,919)
Total shareholders' equity	<b>20,673</b>	<b>20,673</b>
Total liabilities and shareholders' equity	<b>\$161,184</b>	<b>\$159,103</b>

See Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31 (Millions)	2015	2014	2013
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 5,163	\$ 5,885	\$ 5,359
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for losses	1,988	2,044	1,832
Depreciation and amortization	1,043	1,012	1,020
Deferred taxes and other	506	(941)	(5)
Stock-based compensation	234	290	350
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Other receivables	(673)	(56)	(73)
Other assets	2,058	650	335
Accounts payable and other liabilities	1,020	2,594	88
Travelers Cheques and other prepaid products	(367)	(488)	(359)
Net cash provided by operating activities	<u>10,972</u>	<u>10,990</u>	<u>8,547</u>
<b>Cash Flows from Investing Activities</b>			
Sales of available-for-sale investment securities	12	242	217
Maturities and redemptions of available-for-sale investment securities	2,091	1,116	1,292
Sales of other investments	—	990	—
Purchase of investments	(1,713)	(886)	(1,348)
Net increase in Card Member receivables and loans, including held for sale	(6,967)	(8,077)	(6,301)
Purchase of premises and equipment, net of sales: 2015, \$42; 2014, \$3; 2013, \$72	(1,341)	(1,195)	(1,006)
Acquisitions/dispositions, net of cash acquired	(155)	(229)	(195)
Net (increase) decrease in restricted cash	(120)	72	72
Net cash used in investing activities	<u>(8,193)</u>	<u>(7,967)</u>	<u>(7,269)</u>
<b>Cash Flows from Financing Activities</b>			
Net increase in customer deposits	10,878	2,459	1,195
Net increase (decrease) in short-term borrowings	1,395	(1,374)	1,843
Issuance of long-term debt	9,926	16,020	11,995
Principal payments on long-term debt	(19,610)	(12,768)	(14,763)
Issuance of American Express preferred shares	841	742	—
Issuance of American Express common shares	193	362	721
Repurchase of American Express common shares	(4,480)	(4,389)	(3,943)
Dividends paid	(1,172)	(1,041)	(939)
Net cash (used in) provided by financing activities	<u>(2,029)</u>	<u>11</u>	<u>(3,891)</u>
Effect of foreign currency exchange rates on cash and cash equivalents	(276)	(232)	(151)
Net increase (decrease) in cash and cash equivalents	474	2,802	(2,764)
Cash and cash equivalents at beginning of year	22,288	19,486	22,250
Cash and cash equivalents at end of year	<u>\$ 22,762</u>	<u>\$ 22,288</u>	<u>\$ 19,486</u>
<b>Supplemental cash flow information</b>			
Non-cash investing activities			
Transfer of Card Member loans and receivables, during the fourth quarter of 2015, to Card Member loans and receivables held for sale, net of reserves	\$ 14,524	\$ —	\$ —
Non-cash financing activities			
Gain on business travel joint venture transaction	\$ —	\$ 630	\$ —

See Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

<i>(Millions, except per share amounts)</i>	<b>Total</b>	<b>Preferred Shares</b>	<b>Common Shares</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Retained Earnings</b>
<b>Balances as of December 31, 2012</b>	\$ 18,886	\$—	\$ 221	\$ 12,067	\$ (927)	\$ 7,525
Net income	5,359					5,359
Other comprehensive loss	(499)				(499)	
Repurchase of common shares	(4,000)		(11)	(648)		(3,341)
Other changes, primarily employee plans	717		3	783		(69)
Cash dividends declared common, \$0.89 per share	(967)					(967)
<b>Balances as of December 31, 2013</b>	19,496	—	213	12,202	(1,426)	8,507
Net income	5,885					5,885
Other comprehensive loss	(493)				(493)	
Preferred shares issued	742			742		
Repurchase of common shares	(4,378)		(10)	(604)		(3,764)
Other changes, primarily employee plans	476		2	534		(60)
Cash dividends declared common, \$1.01 per share	(1,055)					(1,055)
<b>Balances as of December 31, 2014</b>	20,673	—	205	12,874	(1,919)	9,513
Net income	<b>5,163</b>					<b>5,163</b>
Other comprehensive loss	<b>(615)</b>				<b>(615)</b>	
Preferred shares issued	<b>841</b>			<b>841</b>		
Repurchase of common shares	<b>(4,509)</b>		<b>(12)</b>	<b>(714)</b>		<b>(3,783)</b>
Other changes, primarily employee plans	<b>310</b>		<b>1</b>	<b>347</b>		<b>(38)</b>
Cash dividends declared preferred	<b>(62)</b>					<b>(62)</b>
Cash dividends declared common, \$1.13 per share	<b>(1,128)</b>					<b>(1,128)</b>
<b>Balances as of December 31, 2015</b>	<b>\$20,673</b>	<b>\$—</b>	<b>\$194</b>	<b>\$13,348</b>	<b>\$(2,534)</b>	<b>\$ 9,665</b>

See Notes to Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### THE COMPANY

American Express Company (the Company) is a global services company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company's principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world. Business travel-related services are offered through the non-consolidated joint venture, American Express Global Business Travel (GBT JV). Prior to July 1, 2014, these business travel operations were wholly owned. The Company's various products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including direct mail, online applications, in-house and third-party sales forces and direct response advertising.

##### PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements of the Company are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Significant intercompany transactions are eliminated.

The Company consolidates entities in which it holds a "controlling financial interest." For voting interest entities, the Company is considered to hold a controlling financial interest when it is able to exercise control over the investees' operating and financial decisions. For variable interest entities (VIEs), the Company is considered to hold a controlling financial interest when it is determined to be the primary beneficiary. A primary beneficiary is the party that has both: (1) the power to direct the activities that most significantly impact that entity's economic performance, and (2) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. The determination of whether an entity is a VIE is based on the amount and characteristics of the entity's equity.

Entities in which the Company's voting interest in common equity does not provide it with control, but allows the Company to exert significant influence over the operating and financial decisions, are accounted for under the equity method. All other investments in equity securities, to the extent they are not considered marketable securities, are accounted for under the cost method.

##### FOREIGN CURRENCY

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars based upon exchange rates prevailing at the end of the reporting period. The resulting translation adjustments, along with any related qualifying hedge and tax effects, are included in accumulated other comprehensive income (loss) (AOCI), a component of shareholders' equity. Translation adjustments, including qualifying hedge and tax effects, are reclassified to earnings upon the sale or substantial liquidation of investments in foreign operations. Revenues and expenses are translated at the average month-end exchange rates during the year. Gains and losses related to transactions in a currency other than the functional currency are reported net in the Company's Consolidated Statements of Income, in other non-interest revenue, interest income, interest expense, or other expenses, depending on the nature of the activity. Net foreign currency transaction gains amounted to approximately \$68 million, \$44 million and \$108 million in 2015, 2014 and 2013, respectively.

##### AMOUNTS BASED ON ESTIMATES AND ASSUMPTIONS

Accounting estimates are an integral part of the Consolidated Financial Statements. These estimates are based, in part, on management's assumptions concerning future events. Among the more significant assumptions are those that relate to reserves for Card Member losses on loans and receivables, the proprietary point liability for Membership Rewards costs, fair value measurement, goodwill and income taxes. These accounting estimates reflect the best judgment of management, but actual results could differ.

## **INCOME STATEMENT**

### **Discount Revenue**

Discount revenue represents the amount earned by the Company on transactions occurring at merchants with which the Company, or a Global Network Services (GNS) partner, has entered into a card acceptance agreement for facilitating transactions between the merchants and the Company's Card Members. The discount fee generally is deducted from the payment to the merchant and recorded as discount revenue at the time the charge is captured.

### **Net Card Fees**

Card fees, net of deferred acquisition costs and a reserve for projected refunds for Card Member cancellation, are deferred and recognized on a straight-line basis over the 12-month card membership period as Net Card Fees in the Consolidated Statements of Income. The unamortized net card fee balance is reported in Other Liabilities on the Consolidated Balance Sheets (refer to Note 10).

### **Travel Commissions and Fees**

The Company earns travel commissions and fees by charging clients transaction or management fees for selling and arranging travel. Client transaction fee revenue is recognized at the time the client books the travel arrangements. The Company's travel suppliers (e.g., airlines, hotels and car rental companies) pay commissions and fees on tickets issued, sales and other services based on contractual agreements. Commissions and fees from travel suppliers are generally recognized at the time a ticket is purchased or over the term of the contract, if not transaction specific. Commissions and fees that are based on services rendered (e.g., hotel stays and car rentals) are recognized based on usage.

### **Other Commissions and Fees**

Other commissions and fees include foreign currency conversion fees, Card Member delinquency fees, service fees and other card-related assessments, which are recognized primarily in the period in which they are charged to the Card Member (refer to Note 19). In addition, service fees are also earned from other customers (e.g., merchants) for a variety of services and are recognized when the service is performed, which is generally in the period the fee is charged. Also included are fees related to the Company's Membership Rewards program, which are deferred and recognized over the period covered by the fee, generally one year. The unamortized Membership Rewards fee balance is included in Other Liabilities on the Consolidated Balance Sheets (Refer to Note 10).

### **Contra-revenue**

The Company regularly makes payments through contractual arrangements with merchants, corporate payments clients, Card Members and certain other customers. These payments, including cash rebates and statement credits provided to Card Members, are generally classified as contra-revenue unless a specifically identifiable benefit (e.g., goods or services) is received by the Company or its Card Members in consideration for that payment, and the fair value of such benefit is determinable and measurable. If no such benefit is identified, then the entire payment is classified as contra-revenue and included in the Consolidated Statements of Income in the revenue line item where the related transactions are recorded (e.g., Discount revenue, Travel commissions and fees, and Other commissions and fees). If such a benefit is identified, then the payment is classified as expense up to the estimated fair value of the benefit.

### **Interest Income**

Interest on Card Member loans is assessed using the average daily balance method. Unless the loan is classified as non-accrual, interest is recognized based upon the principal amount outstanding, in accordance with the terms of the applicable account agreement, until the outstanding balance is paid or written off.

Interest and dividends on investment securities primarily relate to the Company's performing fixed-income securities. Interest income is recognized as earned using the effective interest method, which adjusts the yield for security premiums and discounts, fees and other payments, so that a constant rate of return is recognized on the investment security's outstanding balance. Amounts are recognized until securities are in default or when it is likely that future interest payments will not be made as scheduled.

Interest on deposits with banks and other is recognized as earned, and primarily relates to the placement of cash, in excess of near-term funding requirements, in interest-bearing time deposits, overnight sweep accounts, and other interest-bearing demand and call accounts.

## **Interest Expense**

Interest expense includes interest incurred primarily to fund Card Member receivables and loans, general corporate purposes and liquidity needs, and is recognized as incurred. Interest expense is divided principally into two categories: (i) deposits, which primarily relates to interest expense on deposits taken from customers and institutions, and (ii) debt, which primarily relates to interest expense on the Company's long-term financing and short-term borrowings, as well as the realized impact of derivatives hedging interest rate risk on the Company's long-term debt.

## **Expenses**

Marketing and promotion expense includes advertising costs, which are expensed in the year in which the advertising first takes place.

## **BALANCE SHEET**

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash and amounts due from banks, interest-bearing bank balances, including securities purchased under resale agreements, and other highly liquid investments with original maturities of 90 days or less.

### **Goodwill**

Goodwill represents the excess of acquisition cost of an acquired business over the fair value of assets acquired and liabilities assumed. The Company allocates goodwill to its reporting units for the purpose of impairment testing. A reporting unit is defined as an operating segment, or a business that is one level below an operating segment for which discrete financial information is regularly reviewed by the operating segment manager.

The Company evaluates goodwill for impairment annually as of June 30, or more frequently if events occur or circumstances change that would more likely than not reduce the fair value of one or more of the Company's reporting units below its carrying value. The Company performs an impairment evaluation of goodwill using a two-step process. The first step identifies whether there is a potential impairment by comparing the fair value of a reporting unit to the carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds the fair value, the second step of the impairment test is performed to determine the implied fair value of goodwill. An impairment loss is recognized based on the amount that the carrying amount of goodwill exceeds the implied fair value. Prior to completing the interim assessment of goodwill for impairment under the second step, the Company performs a recoverability test of certain long-lived assets by assessing the recoverability of the asset values based on the cash flows generated by the relevant assets or asset groups. If the assets are not recoverable, an impairment loss is recognized based on the amount that the carrying value of the asset or asset group exceeds its fair value. See further details in Other Intangible Assets herein.

Goodwill impairment testing involves management judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by its fair value using widely accepted valuation techniques. The Company uses a combination of the income approach (discounted cash flows) and market approach (market multiples).

When preparing discounted cash flow models under the income approach, the Company uses internal forecasts to estimate future cash flows expected to be generated by the reporting units. To discount these cash flows, the Company uses the expected cost of equity, determined by using a capital asset pricing model. The Company believes the discount rates used appropriately reflect the risks and uncertainties in the financial markets generally and specifically in the Company's internally developed forecasts. When using market multiples under the market approach, the Company applies comparable publicly traded companies' multiples (e.g., earnings, revenues) to its reporting units' actual results.

### **Other Intangible Assets**

Intangible assets, primarily customer relationships, are amortized over their estimated useful lives of 1 to 22 years on a straight-line basis. The Company reviews long-lived assets and asset groups, including intangible assets, for impairment whenever events and circumstances indicate their carrying amounts may not be recoverable. An impairment is recognized if the carrying amount is not recoverable and exceeds the asset or asset group's fair value.

Certain long-lived assets, such as capitalized software development costs, are included in Premises and equipment. The Company reviews these assets for impairment using the same impairment methodology used for intangible assets.

## Premises and Equipment

Premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation. Costs incurred during construction are capitalized and are depreciated once an asset is placed in service. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years for equipment, furniture and building improvements. Premises are depreciated based upon their estimated useful life at the acquisition date, which generally ranges from 40 to 50 years.

Leasehold improvements are depreciated using the straight-line method over the lesser of the remaining term of the leased facility or the economic life of the improvement, which ranges from 5 to 10 years. The Company maintains operating leases worldwide for facilities and equipment. Rent expense for facility leases is recognized ratably over the lease term, and includes adjustments for rent concessions, rent escalations and leasehold improvement allowances. The Company recognizes lease restoration obligations at the fair value of the restoration liabilities when incurred, and amortizes the restoration assets over the lease term.

Certain costs associated with the acquisition or development of internal-use software are also recorded in Premises and equipment. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's estimated useful life, generally 5 years.

## OTHER SIGNIFICANT ACCOUNTING POLICIES

The following table identifies the Company's other significant accounting policies, the Note and page where the Note can be found.

<u>Significant Accounting Policy</u>	<u>Note Number</u>	<u>Note Title</u>	<u>Page</u>
Accounts Receivable	Note 3	Accounts Receivable and Loans	Page 111
Loans	Note 3	Accounts Receivable and Loans	Page 111
Reserves for Losses	Note 4	Reserves for Losses	Page 118
Investment Securities	Note 5	Investment Securities	Page 120
Asset Securitizations	Note 6	Asset Securitizations	Page 122
Membership Rewards	Note 10	Other Liabilities	Page 129
Stock-based Compensation	Note 11	Stock Plans	Page 130
Retirement Plans	Note 12	Retirement Plans	Page 132
Legal Contingencies	Note 13	Commitments and Contingencies	Page 132
Derivative Financial Instruments and Hedging Activities	Note 14	Derivatives and Hedging Activities	Page 134
Fair Value Measurements	Note 15	Fair Values	Page 138
Income Taxes	Note 21	Income Taxes	Page 148
Regulatory Matters and Capital Adequacy	Note 23	Regulatory Matters and Capital Adequacy	Page 151
Reportable Operating Segments	Note 25	Reportable Operating Segments and Geographic Operations	Page 154

## RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance on revenue recognition. The guidance establishes the principles to apply to determine the amount and timing of revenue recognition, specifying the accounting for certain costs related to revenue, and requiring additional disclosures about the nature, amount, timing and uncertainty of revenues and related cash flows. The guidance, as amended, supersedes most of the current revenue recognition requirements, and is effective January 1, 2018, with early adoption as of January 1, 2017, permitted. The Company does not intend to adopt the new standard early and continues to evaluate the impact this guidance, including the method of implementation, will have on its financial position, results of operations and cash flows, among other items.

In January 2016, the FASB issued new accounting guidance on the recognition and measurement of financial assets and financial liabilities. The standard, which is effective January 1, 2018, makes targeted changes to current GAAP, specifically to the classification and measurement of equity securities, and to certain disclosure requirements associated with the fair value of financial instruments. The Company is currently evaluating the impact this guidance will have on its financial position, results of operations and cash flows, among other items.

## **CLASSIFICATION OF VARIOUS ITEMS**

In the first quarter of 2015, the Company changed the classification related to certain payments to partners, reducing both discount revenue and marketing and promotion expense. Prior period amounts have been reclassified to conform to the current period presentation. None of the prior period financial statements were materially misstated from these misclassifications. Certain other insignificant reclassifications of prior period amounts have been made to conform to the current period presentation.

## **NOTE 2**

### **BUSINESS EVENTS**

#### **GLOBAL BUSINESS TRAVEL TRANSACTION**

On June 30, 2014, the Company completed a transaction to establish a non-consolidated joint venture comprising the former Global Business Travel (GBT) operations of the Company and an external cash investment. As a result of this transaction, the Company deconsolidated the GBT net assets, effective June 30, 2014, and began accounting for the GBT JV as an equity method investment reported in Other assets within the Consolidated Balance Sheets. Prior to the deconsolidation, the carrying amount of GBT's assets and liabilities were not material to the Company's financial position and its operations were reported within the Global Commercial Services (GCS) segment.

#### **LOANS AND RECEIVABLES HELD FOR SALE**

During the fourth quarter of 2015, it was determined the Company would sell the Card Member loans and receivables related to its cobrand partnerships with Costco Wholesale Corporation (Costco) in the United States and JetBlue Airways Corporation (JetBlue) (the HFS portfolios). The sale of the JetBlue portfolio is subject to customary closing conditions, and is expected to be consummated in the first quarter of 2016. The sale of the Costco portfolio is subject to the outcome of ongoing discussions, and is expected to be consummated around mid-year 2016. The gains on the sales of the two portfolios will be recognized upon consummation of the sales.

As a result of the determination, the HFS portfolios are presented as held for sale (HFS) on the Consolidated Balance Sheets within Card Member loans and receivables HFS. The HFS portfolios were transferred at the net carrying amount, inclusive of the related reserves for losses of \$0.2 billion, which approximates the lower of cost or fair value in the aggregate, and which will also be the measurement basis applied until consummation of the sales. Card Member loans and receivables HFS at December 31, 2015, totaled \$15.0 billion, of which \$13.9 billion relates to the Costco portfolio and \$1.1 billion relates to the JetBlue portfolio. Changes in the valuation of the HFS portfolios are recognized in Other expenses beginning on December 1, 2015. The Company will continue to recognize discount revenue, interest income, and other revenues and expenses related to the portfolios in the respective income statement line items while the portfolios are HFS.

#### **GOODWILL AND TECHNOLOGY IMPAIRMENT**

As discussed in Note 1, the Company evaluates goodwill for impairment annually, or more frequently if events occur or circumstances change that would more likely than not reduce the fair value of one or more of the Company's reporting units below its carrying value. Based on its annual assessment, the Company determined that goodwill was not impaired. During the fourth quarter of 2015, the Company announced changes to its management organizational structure under which reconsideration of the Company's Prepaid Services business (a reporting unit within Enterprise Growth (EG), which is included in Corporate and Other), occurred. As a result, the Company determined that sufficient indicators of potential impairment of goodwill existed and performed an impairment evaluation. In performing the two-step impairment evaluation, it was determined the carrying value of the Prepaid Services business' goodwill exceeded its implied fair value and the Company recognized an impairment loss. The fair value of the Prepaid Services business asset group was measured based on an income approach (discounted cash flow valuation methodology), with the assistance of a third-party valuation firm. Prior to completing the assessment of goodwill for impairment, the Company performed a recoverability test of certain long-lived assets in the Prepaid Services business and determined that certain long-lived assets, primarily technology assets, were not recoverable. As a result, during the fourth quarter of 2015, the Company recorded a \$384 million impairment charge, comprising a \$219 million write-down of the entire balance of goodwill in the Prepaid Services business and a \$165 million write-down of technology and other assets to fair value. These charges are reported in Other expenses.

### NOTE 3

#### ACCOUNTS RECEIVABLE AND LOANS

The Company's charge and lending payment card products result in the generation of Card Member receivables and Card Member loans, respectively. This Note is presented excluding amounts associated with the Card Member loans and receivables HFS as of December 31, 2015.

#### CARD MEMBER AND OTHER RECEIVABLES

Card Member receivables, representing amounts due on charge card products, are recorded at the time a Card Member enters into a point-of-sale transaction with a merchant. Each charge card transaction is authorized based on its likely economics, a Card Member's most recent credit information and spend patterns. Additionally, global spend limits are established to limit the maximum exposure for the Company.

Charge Card Members generally must pay the full amount billed each month. Card Member receivable balances are presented on the Consolidated Balance Sheets net of reserves for losses (refer to Note 4), and include principal and any related accrued fees.

Accounts receivable by segment as of December 31, 2015 and 2014 consisted of:

<u>(Millions)</u>	<u>2015</u>	<u>2014</u>
U.S. Card Services <sup>(a)</sup>	\$23,255	\$22,468
International Card Services	6,975	7,653
Global Commercial Services <sup>(b)</sup>	13,777	14,583
Global Network & Merchant Services <sup>(c)</sup>	126	147
Card Member receivables <sup>(d)</sup>	44,133	44,851
Less: Reserve for losses	462	465
Card Member receivables, net	\$ 43,671	\$44,386
Other receivables, net <sup>(e)</sup>	\$ 3,024	\$ 2,614

- (a) Includes \$6.6 billion and \$7.0 billion of gross Card Member receivables available to settle obligations of a consolidated VIE as of December 31, 2015 and 2014, respectively.
- (b) Includes \$319 million and \$636 million due from airlines, of which Delta Air Lines (Delta) comprises \$257 million and \$606 million as of December 31, 2015 and 2014, respectively.
- (c) Includes receivables primarily related to the Company's International Currency Card portfolios.
- (d) Includes approximately \$11.9 billion and \$13.3 billion of Card Member receivables outside the United States as of December 31, 2015 and 2014, respectively.
- (e) Other receivables primarily represent amounts related to (i) certain merchants for billed discount revenue and (ii) GNS partner banks for items such as royalty and franchise fees. Other receivables are presented net of reserves for losses of \$43 million and \$61 million as of December 31, 2015 and 2014, respectively.

## CARD MEMBER AND OTHER LOANS

Card Member loans, representing revolving amounts due on lending card products, are recorded at the time a Card Member enters into a point-of-sale transaction with a merchant, as well as amounts due from charge Card Members who utilize the lending-on-charge feature on their account and elect to revolve a portion of the outstanding balance by entering into a revolving payment arrangement with the Company. These loans have a range of terms such as credit limits, interest rates, fees and payment structures, which can be revised over time based on new information about Card Members and in accordance with applicable regulations and the respective product's terms and conditions. Card Members holding revolving loans are typically required to make monthly payments based on pre-established amounts. The amounts that Card Members choose to revolve are subject to finance charges.

Card Member loans are presented on the Consolidated Balance Sheets net of reserves for losses (refer to Note 4), and include principal, accrued interest and fees receivable. The Company's policy generally is to cease accruing interest on a Card Member loan at the time the account is written off, and establish reserves for interest that the Company believes will not be collected.

Loans by segment as of December 31, 2015 and 2014 consisted of:

<b>(Millions)</b>	<b>2015</b>	<b>2014</b>
U.S. Card Services <sup>(a)</sup> . . . . .	<b>\$51,446</b>	\$62,592
International Card Services . . . . .	<b>7,072</b>	7,744
Global Commercial Services . . . . .	<b>55</b>	49
Card Member loans . . . . .	<b>58,573</b>	70,385
Less: Reserve for losses . . . . .	<b>1,028</b>	1,201
Card Member loans, net . . . . .	<b>\$57,545</b>	\$69,184
Other loans, net <sup>(b)</sup> . . . . .	<b>\$ 1,254</b>	\$ 920

(a) Includes approximately \$23.6 billion and \$30.1 billion of gross Card Member loans available to settle obligations of a consolidated VIE as of December 31, 2015 and 2014, respectively.

(b) Other loans primarily represent loans to merchants. Other loans are presented net of reserves for losses of \$20 million and \$12 million as of December 31, 2015 and 2014, respectively.

**CARD MEMBER LOANS AND CARD MEMBER RECEIVABLES AGING**

Generally, a Card Member account is considered past due if payment is not received within 30 days after the billing statement date. The following table presents the aging of Card Member loans and receivables as of December 31, 2015 and 2014:

<b>2015 (Millions)</b>	<b>Current</b>	<b>30-59 Days Past Due</b>	<b>60-89 Days Past Due</b>	<b>90+ Days Past Due</b>	<b>Total</b>
<b>Card Member Loans:</b>					
U.S. Card Services	\$50,929	\$154	\$112	\$251	\$51,446
International Card Services	6,961	34	25	52	7,072
<b>Card Member Receivables:</b>					
U.S. Card Services	\$22,896	\$118	\$73	\$168	\$23,255
International Card Services	6,875	28	21	51	6,975
Global Commercial Services (a)	(b)	(b)	(b)	124	13,777

<b>2014 (Millions)</b>	<b>Current</b>	<b>30-59 Days Past Due</b>	<b>60-89 Days Past Due</b>	<b>90+ Days Past Due</b>	<b>Total</b>
<b>Card Member Loans:</b>					
U.S. Card Services	\$61,995	\$179	\$128	\$290	\$62,592
International Card Services	7,621	39	27	57	7,744
<b>Card Member Receivables:</b>					
U.S. Card Services	\$22,096	\$129	\$72	\$171	\$22,468
International Card Services	7,557	29	20	47	7,653
Global Commercial Services (a)	(b)	(b)	(b)	120	14,583

- (a) For Card Member receivables in GCS, delinquency data is tracked based on days past billing status rather than days past due. A Card Member account is considered 90 days past billing if payment has not been received within 90 days of the Card Member’s billing statement date. In addition, if the Company initiates collection procedures on an account prior to the account becoming 90 days past billing, the associated Card Member receivable balance is classified as 90 days past billing. These amounts are shown above as 90+ Days Past Due for presentation purposes.
- (b) Delinquency data for periods other than 90 days past billing is not available due to system constraints. Therefore, such data has not been utilized for risk management purposes. The balances that are current to 89 days past due can be derived as the difference between the Total and the 90+ Days Past Due balances.

## CREDIT QUALITY INDICATORS FOR CARD MEMBER LOANS AND RECEIVABLES

The following tables present the key credit quality indicators as of or for the years ended December 31:

	2015			2014		
	Net Write-Off Rate			Net Write-Off Rate		
	Principal Only <sup>(a)</sup>	Principal, Interest, & Fees <sup>(a)</sup>	Days Past Due as a % of Total	Principal Only <sup>(a)</sup>	Principal, Interest, & Fees <sup>(a)</sup>	Days Past Due as a % of Total
<b>Card Member Loans:</b>						
U.S. Card Services	1.4%	1.6%	1.0%	1.5%	1.7%	1.0%
International Card Services	1.9%	2.4%	1.6%	2.0%	2.4%	1.6%
<b>Card Member Receivables:</b>						
U.S. Card Services	1.7%	1.9%	1.5%	1.6%	1.8%	1.7%
International Card Services	2.0%	2.2%	1.4%	1.9%	2.1%	1.3%

	2015		2014	
	Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables	Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables
<b>Card Member Receivables:</b>				
Global Commercial Services	0.09%	0.9%	0.09%	0.8%

(a) The Company presents a net write-off rate based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, because the Company considers uncollectible interest and/or fees in estimating its reserves for credit losses, a net write-off rate including principal, interest and/or fees is also presented. The year ended December 31, 2015, reflects the impact of a change in the timing of charge-offs for Card Member loans and receivables in certain modification programs from 180 days past due to 120 days past due, which was fully recognized during the three months ended March 31, 2015.

Refer to Note 4 for additional indicators, including external environmental qualitative factors, management considers in its monthly evaluation process for reserves for losses.

## IMPAIRED CARD MEMBER LOANS AND RECEIVABLES

Impaired loans and receivables are individual larger balance or homogeneous pools of smaller balance loans and receivables for which it is probable that the Company will be unable to collect all amounts due according to the original contractual terms of the Card Member agreement. The Company considers impaired loans and receivables to include: (i) loans over 90 days past due still accruing interest, (ii) nonaccrual loans and (iii) loans and receivables modified as troubled debt restructurings (TDRs).

The Company may modify, through various programs, Card Member loans and receivables in instances where the Card Member is experiencing financial difficulty in order to minimize losses and improve collectability, while providing Card Members with temporary or permanent financial relief. The Company has classified Card Member loans and receivables in these modification programs as TDRs. Beginning January 1, 2015, on a prospective basis the Company continues to classify Card Member accounts that have exited a modification program as a TDR, with such accounts identified as "Out of Program TDRs."

Such modifications to the loans and receivables primarily include (i) temporary interest rate reductions (possibly as low as zero percent, in which case the loan is characterized as non-accrual in the Company's TDR disclosures), (ii) placing the Card Member on a fixed payment plan not to exceed 60 months and (iii) suspending delinquency fees until the Card Member exits the modification program. Upon entering the modification program, the Card Member's ability to make future purchases is either cancelled, or in certain cases suspended until the Card Member successfully exits the modification program. In accordance with the modification agreement with the Card Member, loans may revert back to the original contractual terms (including the contractual interest rate) when the Card Member exits the modification program, which is (i) when all payments have been made in accordance with the modification agreement or, (ii) when the Card Member defaults out of the modification program. The Company establishes a reserve for Card Member interest charges and fees considered to be uncollectible.

Reserves for Card Member loans and receivables modified as TDRs are determined as the difference between the cash flows expected to be received from the Card Member (taking into consideration the probability of subsequent defaults), discounted at the original effective interest rates, and the carrying value of the related Card Member loan or receivable balance. The Company determines the original effective interest rate as the interest rate in effect prior to the imposition of any penalty interest rate. All changes in the impairment measurement are included in the Provisions for losses in the Consolidated Statements of Income.

The following tables provide additional information with respect to the Company's impaired Card Member loans and receivables. Impaired Card Member loans are not significant for GCS and impaired Card Member receivables are not significant for International Card Services (ICS) and GCS; therefore, these segments are not included in the following tables.

	As of December 31, 2015						
	Accounts Classified as a TDR <sup>(e)</sup>						
(Millions)	Over 90 days Past Due & Accruing Interest <sup>(a)</sup>	Non-Accruals <sup>(b)</sup>	In Program <sup>(d)</sup>	Out of Program <sup>(e)</sup>	Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs
<b>Card Member Loans:</b>							
U.S. Card Services	\$164	\$150	\$172	\$107	\$593	\$548	\$53
International Card Services	52	—	—	—	52	51	—
<b>Card Member Receivables:</b>							
U.S. Card Services	—	—	27	6	33	33	20
Total	\$216	\$150	\$199	\$113	\$678	\$632	\$73

	As of December 31, 2014					
	Over 90 days Past Due & Accruing Interest <sup>(a)</sup>	Non-Accruals <sup>(b)</sup>	In Program TDRs <sup>(c) (d)</sup>	Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs
<b>Card Member Loans:</b>						
U.S. Card Services	\$161	\$241	\$286	\$688	\$646	\$ 7
International Card Services	57	—	—	57	56	—
<b>Card Member Receivables:</b>						
U.S. Card Services	—	—	48	48	48	35
Total	\$218	\$241	\$334	\$793	\$750	\$102

	As of December 31, 2013					
	Over 90 days Past Due & Accruing Interest <sup>(a)</sup>	Non-Accruals <sup>(b)</sup>	In Program TDRs <sup>(c) (d)</sup>	Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs
<b>Card Member Loans:</b>						
U.S. Card Services	\$167	\$294	\$ 351	\$ 812	\$ 775	\$ 78
International Card Services	54	4	5	63	62	—
<b>Card Member Receivables:</b>						
U.S. Card Services	—	—	50	50	49	38
Total	\$221	\$298	\$406	\$925	\$886	\$116

- (a) The Company's policy is generally to accrue interest through the date of write-off (typically 180 days past due). The Company establishes reserves for interest that it believes will not be collected. Amounts presented exclude loans classified as a TDR.
- (b) Non-accrual loans not in modification programs primarily include certain Card Member loans placed with outside collection agencies for which the Company has ceased accruing interest.
- (c) Accounts classified as a TDR include \$20 million, \$26 million and \$29 million that are over 90 days past due and accruing interest and \$18 million, \$34 million and \$43 million that are non-accrual as of December 31, 2015, 2014 and 2013, respectively.
- (d) In Program TDRs include Card Member accounts that are currently enrolled in a modification program.
- (e) Out of Program TDRs include \$84 million of Card Member accounts that have successfully completed a modification program and \$29 million of Card Member accounts that were not in compliance with the terms of the modification programs.

The following table provides information with respect to the Company's average balances of, and interest income recognized from, impaired Card Member loans and the average balances of impaired Card Member receivables for the years ended December 31:

<b>2015 (Millions)</b>	<b>Average Balance</b>	<b>Interest Income Recognized</b>
<b>Card Member Loans:</b>		
U.S. Card Services .....	\$ 673	\$59
International Card Services .....	54	14
<b>Card Member Receivables:</b>		
U.S. Card Services .....	33	—
Total .....	<u>\$760</u>	<u>\$73</u>
<b>2014 (Millions)</b>	<b>Average Balance</b>	<b>Interest Income Recognized</b>
<b>Card Member Loans:</b>		
U.S. Card Services .....	\$750	\$49
International Card Services .....	62	16
<b>Card Member Receivables:</b>		
U.S. Card Services .....	47	—
Total .....	<u>\$859</u>	<u>\$65</u>
<b>2013 (Millions)</b>	<b>Average Balance</b>	<b>Interest Income Recognized</b>
<b>Card Member Loans:</b>		
U.S. Card Services .....	\$ 948	\$46
International Card Services .....	67	16
<b>Card Member Receivables:</b>		
U.S. Card Services .....	81	—
Total .....	<u>\$1,096</u>	<u>\$62</u>

## CARD MEMBER LOANS AND RECEIVABLES MODIFIED AS TDRS

The following table provides additional information with respect to the U.S. Card Services (USCS) Card Member loans and receivables modified as TDRs for the years ended December 31, 2015, 2014 and 2013. The ICS Card Member loans and receivables modifications were not significant and the Company does not offer modification programs for its GCS Card Member receivables; therefore, these segments are not included in the following TDR disclosures.

	<b>Number of Accounts (in thousands)</b>	<b>Outstanding Balances <sup>(a)</sup> (\$ in millions)</b>	<b>Average Interest Rate Reduction (% points)</b>	<b>Average Payment Term Extensions (# of months)</b>
<b>2015</b>				
<b>Troubled Debt Restructurings:</b>				
Card Member Loans .....	40	\$ 285	9	(b)
Card Member Receivables .....	12	147	(c)	12
Total .....	52	\$432		
<b>2014</b>				
<b>Troubled Debt Restructurings:</b>				
Card Member Loans .....	46	\$342	10	(b)
Card Member Receivables .....	15	176	(c)	12
Total .....	61	\$ 518		
<b>2013</b>				
<b>Troubled Debt Restructurings:</b>				
Card Member Loans .....	60	\$448	10	(b)
Card Member Receivables .....	20	247	(c)	12
Total .....	80	\$695		

(a) Represents the outstanding balance immediately prior to modification. The outstanding balance includes principal, fees and accrued interest on Card Member loans, and principal and fees on Card Member receivables. For the year ended December 31, 2013, in certain modifications, the principal balance was reduced in the aggregate by \$4 million. For the years ended December 31, 2015 and 2014, modifications did not reduce the principal balance.

(b) For Card Member loans, there have been no payment term extensions.

(c) The Company does not offer interest rate reduction programs for Card Member receivables as the receivables are non-interest bearing.

The following table provides information for the years ended December 31, 2015, 2014 and 2013, with respect to the USCS Card Member loans and receivables modified as TDRs that subsequently defaulted within 12 months of modification. A Card Member is considered in default of a modification program after one and up to two consecutive missed payments, depending on the terms of the modification program. For all Card Members that defaulted from a modification program, the probability of default is factored into the reserves for Card Member loans and receivables.

	Number of Accounts (thousands)	Outstanding Balances Upon Default (millions) <sup>(a)</sup>
<b>2015</b>		
<b>Troubled Debt Restructurings That Subsequently Defaulted:</b>		
Card Member Loans .....	8	\$52
Card Member Receivables .....	3	5
Total .....	<u>11</u>	<u>\$57</u>
<b>2014</b>		
<b>Troubled Debt Restructurings That Subsequently Defaulted:</b>		
Card Member Loans .....	8	\$52
Card Member Receivables .....	3	12
Total .....	<u>11</u>	<u>\$64</u>
<b>2013</b>		
<b>Troubled Debt Restructurings That Subsequently Defaulted:</b>		
Card Member Loans .....	18	\$141
Card Member Receivables .....	3	25
Total .....	<u>21</u>	<u>\$166</u>

(a) The outstanding balances upon default include principal, fees and accrued interest on Card Member loans, and principal and fees on Card Member receivables.

(b) The number of accounts and outstanding balances upon default have been revised to reflect the exclusion of written off accounts, which are not material.

#### NOTE 4 RESERVES FOR LOSSES

Reserves for losses relating to Card Member receivables and loans represent management's best estimate of the probable inherent losses in the Company's outstanding portfolio of loans and receivables, as of the balance sheet date. Management's evaluation process requires certain estimates and judgments.

Reserves for losses are primarily based upon statistical and analytical models that analyze portfolio performance and reflect management's judgment regarding the quantitative components of the reserve. The models take into account several factors, including delinquency-based loss migration rates, loss emergence periods and average losses and recoveries over an appropriate historical period. Management considers whether to adjust the quantitative reserves for certain external and internal qualitative factors, which may increase or decrease the reserves for losses on Card Member receivables and loans. These external factors include employment, spend, sentiment, housing and credit, and changes in the legal and regulatory environment, while the internal factors include increased risk in certain portfolios, impact of risk management initiatives, changes in underwriting requirements and overall process stability. As part of this evaluation process, management also considers various reserve coverage metrics, such as reserves as a percentage of past due amounts, reserves as a percentage of Card Member receivables or loans, and net write-off coverage ratios.

Card Member receivables and loans balances are written off when management considers amounts to be uncollectible, which is generally determined by the number of days past due and is typically no later than 180 days past due. Card Member receivables and loans in bankruptcy or owed by deceased individuals are generally written off upon notification, and recoveries are recognized as they are collected.

This Note is presented excluding amounts associated with the Card Member loans and receivables HFS as of December 31, 2015.

## CHANGES IN CARD MEMBER RECEIVABLES RESERVE FOR LOSSES

The following table presents changes in the Card Member receivables reserve for losses for the years ended December 31:

<b>(Millions)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Balance, January 1	<b>\$ 465</b>	\$ 386	\$ 428
Provisions <sup>(a)</sup>	<b>737</b>	792	648
Net write-offs <sup>(b)</sup>	<b>(713)</b>	(683)	(669)
Other <sup>(c)</sup>	<b>(27)</b>	(30)	(21)
Balance, December 31	<b>\$ 462</b>	\$ 465	\$ 386

(a) Provisions for principal and fee reserve components.

(b) Consists of principal and fee components, less recoveries of \$401 million, \$358 million and \$402 million, including net write-offs from TDRs of \$60 million, \$15 million and \$12 million, for the years ended December 31, 2015, 2014 and 2013, respectively.

(c) Includes foreign currency translation adjustments of \$(16) million, \$(15) million and \$(4) million for the years ended December 31, 2015, 2014 and 2013, respectively; and other adjustments of \$(11) million, \$(8) million and \$(17) million for the years ended December 31, 2015, 2014 and 2013, respectively. Additionally, 2015 includes the impact of the transfer of the HFS receivables portfolio, which was not significant, and 2014 includes an adjustment related to reserves for card-related fraud losses of \$(7) million, which was reclassified to Other liabilities.

## CARD MEMBER RECEIVABLES EVALUATED INDIVIDUALLY AND COLLECTIVELY FOR IMPAIRMENT

The following table presents Card Member receivables evaluated individually and collectively for impairment, and related reserves, as of December 31:

<b>(Millions)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Card Member receivables evaluated individually for impairment (a)	<b>\$ 33</b>	\$ 48	\$ 50
Related reserves <sup>(a)</sup>	<b>\$ 20</b>	\$ 35	\$ 38
Card Member receivables evaluated collectively for impairment	<b>\$44,100</b>	\$44,803	\$44,113
Related reserves <sup>(b)</sup>	<b>\$ 442</b>	\$ 430	\$ 348

(a) Represents receivables modified as a TDR and related reserves.

(b) The reserves include the quantitative results of analytical models that are specific to individual pools of receivables, and reserves for internal and external qualitative risk factors that apply to receivables that are collectively evaluated for impairment.

## CHANGES IN CARD MEMBER LOANS RESERVE FOR LOSSES

The following table presents changes in the Card Member loans reserve for losses for the years ended December 31:

<b>(Millions)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Balance, January 1	<b>\$ 1,201</b>	\$ 1,261	\$ 1,471
Provisions <sup>(a)</sup>	<b>1,190</b>	1,138	1,115
Net write-offs			
Principal <sup>(b)</sup>	<b>(967)</b>	(1,023)	(1,141)
Interest and fees <sup>(b)</sup>	<b>(162)</b>	(164)	(150)
Transfer of reserves on HFS loan portfolios	<b>(224)</b>	—	—
Other <sup>(c)</sup>	<b>(10)</b>	(11)	(34)
Balance, December 31	<b>\$1,028</b>	\$ 1,201	\$ 1,261

(a) Provisions for principal interest and fee reserve components.

(b) Consists of principal write-offs, less recoveries of \$418 million, \$428 million and \$452 million, including net write-offs/(recoveries) from TDRs of \$41 million, \$(10) million and \$(1) million, for the years ended December 31, 2015, 2014 and 2013, respectively. Recoveries of interest and fees were de minimis.

(c) Includes foreign currency translation adjustments of \$(20) million, \$(17) million and \$(12) million for the years ended December 31, 2015, 2014 and 2013, respectively, and other adjustments of \$10 million, \$12 million and \$(22) million for the years ended December 31, 2015, 2014 and 2013, respectively. Additionally, 2014 includes an adjustment related to reserves for card-related fraud losses of \$(6) million, which were reclassified to Other liabilities.

## CARD MEMBER LOANS EVALUATED INDIVIDUALLY AND COLLECTIVELY FOR IMPAIRMENT

The following table presents Card Member loans evaluated individually and collectively for impairment, and related reserves, as of December 31:

<i>(Millions)</i>	2015	2014	2013
Card Member loans evaluated individually for impairment <sup>(a)</sup> .....	\$ 279	\$ 286	\$ 356
Related reserves <sup>(a)</sup> .....	\$ 53	\$ 67	\$ 78
Card Member loans evaluated collectively for impairment <sup>(b)</sup> .....	<b>\$58,294</b>	\$70,099	\$66,882
Related reserves <sup>(b)</sup> .....	<b>\$ 975</b>	1,134	\$ 1,183

(a) Represents loans modified as a TDR and related reserves.

(b) Represents current loans and loans less than 90 days past due, loans over 90 days past due and accruing interest, and non-accrual loans. The reserves include the quantitative results of analytical models that are specific to individual pools of loans, and reserves for internal and external qualitative risk factors that apply to loans that are collectively evaluated for impairment.

## NOTE 5

### INVESTMENT SECURITIES

Investment securities principally include debt securities that the Company classifies as available-for-sale and carries at fair value on the Consolidated Balance Sheets, with unrealized gains (losses) recorded in Accumulated Other Comprehensive Loss, net of income taxes. Realized gains and losses are recognized on a trade-date basis in results of operations upon disposition of the securities using the specific identification method. Refer to Note 15 and Note 19 for a description of the Company's methodology for determining the fair value of investment securities and gross realized gains on the sale of investment securities, respectively.

The following is a summary of investment securities as of December 31:

<i>Description of Securities (Millions)</i>	2015				2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
State and municipal obligations .....	\$ 2,813	\$ 85	\$(5)	\$2,893	\$3,366	\$129	\$(2)	\$3,493
U.S. Government agency obligations .....	2	—	—	2	3	—	—	3
U.S. Government treasury obligations .....	406	4	(1)	409	346	4	—	350
Corporate debt securities .....	29	1	—	30	37	3	—	40
Mortgage-backed securities <sup>(a)</sup> .....	117	4	—	121	128	8	—	136
Equity securities <sup>(b)</sup> .....	1	—	—	1	—	1	—	1
Foreign government bonds and obligations .....	250	6	(1)	255	350	9	—	359
Other <sup>(c)</sup> .....	50	—	(2)	48	50	—	(1)	49
Total .....	<b>\$3,668</b>	<b>\$100</b>	<b>\$(9)</b>	<b>\$3,759</b>	\$4,280	\$154	\$(3)	\$ 4,431

(a) Represents mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.

(b) 2013 amount primarily represents the Company's investment in the Industrial and Commercial Bank of China (ICBC), the remaining amount of which was sold in the third quarter of 2014.

(c) Other comprises investments in various mutual funds.

The following table provides information about the Company's investment securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position, as of December 31:

<i>Description of Securities (Millions)</i>	2015				2014			
	Less than 12 months		12 months or more		Less than 12 months		12 months or more	
	Estimated Fair Value	Gross Unrealized Losses						
State and municipal obligations .....	\$100	\$(3)	\$ 13	\$(2)	\$—	\$—	\$ 72	\$(2)
U.S. Government treasury obligations .....	253	(1)	—	—	—	—	—	—
Foreign government bonds and obligations ..	99	(1)	—	—	—	—	—	—
Other .....	—	—	33	(2)	—	—	33	(1)
Total .....	<b>\$452</b>	<b>\$(5)</b>	<b>\$46</b>	<b>\$(4)</b>	\$—	\$—	\$105	\$(3)

The following table summarizes the gross unrealized losses due to temporary impairments by ratio of fair value to amortized cost, as of December 31:

Ratio of Fair Value to Amortized Cost (Dollars in millions)	Less than 12 months			12 months or more			Total		
	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses
2015:									
90%–100% .....	52	\$450	\$(5)	15	\$ 37	\$(2)	67	\$ 487	\$(7)
Less than 90% .....	—	—	—	2	9	(2)	2	9	(2)
Total as of December 31, 2015 ..	52	\$450	\$(5)	17	\$ 46	\$(4)	69	\$496	\$(9)
2014:									
90%–100% .....	—	\$ —	\$—	15	\$105	\$(3)	15	\$ 105	\$(3)
Total as of December 31, 2014 ..	—	\$ —	\$—	15	\$105	\$(3)	15	\$ 105	\$(3)

The gross unrealized losses are attributed to overall wider credit spreads for state and municipal securities, wider credit spreads for specific issuers, adverse changes in market benchmark interest rates, or a combination thereof, all compared to those prevailing when the investment securities were acquired.

Overall, for the investment securities in gross unrealized loss positions, (i) the Company does not intend to sell the investment securities, (ii) it is more likely than not that the Company will not be required to sell the investment securities before recovery of the unrealized losses, and (iii) the Company expects that the contractual principal and interest will be received on the investment securities. As a result, the Company recognized no other-than-temporary impairment during the periods presented.

Weighted average yields and contractual maturities for investment securities with stated maturities as of December 31, 2015 were as follows:

(Millions)	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years	Total
State and municipal obligations <sup>(a)</sup> .....	\$ 23	\$ 61	\$ 277	\$2,532	\$2,893
U.S. Government agency obligations .....	—	—	—	2	2
U.S. Government treasury obligations .....	120	144	132	13	409
Corporate debt securities .....	6	24	—	—	30
Mortgage-backed securities <sup>(a)</sup> .....	1	—	—	120	121
Foreign government bonds and obligations .....	190	23	—	42	255
Total Estimated Fair Value .....	\$ 340	\$ 252	\$ 409	\$2,709	\$ 3,710
Total Cost .....	\$ 340	\$ 247	\$ 395	\$2,635	\$ 3,617
Weighted average yields <sup>(b)</sup> .....	2.86%	2.78%	5.48%	6.58%	5.85%

(a) The expected payments on state and municipal obligations and mortgage-backed securities may not coincide with their contractual maturities because the issuers have the right to call or prepay certain obligations.

(b) Average yields for investment securities have been calculated using the effective yield on the date of purchase. Yields on tax-exempt investment securities have been computed on a tax-equivalent basis using the U.S. federal statutory tax rate of 35 percent.

## NOTE 6

### ASSET SECURITIZATIONS

The Company periodically securitizes Card Member receivables and loans arising from its card business, including Card Member loans and receivables HFS, through the transfer of those assets to securitization trusts. The trusts then issue debt securities to third-party investors, collateralized by the transferred assets.

Card Member receivables are transferred to the American Express Issuance Trust II (the Charge Trust). Card Member loans are transferred to the American Express Credit Account Master Trust (the Lending Trust, collectively the Trusts). The Trusts are consolidated by American Express Travel Related Services Company, Inc. (TRS), which is a consolidated subsidiary of the Company. The Trusts are considered VIEs as they have insufficient equity at risk to finance their activities, which are to issue debt securities that are collateralized by the underlying Card Member receivables and loans. Details on the principles of consolidation can be found in the summary of significant accounting policies (refer to Note 1).

TRS, in its role as servicer of the Trusts, has the power to direct the most significant activity of the Trusts, which is the collection of the underlying Card Member receivables and loans. In addition, TRS, excluding its consolidated subsidiaries, owned approximately \$1.0 billion of subordinated securities issued by the Lending Trust as of December 31, 2015. These subordinated securities have the obligation to absorb losses of the Lending Trust and provide the right to receive benefits from the Lending Trust, both of which are significant to the VIE. TRS' role as servicer for the Charge Trust does not provide it with a significant obligation to absorb losses or a significant right to receive benefits. However, TRS' position as the parent company of the entities that transferred the receivables to the Charge Trust makes it the party most closely related to the Charge Trust. Based on these considerations, TRS is the primary beneficiary of both Trusts.

The debt securities issued by the Trusts are non-recourse to the Company. The securitized Card Member receivables and loans held by the Charge Trust and the Lending Trust, respectively, are available only for payment of the debt securities or other obligations issued or arising in the securitization transactions (refer to Note 3). The long-term debt of each Trust is payable only out of collections on their respective underlying securitized assets (refer to Note 9).

The following table presents the restricted cash held by the Charge Trust and the Lending Trust as of December 31, 2015 and 2014, included in Other Assets on the Company's Consolidated Balance Sheets:

<u>(Millions)</u>	<u>2015</u>	<u>2014</u>
Charge Trust .....	<u>\$ 2</u>	<u>\$ 2</u>
Lending Trust .....	<u>153</u>	<u>62</u>
Total .....	<u>\$155</u>	<u>\$64</u>

These amounts relate to collections of Card Member receivables and loans to be used by the Trusts to fund future expenses and obligations, including credit losses, interest paid on the debt securities and upcoming debt maturities.

Under the respective terms of the Charge Trust and the Lending Trust agreements, the occurrence of certain triggering events associated with the performance of the assets of each Trust could result in payment of trust expenses, establishment of reserve funds, or, in a worst-case scenario, early amortization of investor debt securities. During the year ended December 31, 2015, no such triggering events occurred.

## NOTE 7

### OTHER ASSETS

The following is a summary of Other assets as of December 31:

(Millions)	2015	2014
Goodwill	\$ 2,749	\$ 3,024
Deferred tax assets, net <sup>(a)</sup>	2,231	2,110
Prepaid expenses <sup>(b)</sup>	851	1,626
Other intangible assets, at amortized cost	796	854
Community Reinvestment Act Tax Credit investments	638	622
Restricted cash <sup>(c)</sup>	477	384
Derivative assets <sup>(a)</sup>	282	711
Other	2,045	2,011
Total	\$10,069	\$11,342

(a) Refer to Notes 14 and 21 for a discussion of derivative assets and deferred tax assets, net, respectively, as of December 31, 2015 and 2014. For 2015 and 2014, \$80 million and \$96 million, respectively, of foreign deferred tax liabilities is reflected in Other Liabilities. Derivative assets reflect the impact of master netting agreements.

(b) Includes prepaid miles and reward points acquired primarily from airline partners of approximately \$0.3 billion and \$1.1 billion as of December 31, 2015 and 2014, respectively, including approximately nil and \$0.6 billion, respectively, from Delta.

(c) Includes restricted cash of approximately \$155 million and \$64 million as of December 31, 2015 and 2014, respectively, which is primarily held for coupon and certain asset-backed securitization maturities.

### GOODWILL

The changes in the carrying amount of goodwill reported in the Company's reportable operating segments and Corporate & Other were as follows:

(Millions)	USCS	ICS	GCS	GNMS	Corporate & Other	Total
Balance as of January 1, 2014	\$174	\$1,052	\$1,543	\$160	\$ 269	\$ 3,198
Acquisitions	—	—	—	—	—	—
Dispositions	—	—	(102)	—	—	(102)
Other, including foreign currency translation	—	(70)	—	—	(2)	(72)
Balance as of December 31, 2014	\$174	\$ 982	\$ 1,441	\$160	\$ 267	\$ 3,024
Acquisitions	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—
Other, including impairment and foreign currency translation <sup>(a)</sup>	—	(53)	—	—	(222)	(275)
<b>Balance as of December 31, 2015</b>	<b>\$174</b>	<b>\$ 929</b>	<b>\$1,441</b>	<b>\$160</b>	<b>\$ 45</b>	<b>\$2,749</b>

(a) Includes a \$219 million impairment charge within Corporate & Other. Refer to Note 2 for additional information.

Accumulated impairment losses were \$219 million as of December 31, 2015, and nil as of December 31, 2014 and December 31, 2013.

### OTHER INTANGIBLE ASSETS

The components of other intangible assets were as follows:

(Millions)	2015			2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships <sup>(a)</sup>	\$1,506	\$(836)	\$670	\$1,455	\$(754)	\$ 701
Other	231	(105)	126	255	(102)	153
Total	\$ 1,737	\$(941)	\$ 796	\$ 1,710	\$(856)	\$854

(a) Includes net intangibles related to airline partners of \$255 million and \$340 million as of December 31, 2015 and 2014, respectively, including approximately \$165 million and \$206 million, respectively, related to Delta.

Amortization expense for the years ended December 31, 2015, 2014 and 2013 was \$183 million, \$174 million and \$193 million, respectively. Intangible assets acquired in 2015 and 2014 are being amortized, on average, over 5 and 7 years, respectively.

Estimated amortization expense for other intangible assets over the next five years is as follows:

<u>(Millions)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Estimated amortization expense . . . . .	<u>\$174</u>	<u>\$156</u>	<u>\$146</u>	<u>\$106</u>	<u>\$76</u>

**COMMUNITY REINVESTMENT ACT TAX CREDIT INVESTMENTS**

The Company accounts for its investments in Qualified Affordable Housing (QAH) and other tax credit investments using the equity method of accounting. The Company had \$638 million and \$622 million in tax credit investments as of December 31, 2015 and 2014, respectively, included in Other assets on the Consolidated Balance Sheets, of which \$578 million and \$522 million, respectively, specifically related to QAH investments.

As of December 31, 2015, the Company has committed to provide funding related to certain of these investments, resulting in a \$139 million unfunded commitment reported in Other liabilities, which is expected to be paid between 2016 and 2029.

In addition, the Company has contractual off-balance sheet obligations, which were not deemed probable of being drawn, whereby it may provide additional funding up to \$200 million for these QAH investments as of December 31, 2015.

During the years ended December 31, 2015 and 2014, the Company recognized equity method losses related to these QAH investments of \$50 million and \$48 million, respectively, which were recognized in Other expenses; and associated tax credits of \$53 million and \$47 million, respectively, recognized in Income tax provision.

**OTHER**

In 2014, the Company received \$990 million in net cash proceeds for the sale of its equity method investment in Concur Technologies (Concur) with a carrying amount of \$246 million and recognized a gain of \$744 million in Other revenues.

**NOTE 8****CUSTOMER DEPOSITS**

As of December 31, customer deposits were categorized as interest-bearing or non-interest-bearing as follows:

<u>(Millions)</u>	<u>2015</u>	<u>2014</u>
U.S.:		
Interest-bearing .....	<b>\$54,102</b>	\$43,279
Non-interest-bearing (includes Card Member credit balances of: 2015, \$389 million; 2014, \$372 million) . . .	<b>478</b>	418
Non-U.S.:		
Interest-bearing .....	<b>82</b>	115
Non-interest-bearing (includes Card Member credit balances of: 2015, \$323 million; 2014, \$347 million) . . .	<b>335</b>	359
Total customer deposits .....	<b>\$54,997</b>	\$ 44,171

Customer deposits by deposit type as of December 31 were as follows:

<u>(Millions)</u>	<u>2015</u>	<u>2014</u>
U.S. retail deposits:		
Savings accounts — Direct .....	<b>\$29,023</b>	\$26,159
Certificates of deposit:		
Direct .....	<b>281</b>	333
Third-party (brokered) .....	<b>13,856</b>	7,838
Sweep accounts —Third-party (brokered) .....	<b>10,942</b>	8,949
Other retail deposits:		
Non-U.S. deposits and U.S. non-interest bearing deposits .....	<b>183</b>	173
Card Member credit balances — U.S. and non-U.S. ....	<b>712</b>	719
Total customer deposits .....	<b>\$54,997</b>	\$ 44,171

The scheduled maturities of certificates of deposit as of December 31, 2015 were as follows:

<u>(Millions)</u>	<u>U.S.</u>	<u>Non-U.S.</u>	<u>Total</u>
2016 .....	<b>\$ 2,486</b>	<b>\$ 7</b>	<b>\$ 2,493</b>
2017 .....	<b>3,630</b>	<b>—</b>	<b>3,630</b>
2018 .....	<b>3,180</b>	<b>—</b>	<b>3,180</b>
2019 .....	<b>2,326</b>	<b>—</b>	<b>2,326</b>
2020 .....	<b>2,515</b>	<b>—</b>	<b>2,515</b>
Total .....	<b>\$14,137</b>	<b>\$ 7</b>	<b>\$14,144</b>

As of December 31, certificates of deposit in denominations of \$250,000 or more, in the aggregate, were as follows:

<u>(Millions)</u>	<u>2015</u>	<u>2014</u>
U.S. ....	<b>\$105</b>	\$ 111
Non-U.S. ....	<b>1</b>	17
Total .....	<b>\$106</b>	\$128

**NOTE 9****DEBT****SHORT-TERM BORROWINGS**

The Company's short-term borrowings outstanding, defined as borrowings with original contractual maturity dates of less than one year, as of December 31 were as follows:

<i>(Millions, except percentages)</i>	2015		2014	
	Outstanding Balance	Year-End Stated Rate on Debt <sup>(a)</sup>	Outstanding Balance	Year-End Stated Rate on Debt <sup>(a)</sup>
Commercial paper .....	\$ 2,120	0.38%	\$ 769	0.29%
Other short-term borrowings <sup>(b)(c)</sup> .....	2,692	1.11	2,711	0.81
Total .....	\$ 4,812	0.79%	\$3,480	0.69%

(a) For floating-rate issuances, the stated interest rates are weighted based on the outstanding balances and floating rates in effect as of December 31, 2015 and 2014.

(b) Includes interest-bearing overdrafts with banks of \$410 million and \$470 million as of December 31, 2015 and 2014, respectively. In addition, balances include a partially drawn secured borrowing facility (maturing on September 15, 2017), certain book overdrafts (i.e., primarily timing differences arising in the ordinary course of business), short-term borrowings from banks, as well as interest-bearing amounts due to merchants in accordance with merchant service agreements. The secured borrowing facility gives the Company the right to sell up to \$2.0 billion face amount of eligible certificates issued from the Lending Trust.

(c) The Company paid \$6.7 million and \$7.0 million in fees to maintain the secured borrowing facility in 2015 and 2014, respectively.

## LONG-TERM DEBT

The Company's long-term debt outstanding, defined as debt with original contractual maturity dates of one year or greater, as of December 31 was as follows:

	2015			2014			
	Original Contractual Maturity Dates	Outstanding Balance <sup>(a)</sup>	Year-End Stated Rate on Debt <sup>(b)</sup>	Year-End Effective Interest Rate with Swaps <sup>(b)(c)</sup>	Outstanding Balance <sup>(a)</sup>	Year-End Stated Rate on Debt <sup>(b)</sup>	Year-End Effective Interest Rate with Swaps <sup>(b)(c)</sup>
<i>(Millions, except percentages)</i>							
<b>American Express Company</b>							
<b>(Parent Company only)</b>							
Fixed Rate Senior Notes	2016-2042	\$ 7,546	5.15%	4.25%	\$ 7,535	5.15%	4.20%
Floating Rate Senior Notes	2018	850	0.97	—	850	0.85	—
Subordinated Notes <sup>(d)</sup>	2024-2036	1,347	5.39	4.47	1,350	5.39	4.42
<b>American Express Credit Corporation</b>							
Fixed Rate Senior Notes	2016-2020	16,469	2.16	1.28	16,260	2.26	1.22
Floating Rate Senior Notes	2016-2020	5,300	0.98	—	4,400	0.82	—
Borrowings under Bank Credit Facilities	—	—	—	—	3,672	4.25	—
<b>American Express Centurion Bank</b>							
Fixed Rate Senior Notes	2017	1,319	5.99	4.75	2,089	4.12	3.32
Floating Rate Senior Notes	2018	125	0.81	—	675	0.68	—
<b>American Express Bank, FSB</b>							
Fixed Rate Senior Notes	2017	1,000	6.00	—	999	6.00	—
Floating Rate Senior Notes	2017	300	0.62	—	300	0.46	—
<b>American Express Charge Trust II</b>							
Floating Rate Senior Notes	2018	2,200	0.67	—	3,700	0.41	—
Floating Rate Subordinated Notes	2018	87	0.97	—	87	0.80	—
<b>American Express Lending Trust</b>							
Fixed Rate Senior Notes	2016-2017	4,000	1.35	—	6,100	1.11	—
Floating Rate Senior Notes	2017-2019	7,025	0.82	—	8,876	0.72	—
Fixed Rate Subordinated Notes	—	—	—	—	300	1.08	—
Floating Rate Subordinated Notes	2017-2019	316	0.97	—	488	0.73	—
<b>Other</b>							
Fixed Rate Instruments <sup>(e)</sup>	2021-2033	29	5.62	—	143	3.09	—
Floating Rate Borrowings	2016-2019	244	0.66	—%	247	0.59	—%
Unamortized Underwriting Fees		(96)			(116)		
Total Long-Term Debt		<b>\$48,061</b>	<b>2.44%</b>		<b>\$57,955</b>	<b>2.34%</b>	

(a) The outstanding balances include (i) unamortized discount and premium, (ii) the impact of movements in exchange rates on foreign currency denominated debt and (iii) the impact of fair value hedge accounting on certain fixed-rate notes that have been swapped to floating rate through the use of interest rate swaps. Under fair value hedge accounting, the outstanding balances on these fixed-rate notes are adjusted to reflect the impact of changes in fair value due to changes in interest rates. Refer to Note 14 for more details on the Company's treatment of fair value hedges.

(b) For floating-rate issuances, the stated and effective interest rates are weighted based on the outstanding balances and floating rates in effect as of December 31, 2015 and 2014.

(c) Effective interest rates are only presented when swaps are in place to hedge the underlying debt.

(d) For the \$750 million of subordinated debentures issued in 2006 and outstanding as of December 31, 2015, the maturity date will automatically be extended to September 1, 2066, except in the case of either (i) a prior redemption or (ii) a default. At the Company's option, the subordinated debentures are redeemable for cash on or after September 1, 2016, at 100 percent of the principal amounts plus any accrued but unpaid interest.

(e) Includes \$29 million and \$31 million as of December 31, 2015 and 2014, respectively, related to capitalized lease transactions.

As of December 31, 2015 and 2014, the Company had \$750 million principal outstanding of Subordinated Debentures that accrue interest at an annual rate of 6.8 percent until September 1, 2016, and at an annual rate of three-month LIBOR plus 2.23 percent thereafter. As noted above, at the Company's option, these Subordinated Debentures are redeemable for cash after September 1, 2016 at 100 percent of the principal amount plus any accrued but unpaid interest. The Company currently intends to exercise this redemption option subject to business and market conditions. If the Company fails to achieve specified performance measures, it will be required to issue common shares and apply the net proceeds to make interest payments on these Subordinated Debentures. No dividends on the Company's common or preferred shares could be paid until such interest payments are made. The Company would fail to meet these specific performance measures if (i) the Company's tangible common equity is less than 4 percent of total adjusted assets for the most recent quarter or (ii) if the trailing two quarters' consolidated net income is equal to or less than zero and tangible common equity as of the trigger determination date, and as of the end of the quarter end six months prior, has in each case declined by 10 percent or more from tangible common equity as of the end of the quarter 18 months prior to the trigger determination date. The Company met the specified performance measures in 2015. The Company issued \$600 million of 3.6 percent subordinated notes on December 5, 2014 that are senior in right of payment to the outstanding \$750 million of Subordinated Debentures.

Aggregate annual maturities on long-term debt obligations (based on contractual maturity or anticipated redemption dates) as of December 31, 2015 were as follows:

<b>(Millions)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Thereafter</b>	<b>Total</b>
American Express Company (Parent Company only) <sup>(a)</sup> ..	\$ 1,350	\$ 1,500	\$ 3,851	\$ 641	\$ —	\$ 3,147	\$ 10,489
American Express Credit Corporation .....	4,931	4,900	3,614	4,150	4,150	—	21,745
American Express Centurion Bank .....	—	1,300	125	—	—	—	1,425
American Express Bank, FSB .....	—	1,300	—	—	—	—	1,300
American Express Charge Trust II .....	—	—	2,287	—	—	—	2,287
American Express Lending Trust .....	500	6,639	2,885	1,317	—	—	11,341
Other .....	33	83	124	4	—	29	273
	<b>\$6,814</b>	<b>\$15,722</b>	<b>\$12,886</b>	<b>\$ 6,112</b>	<b>\$4,150</b>	<b>\$3,176</b>	<b>\$48,860</b>
Unamortized Underwriting Fees .....							(96)
Unamortized Discount and Premium .....							(890)
Impacts due to Fair Value Hedge Accounting .....							187
<b>Total Long-Term Debt .....</b>							<b>\$ 48,061</b>

(a) The Company currently intends to exercise its redemption option related to the \$750 million of Subordinated Debentures, subject to business and market conditions.

As of December 31, 2015, the Company maintained a bank line of credit of \$3.0 billion compared to bank lines of credit of \$6.7 billion as of December 31, 2014. Of the total credit lines, \$3.0 billion was undrawn as of both December 31, 2015 and 2014. These undrawn amounts support commercial paper borrowings and contingent funding needs. The availability of the credit line is subject to the Company's compliance with certain financial covenants, principally the maintenance by American Express Credit Corporation (Credco) of a 1.25 ratio of combined earnings and fixed charges, to fixed charges. As of December 31, 2015 and 2014, the Company was not in violation of any of its debt covenants.

Additionally, the Company maintained a 3-year committed, revolving, secured borrowing facility that gives the Company the right to sell up to \$3.0 billion face amount of eligible notes issued from the Charge Trust at any time through July 15, 2018. As of December 31, 2015 and 2014, \$1.0 billion and \$2.5 billion, respectively, were drawn on this facility.

The Company paid \$35.1 million and \$49.9 million in fees to maintain these lines in 2015 and 2014, respectively. These committed facilities do not contain material adverse change clauses, which might otherwise preclude borrowing under the credit facilities, nor are they dependent on the Company's credit rating.

The Company paid total interest, primarily related to short- and long-term debt, corresponding interest rate swaps and customer deposits, of \$1.6 billion, \$1.7 billion and \$2.0 billion in 2015, 2014 and 2013, respectively.

## NOTE 10

### OTHER LIABILITIES

The following is a summary of Other liabilities as of December 31:

<i>(Millions)</i>	<u>2015</u>	<u>2014</u>
Membership Rewards liability .....	<b>\$ 6,721</b>	\$ 6,521
Employee-related liabilities <sup>(a)</sup> .....	<b>2,097</b>	2,258
Card Member rebate and reward accruals <sup>(b)</sup> .....	<b>2,238</b>	2,073
Deferred card and other fees, net .....	<b>1,343</b>	1,308
Book overdraft balances .....	<b>409</b>	647
Other <sup>(c)</sup> .....	<b>4,764</b>	5,044
Total .....	<b><u>\$17,572</u></b>	<u>\$17,851</u>

(a) Employee-related liabilities include employee benefit plan obligations and incentive compensation.

(b) Card Member rebate and reward accruals include payments to third-party reward partners and cash-back reward costs.

(c) Other includes accruals for general operating expenses, client incentives, merchant rebates, payments to third-party card-issuing partners, advertising and promotion, restructuring and reengineering reserves, QAH unfunded commitments and derivatives.

### MEMBERSHIP REWARDS

The Membership Rewards program allows enrolled Card Members to earn points that can be redeemed for a broad range of rewards including travel, entertainment, retail certificates and merchandise. The Company records a balance sheet liability that represents management's best estimate of the cost of points earned that are expected to be redeemed in the future. The weighted average cost (WAC) per point and the Ultimate Redemption Rate (URR) are key assumptions used to estimate the Membership Rewards liability.

The expense for Membership Rewards points is included in marketing, promotion, rewards and Card Member services expenses. The Company periodically evaluates its liability estimation process and assumptions based on developments in redemption patterns, cost per point redeemed, partner contract changes and other factors.

### DEFERRED CARD AND OTHER FEES, NET

The carrying amount of deferred card and other fees, net of deferred direct acquisition costs and reserves for membership cancellations as of December 31, was as follows:

<i>(Millions)</i>	<u>2015</u>	<u>2014</u>
Deferred card and other fees <sup>(a)</sup> .....	<b>\$1,652</b>	\$ 1,615
Deferred direct acquisition costs .....	<b>(173)</b>	(176)
Reserves for membership cancellations .....	<b>(136)</b>	(131)
Deferred card and other fees, net .....	<b><u>\$1,343</u></b>	<u>\$1,308</u>

(a) Includes deferred fees for Membership Rewards program participants.

## NOTE 11

### STOCK PLANS

#### STOCK OPTION AND AWARD PROGRAMS

Under the 2007 Incentive Compensation Plan and previously under the 1998 Incentive Compensation Plan, awards may be granted to employees and other key individuals who perform services for the Company and its participating subsidiaries. These awards may be in the form of stock options, restricted stock awards or units (RSAs), portfolio grants (PGs) or other incentives, and similar awards designed to meet the requirements of non-U.S. jurisdictions.

For the Company's Incentive Compensation Plans, there were a total of 33 million common shares unissued and available for grant as of December 31, 2015, and 35 million common shares unissued and available for grant as of December 31, 2014 and 2013, as authorized by the Company's Board of Directors and shareholders.

A summary of stock option and RSA activity as of December 31, 2015, and changes during the year is presented below:

<i>(Shares in thousands)</i>	Stock Options		RSAs	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Grant Price
Outstanding as of December 31, 2014 <sup>(a)</sup>	13,416	\$ 44.88	7,874	\$64.48
Granted	301	83.30	3,069	81.99
Exercised/vested	(2,921)	49.96	(3,003)	55.17
Forfeited	(10)	49.22	(507)	75.99
Expired	34	50.04	—	—
Outstanding as of December 31, 2015	10,820	44.60	7,433	\$74.67
Options vested and expected to vest as of December 31, 2015	10,820	44.60	—	—
Options exercisable as of December 31, 2015	9,809	\$ 41.78	—	—

(a) Outstanding as of December 31, 2014, includes CEO market-based stock options of 687,000 that were previously disclosed separately.

The Company recognizes the cost of employee stock awards granted in exchange for employee services based on the grant-date fair value of the award, net of expected forfeitures. Those costs are recognized ratably over the vesting period.

#### STOCK OPTIONS

Each stock option has an exercise price equal to the market price of the Company's common stock on the date of grant and a contractual term of 10 years from the date of grant. Stock options generally vest 100 percent on the third anniversary of the grant date.

The weighted-average remaining contractual life and the aggregate intrinsic value (the amount by which the fair value of the Company's stock exceeds the exercise price of the option) of the stock options outstanding, exercisable, vested, and expected to vest as of December 31, 2015, are as follows:

	Outstanding	Exercisable	Vested and Expected to Vest
Weighted-average remaining contractual life ( <i>in years</i> )	3.4	2.9	3.4
Aggregate intrinsic value ( <i>millions</i> )	\$279	\$273	\$279

The intrinsic value of options exercised during 2015, 2014 and 2013 was \$87 million, \$245 million and \$374 million, respectively, (based upon the fair value of the Company's stock price at the date of exercise). Cash received from the exercise of stock options in 2015, 2014 and 2013 was \$146 million, \$283 million and \$580 million, respectively. The tax benefit realized from income tax deductions from stock option exercises, which was recorded in additional paid-in capital, in 2015, 2014 and 2013 was \$18 million, \$54 million and \$84 million, respectively.

The fair value of each option is estimated on the date of grant using a Black-Scholes-Merton option-pricing model. The following weighted-average assumptions were used for options granted in 2015, 2014 and 2013, the majority of which were options granted in the beginning of each year:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Dividend yield	<b>1.1%</b>	1.1%	1.4%
Expected volatility <sup>(a)</sup>	<b>37%</b>	38%	39%
Risk-free interest rate	<b>1.7%</b>	2.2%	1.3%
Expected life of stock option (in years) <sup>(b)</sup>	<b>6.7</b>	6.7	6.3
Weighted-average fair value per option	<b>\$29.20</b>	\$32.36	\$21.11

(a) The expected volatility is based on both weighted historical and implied volatilities of the Company's common stock price.

(b) In 2015, 2014 and 2013, the expected life of stock options was determined using both historical data and expectations of option exercise behavior.

## RESTRICTED STOCK AWARDS

RSAs are valued based on the stock price on the date of grant, contain either a) service conditions or b) both service and performance conditions, and generally vest 25 percent per year beginning with the first anniversary of the grant date. RSAs containing both service and performance conditions generally vest on the third anniversary of the grant date, and the number of shares earned depends on the achievement of predetermined Company metrics. All RSA holders receive non-forfeitable dividends or dividend equivalents. The total fair value of shares vested during 2015, 2014 and 2013 was \$247 million, \$298 million and \$336 million, respectively (based upon the Company's stock price at the vesting date).

The weighted-average grant date fair value of RSAs granted in 2015, 2014 and 2013, is \$81.99, \$86.65 and \$60.13, respectively.

## LIABILITY-BASED AWARDS

Certain employees are awarded PGs and other incentive awards that can be settled with cash or equity shares at the Company's discretion and final Compensation and Benefits Committee payout approval. These awards earn value based on performance, market and service conditions, and vest over periods of one to three years.

PGs and other incentive awards are generally settled with cash and thus are classified as liabilities; therefore, the fair value is determined at the date of grant and remeasured quarterly as part of compensation expense over the vesting period. Cash paid upon vesting of these awards in 2015, 2014 and 2013 was \$74 million, \$62 million and \$43 million, respectively.

## Summary of Stock Plan Expense

The components of the Company's total stock-based compensation expense (net of forfeitures) for the years ended December 31, are as follows:

<u>(Millions)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Restricted stock awards <sup>(a)</sup>	<b>\$190</b>	\$193	\$208
Stock options <sup>(a)</sup>	<b>12</b>	13	23
Liability-based awards	<b>32</b>	84	119
Total stock-based compensation expense <sup>(b)</sup>	<b>\$234</b>	\$290	\$350

(a) As of December 31, 2015, the total unrecognized compensation cost related to unvested RSAs and options of \$214 million and \$3 million, respectively, will be recognized ratably over the weighted-average remaining vesting period of 2.1 years and 1.2 years, respectively.

(b) The total income tax benefit recognized in the Consolidated Statements of Income for stock-based compensation arrangements for the years ended December 31, 2015, 2014 and 2013 was \$83 million, \$104 million and \$127 million, respectively.

**NOTE 12****RETIREMENT PLANS****DEFINED CONTRIBUTION RETIREMENT PLANS**

The Company sponsors defined contribution retirement plans, the principal plan being the Retirement Savings Plan (RSP), a 401(k) savings plan with a profit-sharing component. The RSP is a tax-qualified retirement plan subject to the Employee Retirement Income Security Act of 1974 and covers most employees in the United States. The total expense for all defined contribution retirement plans globally was \$224 million, \$272 million and \$281 million in 2015, 2014 and 2013, respectively.

**DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS**

The Company's primary defined benefit pension plans that cover certain employees in the United States and United Kingdom are closed to new entrants and existing participants do not accrue any additional benefits. Most employees outside the United States and United Kingdom are covered by local retirement plans, some of which are funded, while other employees receive payments at the time of retirement or termination under applicable labor laws or agreements. The Company complies with minimum funding requirements in all countries. The Company sponsors unfunded other postretirement benefit plans that provide health care and life insurance to certain retired U.S. employees. The total expense for these plans was \$23 million, \$24 million and \$59 million in 2015, 2014 and 2013, respectively.

The Company recognizes the funded status of its defined benefit pension plans and other postretirement benefit plans, measured as the difference between the fair value of the plan assets and the projected benefit obligation, in the Consolidated Balance Sheets. As of December 31, 2015 and 2014, the funded status related to the defined benefit pension plans and other postretirement benefit plans was underfunded by \$770 million and \$767 million, respectively, and is recorded in Other liabilities.

**NOTE 13****COMMITMENTS AND CONTINGENCIES****LEGAL CONTINGENCIES**

In the ordinary course of business, the Company and its subsidiaries are subject to various claims, investigations, examinations, pending and potential legal actions, and other matters relating to compliance with laws and regulations (collectively, legal proceedings). The Company discloses its material legal proceedings under "Legal Proceedings".

The Company has recorded reserves for certain of its outstanding legal proceedings. A reserve is recorded when it is both (a) probable that a loss has occurred and (b) the amount of loss can be reasonably estimated. There may be instances in which an exposure to loss exceeds the recorded reserve. The Company evaluates, on a quarterly basis, developments in legal proceedings that could cause an increase or decrease in the amount of the reserve that has been previously recorded, or a revision to the disclosed estimated range of possible losses, as applicable.

The Company's legal proceedings range from cases brought by a single plaintiff to class actions with millions of putative class members. These legal proceedings involve various lines of business of the Company and a variety of claims (including, but not limited to, common law tort, contract, antitrust and consumer protection claims), some of which present novel factual allegations and/or unique legal theories. While some matters pending against the Company specify the damages claimed by the plaintiff or class, many seek an unspecified amount of damages or are at very early stages of the legal process. Even when the amount of damages claimed against the Company are stated, the claimed amount may be exaggerated and/or unsupported. As a result, some matters have not yet progressed sufficiently through discovery and/or development of important factual information and legal issues to enable the Company to estimate an amount of loss or a range of possible loss, while other matters have progressed sufficiently such that the Company is able to estimate an amount of loss or a range of possible loss.

For those disclosed material legal proceedings where a loss is reasonably possible in future periods, whether in excess of a related reserve for legal contingencies or where there is no such reserve, and for which the Company is able to estimate a range of possible loss, the current estimated range is zero to \$350 million in excess of any reserves related to these matters. This range represents management's estimate based on currently available information and does not represent the Company's maximum loss exposure; actual results may vary significantly. As such proceedings evolve, including the merchant claims described under "Legal Proceedings," the Company may need to increase its range of possible loss or reserves for legal contingencies.

Based on its current knowledge, and taking into consideration its litigation-related liabilities, the Company believes it is not a party to, nor are any of its properties the subject of, any legal proceeding that would have a material adverse effect on the Company's consolidated financial condition or liquidity. However, in light of the uncertainties involved in such matters, it is possible that the outcome of legal proceedings, including the possible resolution of merchant claims, could have a material impact on the Company's results of operations.

**OTHER COMMITMENTS**

The Company also has obligations to make payments under contractual agreements with certain cobrand partners. The Company expects to fully satisfy these obligations over the remaining term of these agreements as part of the ongoing operations of its business.

As of December 31, 2015, the obligations under such arrangements were as follows:

<i>(Millions)</i>	
2016 .....	<b>\$ 212</b>
2017 .....	<b>76</b>
2018 .....	<b>62</b>
2019 .....	<b>43</b>
2020 .....	<b>20</b>
Thereafter .....	<b>204</b>
Total .....	<b>\$ 617</b>

The Company leases certain facilities and equipment under non-cancelable and cancelable agreements, for which total rental expense was \$187 million, \$237 million and \$281 million in 2015, 2014 and 2013, respectively.

As of December 31, 2015, the minimum aggregate rental commitment under all non-cancelable operating leases (net of subleases of \$37 million) was as follows:

<i>(Millions)</i>	
2016 .....	<b>\$ 165</b>
2017 .....	<b>149</b>
2018 .....	<b>129</b>
2019 .....	<b>105</b>
2020 .....	<b>82</b>
Thereafter .....	<b>863</b>
Total .....	<b>\$1,493</b>

As of December 31, 2015, the Company's future minimum lease payments under capital leases or other similar arrangements is approximately \$4 million in 2016 through 2020, and \$14 million thereafter.

## NOTE 14

### DERIVATIVES AND HEDGING ACTIVITIES

The Company uses derivative financial instruments (derivatives) to manage exposures to various market risks. These instruments derive their value from an underlying variable or multiple variables, including interest rates, foreign exchange rates, and equity index or price, and are carried at fair value on the Consolidated Balance Sheets. These instruments enable end users to increase, reduce or alter exposure to various market risks and, for that reason, are an integral component of the Company's market risk management. The Company does not transact in derivatives for trading purposes.

Market risk is the risk to earnings or asset and liability values resulting from movements in market prices. The Company's market risk exposures include:

- Interest rate risk due to changes in the relationship between interest rates on the Company's assets (such as loans, receivables and investment securities) and interest rates on the Company's liabilities (such as debt and deposits); and
- Foreign exchange risk related to earnings, funding, transactions and investments in currencies other than the U.S. dollar.

The Company centrally monitors market risks using market risk limits and escalation triggers as defined in its Asset/Liability Management Policy. The Company's market exposures are in large part byproducts of the delivery of its products and services.

Interest rate risk primarily arises through the funding of Card Member receivables and fixed-rate loans with variable-rate borrowings, as well as through the risk to net interest margin from changes in the relationship between benchmark rates such as Prime and LIBOR. Interest rate exposure within the Company's charge card and fixed-rate lending products is managed by varying the proportion of total funding provided by short-term and variable-rate debt and deposits compared to fixed-rate debt and deposits. In addition, interest rate swaps are used from time to time to economically convert fixed-rate debt obligations to variable-rate obligations, or to convert variable-rate debt obligations to fixed-rate obligations. The Company may change the mix between variable-rate and fixed-rate funding based on changes in business volumes and mix, among other factors. As of December 31, 2015 and 2014, the Company did not have any designated cash flow hedges.

Foreign exchange risk is generated by Card Member cross-currency charges, foreign currency balance sheet exposures, foreign subsidiary equity and foreign currency earnings in entities outside the United States. The Company's foreign exchange risk is managed primarily by entering into agreements to buy and sell currencies on a spot basis or by hedging this market exposure, to the extent it is economically justified, through various means, including the use of derivatives such as foreign exchange forwards and cross-currency swap contracts.

In addition to the exposures mentioned previously, effective August 1, 2011, the Company entered into a total return contract (TRC) to hedge its exposure to changes in the fair value of its equity investment in ICBC in local currency. Under the terms of the TRC, the Company received from the TRC counterparty an amount equivalent to any reduction in the fair value of its investment in ICBC in local currency, and the Company paid to the TRC counterparty an amount equivalent to any increase in the fair value of its investment in local currency, along with all dividends paid by ICBC, as well as ongoing hedge costs. The TRC was fully unwound on July 18, 2014 upon the sale of the remaining underlying ICBC shares.

Derivatives may give rise to counterparty credit risk, which is the risk that a derivative counterparty will default on, or otherwise be unable to perform pursuant to, an uncollateralized derivative exposure. The Company manages this risk by considering the current exposure, which is the replacement cost of contracts on the measurement date, as well as estimating the maximum potential value of the contracts over the next 12 months, considering such factors as the volatility of the underlying or reference index. To mitigate derivative credit risk, counterparties are required to be pre-approved by the Company and rated as investment grade, and counterparty risk exposures are centrally monitored.

Additionally, in order to mitigate the bilateral counterparty credit risk associated with derivatives, the Company has in certain instances entered into master netting agreements with its derivative counterparties, which provide a right of offset for certain exposures between the parties. A majority of the Company's derivative assets and liabilities as of December 31, 2015 and 2014 are subject to such master netting agreements with its derivative counterparties, and there are no instances in which management makes an accounting policy election to not net assets and liabilities subject to an enforceable master netting agreement on the Company's Consolidated Balance Sheets. To further mitigate bilateral counterparty credit risk, the Company exercises its rights under executed credit support agreements with certain of its derivative counterparties. These agreements require that, in the event the fair value change in the net derivatives position between the two parties exceeds certain dollar thresholds, the party in the net liability position posts collateral to its counterparty. All derivative contracts cleared through a central clearinghouse are collateralized to the full amount of the fair value of the contracts.

In relation to the Company's credit risk, under the terms of the derivative agreements it has with its various counterparties, the Company is not required to either immediately settle any outstanding liability balances or post collateral upon the occurrence of a specified credit risk-related event. Based on the assessment of credit risk of the Company's derivative counterparties as of December 31, 2015 and 2014, the Company does not have derivative positions that warrant credit valuation adjustments.

The Company's derivatives are carried at fair value on the Consolidated Balance Sheets. The accounting for changes in fair value depends on the instruments' intended use and the resulting hedge designation, if any, as discussed below. Refer to Note 15 for a description of the Company's methodology for determining the fair value of derivatives.

The following table summarizes the total fair value, excluding interest accruals, of derivative assets and liabilities as of December 31:

<i>(Millions)</i>	Other Assets Fair Value		Other Liabilities Fair Value	
	2015	2014	2015	2014
Derivatives designated as hedging instruments:				
Interest rate contracts				
Fair value hedges	\$ 236	\$ 314	\$ 9	\$ 4
Foreign exchange contracts				
Net investment hedges	191	492	57	46
Total derivatives designated as hedging instruments	427	806	66	50
Derivatives not designated as hedging instruments:				
Foreign exchange contracts, including certain embedded derivatives <sup>(a)</sup>	117	185	135	114
Total derivatives, gross	544	991	201	164
Less: Cash collateral netting <sup>(b)</sup>	(155)	(158)	—	(4)
Derivative asset and derivative liability netting <sup>(c)</sup>	(107)	(122)	(107)	(122)
Total derivatives, net <sup>(d)</sup>	\$ 282	\$ 711	\$ 94	\$ 38

(a) Includes foreign currency derivatives embedded in certain operating agreements.

(b) Represents the offsetting of derivative instruments and the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instrument(s) executed with the same counterparty under an enforceable master netting arrangement. From time to time, the Company also receives non-cash collateral from counterparties in the form of security interests in U.S. Treasury securities, which reduces the Company's risk exposure, but does not reduce the net exposure on the Company's Consolidated Balance Sheets. The Company had such non-cash collateral, with a fair value of \$91 million as of December 31, 2014, none of which was sold or repledged. The Company did not have any such non-cash collateral as of December 31, 2015. Additionally, the Company posted \$149 million and \$114 million as of December 31, 2015 and 2014, respectively, as initial margin on its centrally cleared interest rate swaps; such amounts are recorded within Other receivables on the Company's Consolidated Balance Sheets and are not netted against the derivative balances.

(c) Represents the amount of netting of derivative assets and derivative liabilities executed with the same counterparty under an enforceable master netting arrangement.

(d) The Company has no individually significant derivative counterparties and therefore, no significant risk exposure to any single derivative counterparty. The total net derivative assets and derivative liabilities are presented within Other assets and Other liabilities on the Company's Consolidated Balance Sheets.

A majority of the Company's derivative assets and liabilities as of December 31, 2015 and 2014, are subject to master netting agreements with its derivative counterparties. As noted previously, the Company has no derivative amounts subject to enforceable master netting arrangements that are not offset on the Consolidated Balance Sheets.

## DERIVATIVE FINANCIAL INSTRUMENTS THAT QUALIFY FOR HEDGE ACCOUNTING

Derivatives executed for hedge accounting purposes are documented and designated as such when the Company enters into the contracts. In accordance with its risk management policies, the Company structures its hedges with terms similar to those of the item being hedged. The Company formally assesses, at inception of the hedge accounting relationship and on a quarterly basis, whether derivatives designated as hedges are highly effective in offsetting the fair value or cash flows of the hedged items. These assessments usually are made through the application of a regression analysis method. If it is determined that a derivative is not highly effective as a hedge, the Company will discontinue the application of hedge accounting.

## FAIR VALUE HEDGES

A fair value hedge involves a derivative designated to hedge the Company's exposure to future changes in the fair value of an asset or a liability, or an identified portion thereof, that is attributable to a particular risk.

### Interest Rate Contracts

The Company is exposed to interest rate risk associated with its fixed-rate long-term debt. The Company uses interest rate swaps to economically convert certain fixed-rate debt obligations to floating-rate obligations at the time of issuance. As of December 31, 2015 and 2014, the Company hedged \$18.8 billion and \$17.6 billion, respectively, of its fixed-rate debt to floating-rate debt using interest rate swaps.

To the extent the fair value hedge is effective, the gain or loss on the hedging instrument offsets the loss or gain on the hedged item attributable to the hedged risk. Any difference between the changes in the fair value of the derivative and the hedged item is referred to as hedge ineffectiveness and is reflected in earnings as a component of Other expenses. Hedge ineffectiveness may be caused by differences between a debt instrument's interest coupon and the benchmark rate, primarily due to credit spreads at inception of the hedging relationship that are not reflected in the valuation of the interest rate swap. Furthermore, hedge ineffectiveness may be caused by changes in the relationship between 3-month LIBOR and 1-month LIBOR, as well as between the overnight indexed swap rate (OIS) and 1-month LIBOR, as spreads between these rates may impact the valuation of the interest rate swap without causing an offsetting impact in the value of the hedged debt.

If a fair value hedge is de-designated or no longer considered to be effective, changes in fair value of the derivative continue to be recorded through earnings but the hedged asset or liability is no longer adjusted for changes in fair value resulting from changes in interest rates. The existing basis adjustment of the hedged asset or liability is amortized or accreted as an adjustment to yield over the remaining life of that asset or liability.

### Total Return Contract

The Company hedged its exposure to changes in the fair value of its equity investment in ICBC in local currency. The Company used a TRC to transfer its exposure to its derivative counterparty. On July 18, 2014, the Company sold its remaining shares in ICBC and terminated the TRC.

The following table summarizes the impact on the Consolidated Statements of Income associated with the Company's fair value hedges of its fixed-rate long-term debt and its investment in ICBC for the years ended December 31:

(Millions)	Gains (losses) recognized in income										
	Derivative contract			Hedged item			Net hedge ineffectiveness				
	Income Statement Line Item	Amount			Income Statement Line Item	Amount			2015 2014 2013		
Interest rate contracts . . .	Other expenses	\$ (83)	\$ (143)	\$ (370)	Other expenses	\$ 93	\$ 148	\$ 351	\$ 10	\$ 5	\$ (19)
Total return contract . . .	Other non-interest revenues	\$ —	\$ 11	\$ 15	Other non-interest revenues	\$ —	\$ (11)	\$ (15)	\$ —	\$ —	\$ —

The Company also recognized a net reduction in interest expense on long-term debt of \$284 million, \$283 million and \$346 million for the years ended December 31, 2015, 2014 and 2013, respectively, primarily related to the net settlements (interest accruals) on the Company's interest rate derivatives designated as fair value hedges.

## NET INVESTMENT HEDGES

A net investment hedge is used to hedge future changes in currency exposure of a net investment in a foreign operation. The Company primarily designates foreign currency derivatives, typically foreign exchange forwards, and on occasion foreign currency denominated debt, as hedges of net investments in certain foreign operations. These instruments reduce exposure to changes in currency exchange rates on the Company's investments in non-U.S. subsidiaries. The effective portion of the gain on net investment hedges, net of taxes, recorded in Accumulated Other Comprehensive Income (Loss) as part of the cumulative translation adjustment, was \$577 million, \$455 million and \$253 million for the years ended 2015, 2014 and 2013, respectively, with any ineffective portion recognized in Other expenses during the period of change.

Description (Millions)	Gains (losses) recognized in income							
	Amount reclassified from AOCI into income			Net hedge ineffectiveness				
	Income Statement Line Item	2015	2014	2013	Income Statement Line Item	2015	2014	2013
Net investment hedges:								
Foreign exchange contracts . . . . .	Other expenses	\$—	\$10	\$—	Other expenses	\$1	\$—	\$—

## DERIVATIVES NOT DESIGNATED AS HEDGES

The Company has derivatives that act as economic hedges, but are not designated as such for hedge accounting purposes. Foreign currency transactions and non-U.S. dollar cash flow exposures from time to time may be partially or fully economically hedged through foreign currency contracts, primarily foreign exchange forwards, options and cross-currency swaps. These hedges generally mature within one year. Foreign currency contracts involve the purchase and sale of designated currencies at an agreed upon rate for settlement on a specified date. The changes in the fair value of the derivatives effectively offset the related foreign exchange gains or losses on the underlying balance sheet exposures. From time to time, the Company also may enter into interest rate swaps to specifically manage funding costs related to its proprietary card business.

The Company also has certain operating agreements containing payments that may be linked to a market rate or price, primarily foreign currency rates. The payment components of these agreements may meet the definition of an embedded derivative, in which case the embedded derivative is accounted for separately and is classified as a foreign exchange contract based on its primary risk exposure.

For derivatives that are not designated as hedges, changes in fair value are reported in current period earnings.

The following table summarizes the impact on the Consolidated Statements of Income associated with the Company's derivatives not designated as hedges for the years ended December 31:

Description (Millions)	Income Statement Line Item	Pretax gains (losses)		
		Amount		
		2015	2014	2013
Interest rate contracts . . . . .	Other expenses	\$ —	\$ —	\$ 1
Foreign exchange contracts (a) . . . . .	Other expenses	(39)	194	72
	Cost of Card Member services	5	4	—
Total . . . . .		\$(34)	\$198	\$73

(a) Foreign exchange contracts include forwards and embedded foreign currency derivatives.

**NOTE 15**  
**FAIR VALUES**

Fair value is defined as the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in the absence of a principal, most advantageous market for the specific asset or liability.

GAAP provides for a three-level hierarchy of inputs to valuation techniques used to measure fair value, defined as follows:

- Level 1 — Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity can access.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, including:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in markets that are not active;
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 — Inputs that are unobservable and reflect the Company's own estimates about the estimates market participants would use in pricing the asset or liability based on the best information available in the circumstances (e.g., internally derived assumptions surrounding the timing and amount of expected cash flows). The Company did not measure any financial instruments presented on the Consolidated Balance Sheets at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2015 and 2014, although the disclosed fair value of certain assets that are not carried at fair value, as presented later in this Note, are classified within Level 3.

The Company monitors the market conditions and evaluates the fair value hierarchy levels at least quarterly. For any transfers in and out of the levels of the fair value hierarchy, the Company discloses the fair value measurement at the beginning of the reporting period during which the transfer occurred. For the years ended December 31, 2015 and 2014, there were no significant transfers between levels.

**FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT FAIR VALUE**

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy (as described in the preceding paragraphs), as of December 31:

(Millions)	2015				2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Assets:</b>								
Investment securities: (a)								
Equity securities	\$ 1	\$ 1	\$ —	\$—	\$ 1	\$ 1	\$ —	\$—
Debt securities and other	3,758	409	3,349	—	4,430	350	4,080	—
Derivatives (a)	544	—	545	—	991	—	991	—
Total assets	4,303	410	3,894	—	5,422	351	5,071	—
<b>Liabilities:</b>								
Derivatives (a)	201	—	201	—	164	—	164	—
Total liabilities	\$ 201	\$ —	\$ 201	\$—	\$ 164	\$ —	\$ 164	\$—

(a) Refer to Note 5 for the fair values of investment securities and to Note 14 for the fair values of derivative assets and liabilities, on a further disaggregated basis.



















**NOTE 21****INCOME TAXES**

The components of income tax expense for the years ended December 31 included in the Consolidated Statements of Income were as follows:

<i>(Millions)</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current income tax expense:			
U.S. federal	<b>\$ 2,107</b>	\$2,136	\$1,730
U.S. state and local	<b>335</b>	264	288
Non-U.S.	<b>416</b>	412	514
Total current income tax expense	<b>2,858</b>	2,812	2,532
Deferred income tax expense (benefit):			
U.S. federal	<b>(23)</b>	352	113
U.S. state and local	<b>(5)</b>	39	4
Non-U.S.	<b>(55)</b>	(97)	(120)
Total deferred income tax expense	<b>(83)</b>	294	(3)
Total income tax expense	<b>\$ 2,775</b>	\$3,106	\$2,529

A reconciliation of the U.S. federal statutory rate of 35 percent to the Company's actual income tax rate for the years ended December 31 on continuing operations was as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
U.S. statutory federal income tax rate	<b>35.0%</b>	35.0%	35.0%
(Decrease) increase in taxes resulting from:			
Tax-exempt income	<b>(1.7)</b>	(1.5)	(1.6)
State and local income taxes, net of federal benefit	<b>2.8</b>	2.7	3.1
Non-U.S. subsidiaries earnings <sup>(a)</sup>	<b>(1.8)</b>	(2.2)	(2.8)
Tax settlements <sup>(b)</sup>	<b>(0.2)</b>	(0.5)	(1.9)
Non deductible expenses <sup>(c)</sup>	<b>0.9</b>	—	—
All other	<b>—</b>	1.0	0.3
Actual tax rates <sup>(a)</sup>	<b>35.0%</b>	34.5%	32.1%

(a) Results for all years primarily included tax benefits associated with the undistributed earnings of certain non-U.S. subsidiaries that were deemed to be reinvested indefinitely.

(b) Relates to the resolution of tax matters in various jurisdictions.

(c) Relates to the nondeductible portion of the EG goodwill impairment.

The Company records a deferred income tax (benefit) provision when there are differences between assets and liabilities measured for financial reporting and for income tax return purposes. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse.



The following table presents changes in unrecognized tax benefits:

<u>(Millions)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Balance, January 1 .....	<b>\$ 909</b>	\$1,044	\$1,230
Increases:			
Current year tax positions .....	<b>81</b>	4	124
Tax positions related to prior years .....	<b>177</b>	111	176
Decreases:			
Tax positions related to prior years .....	<b>(256)</b>	(181)	(371)
Settlements with tax authorities .....	<b>(15)</b>	(67)	(94)
Lapse of statute of limitations .....	<b>(26)</b>	(1)	(21)
Effects of foreign currency translations .....	<b>—</b>	(1)	—
Balance, December 31 .....	<b>\$ 870</b>	\$ 909	\$1,044

Included in the unrecognized tax benefits of \$0.9 billion, \$0.9 billion and \$1.0 billion for December 31, 2015, 2014 and 2013 are approximately \$502 million, \$412 million and \$427 million, respectively that, if recognized, would favorably affect the effective tax rate in a future period.

The Company believes it is reasonably possible that its unrecognized tax benefits could decrease within the next 12 months by as much as \$231 million principally as a result of potential resolutions of prior years' tax items with various taxing authorities. The prior years' tax items include unrecognized tax benefits relating to the deductibility of certain expenses or losses and the attribution of taxable income to a particular jurisdiction or jurisdictions. Of the \$231 million of unrecognized tax benefits, approximately \$21 million relates to amounts that, if recognized, would be recorded in shareholders' equity and would not impact the Company's results of operations or its effective tax rate.

Interest and penalties relating to unrecognized tax benefits are reported in the income tax provision. For the year ended December 31, 2015, the Company recognized approximately \$38 million in expenses for interest and penalties. For the years ended December 31, 2014 and 2013, the Company recognized benefits of approximately, \$19 million and \$31 million, respectively, of interest and penalties. The Company has approximately \$164 million and \$126 million accrued for the payment of interest and penalties as of December 31, 2015 and 2014, respectively.



















**GUARANTEE OF PERFORMANCE**

For value received, American Express Company, a New York Company, located at 200 Vesey Street, New York, New York 10285, absolutely and unconditionally guarantees to assume the duties and obligations of American Express Travel Related Services Company, Inc., located at 200 Vesey Street, New York, New York 10285 (the "Franchisor") under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2017 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at 200 Vesey Street, New York, New York 10285, on the 31<sup>st</sup> day of March, 2017.

Guarantor:

AMERICAN EXPRESS COMPANY

By:

Name: Jeffrey C. Campbell

Title: Executive Vice President and Chief  
Financial Officer

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (GAAP), and includes those policies and procedures that:

- • Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets;
- • Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- • Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control —Integrated Framework (2013).

Based on management's assessment and those criteria, we conclude that, as of December 31, 2016, our internal control over financial reporting is effective.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has issued an attestation report appearing on the following page on the effectiveness of our internal control over financial reporting as of December 31, 2016.

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

## TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF AMERICAN EXPRESS COMPANY:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, cash flows and shareholders' equity present fairly, in all material respects, the financial position of American Express Company and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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New York, New York

February 17, 2017

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## CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31 (Millions, except per share amounts)	2016	2015	2014
<b>Revenues</b>			
<b>Non-interest revenues</b>			
Discount revenue	\$ 18,680	\$ 19,297	\$ 19,389
Net card fees	2,886	2,700	2,712
Other fees and commissions	2,753	2,866	3,626
Other	2,029	2,033	2,989
<b>Total non-interest revenues</b>	<b>26,348</b>	<b>26,896</b>	<b>28,716</b>
<b>Interest income</b>			
Interest on loans	7,205	7,309	6,929
Interest and dividends on investment securities	131	157	179
Deposits with banks and other	139	79	71
<b>Total interest income</b>	<b>7,475</b>	<b>7,545</b>	<b>7,179</b>
<b>Interest expense</b>			
Deposits	598	475	373
Long-term debt and other	1,106	1,148	1,334
<b>Total interest expense</b>	<b>1,704</b>	<b>1,623</b>	<b>1,707</b>
<b>Net interest income</b>	<b>5,771</b>	<b>5,922</b>	<b>5,472</b>
<b>Total revenues net of interest expense</b>	<b>32,119</b>	<b>32,818</b>	<b>34,188</b>
<b>Provisions for losses</b>			
Charge card	696	737	792
Card Member loans	1,235	1,190	1,138
Other	95	61	114
<b>Total provisions for losses</b>	<b>2,026</b>	<b>1,988</b>	<b>2,044</b>
<b>Total revenues net of interest expense after provisions for losses</b>	<b>30,093</b>	<b>30,830</b>	<b>32,144</b>
<b>Expenses</b>			
Marketing and promotion	3,650	3,109	3,216
Card Member rewards	6,793	6,996	6,931
Card Member services and other	1,133	1,018	822
Salaries and employee benefits	5,259	4,976	6,095
Other, net	5,162	6,793	6,089
<b>Total expenses</b>	<b>21,997</b>	<b>22,892</b>	<b>23,153</b>
<b>Pretax income</b>	<b>8,096</b>	<b>7,938</b>	<b>8,991</b>
<b>Income tax provision</b>	<b>2,688</b>	<b>2,775</b>	<b>3,106</b>
<b>Net income</b>	<b>\$ 5,408</b>	<b>\$ 5,163</b>	<b>\$ 5,885</b>
<b>Earnings per Common Share — (Note 22)<sup>(a)</sup></b>			
Basic	\$ 5.67	\$ 5.07	\$ 5.58
Diluted	\$ 5.65	\$ 5.05	\$ 5.56
<b>Average common shares outstanding for earnings per common share:</b>			
Basic	933	999	1,045
Diluted	935	1,003	1,051

(a) Represents net income less (i) earnings allocated to participating share awards of \$43 million, \$38 million and \$46 million for the years ended December 31, 2016, 2015 and 2014, respectively, and (ii) dividends on preferred shares of \$80 million, \$62 million and nil for the years ended December 31, 2016, 2015 and 2014, respectively.

See Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<u>Years Ended December 31 (Millions)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Net income</u>	<u>\$ 5,408</u>	<u>\$ 5,163</u>	<u>\$ 5,885</u>
<u>Other comprehensive loss:</u>			
<u>Net unrealized securities (losses) gains, net of tax</u>	<u>(51)</u>	<u>(38)</u>	<u>33</u>
<u>Foreign currency translation adjustments, net of tax</u>	<u>(218)</u>	<u>(545)</u>	<u>(409)</u>
<u>Net unrealized pension and other postretirement benefit (losses) gains, net of tax</u>	<u>19</u>	<u>(32)</u>	<u>(117)</u>
<u>Other comprehensive loss</u>	<u>(250)</u>	<u>(615)</u>	<u>(493)</u>
<u>Comprehensive income</u>	<u>\$ 5,158</u>	<u>\$ 4,548</u>	<u>\$ 5,392</u>

See Notes to Consolidated Financial Statements.

## CONSOLIDATED BALANCE SHEETS

December 31 (Millions, except share data)	2016	2015
<b>Assets</b>		
Cash and cash equivalents		
Cash and due from banks	\$ 3,278	\$ 2,935
Interest-bearing deposits in other banks (includes securities purchased under resale agreements: 2016, \$115; 2015, \$41)	20,779	19,569
Short-term investment securities	1,151	258
Total cash and cash equivalents	25,208	22,762
Card Member loans and receivables held for sale (includes gross loans and receivables available to settle obligations of consolidated variable interest entities: 2015, \$4,966)	—	14,992
Accounts receivable		
Card Member receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2016, \$8,874; 2015, \$6,649), less reserves: 2016, \$467; 2015, \$462	46,841	43,671
Other receivables, less reserves: 2016, \$45; 2015, \$43	3,232	3,024
Loans		
Card Member loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2016, \$26,129; 2015, \$23,559), less reserves: 2016, \$1,223; 2015, \$1,028	64,042	57,545
Other loans, less reserves: 2016, \$42; 2015, \$20	1,419	1,254
Investment securities	3,157	3,759
Premises and equipment, less accumulated depreciation and amortization: 2016, \$5,145; 2015, \$6,801	4,433	4,108
Other assets (includes restricted cash of consolidated variable interest entities: 2016, \$38; 2015, \$155)	10,561	10,069
<b>Total assets</b>	<b>\$ 158,893</b>	<b>\$ 161,184</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Customer deposits	\$ 53,042	\$ 54,997
Travelers Cheques and other prepaid products	2,812	3,247
Accounts payable	11,190	11,822
Short-term borrowings (includes debt issued by a consolidated variable interest entity: 2016, nil; 2015, \$100)	5,581	4,812
Long-term debt (includes debt issued by consolidated variable interest entities: 2016, \$15,113; 2015, \$13,602)	46,990	48,061
Other liabilities	18,777	17,572
Total liabilities	\$ 138,392	\$ 140,511
<b>Contingencies and Commitments (Note 13)</b>		
<b>Shareholders' Equity</b>		
Preferred shares, \$1.66 <sup>2/3</sup> par value, authorized 20 million shares; issued and outstanding 1,600 shares as of December 31, 2016 and 2015 (Note 17)	—	—
Common shares, \$0.20 par value, authorized 3.6 billion shares; issued and outstanding 904 million shares as of December 31, 2016 and 969 million shares as of December 31, 2015	181	194
Additional paid-in capital	12,733	13,348
Retained earnings	10,371	9,665
Accumulated other comprehensive loss		
Net unrealized securities gains, net of tax of: 2016, \$5; 2015, \$32	7	58
Foreign currency translation adjustments, net of tax of: 2016, \$24; 2015, \$(100)	(2,262)	(2,044)
Net unrealized pension and other postretirement benefit losses, net of tax of: 2016, \$(186); 2015, \$(223)	(529)	(548)
Total accumulated other comprehensive loss	(2,784)	(2,534)
Total shareholders' equity	20,501	20,673
<b>Total liabilities and shareholders' equity</b>	<b>\$ 158,893</b>	<b>\$ 161,184</b>

See Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31 (Millions)	2016	2015	2014
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 5,408	\$ 5,163	\$ 5,885
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for losses	2,026	1,988	2,044
Depreciation and amortization	1,095	1,043	1,012
Deferred taxes and other	(1,132)	507	(941)
Stock-based compensation	254	234	290
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Other receivables	(281)	(714)	(56)
Other assets	192	2,058	650
Accounts payable and other liabilities	1,072	699	2,594
Travelers Cheques and other prepaid products	(410)	(367)	(488)
<b>Net cash provided by operating activities</b>	<b>8,224</b>	<b>10,611</b>	<b>10,990</b>
<b>Cash Flows from Investing Activities</b>			
Sales of available-for-sale investment securities	88	12	242
Maturities and redemptions of available-for-sale investment securities	2,429	2,091	1,116
Sales of other investments	10	—	990
Purchase of investments	(2,162)	(1,713)	(886)
Net decrease (increase) in Card Member receivables and loans, including held for sale	3,220	(6,967)	(8,077)
Purchase of premises and equipment, net of sales: 2016, \$2; 2015, \$42; 2014, \$3	(1,375)	(1,341)	(1,195)
Acquisitions/dispositions, net of cash acquired	(487)	(155)	(229)
Net decrease (increase) in restricted cash	145	(120)	72
<b>Net cash provided by (used in) investing activities</b>	<b>1,868</b>	<b>(8,193)</b>	<b>(7,967)</b>
<b>Cash Flows from Financing Activities</b>			
Net (decrease) increase in customer deposits	(1,935)	10,878	2,459
Net increase (decrease) in short-term borrowings	888	1,395	(1,374)
Issuance of long-term debt	8,824	9,923	16,020
Principal payments on long-term debt	(9,848)	(19,246)	(12,768)
Issuance of American Express preferred shares	—	841	742
Issuance of American Express common shares	177	193	362
Repurchase of American Express common shares	(4,431)	(4,480)	(4,389)
Dividends paid	(1,207)	(1,172)	(1,041)
<b>Net cash (used in) provided by financing activities</b>	<b>(7,532)</b>	<b>(1,668)</b>	<b>11</b>
Effect of foreign currency exchange rates on cash and cash equivalents	(114)	(276)	(232)
<b>Net increase in cash and cash equivalents</b>	<b>2,446</b>	<b>474</b>	<b>2,802</b>
Cash and cash equivalents at beginning of year	22,762	22,288	19,486
<b>Cash and cash equivalents at end of year</b>	<b>\$ 25,208</b>	<b>\$ 22,762</b>	<b>\$ 22,288</b>

### Supplemental cash flow information

<b>Non-cash investing activities</b>			
Transfer of Card Member loans and receivables, during the fourth quarter of 2015, to Card Member loans and receivables held for sale, net of reserves	\$ —	\$ 14,524	\$ —
<b>Non-cash financing activities</b>			
Gain on business travel joint venture transaction	\$ —	\$ —	\$ 630

See Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(Millions, except per share amounts)</i>	Total	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings
<b>Balances as of December 31, 2013</b>	\$ 19,496	\$ —	213	12,202	(1,426)	8,507
Net income	5,885	—	—	—	—	5,885
Other comprehensive loss	(493)	—	—	—	(493)	—
Preferred shares issued	742	—	—	742	—	—
Repurchase of common shares	(4,378)	—	(10)	(604)	—	(3,764)
Other changes, primarily employee plans	476	—	2	534	—	(60)
Cash dividends declared common, \$1.01 per share	(1,055)	—	—	—	—	(1,055)
<b>Balances as of December 31, 2014</b>	20,673	—	205	12,874	(1,919)	9,513
Net income	5,163	—	—	—	—	5,163
Other comprehensive loss	(615)	—	—	—	(615)	—
Preferred shares issued	841	—	—	841	—	—
Repurchase of common shares	(4,509)	—	(12)	(714)	—	(3,783)
Other changes, primarily employee plans	310	—	1	347	—	(38)
Cash dividends declared preferred	(62)	—	—	—	—	(62)
Cash dividends declared common, \$1.13 per share	(1,128)	—	—	—	—	(1,128)
<b>Balances as of December 31, 2015</b>	20,673	—	194	13,348	(2,534)	9,665
Net income	5,408	—	—	—	—	5,408
Other comprehensive loss	(250)	—	—	—	(250)	—
Repurchase of common shares	(4,421)	—	(14)	(924)	—	(3,483)
Other changes, primarily employee plans	308	—	1	309	—	(2)
Cash dividends declared preferred	(80)	—	—	—	—	(80)
Cash dividends declared common, \$1.22 per share	(1,137)	—	—	—	—	(1,137)
<b>Balances as of December 31, 2016</b>	\$ 20,501	\$ —	\$ 181	\$ 12,733	\$ (2,784)	\$ 10,371

See Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### THE COMPANY

American Express Company (the Company) is a global services company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company's principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world. Business travel-related services are offered through the non-consolidated joint venture, American Express Global Business Travel (the GBT JV). Prior to July 1, 2014, these business travel operations were wholly owned. The Company's various products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including direct mail, online applications, in-house and third-party sales forces and direct response advertising.

Effective for the first quarter of 2016, the Company realigned its segment presentation to reflect the organizational changes announced during the fourth quarter of 2015. Prior periods have been restated to conform to the new reportable operating segments, which are as follows:

- U.S. Consumer Services (USCS) issues a wide range of proprietary consumer cards and provides services to consumers in the United States, including consumer travel services;
- International Consumer and Network Services (ICNS) issues a wide range of proprietary consumer cards outside the United States and enters into partnership agreements with third-party card issuers and acquirers, licensing the American Express brand and extending the reach of the global network. It also provides travel services to consumers outside the United States;
- Global Commercial Services (GCS) issues a wide range of proprietary corporate and small business cards and provides payment and expense management services globally. In addition, GCS provides commercial financing products; and
- Global Merchant Services (GMS) operates a global payments network that processes and settles proprietary and non-proprietary card transactions. GMS acquires merchants and provides multi-channel marketing programs and capabilities, services and data analytics, leveraging the Company's global closed-loop network. GMS also operates loyalty coalition businesses in certain countries around the world.

Corporate functions and certain other businesses and operations, including the Company's Prepaid Services business and the American Express Global Business Travel (GBT) operations up to June 30, 2014, and subsequent activities related to the GBT JV, are included in Corporate & Other.

#### PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements of the Company are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Significant intercompany transactions are eliminated.

The Company consolidates entities in which it holds a "controlling financial interest." For voting interest entities, the Company is considered to hold a controlling financial interest when it is able to exercise control over the investees' operating and financial decisions. For variable interest entities (VIEs), the determination of which is based on the amount and characteristics of the entity's equity, the Company is considered to hold a controlling financial interest when it is determined to be the primary beneficiary. A primary beneficiary is the party that has both: (1) the power to direct the activities that most significantly impact that VIE's economic performance, and (2) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE.

Entities in which the Company's voting interest in common equity does not provide it with control, but allows the Company to exert significant influence over the operating and financial decisions, are accounted for under the equity method. All other investments in equity securities, to the extent they are not considered marketable securities, are accounted for under the cost method.

#### FOREIGN CURRENCY

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars based upon exchange rates prevailing at the end of the reporting period; revenues and expenses are translated at the average month-end exchange rates during the year. Resulting translation adjustments, along with any related qualifying hedge and tax effects, are included in accumulated other comprehensive income (loss) (AOCI), a component of shareholders' equity. Translation adjustments, including qualifying hedge and tax effects, are reclassified to earnings upon the sale or substantial liquidation of investments in foreign operations. Gains

and losses related to transactions in a currency other than the functional currency are reported net in Other expenses, in the Company's Consolidated Statements of Income. Net foreign currency transaction losses amounted to approximately \$18 million in 2016, and net foreign currency transaction gains amounted to approximately \$68 million and \$44 million in 2015 and 2014, respectively.

## **AMOUNTS BASED ON ESTIMATES AND ASSUMPTIONS**

Accounting estimates are an integral part of the Consolidated Financial Statements. These estimates are based, in part, on management's assumptions concerning future events. Among the more significant assumptions are those that relate to reserves for Card Member losses on loans and receivables, the proprietary point liability for Membership Rewards costs, fair value measurements, goodwill and income taxes. These accounting estimates reflect the best judgment of management, but actual results could differ.

## **INCOME STATEMENT**

### **Discount Revenue**

Discount revenue generally represents the amount earned by the Company on transactions occurring at merchants with which the Company, or a Global Network Services (GNS) partner, has entered into a card acceptance agreement for facilitating transactions between the merchants and the Company's Card Members. The amount of fees charged, or merchant discount, is generally deducted from the payment to the merchant and recorded as discount revenue at the time a Card Member enters into a point-of-sale transaction with a merchant.

Where the Company acts as the merchant acquirer and the card presented at a merchant is issued by a third-party financial institution, such as in the case of GNS partners, the Company makes financial settlement to the merchant and receives the discount revenue. In the Company's role as the operator of the card network, it also receives financial settlement from the GNS card issuer, which in turn receives an issuer rate that is individually negotiated between that issuer and the Company. The difference between the merchant discount the Company receives from the merchant (which is directly agreed between a merchant and the Company and is not based on the issuer rate) and the issuer rate received by the GNS card issuer is recorded as discount revenue.

In cases where the Company is the card issuer and the merchant acquirer is a third party (which can be the case in a country in which an Independent Operator partner is the local merchant acquirer or in the United States under our OptBlue program with certain third-party merchant acquirers), the Company receives a network rate in its settlement with the merchant acquirer, which is individually negotiated between the Company and that merchant acquirer and is recorded as discount revenue. In contrast with networks such as those operated by Visa Inc. and MasterCard Incorporated, there are no collectively set interchange rates on the American Express network, issuer rates do not serve as a basis for merchant discount rates and no fees are agreed or due between the third-party financial institution participants on the network.

### **Net Card Fees**

Net card fees represent revenue earned from annual card membership fees, which varies based on the type of card and the number of cards for each account. These fees, net of deferred acquisition costs and a reserve for projected refunds for Card Member cancellations, are deferred and recognized on a straight-line basis over the 12-month card membership period as Net Card Fees in the Consolidated Statements of Income. The unamortized net card fee balance is reported in Other Liabilities on the Consolidated Balance Sheets (refer to Note 10).

### **Other Fees and Commissions**

Other fees and commissions represent foreign currency conversion fees, Card Member delinquency fees, loyalty coalition-related fees, travel commissions and fees and service fees, which are primarily recognized in the period in which they are charged to the Card Member (refer to Note 19). In addition, service fees are also earned from other customers (e.g., merchants) for a variety of services and are recognized when the service is performed, which is generally in the period the fee is charged. Also included are fees related to the Company's Membership Rewards program, which are deferred and recognized over the period covered by the fee, typically one year; the unamortized portion of which is included in Other Liabilities on the Consolidated Balance Sheets (Refer to Note 10).

### **Contra-revenue**

The Company regularly makes payments through contractual arrangements with merchants, corporate payments clients, Card Members and certain other customers. These payments, including cash rebates and statement credits provided to Card Members, are generally classified as contra-revenue unless a specifically identifiable benefit (e.g., goods or services) is received by the Company or its Card Members in consideration for that payment, and the fair value of such benefit is determinable and measurable. If such conditions are met, then the payment is classified as expense up to the estimated fair value of the benefit. If no such benefit is

identified, then the entire payment is classified as contra-revenue and included in the Consolidated Statements of Income in the revenue line item where the related transactions are recorded (e.g., Discount revenue or Other fees and commissions).

## **Interest Income**

Interest on Card Member loans is assessed using the average daily balance method. Unless the loan is classified as non-accrual, interest is recognized based upon the principal amount outstanding, in accordance with the terms of the applicable account agreement, until the outstanding balance is paid, or written off.

Interest and dividends on investment securities primarily relate to the Company's performing fixed-income securities. Interest income is recognized as earned using the effective interest method, which adjusts the yield for security premiums and discounts, fees and other payments, so that a constant rate of return is recognized on the investment security's outstanding balance. Amounts are recognized until securities are in default or when it becomes likely that future interest payments will not be made as scheduled.

Interest on deposits with banks and other is recognized as earned, and primarily relates to the placement of cash, in excess of near-term funding requirements, in interest-bearing time deposits, overnight sweep accounts, and other interest-bearing demand and call accounts.

## **Interest Expense**

Interest expense includes interest incurred primarily to fund Card Member loans and receivables, general corporate purposes and liquidity needs, and is recognized as incurred. Interest expense is divided principally into two categories: (i) deposits, which primarily relates to interest expense on deposits taken from customers and institutions, and (ii) debt, which primarily relates to interest expense on the Company's long-term debt and short-term borrowings, as well as the realized impact of derivatives hedging interest rate risk on the Company's long-term debt.

## **Expenses**

Marketing and promotion expense includes advertising costs, which are expensed in the year in which the advertising first takes place.

## **BALANCE SHEET**

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash and amounts due from banks, interest-bearing bank balances, including securities purchased under resale agreements, and other highly liquid investments with original maturities of 90 days or less.

### **Goodwill**

Goodwill represents the excess of acquisition cost of an acquired business over the fair value of assets acquired and liabilities assumed. The Company allocates goodwill to its reporting units for the purpose of impairment testing. A reporting unit is defined as an operating segment, or a business that is one level below an operating segment, for which discrete financial information is regularly reviewed by the operating segment manager.

The Company evaluates goodwill for impairment annually as of June 30, or more frequently if events occur or circumstances change that would more likely than not reduce the fair value of one or more of the Company's reporting units below its carrying value. The Company performs an impairment evaluation of goodwill using a two-step process. The first step identifies whether there is a potential impairment by comparing the fair value of a reporting unit to the carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds the fair value, the second step of the impairment test is performed to determine the implied fair value of goodwill. An impairment loss is recognized based on the amount that the carrying amount of goodwill exceeds the implied fair value. Prior to completing the interim assessment of goodwill for impairment under the second step, the Company performs a recoverability test of certain long-lived assets by assessing the recoverability of the assets based on the cash flows generated by the relevant assets or asset groups. If the sum of undiscounted cash flow exceeds the carrying value, an impairment loss is recognized based on the amount that the carrying value of the asset or asset group exceeds its fair value. See further details in Other Intangible Assets herein.

Goodwill impairment testing involves management judgment, requiring an assessment of whether the carrying value of the reporting unit exceeded its fair value. Using widely accepted valuation techniques, the Company applies a combination of the income approach (discounted cash flows) and market approach (market multiples) to measure the fair values of its reporting units.

When preparing discounted cash flow models under the income approach, the Company uses internal forecasts to estimate future cash flows expected to be generated by the reporting units. To discount these cash flows, the Company uses the expected cost of equity, determined by using a capital asset pricing model. The Company believes the discount rates used appropriately reflect the risks and uncertainties in the financial markets generally and specifically in the Company's internally developed forecasts. When using market multiples under the market approach, the Company applies comparable publicly traded companies' multiples (e.g., earnings or revenues) to its reporting units' actual results.

## **Other Intangible Assets**

Intangible assets, primarily customer relationships, are amortized on a straight-line basis over their estimated useful lives of 1 to 22 years. The Company reviews long-lived assets and asset groups, including intangible assets, for impairment whenever events and circumstances indicate their carrying amounts may not be recoverable. An impairment is recognized if the carrying amount is not recoverable and exceeds the asset or asset group's fair value.

Certain long-lived assets, such as capitalized software development costs, are included in Premises and equipment. The Company reviews these assets for impairment using the same impairment methodology used for intangible assets.

## **Premises and Equipment**

Premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation. Costs incurred during construction are capitalized and are depreciated once an asset is placed in service. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years for equipment, furniture and building improvements, and from 40 to 50 years for premises, which are depreciated based upon their estimated useful life at the acquisition date.

Leasehold improvements are depreciated using the straight-line method over the lesser of the remaining term of the leased facility, or the economic life of the improvement, and ranges from 5 to 10 years. The Company maintains operating leases worldwide for facilities and equipment. Rent expense for facility leases is recognized ratably over the lease term, and includes adjustments for rent concessions, rent escalations and leasehold improvement allowances. The Company recognizes lease restoration obligations at the fair value of the restoration liabilities when incurred and amortizes the restoration assets over the lease term.

Certain costs associated with the acquisition or development of internal-use software are also recorded in Premises and equipment. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's estimated useful life, generally 5 years.

## **OTHER SIGNIFICANT ACCOUNTING POLICIES**

The following table identifies the Company's other significant accounting policies, along with the related Note and page number where the Note can be found.

<b><u>Significant Accounting Policy</u></b>	<b><u>Note Number</u></b>	<b><u>Note Title</u></b>	<b><u>Page</u></b>
<u>Accounts Receivable</u>	<u>Note 3</u>	<u>Loans and Accounts Receivable</u>	<u>Page 88</u>
<u>Loans</u>	<u>Note 3</u>	<u>Loans and Accounts Receivable</u>	<u>Page 88</u>
<u>Reserves for Losses</u>	<u>Note 4</u>	<u>Reserves for Losses</u>	<u>Page 94</u>
<u>Investment Securities</u>	<u>Note 5</u>	<u>Investment Securities</u>	<u>Page 96</u>
<u>Asset Securitizations</u>	<u>Note 6</u>	<u>Asset Securitizations</u>	<u>Page 97</u>
<u>Membership Rewards</u>	<u>Note 10</u>	<u>Other Liabilities</u>	<u>Page 103</u>
<u>Stock-based Compensation</u>	<u>Note 11</u>	<u>Stock Plans</u>	<u>Page 104</u>
<u>Retirement Plans</u>	<u>Note 12</u>	<u>Retirement Plans</u>	<u>Page 106</u>
<u>Legal Contingencies</u>	<u>Note 13</u>	<u>Contingencies and Commitments</u>	<u>Page 106</u>
<u>Derivative Financial Instruments and Hedging Activities</u>	<u>Note 14</u>	<u>Derivatives and Hedging Activities</u>	<u>Page 107</u>
<u>Fair Value Measurements</u>	<u>Note 15</u>	<u>Fair Values</u>	<u>Page 111</u>
<u>Income Taxes</u>	<u>Note 21</u>	<u>Income Taxes</u>	<u>Page 120</u>
<u>Regulatory Matters and Capital Adequacy</u>	<u>Note 23</u>	<u>Regulatory Matters and Capital Adequacy</u>	<u>Page 122</u>
<u>Reportable Operating Segments</u>	<u>Note 25</u>	<u>Reportable Operating Segments and Geographic Operations</u>	<u>Page 125</u>

## **RECENTLY ISSUED ACCOUNTING STANDARDS**

In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance on revenue recognition. The accounting standard establishes the principles to apply to determine the amount and timing of revenue recognition, specifying the accounting for certain costs related to revenue, and requiring additional disclosures about the nature, amount, timing and

uncertainty of revenues and related cash flows. The guidance, as amended, supersedes most of the current revenue recognition requirements, and is effective January 1, 2018, with early adoption as of January 1, 2017.

The Company will adopt the new guidance on January 1, 2018, and anticipates using the full retrospective method, which applies the new standard to each prior reporting period presented. The Company has been working on the implementation of the standard since its issuance in 2014 and has made significant progress in evaluating the potential impact on its Consolidated Financial Statements. There will be changes to the recognition timing and classification of revenues and expenses; however, the Company does not expect a significant impact to pretax income upon adoption. The Company is also in the process of implementing changes to its accounting policies, business processes, systems and internal controls to support the recognition and disclosure requirements under the new standard.

In January 2016, the FASB issued new accounting guidance on the recognition and measurement of financial assets and financial liabilities. The guidance, which is effective January 1, 2018, makes targeted changes to current GAAP, specifically to the classification and measurement of equity securities, and to certain disclosure requirements associated with the fair value of financial instruments. The Company continues to evaluate the impact this guidance will have on its financial position, results of operations and cash flows. In preparation for the implementation, the Company is evaluating the impact the guidance will have on its cost method investments, as well as the impact the standard will have on its accounting policies, business processes, systems and internal controls.

In February 2016, the FASB issued new accounting guidance on leases. The guidance, which is effective January 1, 2019, with early adoption permitted, requires virtually all leases to be recognized on the Consolidated Balance Sheets. The Company currently anticipates adopting the standard effective January 1, 2019, using the modified retrospective approach, which requires recording existing operating leases on the Consolidated Balance Sheets upon adoption and in the comparative period. The Company is in the process of identifying changes to its accounting policies, business processes, systems, and internal controls in preparation for the implementation. Specifically, the Company is currently reviewing its lease portfolio, including service contracts that may include embedded leases, and is evaluating and interpreting the requirements under the guidance, including the available accounting policy elections and practical expedients upon transition, in order to determine the impacts to the Company's financial position, results of operations and cash flows upon adoption.

In March 2016, the FASB issued new accounting guidance on employee share-based payments, adopted by the Company effective January 1, 2017, which simplifies various aspects of the accounting for share-based payment transactions, including the income tax consequences, accounting for award forfeitures, and classification on the Consolidated Statements of Cash Flows. Among other items, the guidance requires excess tax benefits and deficiencies, which under previous guidance would have been recorded within additional paid-in capital, to now be recognized in the income tax provision within the results of operations. The adoption of the guidance did not have a significant impact on the Company's financial position, results of operations or cash flows.

In June 2016, the FASB issued new accounting guidance for recognition of credit losses on financial instruments, which is effective January 1, 2020, with early adoption permitted on January 1, 2019. The guidance introduces a new credit reserving model known as the Current Expected Credit Loss (CECL) model, which is based on expected losses, and differs significantly from the incurred loss approach used today. The CECL model requires measurement of expected credit losses not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information and will likely result in earlier recognition of credit reserves. The Company does not intend to adopt the new standard early and is currently evaluating the impact the new guidance will have on its financial position, results of operations and cash flows; however, it is expected that the new CECL model will alter the assumptions used in estimating credit losses on Card Member loans and receivables, among other financial instruments (e.g., investments in available-for-sale debt securities), and may result in material changes to the Company's credit reserves.

## **CLASSIFICATION OF VARIOUS ITEMS**

Certain reclassifications of prior period amounts have been made to conform to the current period presentation. During 2016, the Company determined that in the Consolidated Statements of Cash Flows for the comparative periods ended June 30, 2015, September 30, 2015 and December 31, 2015, certain activities related to long-term debt repayments were misclassified between financing activities and operating activities. There is no impact to the Consolidated Statements of Income or Consolidated Balance Sheets. The Company has evaluated the effects of these misclassifications and concluded that none are material to any of its previously issued Consolidated Financial Statements. Nevertheless, the Company has elected to revise prospectively the comparative periods mentioned above. For the year ended December 31, 2015, this revision resulted in a \$361 million decrease to both Net cash used in financing activities and Net cash provided by operating activities. In addition, travel commissions and fees, which were previously disclosed separately on the Consolidated Statements of Income, are now included within Other fees and commissions.

## NOTE 2

### BUSINESS EVENTS

#### GLOBAL BUSINESS TRAVEL TRANSACTION

On June 30, 2014, the Company completed a transaction to establish a non-consolidated joint venture comprising the former GBT operations of the Company and an external cash investment. As a result of this transaction, the Company deconsolidated the GBT net assets, effective June 30, 2014, and began accounting for the GBT JV as an equity method investment reported in Other assets within the Consolidated Balance Sheets. Prior to the deconsolidation, GBT's operations were reported within the Corporate & Other segment.

#### LOANS AND RECEIVABLES HELD FOR SALE

During the fourth quarter of 2015, it was determined the Company would sell the Card Member loans and receivables related to its cobrand partnerships with JetBlue Airways Corporation (JetBlue) and Costco Wholesale Corporation (Costco) in the United States (the HFS portfolios). As a result, the HFS portfolios were presented as held for sale (HFS) on the Consolidated Balance Sheets within Card Member loans and receivables HFS as of December 31, 2015. The Company completed the sales of substantially all of these outstanding Card Member loans and receivables HFS during the first half of 2016 and recognized gains, as an expense reduction in Other expenses, of \$127 million and \$1.1 billion related to the JetBlue and Costco HFS portfolios, respectively. The impact of the sales is reported within the investing section of the Consolidated Statements of Cash Flows as a net decrease in Card Member receivables and loans, including held for sale. From the point of classification as HFS during the fourth quarter of 2015 through the sale completion dates, the Company continued to recognize discount revenue, interest income and other revenues and expenses related to the HFS portfolios in the respective line items on the Consolidated Statements of Income, with changes in the valuation of the HFS portfolios recognized in Other expenses.

#### GOODWILL AND TECHNOLOGY IMPAIRMENT

As discussed in Note 1, the Company evaluates goodwill for impairment annually, or more frequently if events occur or circumstances change that would more likely than not reduce the fair value of one or more of the Company's reporting units below its carrying value. Based on its annual assessment as of June 30, 2015, the Company determined that goodwill was not impaired; however, during the fourth quarter of 2015, the Company announced changes to its management organizational structure under which reconsideration of the Company's Prepaid Services business (a reporting unit that is included in Corporate & Other) occurred. As a result, the Company determined that sufficient indicators of potential impairment of goodwill existed and performed an impairment evaluation. In performing the two-step impairment evaluation, it was determined the carrying value of the Prepaid Services business' goodwill exceeded its implied fair value and the Company recognized an impairment loss. The fair value of the Prepaid Services business asset group was measured based on an income approach (discounted cash flow valuation methodology), with the assistance of a third-party valuation firm. Prior to completing the assessment of goodwill for impairment, the Company performed a recoverability test of certain long-lived assets in the Prepaid Services business and determined that certain long-lived assets, primarily technology assets, were not recoverable. As a result, during the fourth quarter of 2015, the Company recorded a \$384 million impairment charge, comprising a \$219 million write-down of the entire balance of goodwill in the Prepaid Services business and a \$165 million write-down of technology and other assets to fair value. These charges were reported in Other expenses. The Company did not recognize any significant goodwill impairment losses in either 2016 or 2014. Refer to Note 7 for further discussion of the Company's goodwill and intangible assets.

## NOTE 3

### LOANS AND ACCOUNTS RECEIVABLE

The Company's lending and charge payment card products result in the generation of Card Member loans and Card Member receivables, respectively. This Note is presented excluding amounts associated with the Card Member loans and receivables HFS as of December 31, 2015; the Company did not have any Card Member loans and receivables HFS as of December 31, 2016.

#### CARD MEMBER AND OTHER LOANS

Card Member loans are recorded at the time a Card Member enters into a point-of-sale transaction with a merchant and represent revolving amounts due on lending card products, as well as amounts due from charge Card Members who utilize the Pay Over Time features on their account and elect to revolve a portion of the outstanding balance by entering into a revolving payment arrangement with the Company. These loans have a range of terms such as credit limits, interest rates, fees and payment structures, which can be revised over time based on new information about Card Members, and in accordance with applicable regulations and the respective product's terms and conditions. Card Members holding revolving loans are typically required to make monthly payments based on pre-established amounts and the amounts that Card Members choose to revolve are subject to finance charges.

Card Member loans are presented on the Consolidated Balance Sheets net of reserves for losses (refer to Note 4), and include principal and any related accrued interest and fees. The Company's policy generally is to cease accruing interest on a Card Member loan at the time the account is written off, and establish reserves for interest that the Company believes will not be collected.

Card Member loans by segment and Other loans as of December 31, 2016 and 2015 consisted of:

(Millions)	2016	2015
U.S. Consumer Services <sup>(a)</sup>	\$ 48,758	\$ 43,495
International Consumer and Network Services	6,971	7,072
Global Commercial Services	9,536	8,006
Card Member loans	65,265	58,573
Less: Reserve for losses	1,223	1,028
Card Member loans, net	\$ 64,042	\$ 57,545
Other loans, net <sup>(b)</sup>	\$ 1,419	\$ 1,254

(a) Includes approximately \$26.1 billion and \$23.6 billion of gross Card Member loans available to settle obligations of a consolidated VIE as of December 31, 2016 and 2015, respectively.

(b) Other loans primarily represent commercial financing products. Other loans are presented net of reserves for losses of \$42 million and \$20 million as of December 31, 2016 and 2015, respectively.

#### CARD MEMBER AND OTHER RECEIVABLES

Card Member receivables are also recorded at the time a Card Member enters into a point-of-sale transaction with a merchant and represent amounts due on charge card products. Each charge card transaction is authorized based on its likely economics, a Card Member's most recent credit information and spend patterns. Additionally, global spend limits are established to limit the maximum exposure for the Company.

Charge Card Members generally must pay the full amount billed each month. Card Member receivable balances are presented on the Consolidated Balance Sheets net of reserves for losses (refer to Note 4), and include principal and any related accrued fees.

Card Member accounts receivable by segment and Other receivables as of December 31, 2016 and 2015 consisted of:

(Millions)	2016	2015
U.S. Consumer Services <sup>(a)</sup>	\$ 12,302	\$ 11,807
International Consumer and Network Services	5,966	5,599
Global Commercial Services	29,040	26,727
Card Member receivables	47,308	44,133
Less: Reserve for losses	467	462
Card Member receivables, net	\$ 46,841	\$ 43,671
Other receivables, net <sup>(b)</sup>	\$ 3,232	\$ 3,024

(a) Includes \$8.9 billion and \$6.6 billion of gross Card Member receivables available to settle obligations of a consolidated VIE as of December 31, 2016 and 2015, respectively.

(b) Other receivables primarily represent amounts related to (i) GNS partner banks for items such as royalty and franchise fees, (ii) certain merchants for billed discount revenue, and (iii) loyalty coalition partners for points issued, as well as program participation and servicing fees. Other receivables are presented net of reserves for losses of \$45 million and \$43 million as of December 31, 2016 and 2015, respectively.

## CARD MEMBER LOANS AND CARD MEMBER RECEIVABLES AGING

Generally, a Card Member account is considered past due if payment is not received within 30 days after the billing statement date. The following table presents the aging of Card Member loans and receivables as of December 31, 2016 and 2015:

2016 (Millions)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
<b>Card Member Loans:</b>					
U.S. Consumer Services	\$ 48,216	\$ 156	\$ 119	\$ 267	\$ 48,758
International Consumer and Network Services	6,863	32	24	52	6,971
Global Commercial Services					
Global Small Business Services	9,378	34	23	49	9,484
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	—	52
<b>Card Member Receivables:</b>					
U.S. Consumer Services	\$ 12,158	\$ 45	\$ 30	\$ 69	\$ 12,302
International Consumer and Network Services	5,888	22	15	41	5,966
Global Commercial Services					
Global Small Business Services	14,047	77	47	102	14,273
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	135	14,767

2015 (Millions)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
<b>Card Member Loans:</b>					
U.S. Consumer Services	\$ 43,063	\$ 128	\$ 94	\$ 210	\$ 43,495
International Consumer and Network Services	6,961	34	25	52	7,072
Global Commercial Services					
Global Small Business Services	7,867	26	18	40	7,951
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	1	55
<b>Card Member Receivables:</b>					
U.S. Consumer Services	\$ 11,646	\$ 54	\$ 32	\$ 75	\$ 11,807
International Consumer and Network Services	5,515	24	18	42	5,599
Global Commercial Services					
Global Small Business Services	12,734	69	45	102	12,950
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	124	13,777

(a) For Global Corporate Payments (GCP) Card Member loans and receivables in GCS, delinquency data is tracked based on days past billing status rather than days past due. A Card Member account is considered 90 days past billing if payment has not been received within 90 days of the Card Member's billing statement date. In addition, if the Company initiates collection procedures on an account prior to the account becoming 90 days past billing, the associated Card Member loan and receivable balance is classified as 90 days past billing. These amounts are shown above as 90+ Days Past Due for presentation purposes.

(b) Delinquency data for periods other than 90 days past billing is not available due to system constraints. Therefore, such data has not been utilized for risk management purposes. The balances that are current to 89 days past due can be derived as the difference between the Total and the 90+ Days Past Due balances.

## CREDIT QUALITY INDICATORS FOR CARD MEMBER LOANS AND RECEIVABLES

The following tables present the key credit quality indicators as of or for the years ended December 31:

	2016			2015		
	Net Write-Off Rate			Net Write-Off Rate		
	Principal Only <sup>(a)</sup>	Principal Interest, & Fees <sup>(a)</sup>	30+ Days Past Due as a % of Total	Principal Only <sup>(a)</sup>	Principal Interest, & Fees <sup>(a)</sup>	30+ Days Past Due as a % of Total
<b>Card Member Loans:</b>						
U.S. Consumer Services	1.5%	1.8%	1.1%	1.4%	1.6%	1.0%
International Consumer and Network Services	2.0%	2.5%	1.6%	1.9%	2.4%	1.6%
Global Small Business Services	1.4%	1.7%	1.1%	1.3%	1.5%	1.1%
<b>Card Member Receivables:</b>						
U.S. Consumer Services	1.4%	1.6%	1.2%	1.6%	1.8%	1.4%
International Consumer and Network Services	2.0%	2.2%	1.3%	2.1%	2.3%	1.5%
Global Small Business Services	1.5%	1.7%	1.6%	1.8%	2.1%	1.7%

	2016		2015	
	Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables	Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables
<b>Card Member Receivables:</b>				
Global Corporate Payments	0.09%	0.9%	0.09%	0.9%

(a) The Company presents a net write-off rate based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, because the Company considers uncollectible interest and/or fees in estimating its reserves for credit losses, a net write-off rate including principal, interest and/or fees is also presented. The year ended December 31, 2015, reflects the impact of a change in the timing of charge-offs for Card Member loans and receivables in certain modification programs from 180 days past due to 120 days past due, which was fully recognized during the three months ended March 31, 2015.

Refer to Note 4 for additional indicators, including external environmental qualitative factors, management considers in its monthly evaluation process for reserves for losses.

## IMPAIRED CARD MEMBER LOANS AND RECEIVABLES

Impaired Card Member loans and receivables are individual larger balance or homogeneous pools of smaller balance loans and receivables for which it is probable that the Company will be unable to collect all amounts due according to the original contractual terms of the Card Member agreement. The Company considers impaired loans and receivables to include: (i) loans over 90 days past due still accruing interest, (ii) nonaccrual loans and (iii) loans and receivables modified as troubled debt restructurings (TDRs).

In instances where the Card Member is experiencing financial difficulty, the Company may modify, through various programs, Card Member loans and receivables in order to minimize losses and improve collectability, while providing Card Members with temporary or permanent financial relief. The Company has classified Card Member loans and receivables in these modification programs as TDRs. Beginning January 1, 2015, on a prospective basis the Company continues to classify Card Member accounts that have exited a modification program as a TDR, with such accounts identified as "Out of Program TDRs."

Such modifications to the loans and receivables primarily include (i) temporary interest rate reductions (possibly as low as zero percent, in which case the loan is characterized as non-accrual in the Company's TDR disclosures), (ii) placing the Card Member on a fixed payment plan not to exceed 60 months and (iii) suspending delinquency fees until the Card Member exits the modification program. Upon entering the modification program, the Card Member's ability to make future purchases is either cancelled, or in certain cases suspended until the Card Member successfully exits the modification program. In accordance with the modification agreement with the Card Member, loans may revert back to the original contractual terms (including the contractual interest rate) when the Card Member exits the modification program, which is (i) when all payments have been made in accordance with the modification agreement or, (ii) when the Card Member defaults out of the modification program. The Company establishes a reserve for Card Member interest charges and fees considered to be uncollectible.

Reserves for Card Member loans and receivables modified as TDRs are determined as the difference between the cash flows expected to be received from the Card Member (taking into consideration the probability of subsequent defaults), discounted at the original effective interest rates, and the carrying value of the related Card Member loan or receivable balance. The Company

determines the original effective interest rate as the interest rate in effect prior to the imposition of any penalty interest rate. All changes in the impairment measurement are included in Provisions for losses in the Consolidated Statements of Income.

The following tables provide additional information with respect to the Company's impaired Card Member loans and receivables. Impaired Card Member receivables are not significant for ICNS as of December 31, 2016, 2015 and 2014; therefore, this segment's receivables are not included in the following tables.

As of December 31, 2016							
Accounts Classified as a TDR <sup>(c)</sup>							
(Millions)	Over 90 days Past Due & Accruing Interest <sup>(a)</sup>	Non-Accruals <sup>(b)</sup>	In Program <sup>(d)</sup>	Out of Program <sup>(e)</sup>	Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs
<b>Card Member Loans:</b>							
U.S. Consumer Services	\$ 178	\$ 139	\$ 165	\$ 129	\$ 611	\$ 558	\$ 51
International Consumer and Network Services	52	—	—	—	52	51	—
Global Commercial Services	30	30	26	26	112	103	9
<b>Card Member Receivables:</b>							
U.S. Consumer Services	—	—	11	6	17	17	7
Global Commercial Services	—	—	28	10	38	38	21
<b>Total</b>	<b>\$ 260</b>	<b>\$ 169</b>	<b>\$ 230</b>	<b>\$ 171</b>	<b>\$ 830</b>	<b>\$ 767</b>	<b>\$ 88</b>

As of December 31, 2015							
Accounts Classified as a TDR <sup>(c)</sup>							
(Millions)	Over 90 days Past Due & Accruing Interest <sup>(a)</sup>	Non-Accruals <sup>(b)</sup>	In Program <sup>(d)</sup>	Out of Program <sup>(e)</sup>	Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs
<b>Card Member Loans:</b>							
U.S. Consumer Services	\$ 140	\$ 124	\$ 149	\$ 89	\$ 502	\$ 463	\$ 44
International Consumer and Network Services	52	—	—	—	52	51	—
Global Commercial Services	24	26	23	18	91	85	9
<b>Card Member Receivables:</b>							
U.S. Consumer Services	—	—	11	3	14	14	8
Global Commercial Services	—	—	16	3	19	19	12
<b>Total</b>	<b>\$ 216</b>	<b>\$ 150</b>	<b>\$ 199</b>	<b>\$ 113</b>	<b>\$ 678</b>	<b>\$ 632</b>	<b>\$ 73</b>

As of December 31, 2014							
(Millions)	Over 90 days Past Due & Accruing Interest <sup>(a)</sup>	Non-Accruals <sup>(b)</sup>	In Program TDRs <sup>(c)(d)</sup>	Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs	
<b>Card Member Loans:</b>							
U.S. Consumer Services	\$ 137	\$ 204	\$ 245	\$ 586	\$ 551	\$ 57	
International Consumer and Network Services	57	—	—	57	56	—	
Global Commercial Services	24	37	41	102	95	10	
<b>Card Member Receivables:</b>							
U.S. Consumer Services	—	—	17	17	17	13	
Global Commercial Services	—	—	31	31	31	22	
<b>Total</b>	<b>\$ 218</b>	<b>\$ 241</b>	<b>\$ 334</b>	<b>\$ 793</b>	<b>\$ 750</b>	<b>\$ 102</b>	

(a) The Company's policy is generally to accrue interest through the date of write-off (typically 180 days past due). The Company establishes reserves for interest that it believes will not be collected. Amounts presented exclude Card Member loans classified as a TDR.

(b) Non-accrual loans not in modification programs primarily include certain Card Member loans placed with outside collection agencies for which the Company has ceased accruing interest. Amounts presented exclude Card Member loans classified as a TDR.

(c) Accounts classified as a TDR include \$20 million, \$20 million and \$26 million that are over 90 days past due and accruing interest and \$11 million, \$18 million and \$34 million that are non-accruals as of December 31, 2016, 2015 and 2014, respectively.

(d) In Program TDRs include Card Member accounts that are currently enrolled in a modification program.

(e) Out of Program TDRs include \$132 million and \$84 million of Card Member accounts that have successfully completed a modification program and \$39 million and \$29 million of Card Member accounts that were not in compliance with the terms of the modification programs as of December 31, 2016 and 2015, respectively.

The following table provides information with respect to the Company's average balances of, and interest income recognized from, impaired Card Member loans and the average balances of impaired Card Member receivables for the years ended December 31:

<u>2016 (Millions)</u>	<u>Average Balance</u>	<u>Interest Income Recognized</u>
<b>Card Member Loans:</b>		
U.S. Consumer Services	\$ 559	\$ 53
International Consumer and Network Services	53	15
Global Commercial Services	103	13
<b>Card Member Receivables:</b>		
U.S. Consumer Services	14	—
Global Commercial Services	28	—
<b>Total</b>	<b>\$ 757</b>	<b>\$ 81</b>

<u>2015 (Millions)</u>	<u>Average Balance</u>	<u>Interest Income Recognized</u>
<b>Card Member Loans:</b>		
U.S. Consumer Services	\$ 569	\$ 48
International Consumer and Network Services	54	14
Global Commercial Services	104	11
<b>Card Member Receivables:</b>		
U.S. Consumer Services	13	—
Global Commercial Services	20	—
<b>Total</b>	<b>\$ 760</b>	<b>\$ 73</b>

<u>2014 (Millions)</u>	<u>Average Balance</u>	<u>Interest Income Recognized</u>
<b>Card Member Loans:</b>		
U.S. Consumer Services	\$ 633	\$ 39
International Consumer and Network Services	62	16
Global Commercial Services	117	10
<b>Card Member Receivables:</b>		
U.S. Consumer Services	19	—
Global Commercial Services	28	—
<b>Total</b>	<b>\$ 859</b>	<b>\$ 65</b>

## CARD MEMBER LOANS AND RECEIVABLES MODIFIED AS TDRS

The following table provides additional information with respect to the USCS and GCS Card Member loans and receivables modified as TDRs for the years ended December 31, 2016, 2015 and 2014. The ICNS Card Member loans and receivables modifications were not significant; therefore, this segment is not included in the following TDR disclosures.

2016	Number of Accounts (in thousands)	Outstanding Balances (\$ in millions) <sup>(a)</sup>	Average Interest Rate Reduction (% points)	Average Payment Term Extensions (# of months)
<b>Troubled Debt Restructurings:</b>				
Card Member Loans	31	\$ 220	9	(b)
Card Member Receivables	9	123	(c)	18
<b>Total</b>	<b>40</b>	<b>\$ 343</b>		

2015	Number of Accounts (in thousands)	Outstanding Balances (\$ in millions) <sup>(a)</sup>	Average Interest Rate Reduction (% points)	Average Payment Term Extensions (# of months)
<b>Troubled Debt Restructurings:</b>				
Card Member Loans	40	\$ 285	9	(b)
Card Member Receivables	12	147	(c)	12
<b>Total</b>	<b>52</b>	<b>\$ 432</b>		

2014	Number of Accounts (in thousands)	Outstanding Balances (\$ in millions) <sup>(a)</sup>	Average Interest Rate Reduction (% points)	Average Payment Term Extensions (# of months)
<b>Troubled Debt Restructurings:</b>				
Card Member Loans	46	\$ 342	10	(b)
Card Member Receivables	15	176	(c)	12
<b>Total</b>	<b>61</b>	<b>\$ 518</b>		

(a) Represents the outstanding balance immediately prior to modification. The outstanding balance includes principal, fees and accrued interest on Card Member loans and principal and fees on Card Member receivables. Modifications did not reduce the principle balance.

(b) For Card Member loans, there have been no payment term extensions.

(c) The Company does not offer interest rate reduction programs for Card Member receivables as the receivables are non-interest bearing.

The following table provides information with respect to the USCS and GCS Card Member loans and receivables modified as TDRs that subsequently defaulted within 12 months of modification for the years ended December 31, 2016, 2015 and 2014. A Card Member is considered in default of a modification program after one and up to two consecutive missed payments, depending on the terms of the modification program. For all Card Members that defaulted from a modification program, the probability of default is factored into the reserves for Card Member loans and receivables.

	Number of Accounts (thousands)	Aggregated Outstanding Balances Upon Default <sup>(a)</sup> (millions)
<b>2016</b>		
<b>Troubled Debt Restructurings That Subsequently Defaulted:</b>		
Card Member Loans	7	\$ 41
Card Member Receivables	3	4
<b>Total</b>	<b>10</b>	<b>\$ 45</b>

	Number of Accounts (thousands)	Aggregated Outstanding Balances Upon Default <sup>(a)</sup> (millions)
<b>2015</b>		
<b>Troubled Debt Restructurings That Subsequently Defaulted:</b>		
Card Member Loans	8	\$ 52
Card Member Receivables	3	5
<b>Total</b>	<b>11</b>	<b>\$ 57</b>

	Number of Accounts (thousands)	Aggregated Outstanding Balances Upon Default <sup>(a)</sup> (millions)
<b>2014<sup>(b)</sup></b>		
<b>Troubled Debt Restructurings That Subsequently Defaulted:</b>		
Card Member Loans	8	\$ 52
Card Member Receivables	3	12
<b>Total</b>	<b>11</b>	<b>\$ 64</b>

(a) The outstanding balances upon default include principal, fees and accrued interest on Card Member loans, and principal and fees on Card Member receivables.

(b) The number of accounts and outstanding balances upon default have been revised to reflect the exclusion of written off accounts, which are not material.

## NOTE 4

### RESERVES FOR LOSSES

Reserves for losses relating to Card Member loans and receivables represent management's best estimate of the probable inherent losses in the Company's outstanding portfolio of loans and receivables, as of the balance sheet date. Management's evaluation process requires certain estimates and judgments.

Reserves for losses are primarily based upon statistical and analytical models that analyze portfolio performance and reflect management's judgment regarding the quantitative components of the reserve. The models take into account several factors, including delinquency-based loss migration rates, loss emergence periods and average losses and recoveries over an appropriate historical period. Management considers whether to adjust the quantitative reserves for certain external and internal qualitative factors, which may increase or decrease the reserves for losses on Card Member loans and receivables. These external factors include employment, spend, sentiment, housing and credit, and changes in the legal and regulatory environment, while the internal factors include increased risk in certain portfolios, impact of risk management initiatives, changes in underwriting requirements and overall process stability. As part of this evaluation process, management also considers various reserve coverage metrics, such as reserves as a percentage of past due amounts, reserves as a percentage of Card Member loans or receivables, and net write-off coverage ratios.

Card Member loans and receivables balances are written off when management considers amounts to be uncollectible, which is generally determined by the number of days past due and is typically no later than 180 days past due. Card Member loans and receivables in bankruptcy or owed by deceased individuals are generally written off upon notification, and recoveries are recognized as they are collected.

This Note is presented excluding amounts associated with the Card Member loans and receivables HFS as of December 31, 2015; the Company did not have any Card Member loans and receivables HFS as of December 31, 2016 or 2014.

## CHANGES IN CARD MEMBER LOANS RESERVE FOR LOSSES

The following table presents changes in the Card Member loans reserve for losses for the years ended December 31:

(Millions)	2016	2015	2014
Balance, January 1	\$ 1,028	\$ 1,201	\$ 1,261
Provisions <sup>(a)</sup>	1,235	1,190	1,138
Net write-offs			
Principal <sup>(b)</sup>	(930)	(967)	(1,023)
Interest and fees <sup>(b)</sup>	(175)	(162)	(164)
Transfer of reserves on HFS loan portfolios		(224)	
Other <sup>(c)</sup>	65	(10)	(11)
Balance, December 31	\$ 1,223	\$ 1,028	\$ 1,201

(a) Provisions for principal, interest and fee reserve components.

(b) Consists of principal write-offs, less recoveries of \$379 million, \$418 million and \$428 million, including net write-offs/(recoveries) from TDRs of \$34 million, \$41 million and \$(10) million, for the years ended December 31, 2016, 2015 and 2014, respectively. Recoveries of interest and fees were de minimis.

(c) Includes foreign currency translation adjustments of \$(10) million, \$(20) million and \$(17) million for the years ended December 31, 2016, 2015 and 2014, respectively, and other adjustments of \$8 million, \$10 million and \$12 million for the years ended December 31, 2016, 2015 and 2014, respectively. Additionally, 2016 includes reserves of \$67 million associated with \$265 million of retained Card Member loans reclassified from HFS to held for investment during the first half of the year, and 2014 includes an adjustment related to reserves for card-related fraud losses of \$(6) million, which were reclassified to Other liabilities.

## CARD MEMBER LOANS EVALUATED INDIVIDUALLY AND COLLECTIVELY FOR IMPAIRMENT

The following table presents Card Member loans evaluated individually and collectively for impairment and related reserves as of December 31:

(Millions)	2016	2015	2014
Card Member loans evaluated individually for impairment <sup>(a)</sup>	\$ 346	\$ 279	\$ 286
Related reserves <sup>(a)</sup>	\$ 60	\$ 53	\$ 67
Card Member loans evaluated collectively for impairment <sup>(b)</sup>	\$ 64,919	\$ 58,294	\$ 70,099
Related reserves <sup>(b)</sup>	\$ 1,163	\$ 975	\$ 1,134

(a) Represents loans modified as a TDR and related reserves.

(b) Represents current loans and loans less than 90 days past due, loans over 90 days past due and accruing interest, and non-accrual loans. The reserves include the quantitative results of analytical models that are specific to individual pools of loans, and reserves for internal and external qualitative risk factors that apply to loans that are collectively evaluated for impairment.

## CHANGES IN CARD MEMBER RECEIVABLES RESERVE FOR LOSSES

The following table presents changes in the Card Member receivables reserve for losses for the years ended December 31:

(Millions)	2016	2015	2014
Balance, January 1	\$ 462	\$ 465	\$ 386
Provisions <sup>(a)</sup>	696	737	792
Net write-offs <sup>(b)</sup>	(674)	(713)	(683)
Other <sup>(c)</sup>	(17)	(27)	(30)
Balance, December 31	\$ 467	\$ 462	\$ 465

(a) Provisions for principal and fee reserve components.

(b) Consists of principal and fee components, less recoveries of \$391 million, \$401 million and \$358 million, including net write-offs from TDRs of \$16 million, \$60 million and \$15 million, for the years ended December 31, 2016, 2015 and 2014, respectively.

(c) Includes foreign currency translation adjustments of \$(12) million, \$(16) million and \$(15) million for the years ended December 31, 2016, 2015 and 2014, respectively; and other adjustments of \$(5) million, \$(11) million and \$(8) million for the years ended December 31, 2016, 2015 and 2014, respectively. Additionally, 2015 includes the impact of the transfer of the HFS receivables portfolio, which was not significant, and 2014 includes an adjustment related to reserves for card-related fraud losses of \$(7) million, which was reclassified to Other liabilities.

## CARD MEMBER RECEIVABLES EVALUATED INDIVIDUALLY AND COLLECTIVELY FOR IMPAIRMENT

The following table presents Card Member receivables evaluated individually and collectively for impairment and related reserves as of December 31:

(Millions)	2016	2015	2014
Card Member receivables evaluated individually for impairment <sup>(a)</sup>	\$ 55	\$ 33	\$ 48
Related reserves <sup>(a)</sup>	\$ 28	\$ 20	\$ 35
Card Member receivables evaluated collectively for impairment	\$ 47,253	\$ 44,100	\$ 44,803
Related reserves <sup>(b)</sup>	\$ 439	\$ 442	\$ 430

(a) Represents receivables modified as a TDR and related reserves.

(b) The reserves include the quantitative results of analytical models that are specific to individual pools of receivables, and reserves for internal and external qualitative risk factors that apply to receivables that are collectively evaluated for impairment.

## NOTE 5

### INVESTMENT SECURITIES

Investment securities principally include debt securities the Company classifies as available-for-sale and carries at fair value on the Consolidated Balance Sheets, with unrealized gains and losses recorded in AOCI, net of income taxes. Realized gains and losses are recognized upon disposition of the securities using the specific identification method. Refer to Note 15 and Note 19 for a description of the Company's methodology for determining the fair value of investment securities and gross realized gains on the sale of investment securities, respectively.

The following is a summary of investment securities as of December 31:

Description of Securities (Millions)	2016				2015				2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
State and municipal obligations	\$ 2,019	\$ 28	\$ (11)	\$ 2,036	\$ 2,813	\$ 85	\$ (5)	\$ 2,893	\$ 3,366	\$ 129	\$ (2)	\$ 3,493
U.S. Government agency obligations	12	—	—	12	2	—	—	2	3	—	—	3
U.S. Government treasury obligations	465	3	(8)	460	406	4	(1)	409	346	4	—	350
Corporate debt securities	19	—	—	19	29	1	—	30	37	3	—	40
Mortgage-backed securities <sup>(a)</sup>	92	3	—	95	117	4	—	121	128	8	—	136
Equity securities	1	—	—	1	1	—	—	1	—	1	—	1
Foreign government bonds and obligations	486	1	(1)	486	250	6	(1)	255	350	9	—	359
Other <sup>(b)</sup>	50	—	(2)	48	50	—	(2)	48	50	—	(1)	49
<b>Total</b>	<b>\$ 3,144</b>	<b>\$ 35</b>	<b>\$ (22)</b>	<b>\$ 3,157</b>	<b>\$ 3,668</b>	<b>\$ 100</b>	<b>\$ (9)</b>	<b>\$ 3,759</b>	<b>\$ 4,280</b>	<b>\$ 154</b>	<b>\$ (3)</b>	<b>\$ 4,431</b>

(a) Represents mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.

(b) Other comprises investments in various mutual funds.

The following table provides information about the Company's investment securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position as of December 31:

Description of Securities (Millions)	2016				2015			
	Less than 12 months		12 months or more		Less than 12 months		12 months or more	
	Estimated Fair Value	Gross Unrealized Losses						
State and municipal obligations	\$ 153	\$ (11)	\$ —	\$ —	\$ 100	\$ (3)	\$ 13	\$ (2)
U.S. Government treasury obligations	298	(8)	—	—	253	(1)	—	—
Foreign government bonds and obligations	—	—	—	—	99	(1)	—	—
Other	—	—	32	(2)	—	—	33	(2)
<b>Total</b>	<b>\$ 451</b>	<b>\$ (19)</b>	<b>\$ 32</b>	<b>\$ (2)</b>	<b>\$ 452</b>	<b>\$ (5)</b>	<b>\$ 46</b>	<b>\$ (4)</b>

The following table summarizes the gross unrealized losses due to temporary impairments by ratio of fair value to amortized cost as of December 31:

Ratio of Fair Value to Amortized Cost (Dollars in millions)	Less than 12 months			12 months or more			Total		
	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses
<b>2016:</b>									
90%–100%	33	\$ 411	\$ (13)	6	\$ 32	\$ (2)	39	\$ 443	\$ (15)
Less than 90%	4	40	(6)	—	—	—	4	40	(6)
Total as of December 31, 2016	37	\$ 451	\$ (19)	6	\$ 32	\$ (2)	43	\$ 483	\$ (21)
<b>2015:</b>									
90%–100%	52	\$ 450	\$ (5)	15	\$ 37	\$ (2)	67	\$ 487	\$ (7)
Less than 90%	—	—	—	2	9	(2)	2	9	(2)
Total as of December 31, 2015	52	\$ 450	\$ (5)	17	\$ 46	\$ (4)	69	\$ 496	\$ (9)

The gross unrealized losses are attributed to overall wider credit spreads for state and municipal securities, wider credit spreads for specific issuers, adverse changes in market benchmark interest rates, or a combination thereof, all compared to those prevailing when the investment securities were acquired.

Overall, for the investment securities in gross unrealized loss positions, (i) the Company does not intend to sell the investment securities, (ii) it is more likely than not that the Company will not be required to sell the investment securities before recovery of the unrealized losses, and (iii) the Company expects that the contractual principal and interest will be received on the investment securities. As a result, the Company recognized no other-than-temporary impairment during the periods presented.

Weighted average yields and contractual maturities for investment securities with stated maturities as of December 31, 2016 were as follows:

(Millions)	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years	Total
State and municipal obligations <sup>(a)</sup>	\$ 17	\$ 92	\$ 274	\$ 1,653	\$ 2,036
U.S. Government agency obligations	—	—	—	12	12
U.S. Government treasury obligations	115	210	125	10	460
Corporate debt securities	19	—	—	—	19
Mortgage-backed securities <sup>(a)</sup>	—	—	—	95	95
Foreign government bonds and obligations	471	12	—	3	486
Total Estimated Fair Value	\$ 622	\$ 314	\$ 399	\$ 1,773	\$ 3,108
Total Cost	\$ 621	\$ 317	\$ 394	\$ 1,761	\$ 3,093
Weighted average yields <sup>(b)</sup>	2.90%	2.04%	5.25%	4.71%	4.16%

(a) The expected payments on state and municipal obligations and mortgage-backed securities may not coincide with their contractual maturities because the issuers have the right to call or prepay certain obligations.

(b) Average yields for investment securities have been calculated using the effective yield on the date of purchase. Yields on tax-exempt investment securities have been computed on a tax-equivalent basis using the U.S. federal statutory tax rate of 35 percent.

## NOTE 6

### ASSET SECURITIZATIONS

The Company periodically securitizes Card Member loans and receivables arising from its card businesses, including, prior to the sales discussed in Note 2, Card Member loans and receivables HFS, through the transfer of those assets to securitization trusts. The trusts then issue debt securities to third-party investors, collateralized by the transferred assets.

Card Member loans are transferred to the American Express Credit Account Master Trust (the Lending Trust) and Card Member receivables are transferred to the American Express Issuance Trust II (the Charge Trust, collectively the Trusts). The Trusts are consolidated by American Express Travel Related Services Company, Inc. (TRS), which is a consolidated subsidiary of the Company. The Trusts are considered VIEs as they have insufficient equity at risk to finance their activities, which are to issue debt securities that are collateralized by the underlying Card Member loans and receivables. Refer to Note 1, Summary of significant accounting policies for further details on the principles of consolidation.

TRS, in its role as servicer of the Trusts, has the power to direct the most significant activity of the Trusts, which is the collection of the underlying Card Member loans and receivables. In addition, TRS directly and indirectly (through its consolidated subsidiaries) holds all of the variable interests in both Trusts, with the exception of the debt securities issued to third-party investors. As of December 31, 2016, TRS' direct and indirect ownership of variable interests was \$15.1 billion for the Lending Trust and \$4.5 billion for the Charge Trust. These variable interests held by TRS provide it with the right to receive benefits and the obligation to absorb losses, which could be significant to both the Lending Trust and the Charge Trust. Based on these considerations, TRS is the primary beneficiary of both Trusts and therefore consolidates both Trusts.

The debt securities issued by the Trusts are non-recourse to the Company. The securitized Card Member loans and receivables held by the Lending Trust and the Charge Trust, respectively, are available only for payment of the debt securities or other obligations issued or arising in the securitization transactions (refer to Note 3). The long-term debt of each Trust is payable only out of collections on their respective underlying securitized assets (refer to Note 9).

The following table provides information on the restricted cash held by the Lending Trust and the Charge Trust as of December 31, 2016 and 2015, included in Other assets on the Consolidated Balance Sheets:

<i>(Millions)</i>	2016	2015
Lending Trust	\$ 35	\$ 153
Charge Trust	3	2
Total	\$ 38	\$ 155

These amounts relate to collections of Card Member loans and receivables to be used by the Trusts to fund future expenses and obligations, including interest on debt securities, credit losses and upcoming debt maturities.

Under the respective terms of the Lending Trust and the Charge Trust agreements, the occurrence of certain triggering events associated with the performance of the assets of each Trust could result in payment of trust expenses, establishment of reserve funds, or, in a worst-case scenario, early amortization of debt securities. During the year ended December 31, 2016, no such triggering events occurred.

## NOTE 7

### OTHER ASSETS

The following is a summary of Other assets as of December 31:

<i>(Millions)</i>	2016	2015
Goodwill	\$ 2,927	\$ 2,749
Deferred tax assets, net <sup>(a)</sup>	2,336	2,231
Prepaid expenses	696	851
Other intangible assets, at amortized cost	868	796
Tax Credit investments	824	638
Restricted cash <sup>(b)</sup>	286	477
Derivative assets <sup>(a)</sup>	555	282
Other	2,069	2,045
Total	\$ 10,561	\$ 10,069

- (a) Refer to Notes 14 and 21 for a discussion of derivative assets and deferred tax assets, net, respectively, as of December 31, 2016 and 2015. For 2016 and 2015, \$81 million and \$80 million, respectively, of foreign deferred tax liabilities is reflected in Other liabilities. Derivative assets reflect the impact of master netting agreements.
- (b) Includes restricted cash available to settle obligations related to certain Card Member credit balances and customer deposits, as well as coupon and maturity obligations of consolidated VIEs.

## GOODWILL

The changes in the carrying amount of goodwill reported in the Company's reportable operating segments and Corporate & Other were as follows:

(Millions)	USCS	ICNS	GCS	GMS	Corporate & Other	Total
Balance as of January 1, 2015	\$ 122	\$ 673	\$ 1,715	\$ 291	\$ 223	\$ 3,024
Acquisitions	—	—	—	—	—	—
Dispositions	—	—	—	—	—	—
Other, including impairment and foreign currency translation <sup>(a)</sup>	—	(53)	—	—	(222)	(275)
Balance as of December 31, 2015	\$ 122	\$ 620	\$ 1,715	\$ 291	\$ 1	\$ 2,749
Acquisitions	—	—	—	201	—	201
Dispositions	—	—	—	—	—	—
Other, including foreign currency translation <sup>(a)</sup>	—	(16)	(3)	(3)	(1)	(23)
Balance as of December 31, 2016	\$ 122	\$ 604	\$ 1,712	\$ 489	\$ —	\$ 2,927

<sup>(a)</sup> Includes \$1 million and \$219 million in impairment charges within Corporate & Other as of December 31, 2016 and 2015, respectively. Refer to Note 2 for additional information.

Accumulated impairment losses were \$220 million and \$219 million as of December 31, 2016 and 2015, respectively.

## OTHER INTANGIBLE ASSETS

The components of other intangible assets were as follows:

(Millions)	2016			2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 1,625	\$ (895)	\$ 730	\$ 1,506	\$ (836)	\$ 670
Other	260	(122)	138	231	(105)	126
Total	\$ 1,885	\$ (1,017)	\$ 868	\$ 1,737	\$ (941)	\$ 796

Amortization expense for the years ended December 31, 2016, 2015 and 2014 was \$194 million, \$183 million and \$174 million, respectively. Intangible assets acquired in 2016 and 2015 are being amortized, on average, over 7 and 5 years, respectively.

Estimated amortization expense for other intangible assets over the next five years is as follows:

(Millions)	2017	2018	2019	2020	2021
Estimated amortization expense	\$ 189	\$ 175	\$ 146	\$ 121	\$ 93

## TAX CREDIT INVESTMENTS

The Company accounts for its tax credit investments, including Qualified Affordable Housing (QAH) investments, using the equity method of accounting. The Company had \$824 million and \$638 million in tax credit investments as of December 31, 2016 and 2015, respectively, included in Other assets on the Consolidated Balance Sheets, of which \$798 million and \$578 million, respectively, specifically related to QAH investments. Included in QAH investments as of December 31, 2016 and 2015, the Company has \$701 million and \$489 million, respectively, specifically related to investments in unconsolidated VIEs for which the Company does not have a controlling financial interest.

As of December 31, 2016, the Company has committed to provide funding related to certain of these QAH investments, resulting in a \$266 million unfunded commitment reported in Other liabilities, of which \$239 million specifically relates to unconsolidated VIEs, which is expected to be paid between 2017 and 2029.

In addition, the Company has contractual off-balance sheet obligations, which were not deemed probable of being drawn, whereby it may provide additional funding up to \$151 million for these QAH investments as of December 31, 2016, all of which specifically relate to unconsolidated VIEs.

During the years ended December 31, 2016 and 2015, the Company recognized equity method losses related to its QAH investments of \$43 million and \$50 million, respectively, which were recognized in Other, net expenses; and associated tax credits of \$63 million and \$53 million, respectively, recognized in Income tax provision.

**NOTE 8**

**CUSTOMER DEPOSITS**

As of December 31, customer deposits were categorized as interest-bearing or non-interest-bearing as follows:

<i>(Millions)</i>	2016	2015
<b>U.S.:</b>		
Interest-bearing	\$ 52,316	\$ 54,102
Non-interest-bearing (includes Card Member credit balances of: 2016, \$331 million; 2015, \$389 million)	367	478
<b>Non-U.S.:</b>		
Interest-bearing	58	82
Non-interest-bearing (includes Card Member credit balances of: 2016, \$285 million; 2015, \$323 million)	301	335
<b>Total customer deposits</b>	<b>\$ 53,042</b>	<b>\$ 54,997</b>

Customer deposits by deposit type as of December 31 were as follows:

<i>(Millions)</i>	2016	2015
<b>U.S. retail deposits:</b>		
Savings accounts — Direct	\$ 30,980	\$ 29,023
Certificates of deposit: <sup>(a)</sup>		
Direct	291	281
Third-party (brokered)	11,925	13,856
Sweep accounts —Third-party (brokered)	9,120	10,942
<b>Other retail deposits:</b>		
Non-U.S. deposits and U.S. non-interest bearing deposits	110	183
Card Member credit balances — U.S. and non-U.S.	616	712
<b>Total customer deposits</b>	<b>\$ 53,042</b>	<b>\$ 54,997</b>

(a) The weighted average remaining maturity and weighted average rate at issuance on the total portfolio of U.S. retail CDs issued through direct and third-party programs were 46.5 months and 1.94 percent, respectively, as of December 31, 2016.

The scheduled maturities of certificates of deposit as of December 31, 2016 were as follows:

<i>(Millions)</i>	U.S.	Non-U.S.	Total
2017	\$ 3,735	\$ 15	\$ 3,750
2018	3,437	—	3,437
2019	2,396	—	2,396
2020	2,542	—	2,542
2021	106	—	106
After 5 years	—	—	—
<b>Total</b>	<b>\$ 12,216</b>	<b>\$ 15</b>	<b>\$ 12,231</b>

As of December 31, certificates of deposit in denominations of \$250,000 or more, in the aggregate, were as follows:

<i>(Millions)</i>	2016	2015
<b>U.S.</b>	<b>\$ 117</b>	<b>\$ 105</b>
<b>Non-U.S.</b>	<b>7</b>	<b>1</b>
<b>Total</b>	<b>\$ 124</b>	<b>\$ 106</b>

## NOTE 9

### DEBT

#### SHORT-TERM BORROWINGS

The Company's short-term borrowings outstanding, defined as borrowings with original contractual maturity dates of less than one year, as of December 31 were as follows:

	2016		2015	
	Outstanding Balance	Year-End Stated Rate on Debt <sup>(a)</sup>	Outstanding Balance	Year-End Stated Rate on Debt <sup>(a)</sup>
<i>(Millions, except percentages)</i>				
Commercial paper <sup>(b)</sup>	\$ 2,993	1.13 %	\$ 2,120	0.38 %
Other short-term borrowings <sup>(c)</sup>	2,588	1.28	2,692	1.11
Total	\$ 5,581	1.20 %	\$ 4,812	0.79 %

(a) For floating-rate issuances, the stated interest rates are weighted based on the outstanding balances and rates in effect as of December 31, 2016 and 2015.

(b) Average commercial paper outstanding was \$491 million and \$943 million in 2016 and 2015, respectively.

(c) Includes interest-bearing overdrafts with banks of \$369 million and \$410 million as of December 31, 2016 and 2015, respectively. In addition, balances include certain book overdrafts (i.e., primarily timing differences arising in the ordinary course of business), short-term borrowings from banks, as well as interest-bearing amounts due to merchants in accordance with merchant service agreements.

The Company maintained a 2-year committed, revolving, secured borrowing facility that gives the Company the right to sell up to \$2.0 billion face amount of eligible certificates issued from the Lending Trust at any time through September 17, 2018. As of December 31, 2016 the Company had nil outstanding under this facility. As of December 31, 2015, the Company had \$100 million drawn on this facility with an original contractual maturity of less than 1-year.

The Company paid \$8.6 million and \$6.7 million in fees to maintain the secured borrowing facility in 2016 and 2015, respectively. The committed facility does not contain a material adverse change clause, which might otherwise preclude borrowing under the facility, nor is it dependent on the Company's credit rating.

## LONG-TERM DEBT

The Company's long-term debt outstanding, defined as debt with original contractual maturity dates of one year or greater, as of December 31 was as follows:

	2016			2015			
	Original Contractual Maturity Dates	Outstanding Balance <sup>(a)</sup>	Year-End Stated Rate on Debt <sup>(b)</sup>	Year-End Effective Interest Rate with Swaps <sup>(b)(c)</sup>	Outstanding Balance <sup>(a)</sup>	Year-End Stated Rate on Debt <sup>(b)</sup>	Year-End Effective Interest Rate with Swaps <sup>(b)(c)</sup>
<i>(Millions, except percentages)</i>							
<b>American Express Company</b>							
<b>(Parent Company only)</b>							
Fixed Rate Senior Notes	2017-2042	\$ 6,932	5.13 %	4.24 %	\$ 7,546	5.15 %	4.25 %
Floating Rate Senior Notes	2018	850	1.51	—	850	0.97	—
Subordinated Notes	2024	598	3.63	1.92	1,347	5.39	4.47
<b>American Express Credit Corporation</b>							
Fixed Rate Senior Notes	2017-2021	16,201	1.98	1.44	16,469	2.16	1.28
Floating Rate Senior Notes	2017-2020	4,350	1.52	—	5,300	0.98	—
<b>American Express Centurion Bank</b>							
Fixed Rate Senior Notes	2017	1,306	5.99	4.83	1,319	5.99	4.75
Floating Rate Senior Notes	2018	125	1.26	—	125	0.81	—
<b>American Express Bank, FSB</b>							
Fixed Rate Senior Notes	2017	1,000	6.00	—	1,000	6.00	—
Floating Rate Senior Notes	2017	300	0.96	—	300	0.62	—
<b>American Express Lending Trust</b>							
Fixed Rate Senior Notes	2017	3,500	1.41	—	4,000	1.35	—
Floating Rate Senior Notes	2017-2019	7,025	1.20	—	7,025	0.82	—
Floating Rate Subordinated Notes	2017-2019	316	1.34	—	316	0.97	—
<b>American Express Charge Trust II</b>							
Floating Rate Senior Notes	2018	4,200	1.12	—	2,200	0.67	—
Floating Rate Subordinated Notes	2018	87	1.34	—	87	0.97	—
<b>Other</b>							
Fixed Rate Instruments <sup>(d)</sup>	2021-2033	24	5.62	—	29	5.62	—
Floating Rate Borrowings	2017-2019	247	0.44	—%	244	0.66	—%
Unamortized Underwriting Fees		(71)			(96)		
<b>Total Long-Term Debt</b>		<b>\$ 46,990</b>	<b>2.39 %</b>		<b>\$ 48,061</b>	<b>2.44 %</b>	

(a) The outstanding balances include (i) unamortized discount and premium, (ii) the impact of movements in exchange rates on foreign currency denominated debt and (iii) the impact of fair value hedge accounting on certain fixed-rate notes that have been swapped to floating rate through the use of interest rate swaps. Under fair value hedge accounting, the outstanding balances on these fixed-rate notes are adjusted to reflect the impact of changes in fair value due to changes in interest rates. Refer to Note 14 for more details on the Company's treatment of fair value hedges.

(b) For floating-rate issuances, the stated and effective interest rates are weighted based on the outstanding balances and rates in effect as of December 31, 2016 and 2015.

(c) Effective interest rates are only presented when swaps are in place to hedge the underlying debt.

(d) Includes \$24 million and \$29 million as of December 31, 2016 and 2015, respectively, related to capitalized lease transactions.

As of December 31, 2015, the Company had \$750 million principal outstanding of Subordinated Debentures that accrued interest at an annual rate of 6.8 percent. At the Company's option, these Subordinated Debentures were redeemed for cash on September 1, 2016 at 100 percent of the principal amount.

Aggregate annual maturities on long-term debt obligations (based on contractual maturity or anticipated redemption dates) as of December 31, 2016 were as follows:

(Millions)	2017	2018	2019	2020	2021	Thereafter	Total
American Express Company (Parent Company only)	\$ 1,500	\$ 3,850	\$ 641	\$ —	\$ —	\$ 3,147	\$ 9,138
American Express Credit Corporation	4,900	3,624	5,150	4,150	2,794	—	20,618
American Express Centurion Bank	1,300	125	—	—	—	—	1,425
American Express Bank, FSB	1,300	—	—	—	—	—	1,300
American Express Lending Trust	6,639	2,886	1,317	—	—	—	10,842
American Express Charge Trust II	—	4,287	—	—	—	—	4,287
Other	85	127	35	—	13	11	271
	\$ 15,724	\$ 14,899	\$ 7,143	\$ 4,150	\$ 2,807	\$ 3,158	\$ 47,881
Unamortized Underwriting Fees	—	—	—	—	—	—	(71)
Unamortized Discount and Premium	—	—	—	—	—	—	(844)
Impacts due to Fair Value Hedge Accounting	—	—	—	—	—	—	24
Total Long-Term Debt	—	—	—	—	—	—	\$ 46,990

The Company maintained a \$3.0 billion bank line of credit, with \$3.0 billion undrawn as of December 31, 2016 and 2015. These undrawn amounts support contingent funding needs. The availability of the credit line is subject to the Company's compliance with certain financial covenants, principally the maintenance by American Express Credit Corporation (Credco) of a 1.25 ratio of combined earnings and fixed charges, to fixed charges. As of December 31, 2016 and 2015, the Company was not in violation of any of its debt covenants.

Additionally, the Company maintained a 3-year committed, revolving, secured borrowing facility that gives the Company the right to sell up to \$3.0 billion face amount of eligible notes issued from the Charge Trust at any time through July 16, 2018. As of December 31, 2016 and 2015, \$3.0 billion and \$1.0 billion, respectively, were drawn on this facility.

The Company paid \$11.5 million and \$35.1 million in fees to maintain these lines in 2016 and 2015, respectively. These committed facilities do not contain material adverse change clauses, which might otherwise preclude borrowing under the credit facilities, nor are they dependent on the Company's credit rating.

The Company paid total interest, primarily related to short- and long-term debt, corresponding interest rate swaps and customer deposits, of \$1.7 billion, \$1.6 billion and \$1.7 billion in 2016, 2015 and 2014, respectively.

## NOTE 10

### OTHER LIABILITIES

The following is a summary of Other liabilities as of December 31:

(Millions)	2016	2015
Membership Rewards liability	\$ 7,060	\$ 6,721
Employee-related liabilities <sup>(a)</sup>	2,055	2,097
Card Member rebate and reward accruals <sup>(b)</sup>	1,382	2,238
Deferred card and other fees, net	1,411	1,343
Book overdraft balances	2,255	409
Other <sup>(c)</sup>	4,614	4,764
Total	\$ 18,777	\$ 17,572

(a) Employee-related liabilities include employee benefit plan obligations and incentive compensation.

(b) Card Member rebate and reward accruals include payments to third-party reward partners and cash-back rewards.

(c) Other includes accruals for general operating expenses, client incentives, merchant rebates, payments to third-party card-issuing partners, advertising and promotion, restructuring and reengineering reserves, QAH unfunded commitments and derivatives.

### MEMBERSHIP REWARDS

The Membership Rewards program allows enrolled Card Members to earn points that can be redeemed for a broad range of rewards including travel, entertainment, retail certificates and merchandise. The Company records a balance sheet liability that represents management's best estimate of the cost of points earned that are expected to be redeemed in the future. The weighted average cost (WAC) per point and the Ultimate Redemption Rate (URR) are key assumptions used to estimate the Membership Rewards liability.

The expense for Membership Rewards points is included in Card Member rewards expense. The Company periodically evaluates its liability estimation process and assumptions based on developments in redemption patterns, cost per point redeemed, partner contract changes and other factors.

## DEFERRED CARD AND OTHER FEES, NET

The carrying amount of deferred card and other fees, net of deferred direct acquisition costs and reserves for membership cancellations as of December 31, was as follows:

<i>(Millions)</i>	2016	2015
Deferred card and other fees <sup>(a)</sup>	\$ 1,767	\$ 1,652
Deferred direct acquisition costs	(204)	(173)
Reserves for membership cancellations	(152)	(136)
Deferred card and other fees, net	\$ 1,411	\$ 1,343

(a) Includes deferred fees for Membership Rewards program participants.

## NOTE 11

### STOCK PLANS

#### STOCK OPTION AND AWARD PROGRAMS

Under the 2016 Incentive Compensation Plan and previously under the 2007 Incentive Compensation Plan, awards may be granted to employees and other key individuals who perform services for the Company and its participating subsidiaries. These awards may be in the form of stock options, restricted stock awards or units (RSAs), portfolio grants (PGs) or other incentives, and similar awards designed to meet the requirements of non-U.S. jurisdictions.

For the Company's Incentive Compensation Plans, there were a total of 17 million, 33 million and 35 million common shares unissued and available for grant as of December 31, 2016, 2015, and 2014, respectively, as authorized by the Company's Board of Directors and shareholders.

A summary of stock option and RSA activity as of December 31, 2016 and changes during the year is presented below:

	Stock Options		RSAs	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Grant Price
<i>(Shares in thousands)</i>				
Outstanding as of December 31, 2015	10,820	\$ 44.60	7,433	\$ 74.67
Granted	2,920	63.89	4,062	55.55
Exercised/vested	(3,396)	51.40	(3,128)	63.93
Forfeited	(67)	66.02	(867)	70.99
Expired	(5)	51.87	—	—
Outstanding as of December 31, 2016	10,272	47.68	7,500	\$ 69.22
Options vested and expected to vest as of December 31, 2016	10,031	47.26	—	—
Options exercisable as of December 31, 2016	6,963	\$ 38.55	—	—

The Company recognizes the cost of employee stock awards granted in exchange for employee services based on the grant-date fair value of the award, net of expected forfeitures. Those costs are recognized ratably over the vesting period.

#### STOCK OPTIONS

Each stock option has an exercise price equal to the market price of the Company's common stock on the date of grant and a contractual term of 10 years from the date of grant. Stock options generally vest 100 percent on the third anniversary of the grant date.

The weighted-average remaining contractual life and the aggregate intrinsic value (the amount by which the fair value of the Company's stock exceeds the exercise price of the option) of the stock options outstanding, exercisable, vested, and expected to vest as of December 31, 2016, are as follows:

	Outstanding	Exercisable	Vested and Expected to Vest
Weighted-average remaining contractual life (in years)	4.8	2.8	4.7
Aggregate intrinsic value (millions)	\$ 277	\$ 248	\$ 275

The intrinsic value of options exercised during 2016, 2015 and 2014 was \$51 million, \$87 million and \$245 million, respectively, (based upon the fair value of the Company's stock price at the date of exercise). Cash received from the exercise of stock options in 2016, 2015 and 2014 was \$175 million, \$146 million and \$283 million, respectively. The tax benefit realized from income tax impacts of stock option exercises, which was recorded in additional paid-in capital, in 2016, 2015 and 2014 was \$4 million, \$18 million and \$54 million, respectively.

The fair value of each option is estimated on the date of grant using a Black-Scholes-Merton option-pricing model. The following weighted-average assumptions were used for options granted in 2016, 2015 and 2014:

	2016	2015	2014
Dividend yield	1.9%	1.1%	1.1%
Expected volatility <sup>(a)</sup>	25%	37%	38%
Risk-free interest rate	1.5%	1.7%	2.2%
Expected life of stock option (in years) <sup>(b)</sup>	6.3	6.7	6.7
Weighted-average fair value per option	\$ 13.67	\$ 29.20	\$ 32.36

(a) The expected volatility is based on both weighted historical and implied volatilities of the Company's common stock price.

(b) The expected life of stock options was determined using both historical data and expectations of option exercise behavior.

## RESTRICTED STOCK AWARDS

RSAs are valued based on the stock price on the date of grant and contain either a) service conditions or b) both service and performance conditions. RSAs containing only service conditions generally vest 25 percent per year beginning with the first anniversary of the grant date. RSAs containing both service and performance conditions generally vest on the third anniversary of the grant date, and the number of shares earned depends on the achievement of predetermined Company metrics. All RSA holders receive non-forfeitable dividends or dividend equivalents. The total fair value of shares vested during 2016, 2015 and 2014, was \$171 million, \$247 million and \$298 million, respectively (based upon the Company's stock price at the vesting date).

The weighted-average grant date fair value of RSAs granted in 2016, 2015 and 2014, was \$55.55, \$81.99 and \$86.65, respectively.

## LIABILITY-BASED AWARDS

Certain employees are awarded PGs and other incentive awards that can be settled with cash or equity shares at the Company's discretion and final Compensation and Benefits Committee payout approval. These awards earn value based on performance, market and service conditions, and vest over periods of one to three years.

PGs and other incentive awards are generally settled with cash and thus are classified as liabilities; therefore, the fair value is determined at the date of grant and remeasured quarterly as part of compensation expense over the vesting period. Cash paid upon vesting of these awards in 2016, 2015 and 2014 was \$41 million, \$74 million and \$62 million, respectively.

## SUMMARY OF STOCK PLAN EXPENSE

The components of the Company's total stock-based compensation expense (net of forfeitures) for the years ended December 31 are as follows:

(Millions)	2016	2015	2014
Restricted stock awards <sup>(a)</sup>	\$ 178	\$ 190	\$ 193
Stock options <sup>(a)</sup>	14	12	13
Liability-based awards	60	32	84
Total stock-based compensation expense <sup>(b)</sup>	\$ 252	\$ 234	\$ 290

(a) As of December 31, 2016, the total unrecognized compensation cost related to unvested RSAs and options of \$189 million and \$24 million, respectively, will be recognized ratably over the weighted-average remaining vesting period of 2.0 years and 2.1 years, respectively.

(b) The total income tax benefit recognized in the Consolidated Statements of Income for stock-based compensation arrangements for the years ended December 31, 2016, 2015 and 2014 was \$89 million, \$83 million and \$104 million, respectively.

## NOTE 12

## RETIREMENT PLANS

### DEFINED CONTRIBUTION RETIREMENT PLANS

The Company sponsors defined contribution retirement plans, the principal plan being the Retirement Savings Plan (RSP), a 401(k) savings plan with a profit-sharing component. The RSP is a tax-qualified retirement plan subject to the Employee Retirement Income Security Act of 1974 and covers most employees in the United States. The total expense for all defined contribution retirement plans globally was \$234 million, \$224 million and \$272 million in 2016, 2015 and 2014, respectively.

### DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company's primary defined benefit pension plans that cover certain employees in the United States and United Kingdom are closed to new entrants and existing participants do not accrue any additional benefits. Most employees outside the United States and United Kingdom are covered by local retirement plans, some of which are funded, while other employees receive payments at the time of retirement or termination under applicable labor laws or agreements. The Company complies with minimum funding requirements in all countries. The Company sponsors unfunded other postretirement benefit plans that provide health care and life insurance to certain retired U.S. employees. The total expense for these plans was \$24 million, \$23 million and \$24 million in 2016, 2015 and 2014, respectively.

The Company recognizes the funded status of its defined benefit pension plans and other postretirement benefit plans, measured as the difference between the fair value of the plan assets and the projected benefit obligation, in the Consolidated Balance Sheets. As of December 31, 2016 and 2015, the funded status related to the defined benefit pension plans and other postretirement benefit plans was underfunded by \$700 million and \$770 million, respectively, and is recorded in Other liabilities.

### NOTE 13

## CONTINGENCIES AND COMMITMENTS

### CONTINGENCIES

In the ordinary course of business, the Company and its subsidiaries are subject to various pending and potential legal actions, arbitration proceedings, claims, investigations, examinations, information gathering requests, subpoenas, inquiries and matters relating to compliance with laws and regulations (collectively, legal proceedings). The Company discloses its material legal proceedings under Part I, "Legal Proceedings".

In addition to the matters disclosed under "Legal Proceedings," the Company is being challenged in a number of countries regarding its application of value-added taxes (VAT) to certain of its international transactions, which are in various stages of audit, or are being contested in legal actions (collectively, VAT matters). While the Company believes it has complied with all applicable tax laws, rules and regulations in the relevant jurisdictions, the tax authorities may determine that the Company owes additional VAT. In certain jurisdictions where the Company is contesting the assessments, it was required to pay the VAT assessments prior to contesting.

The Company's legal proceedings range from cases brought by a single plaintiff to class actions with millions of putative class members. These legal proceedings involve various lines of business of the Company and a variety of claims (including, but not limited to, common law tort, contract, application of tax laws, antitrust and consumer protection claims), some of which present novel factual allegations and/or unique legal theories. While some matters pending against the Company specify the damages claimed by the plaintiff or class, many seek an unspecified amount of damages or are at very early stages of the legal process. Even when the amount of damages claimed against the Company are stated, the claimed amount may be exaggerated and/or unsupported. As a result, some matters have not yet progressed sufficiently through discovery and/or development of important factual information and legal issues to enable the Company to estimate an amount of loss or a range of possible loss, while other matters have progressed sufficiently such that the Company is able to estimate an amount of loss or a range of possible loss.

The Company has recorded reserves for certain of its outstanding legal proceedings. A reserve is recorded when it is both (a) probable that a loss has occurred and (b) the amount of loss can be reasonably estimated. There may be instances in which an exposure to loss exceeds the recorded reserve. The Company evaluates, on a quarterly basis, developments in legal proceedings that could cause an increase or decrease in the amount of the reserve that has been previously recorded, or a revision to the disclosed estimated range of possible losses, as applicable.

For those disclosed material legal proceedings and VAT matters where a loss is reasonably possible in future periods, whether in excess of a related reserve for legal or tax contingencies or where there is no such reserve, and for which the Company is able to estimate a range of possible loss, the current estimated range is zero to \$440 million in excess of any reserves related to those matters. This range represents management's estimate based on currently available information and does not represent the Company's maximum loss exposure; actual results may vary significantly. As such legal proceedings evolve, the Company may need to increase its range of possible loss or reserves.

Based on its current knowledge, and taking into consideration its litigation-related liabilities, the Company believes it is not a party to, nor are any of its properties the subject of, any legal proceeding that would have a material adverse effect on the Company's consolidated financial condition or liquidity. However, in light of the uncertainties involved in such matters, it is possible that the outcome of legal proceedings, including the possible resolution of merchant claims, could have a material impact on the Company's results of operations.

## COMMITMENTS

The Company also has obligations to make payments under contractual agreements with certain cobrand partners. The Company expects to fully satisfy these obligations over the remaining term of these agreements as part of the ongoing operations of its business.

As of December 31, 2016, the obligations under such arrangements were as follows:

<i>(Millions)</i>	
2017	\$ 72
2018	58
2019	46
2020	33
2021	169
Thereafter	10
<b>Total</b>	<b>\$ 388</b>

The Company leases certain facilities and equipment under non-cancelable and cancelable agreements, for which total rental expense was \$169 million, \$187 million and \$237 million in 2016, 2015 and 2014, respectively.

As of December 31, 2016, the minimum aggregate rental commitment under all non-cancelable operating leases (net of subleases of \$17 million) was as follows:

<i>(Millions)</i>	
2017	\$ 127
2018	108
2019	91
2020	69
2021	49
Thereafter	788
<b>Total</b>	<b>\$ 1,232</b>

As of December 31, 2016, the Company's future minimum lease payments under capital leases or other similar arrangements is approximately \$4 million per annum in 2017 through 2020, \$1 million in 2021 and \$10 million in aggregate thereafter.

## NOTE 14

### DERIVATIVES AND HEDGING ACTIVITIES

The Company uses derivative financial instruments (derivatives) to manage exposures to various market risks. These instruments derive their value from an underlying variable or multiple variables, including interest rates, foreign exchange rates, and equity index or price, and are carried at fair value on the Consolidated Balance Sheets. These instruments enable end users to increase, reduce or alter exposure to various market risks and, for that reason, are an integral component of the Company's market risk management. The Company does not transact in derivatives for trading purposes.

Market risk is the risk to earnings or asset and liability values resulting from movements in market prices. The Company's market risk exposures include:

- Interest rate risk due to changes in the relationship between interest rates on the Company's assets (such as loans, receivables and investment securities) and interest rates on the Company's liabilities (such as debt and deposits); and

Foreign exchange risk related to earnings, funding, transactions and investments in currencies other than the U.S. dollar.

The Company centrally monitors market risks using market risk limits and escalation triggers as defined in its Asset/Liability Management Policy. The Company's market exposures are in large part byproducts of the delivery of its products and services.

Interest rate risk primarily arises through the funding of Card Member receivables and fixed-rate loans with variable-rate borrowings, as well as through the risk to net interest margin from changes in the relationship between benchmark rates such as Prime and LIBOR. Interest rate exposure within the Company's charge card and fixed-rate lending products is managed by varying the proportion of total funding provided by short-term and variable-rate debt and deposits compared to fixed-rate debt and deposits. In addition, interest rate swaps are used from time to time to economically convert fixed-rate debt obligations to variable-rate obligations, or to convert variable-rate debt obligations to fixed-rate obligations. The Company may change the mix between variable-rate and fixed-rate funding based on changes in business volumes and mix, among other factors.

Foreign exchange risk is generated by Card Member cross-currency charges, foreign currency balance sheet exposures, foreign subsidiary equity and foreign currency earnings in entities outside the United States. The Company's foreign exchange risk is managed primarily by entering into agreements to buy and sell currencies on a spot basis or by hedging this market exposure, to the extent it is economically justified, through various means, including the use of derivatives such as foreign exchange forwards and cross-currency swap contracts.

In addition to the exposures mentioned previously, effective August 1, 2011, the Company entered into a total return contract (TRC) to hedge its exposure to changes in the fair value of its equity investment in the Industrial and Commercial Bank of China (ICBC) in local currency. Under the terms of the TRC, the Company received from the TRC counterparty an amount equivalent to any reduction in the fair value of its investment in ICBC in local currency, and the Company paid to the TRC counterparty an amount equivalent to any increase in the fair value of its investment in local currency, along with all dividends paid by ICBC, as well as ongoing hedge costs. The TRC was fully unwound on July 18, 2014 upon the sale of the remaining underlying ICBC shares.

Derivatives may give rise to counterparty credit risk, which is the risk that a derivative counterparty will default on, or otherwise be unable to perform pursuant to, an uncollateralized derivative exposure. The Company manages this risk by considering the current exposure, which is the replacement cost of contracts on the measurement date, as well as estimating the maximum potential value of the contracts over the next 12 months, considering such factors as the volatility of the underlying or reference index. To mitigate derivative credit risk, counterparties are required to be pre-approved by the Company and rated as investment grade, and counterparty risk exposures are centrally monitored.

Additionally, in order to mitigate the bilateral counterparty credit risk associated with derivatives, the Company has in certain instances entered into master netting agreements with its derivative counterparties, which provide a right of offset for certain exposures between the parties. A majority of the Company's derivative assets and liabilities as of December 31, 2016 and 2015 are subject to such master netting agreements with its derivative counterparties, and there are no instances in which management makes an accounting policy election to not net assets and liabilities subject to an enforceable master netting agreement on the Company's Consolidated Balance Sheets. To further mitigate bilateral counterparty credit risk, the Company exercises its rights under executed credit support agreements with certain of its derivative counterparties. These agreements require that, in the event the fair value change in the net derivatives position between the two parties exceeds certain dollar thresholds, the party in the net liability position posts collateral to its counterparty. All derivative contracts cleared through a central clearinghouse are collateralized to the full amount of the fair value of the contracts.

In relation to the Company's credit risk, under the terms of the derivative agreements it has with its various counterparties, the Company is not required to either immediately settle any outstanding liability balances or post collateral upon the occurrence of a specified credit risk-related event. Based on its assessment of the credit risk of the Company's derivative counterparties as of December 31, 2016 and 2015, no adjustment to the derivative portfolio was required.

The Company's derivatives are carried at fair value on the Consolidated Balance Sheets. The accounting for changes in fair value depends on the instruments' intended use and the resulting hedge designation, if any, as discussed below. Refer to Note 15 for a description of the Company's methodology for determining the fair value of derivatives.

The following table summarizes the total fair value, excluding interest accruals, of derivative assets and liabilities as of December 31:

(Millions)	Other Assets Fair Value		Other Liabilities Fair Value	
	2016	2015	2016	2015
Derivatives designated as hedging instruments:				
Fair value hedges - Interest rate contracts	\$ 111	\$ 236	\$ 69	\$ 9
Net investment hedges - Foreign exchange contracts	347	191	35	57
Total derivatives designated as hedging instruments	458	427	104	66
Derivatives not designated as hedging instruments:				
Foreign exchange contracts, including certain embedded derivatives <sup>(a)</sup>	308	117	176	135
Total derivatives, gross	766	544	280	201
Less: Cash collateral netting on interest rate contracts <sup>(b)</sup>	(54)	(155)	(68)	—
Derivative asset and derivative liability netting <sup>(c)</sup>	(157)	(107)	(157)	(107)
Total derivatives, net <sup>(d)</sup>	\$ 555	\$ 282	\$ 55	\$ 94

(a) Includes foreign currency derivatives embedded in certain operating agreements.

(b) Represents the offsetting of derivatives and the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivatives executed with the same counterparty under an enforceable master netting arrangement. The Company received non-cash collateral from a counterparty in the form of security interests in U.S. Treasury securities, with a fair value of \$18 million as of December 31, 2016, none of which was sold or repledged. Such non-cash collateral economically reduced the Company's risk exposure to \$537 million, but did not reduce the net exposure on the Company's Consolidated Balance Sheets. The Company did not have any such non-cash collateral as of December 31, 2015. Additionally, the Company posted \$169 million and \$149 million as of December 31, 2016 and 2015, respectively, as initial margin on its centrally cleared interest rate swaps; such amounts are recorded within Other receivables on the Consolidated Balance Sheets and are not netted against the derivative balances.

(c) Represents the amount of netting of derivative assets and derivative liabilities executed with the same counterparty under an enforceable master netting arrangement.

(d) The Company has no individually significant derivative counterparties and therefore, no significant risk exposure to any single derivative counterparty. The total net derivative assets and net derivative liabilities are presented within Other assets and Other liabilities, respectively, on the Consolidated Balance Sheets.

## DERIVATIVE FINANCIAL INSTRUMENTS THAT QUALIFY FOR HEDGE ACCOUNTING

Derivatives executed for hedge accounting purposes are documented and designated as such when the Company enters into the contracts. In accordance with its risk management policies, the Company structures its hedges with terms similar to those of the item being hedged. The Company formally assesses, at inception of the hedge accounting relationship and on a quarterly basis, whether derivatives designated as hedges are highly effective in offsetting the fair value or cash flows of the hedged items. These assessments usually are made through the application of a regression analysis method. If it is determined that a derivative is not highly effective as a hedge, the Company will discontinue the application of hedge accounting.

## FAIR VALUE HEDGES

A fair value hedge involves a derivative designated to hedge the Company's exposure to future changes in the fair value of an asset or a liability, or an identified portion thereof, that is attributable to a particular risk.

### Interest Rate Contracts

The Company is exposed to interest rate risk associated with its fixed-rate long-term debt obligations. At the time of issuance, certain fixed-rate debt obligations are designated in fair value hedging relationships, using interest rate swaps, to economically convert the fixed interest rate to a floating interest rate. The Company has \$17.7 billion and \$18.8 billion of fixed-rate debt obligations designated as fair value hedges as of December 31, 2016 and 2015, respectively.

To the extent the fair value hedge is effective, the gain or loss on the hedging instrument offsets the loss or gain on the hedged item attributable to the hedged risk. Any difference between the changes in the fair value of the derivative and the changes in the hedged item is referred to as hedge ineffectiveness and is reported as a component of Other expenses. Hedge ineffectiveness may be caused by differences between a debt obligation's interest rate and the benchmark rate, primarily due to credit spreads at inception of the hedging relationship that are not reflected in the fair value of the interest rate swap. Furthermore, hedge ineffectiveness may be caused by changes in 1-month LIBOR, 3-month LIBOR and the overnight indexed swap rate, as spreads between these rates impact the fair value of the interest rate swap without causing an exact offsetting impact to the fair value of the hedged debt.

For the periods presented, the Company considers all fair value hedges to be highly effective and did not de-designate any fair value hedge relationships.

The Company also recognized a net reduction in interest expense on long-term debt of \$224 million, \$284 million and \$283 million for the years ended December 31, 2016, 2015 and 2014, respectively, primarily related to the net settlements (interest accruals) on the Company's interest rate derivatives designated as fair value hedges.

The following table summarizes the impact on the Consolidated Statements of Income associated with the Company's fair value hedges of its fixed-rate long-term debt for the years ended December 31:

<i>(Millions)</i>	2016	2015	2014
<b>Other expenses:</b>			
Interest rate derivative contracts	\$ (184)	\$ (83)	\$ (143)
Hedged items	163	93	148
Net hedge ineffectiveness (losses) gains	\$ (21)	\$ 10	\$ 5

### **Total Return Contract**

The Company hedged its exposure to changes in the fair value of its equity investment in ICBC in local currency. The Company used a TRC to transfer its exposure to its derivative counterparty. On July 18, 2014, the Company sold its remaining shares in ICBC for a loss of \$11 million, which was fully offset by the termination of the TRC which resulted in a gain of \$11 million.

### **NET INVESTMENT HEDGES**

A net investment hedge is used to hedge future changes in currency exposure of a net investment in a foreign operation. The Company primarily designates foreign currency derivatives, typically foreign exchange forwards, and on occasion foreign currency denominated debt, as hedges of net investments in certain foreign operations. These instruments reduce exposure to changes in currency exchange rates on the Company's investments in non-U.S. subsidiaries. The effective portion of the gain or loss on net investment hedges, net of taxes, recorded in AOCI as part of the cumulative translation adjustment, were gains of \$281 million, \$577 million and \$455 million for the years ended December 31, 2016, 2015 and 2014, respectively, with any ineffective portion recognized in Other expenses during the period of change. Specifically, the net hedge ineffectiveness recognized was nil for the year ended December 31, 2016, a gain of \$1 million for the year ended December 31, 2015, and nil for the year ended December 31, 2014. Other amounts related to foreign exchange contracts reclassified from AOCI into Other expenses was a gain of \$5 million for the year ended December 31, 2016, nil for the year ended December 31, 2015, and a gain of \$10 million for the year December 31, 2014.

### **DERIVATIVES NOT DESIGNATED AS HEDGES**

The Company has derivatives that act as economic hedges, but are not designated as such for hedge accounting purposes. Foreign currency transactions and non-U.S. dollar cash flow exposures from time to time may be partially or fully economically hedged through foreign currency contracts, primarily foreign exchange forwards, options and cross-currency swaps. These hedges generally mature within one year. Foreign currency contracts involve the purchase and sale of designated currencies at an agreed upon rate for settlement on a specified date. The changes in the fair value of derivatives that are not designated as hedges are intended to offset the related foreign exchange gains or losses of the underlying foreign currency exposures. The changes in the fair value of the derivatives and the related underlying foreign currency exposures resulted in net gains of \$1 million, \$83 million and \$66 million for the years ended December 31, 2016, 2015 and 2014, respectively, and are recognized in Other expenses. From time to time, the Company also may enter into interest rate swaps to specifically manage funding costs related to its proprietary card business.

Related to its derivatives not designated as hedges, the Company previously disclosed in Note 14 to the "Consolidated Financial Statements" in its Annual Reports on Form 10-K for the years ended December 31, 2015 and 2014, a loss of \$39 million and a gain of \$194 million, respectively. These amounts should have been disclosed as a gain of \$366 million and a gain of \$712 million, respectively, which are the amounts used to calculate the above-referenced net gains of \$83 million and \$66 million. These changes to the previously disclosed amounts have no impact on the Consolidated Statements of Income, Balance Sheets or Cash Flows.

The changes in the fair value of an embedded derivative resulted in gains of \$9 million, \$5 million, and \$4 million for the years ended December 31, 2016, 2015 and 2014, respectively, and are recognized in Card Member services and other expense.

The Company also has certain operating agreements containing payments that may be linked to a market rate or price, primarily foreign currency rates. The payment components of these agreements may meet the definition of an embedded derivative, in which case the embedded derivative is accounted for separately and is classified as a foreign exchange contract based on its primary risk exposure.

## NOTE 15

### FAIR VALUES

Fair value is defined as the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in the absence of a principal, most advantageous market for the specific asset or liability.

GAAP provides for a three-level hierarchy of inputs to valuation techniques used to measure fair value, defined as follows:

- Level 1 — Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity can access.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, including:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in markets that are not active;
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 — Inputs that are unobservable and reflect the Company's own estimates about the estimates market participants would use in pricing the asset or liability based on the best information available in the circumstances (e.g., internally derived assumptions surrounding the timing and amount of expected cash flows). The Company did not measure any financial instruments presented on the Consolidated Balance Sheets at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2016 and 2015, although the disclosed fair value of certain assets that are not carried at fair value, as presented later in this Note, are classified within Level 3.

The Company monitors the market conditions and evaluates the fair value hierarchy levels at least quarterly. For any transfers in and out of the levels of the fair value hierarchy, the Company discloses the fair value measurement at the beginning of the reporting period during which the transfer occurred. For the years ended December 31, 2016 and 2015, there were no significant transfers between levels.

### FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT FAIR VALUE

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis, categorized by GAAP's fair value hierarchy (as described in the preceding paragraphs), as of December 31:

(Millions)	2016				2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Assets:</b>								
Investment securities <sup>(a)</sup>								
Equity securities and other	\$ 49	\$ 1	\$ 48	\$ —	\$ 49	\$ 1	\$ 48	\$ —
Debt securities	3,108	460	2,648	—	3,710	409	3,301	—
Derivatives <sup>(a)</sup>	765	—	765	—	544	—	544	—
<b>Total Assets</b>	<b>3,922</b>	<b>461</b>	<b>3,461</b>	<b>—</b>	<b>4,303</b>	<b>410</b>	<b>3,893</b>	<b>—</b>
<b>Liabilities:</b>								
Derivatives <sup>(a)</sup>	280	—	280	—	201	—	201	—
<b>Total Liabilities</b>	<b>\$ 280</b>	<b>\$ —</b>	<b>\$ 280</b>	<b>\$ —</b>	<b>\$ 201</b>	<b>\$ —</b>	<b>\$ 201</b>	<b>\$ —</b>

(a) Refer to Note 5 for the fair values of investment securities and to Note 14 for the fair values of derivative assets and liabilities, on a further disaggregated basis.

## VALUATION TECHNIQUES USED IN THE FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT FAIR VALUE

For the financial assets and liabilities measured at fair value on a recurring basis (categorized in the valuation hierarchy table above) the Company applies the following valuation techniques:

### Investment Securities

When available, quoted prices of identical investment securities in active markets are used to estimate fair value. Such investment securities are classified within Level 1 of the fair value hierarchy.

When quoted prices of identical investment securities in active markets are not available, the fair values for the Company's investment securities are obtained primarily from pricing services engaged by the Company, and the Company receives one price for each security. The fair values provided by the pricing services are estimated using pricing models, where the inputs to those models are based on observable market inputs or recent trades of similar securities. Such investment securities are classified within Level 2 of the fair value hierarchy. The inputs to the valuation techniques applied by the pricing services vary depending on the type of security being priced but are typically benchmark yields, benchmark security prices, credit spreads, prepayment speeds, reported trades and broker-dealer quotes, all with reasonable levels of transparency. The pricing services did not apply any adjustments to the pricing models used. In addition, the Company did not apply any adjustments to prices received from the pricing services.

The Company reaffirms its understanding of the valuation techniques used by its pricing services at least annually. In addition, the Company corroborates the prices provided by its pricing services by comparing them to alternative pricing sources. In instances where price discrepancies are identified between different pricing sources, the Company evaluates such discrepancies to ensure that the prices used for its valuation represent the fair value of the underlying investment securities. Refer to Note 5 for additional fair value information.

### Derivative Financial Instruments

The fair value of the Company's derivative financial instruments is estimated by third-party proprietary pricing models, where the inputs to those models are readily observable in actively quoted markets. The pricing models used are consistently applied and reflect the contractual terms of the derivatives as described below. The Company reaffirms its understanding of the valuation techniques used by the third-party valuation services at least annually. The Company's derivative instruments are classified within Level 2 of the fair value hierarchy.

The fair value of the Company's interest rate swaps is determined based on a discounted cash flow method using the following significant inputs: the contractual terms of the swap such as the notional amount, fixed coupon rate, floating coupon rate (based on interbank rates consistent with the frequency and currency of the interest cash flows) and tenor, as well as discount rates consistent with the underlying economic factors of the currency in which the cash flows are denominated.

The fair value of foreign exchange forward contracts is determined based on a discounted cash flow method using the following significant inputs: the contractual terms of the forward contracts such as the notional amount, maturity dates and contract rate, as well as relevant foreign currency forward curves, and discount rates consistent with the underlying economic factors of the currency in which the cash flows are denominated.

Credit valuation adjustments are necessary when the market parameters, such as a benchmark curve, used to value derivatives are not indicative of the credit quality of the Company or its counterparties. The Company considers the counterparty credit risk by applying an observable forecasted default rate to the current exposure. Refer to Note 14 for additional fair value information.

## FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The following table summarizes the estimated fair values of the Company's financial assets and financial liabilities that are not required to be carried at fair value on a recurring basis, as of December 31, 2016 and 2015. The fair values of these financial instruments are estimates based upon the market conditions and perceived risks as of December 31, 2016 and 2015, and require management's judgment. These figures may not be indicative of future fair values, nor can the fair value of the Company be estimated by aggregating the amounts presented.

2016 (Billions)	Carrying Value	Corresponding Fair Value Amount			
		Total	Level 1	Level 2	Level 3
<b>Financial Assets:</b>					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents <sup>(a)</sup>	\$ 25	\$ 25	\$ 22	\$ 3	\$ —
Other financial assets <sup>(b)</sup>	51	51	—	51	—
Financial assets carried at other than fair value					
Loans, net <sup>(c)</sup>	65	66	—	—	66
<b>Financial Liabilities:</b>					
Financial liabilities for which carrying values equal or approximate fair value					
	67	67	—	67	—
Financial liabilities carried at other than fair value					
Certificates of deposit <sup>(d)</sup>	12	12	—	12	—
Long-term debt <sup>(e)</sup>	\$ 47	\$ 48	\$ —	\$ 48	\$ —

2015 (Billions)	Carrying Value	Corresponding Fair Value Amount			
		Total	Level 1	Level 2	Level 3
<b>Financial Assets:</b>					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents <sup>(a)</sup>	\$ 23	\$ 23	\$ 22	\$ 1	\$ —
Other financial assets <sup>(b)</sup>	47	47	—	47	—
Financial assets carried at other than fair value					
Card Member loans and receivables HFS <sup>(e)</sup>	15	15	—	—	15
Loans, net <sup>(c)</sup>	59	60	—	—	60
<b>Financial Liabilities:</b>					
Financial liabilities for which carrying values equal or approximate fair value					
	67	67	—	67	—
Financial liabilities carried at other than fair value					
Certificates of deposit <sup>(d)</sup>	14	14	—	14	—
Long-term debt <sup>(e)</sup>	\$ 48	\$ 49	\$ —	\$ 49	\$ —

(a) Level 2 amounts reflect time deposits and short-term investments.

(b) Includes Card Member receivables (including fair values of Card Member receivables of \$8.8 billion and \$6.7 billion held by a consolidated VIE as of December 31, 2016 and 2015, respectively), Other receivables, restricted cash and other miscellaneous assets.

(c) Balances include amounts held by a consolidated VIE for which the fair values of Card Member loans were \$26.0 billion and \$23.5 billion as of December 31, 2016 and 2015, respectively, and the fair values of long-term debt were \$15.2 billion and \$13.6 billion as of December 31, 2016 and 2015, respectively.

(d) Presented as a component of customer deposits on the Consolidated Balance Sheets.

(e) Does not include any fair value associated with the Card Member account relationships. Refer to Note 2 for additional information.

The fair values of these financial instruments are estimates based upon the market conditions and perceived risks as of December 31, 2016, and require management judgment. These figures may not be indicative of future fair values. The fair value of the Company cannot be reliably estimated by aggregating the amounts presented.

## **VALUATION TECHNIQUES USED IN THE FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT OTHER THAN FAIR VALUE**

For the financial assets and liabilities that are not required to be carried at fair value on a recurring basis (categorized in the valuation hierarchy table) the Company applies the following valuation techniques to measure fair value:

### **Financial Assets For Which Carrying Values Equal Or Approximate Fair Value**

Financial assets for which carrying values equal or approximate fair value include cash and cash equivalents, Card Member receivables, accrued interest and certain other assets. For these assets, the carrying values approximate fair value because they are short term in duration, have no defined maturity or have a market-based interest rate.

### **Financial Assets Carried At Other Than Fair Value**

#### *Card Member loans and receivables HFS*

Card Member loans and receivables HFS are recorded at the lower of cost or fair value on the Consolidated Balance Sheets. As a result, the estimation of fair value included in the previous table does not reflect any fair value associated with the Card Member account relationships and follows the technique described under *Loans, net* below.

#### *Loans, net*

Loans are recorded at historical cost, less reserves, on the Consolidated Balance Sheets. In estimating the fair value for the Company's loans the Company uses a discounted cash flow model. Due to the lack of a comparable whole loan sales market for similar credit card loans and the lack of observable pricing inputs thereof, the Company uses various inputs derived from an equivalent securitization market to estimate fair value. Such inputs include projected income (inclusive of future interest payments and late fee revenue), estimated pay-down rates, discount rates and relevant credit costs. The valuation does not include economic value attributable to future receivables generated by the accounts associated with the loans.

### **Financial Liabilities For Which Carrying Values Equal Or Approximate Fair Value**

Financial liabilities for which carrying values equal or approximate fair value include accrued interest, customer deposits (excluding certificates of deposit, which are described further below), Travelers Cheques and other prepaid products outstanding, accounts payable, short-term borrowings and certain other liabilities for which the carrying values approximate fair value because they are short term in duration, have no defined maturity or have a market-based interest rate.

### **Financial Liabilities Carried At Other Than Fair Value**

#### *Certificates of Deposit*

Certificates of deposit (CDs) are recorded at their historical issuance cost on the Consolidated Balance Sheets. Fair value is estimated using a discounted cash flow methodology based on the future cash flows and the discount rate that reflects the Company's current rates for similar types of CDs within similar markets.

#### *Long-term Debt*

Long-term debt is recorded at historical issuance cost on the Consolidated Balance Sheets adjusted for the impact of fair value hedge accounting on certain fixed-rate notes and current translation rates for foreign-denominated debt. The fair value of the Company's long-term debt is measured using quoted offer prices when quoted market prices are available. If quoted market prices are not available, the fair value is determined by discounting the future cash flows of each instrument at rates currently observed in publicly-traded debt markets for debt of similar terms and credit risk. For long-term debt, where there are no rates currently observable in publicly traded debt markets of similar terms and comparable credit risk, the Company uses market interest rates and adjusts those rates for necessary risks, including its own credit risk. In determining an appropriate spread to reflect its credit standing, the Company considers credit default swap spreads, bond yields of other long-term debt offered by the Company, and interest rates currently offered to the Company for similar debt instruments of comparable maturities.

## **NONRECURRING FAIR VALUE MEASUREMENTS**

The Company has certain assets that are subject to measurement at fair value on a nonrecurring basis. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if determined to be impaired. During the year ended December 31, 2016, the Company did not have any material assets that were measured at fair value due to impairment. During the fourth quarter of 2015, the Company recorded a \$384 million impairment charge, consisting of a \$219 million write-down of the entire balance of goodwill in the Prepaid Services business and a \$165 million write-down of technology and other assets, to fair value, which was insignificant for the year ended December 31, 2015. Refer to Note 2 for a description of the Company's 2015 impairment charges.

## NOTE 16

### GUARANTEES

The Company provides Card Member protection plans that cover losses associated with purchased products, as well as certain other guarantees and indemnifications in the ordinary course of business. For the Company, guarantees primarily consist of card and travel protection programs, including:

- Return Protection — refunds the price of qualifying purchases made with the eligible cards where the merchant will not accept the return for up to 90 days from the date of purchase; and
- Merchant Protection — protects Card Members primarily against non-delivery of goods and services, usually in the event of bankruptcy or liquidation of a merchant. When this occurs, the Card Member may dispute the transaction for which the Company will generally credit the Card Member's account. If the Company is unable to collect the amount from the merchant, it will bear the loss for the amount credited to the Card Member. The largest component of the maximum potential future payments relates to Card Member transactions associated with travel-related merchants, primarily through business arrangements where the Company has remitted payment to such merchants for a Card Member travel purchase that has not yet been used or "flown."

In relation to its maximum potential undiscounted future payments as shown in the table that follows, to date the Company has not experienced any significant losses related to guarantees or indemnifications. The Company's initial recognition of these instruments is at fair value. In addition, the Company establishes reserves when a loss is probable and the amount can be reasonably estimated.

The following table provides information related to such guarantees and indemnifications as of December 31:

Type of Guarantee	Maximum potential undiscounted future payments (Billions) <sup>(a)</sup>		Related liability (Millions) <sup>(b)</sup>	
	2016	2015	2016	2015
Return and Merchant Protection	\$ 42	\$ 42	\$ 37	\$ 49
Other <sup>(c)</sup>	6	6	49	37
Total	\$ 48	\$ 48	\$ 86	\$ 86

(a) Represents the notional amounts that could be lost under the guarantees and indemnifications if there were a total default by the guaranteed or indemnified parties. The maximum potential undiscounted future payments for Merchant Protection are measured using management's best estimate of the maximum exposure, which is based on all eligible claims in relation to annual billed business volumes.

(b) Included in Other liabilities on the Consolidated Balance Sheets.

(c) Primarily includes guarantees related to the Company's purchase protection, real estate and business dispositions.

## NOTE 17

### COMMON AND PREFERRED SHARES

The following table shows authorized shares and provides a reconciliation of common shares issued and outstanding for the years ended December 31:

<i>(Millions, except where indicated)</i>	2016	2015	2014
Common shares authorized (billions) <sup>(a)</sup>	3.6	3.6	3.6
Shares issued and outstanding at beginning of year	969	1,023	1,064
Repurchases of common shares	(70)	(59)	(49)
Other, primarily stock option exercises and restricted stock awards granted	5	5	8
Shares issued and outstanding as of December 31	904	969	1,023

(a) Of the common shares authorized but unissued as of December 31, 2016, approximately 35 million shares are reserved for issuance under employee stock and employee benefit plans.

On September 26, 2016 the Board of Directors authorized the repurchase of 150 million of common shares over time in accordance with the Company's capital distribution plans submitted to the Board of Governors of the Federal Reserve System (the Federal Reserve) and subject to market conditions. This authorization replaces all prior repurchase authorizations. During 2016, 2015 and 2014, the Company repurchased 70 million common shares with a cost basis of \$4.4 billion, 59 million common shares with a cost basis of \$4.5 billion, and 49 million common shares with a cost basis of \$4.4 billion, respectively. The cost basis includes commissions paid of \$1.2 million, \$1.1 million and \$1.0 million in 2016, 2015 and 2014, respectively. As of December 31, 2016, the Company had approximately 135 million common shares remaining under the Board share repurchase authorization. Such authorization does not have an expiration date.

Common shares are generally retired by the Company upon repurchase (except for 3.0 million, 3.0 million and 3.2 million shares held as treasury shares as of December 31, 2016, 2015 and 2014, respectively); retired common shares and treasury shares are excluded from the shares outstanding in the table above. The treasury shares, with a cost basis of \$197 million, \$242 million and \$280 million as of December 31, 2016, 2015 and 2014, respectively, are included as a reduction to additional paid-in capital in shareholders' equity on the Consolidated Balance Sheets.

### PREFERRED SHARES

The Board of Directors is authorized to permit the Company to issue up to 20 million Preferred Shares at a par value of \$1.66<sup>2/3</sup> without further shareholder approval. The Company has the following perpetual Fixed Rate/Floating Rate Noncumulative Preferred Share series issued and outstanding as of December 31, 2016:

	Series B	Series C
Issuance date	November 10, 2014	March 2, 2015
Securities issued	750 Preferred Shares; represented by 750,000 depositary shares	850 Preferred Shares; represented by 850,000 depositary shares
Aggregate liquidation preference	\$750 million	\$850 million
Fixed dividend rate per annum	5.20%	4.90%
Semi-annual fixed dividend payment dates	Beginning May 15, 2015	Beginning September 15, 2015
Floating dividend rate per annum	3 month LIBOR+ 3.428%	3 month LIBOR+ 3.285%
Quarterly floating dividend payment dates	Beginning February 15, 2020	Beginning June 15, 2020
Fixed to floating rate conversion date <sup>(a)</sup>	November 15, 2019	March 15, 2020

(a) The date on which dividends convert from a fixed-rate calculation to a floating rate calculation.

In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Company, the preferred stock then outstanding takes precedence over the Company's common stock for the payment of dividends and the distribution of assets out of funds legally available for distribution to shareholders. Each outstanding series of Preferred Shares has a liquidation price of \$1 million per Preferred Share, plus any accrued but unpaid dividends. The Company may redeem these Preferred Shares at \$1 million per Preferred Share (equivalent to \$1,000 per depositary share) plus any declared but unpaid dividends in whole or in part, from time to time, on any dividend payment date on or after the respective fixed to floating rate conversion date, or in whole, but not in part, within 90 days of certain bank regulatory changes.

There were no warrants issued and outstanding as of December 31, 2016, 2015 and 2014.

**NOTE 18**

**CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME**

AOCI is a balance sheet item in the Shareholders' Equity section of the Company's Consolidated Balance Sheets. It is comprised of items that have not been recognized in earnings but may be recognized in earnings in the future when certain events occur. Changes in each component for the three years ended December 31 were as follows:

<i>(Millions)</i> , net of tax <sup>(a)</sup>	Net Unrealized Gains (Losses) on Investment Securities	Foreign Currency Translation Adjustments	Net Unrealized Pension and Other Postretirement Benefit Gains (Losses)	Accumulated Other Comprehensive (Loss) Income
<b>Balances as of December 31, 2013</b>	\$ 63	\$ (1,090)	\$ (399)	\$ (1,426)
Net unrealized gains	104	—	—	104
Decrease due to amounts reclassified into earnings	(71)	5	—	(66)
Net translation loss of investments in foreign operations	—	(869)	—	(869)
Net gains related to hedges of investments in foreign operations	—	455	—	455
Pension and other postretirement benefit losses	—	—	(117)	(117)
<b>Net change in accumulated other comprehensive income (loss)</b>	<b>33</b>	<b>(409)</b>	<b>(117)</b>	<b>(493)</b>
<b>Balances as of December 31, 2014</b>	<b>96</b>	<b>(1,499)</b>	<b>(516)</b>	<b>(1,919)</b>
Net unrealized losses	(37)	—	—	(37)
Decrease due to amounts reclassified into earnings	(1)	(1)	—	(2)
Net translation loss of investments in foreign operations	—	(1,122)	—	(1,122)
Net gains related to hedges of investments in foreign operations	—	578	—	578
Pension and other postretirement benefit losses	—	—	(32)	(32)
<b>Net change in accumulated other comprehensive loss</b>	<b>(38)</b>	<b>(545)</b>	<b>(32)</b>	<b>(615)</b>
<b>Balances as of December 31, 2015</b>	<b>58</b>	<b>(2,044)</b>	<b>(548)</b>	<b>(2,534)</b>
Net unrealized losses	(45)	—	—	(45)
Decrease due to amounts reclassified into earnings	(6)	4	—	(2)
Net translation loss of investments in foreign operations	—	(503)	—	(503)
Net gains related to hedges of investment in foreign operations	—	281	—	281
Pension and other postretirement benefit gains	—	—	19	19
<b>Net change in accumulated other comprehensive (loss) income</b>	<b>(51)</b>	<b>(218)</b>	<b>19</b>	<b>(250)</b>
<b>Balances as of December 31, 2016</b>	<b>\$ 7</b>	<b>\$ (2,262)</b>	<b>\$ (529)</b>	<b>\$ (2,784)</b>

(a) The following table shows the tax impact for the three years ended December 31 for the changes in each component of AOCI:

<i>(Millions)</i>	Tax expense (benefit)		
	2016	2015	2014
Investment securities	\$ (27)	\$ (20)	\$ 19
Foreign currency translation adjustments	(15)	(124)	(64)
Net investment hedges	139	340	273
Pension and other postretirement benefit losses	37	—	(46)
<b>Total tax impact</b>	<b>\$ 134</b>	<b>\$ 196</b>	<b>\$ 182</b>

The following table presents the effects of reclassifications out of AOCI and into the Consolidated Statements of Income for the years ended December 31:

Description (Millions)	Income Statement Line Item	Gains (losses) recognized in earnings	
		2016	2015
<b>Available-for-sale securities</b>			
Reclassifications for previously unrealized net gains on investment securities	Other non-interest revenues	\$ 9	\$ 1
Related income tax expense	Income tax provision	(3)	—
Reclassification to net income related to available-for-sale securities		6	1
<b>Foreign currency translation adjustments</b>			
Reclassification of realized losses on translation adjustments and related net investment hedges	Other expenses	(4)	1
Related income tax expense	Income tax provision	—	—
Reclassification to net income related to foreign currency translation adjustments		(4)	1
<b>Total</b>		<b>\$ 2</b>	<b>\$ 2</b>

## NOTE 19

### NON-INTEREST REVENUE AND EXPENSE DETAIL

The following is a detail of Other fees and commissions for the years ended December 31:

(Millions)	2016	2015	2014
Foreign currency conversion fee revenue	\$ 809	\$ 852	\$ 877
Delinquency fees	762	788	722
Loyalty coalition-related fees	410	379	383
Travel commissions and fees	338	349	1,118
Service fees	291	361	366
Other <sup>(a)</sup>	143	137	160
<b>Total Other fees and commissions</b>	<b>\$ 2,753</b>	<b>\$ 2,866</b>	<b>\$ 3,626</b>

(a) Other primarily includes revenues from fees related to Membership Rewards programs.

The following is a detail of Other revenues for the years ended December 31:

(Millions)	2016	2015	2014
Gain on sale of investment in Concur Technologies	\$ —	\$ —	\$ 744
Global Network Services partner revenues	654	640	694
Gross realized gains on sale of investment securities	9	1	100
Other <sup>(a)</sup>	1,366	1,392	1,451
<b>Total Other revenues</b>	<b>\$ 2,029</b>	<b>\$ 2,033</b>	<b>\$ 2,989</b>

(a) Other includes revenues arising from net revenue earned on cross-border Card Member spending, insurance premiums earned from Card Member travel and other insurance programs, merchant-related fees, Prepaid card and Travelers Cheque-related revenues, revenues related to the GBT JV transition services agreement, earnings from equity method investments (including the GBT JV) and other miscellaneous revenue and fees.

The following is a detail of Other expenses for the years ended December 31:

(Millions)	2016	2015	2014
Professional services	\$ 2,583	\$ 2,750	\$ 3,008
Occupancy and equipment	1,838	1,854	1,807
Communications	302	345	383
Card and merchant-related fraud losses <sup>(a)</sup>	223	308	369
Goodwill and long-lived asset impairment	—	384	—
Gain on business travel joint venture transaction	—	—	(630)
Gain on sale of HFS portfolios <sup>(b)</sup>	(1,218)	—	—
Other <sup>(c)</sup>	1,434	1,152	1,152
<b>Total Other expenses</b>	<b>\$ 5,162</b>	<b>\$ 6,793</b>	<b>\$ 6,089</b>

(a) Beginning January 1, 2015, merchant-related fraud losses are reported within Other expenses.

(b) Refer to Note 2 for additional information.

(c) Other expense primarily includes general operating expenses, gains and losses on sales of assets or businesses not classified as discontinued operations, regulatory and litigation-related costs, certain Card Member reimbursements, insurance costs, certain loyalty coalition-related expenses, and foreign currency-related gains and losses (including the favorable impact from the reassessment of the functional currency of certain UK legal entities in the year ended December 31, 2015). In addition, effective December 1, 2015, Other expenses includes the valuation allowance adjustment associated with loans and receivables HFS.

## NOTE 20

### RESTRUCTURING

The Company initiates restructuring programs to support new business strategies and to enhance its overall effectiveness and efficiency. In connection with these programs, the Company typically will incur severance and other exit costs.

The following table summarizes the Company's restructuring reserves activity for the years ended December 31, 2016, 2015 and 2014:

<i>(Millions)</i>	Severance	Other <sup>(a)</sup>	Total
Liability balance as of December 31, 2013	\$ 196	\$ 37	\$ 233
Restructuring charges, net of \$35 in revisions <sup>(b)</sup>	383	28	411
Payments	(93)	(22)	(115)
Other non-cash <sup>(c)</sup>	(51)	(8)	(59)
Liability balance as of December 31, 2014	435	35	470
Restructuring charges, net of \$61 in revisions <sup>(b)</sup>	(33)	7	(26)
Payments	(141)	(14)	(155)
Other non-cash <sup>(d)</sup>	(23)	(5)	(28)
Liability balance at December 31, 2015	238	23	261
Restructuring charges, net of \$81 in revisions <sup>(b)</sup>	305	24	329
Payments	(171)	(21)	(192)
Other non-cash <sup>(d)</sup>	(12)	(3)	(15)
Liability balance as of December 31, 2016 <sup>(e)</sup>	\$ 360	\$ 23	\$ 383

(a) Other primarily includes facility exit and contract termination costs.

(b) Revisions primarily relate to higher than anticipated redeployments of displaced employees to other positions within the Company, business changes and modifications to existing initiatives.

(c) Consists of \$42 million reserve transferred to the GBT JV in the second quarter of 2014 as part of the GBT sale and \$17 million of foreign exchange and other non-cash charges.

(d) Consists primarily of foreign exchange impacts and other non-cash charges.

(e) The majority of cash payments related to the remaining restructuring liabilities are expected to be completed in 2017, and to a lesser extent certain contractual long-term severance arrangements and lease obligations are expected to be completed in 2018 and 2023, respectively.

Restructuring charges related to severance obligations are included in salaries and employee benefits in the Company's Consolidated Statements of Income, while charges pertaining to other exit costs are included in occupancy and equipment and other expenses.

The following table summarizes the Company's restructuring charges, net of revisions, by reportable operating segment and Corporate & Other for the year ended December 31, 2016, and the cumulative amounts relating to the restructuring programs that were in progress during 2016 and initiated at various dates between 2011 and 2016.

<i>(Millions)</i>	2016	Cumulative Restructuring Expense Incurred To Date On In-Progress Restructuring Programs		
	Total Restructuring Charges, net revisions	Severance	Other	Total
USCS	\$ 21	\$ 101	\$ —	\$ 101
ICNS	27	216	—	216
GCS	49	116	—	116
GMS	14	43	—	43
Corporate & Other	218	282	117	399 <sup>(a)</sup>
Total	\$ 329	\$ 758	\$ 117	\$ 875 <sup>(b)</sup>

(a) Corporate & Other includes certain severance and other charges of \$322 million related to Companywide support functions which were not allocated to the Company's reportable operating segments, as these were corporate initiatives, which is consistent with how such charges were reported internally.

(b) As of December 31, 2016, the total expenses to be incurred for previously approved restructuring activities that were in progress are not expected to be materially different than the cumulative expenses incurred to date for these programs.

## NOTE 21 INCOME TAXES

The components of income tax expense for the years ended December 31 included in the Consolidated Statements of Income were as follows:

<i>(Millions)</i>	2016	2015	2014
<b>Current income tax expense:</b>			
U.S. federal	\$ 2,179	\$ 2,107	\$ 2,136
U.S. state and local	272	335	264
Non-U.S.	342	416	412
<b>Total current income tax expense</b>	<b>2,793</b>	<b>2,858</b>	<b>2,812</b>
<b>Deferred income tax (benefit) expense:</b>			
U.S. federal	(45)	(23)	352
U.S. state and local	(8)	(5)	39
Non-U.S.	(52)	(55)	(97)
<b>Total deferred income tax (benefit) expense</b>	<b>(105)</b>	<b>(83)</b>	<b>294</b>
<b>Total income tax expense</b>	<b>\$ 2,688</b>	<b>\$ 2,775</b>	<b>\$ 3,106</b>

A reconciliation of the U.S. federal statutory rate of 35 percent to the Company's actual income tax rate for the years ended December 31 on continuing operations was as follows:

	2016	2015	2014
U.S. statutory federal income tax rate	35.0 %	35.0 %	35.0 %
(Decrease) increase in taxes resulting from:			
Tax-exempt income	(1.7)	(1.7)	(1.5)
State and local income taxes, net of federal benefit	2.7	2.8	2.7
Non-U.S. subsidiaries earnings <sup>(a)</sup>	(2.0)	(1.8)	(2.2)
Tax settlements <sup>(b)</sup>	(0.6)	(0.2)	(0.5)
Non deductible expenses <sup>(c)</sup>	—	0.9	—
Other	(0.2)	—	1.0
<b>Actual tax rates<sup>(a)</sup></b>	<b>33.2 %</b>	<b>35.0 %</b>	<b>34.5 %</b>

(a) Results for all years primarily included tax benefits associated with the undistributed earnings of certain non-U.S. subsidiaries that were deemed to be reinvested indefinitely.

(b) Relates to the resolution of tax matters in various jurisdictions.

(c) Relates to the nondeductible portion of the Prepaid Services goodwill impairment in 2015.

The Company records a deferred income tax (benefit) provision when there are differences between assets and liabilities measured for financial reporting and for income tax return purposes. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse.

The significant components of deferred tax assets and liabilities as of December 31 are reflected in the following table:

<i>(Millions)</i>	2016	2015
<b>Deferred tax assets:</b>		
Reserves not yet deducted for tax purposes	\$ 3,889	\$ 3,771
Employee compensation and benefits	595	648
Other	592	520
<b>Gross deferred tax assets</b>	<b>5,076</b>	<b>4,939</b>
Valuation allowance	(54)	(58)
<b>Deferred tax assets after valuation allowance</b>	<b>5,022</b>	<b>4,881</b>
<b>Deferred tax liabilities:</b>		
Intangibles and fixed assets	1,691	1,547
Deferred revenue	441	509
Deferred interest	305	323
Investment in joint ventures	209	231
Other	121	120
<b>Gross deferred tax liabilities</b>	<b>2,767</b>	<b>2,730</b>
<b>Net deferred tax assets</b>	<b>\$ 2,255</b>	<b>\$ 2,151</b>

A valuation allowance is established when management determines that it is more likely than not that all or some portion of the benefit of the deferred tax assets will not be realized. The valuation allowances as of December 31, 2016 and 2015 are associated with net operating losses and other deferred tax assets in certain non-U.S. operations of the Company.

Accumulated earnings of certain non-U.S. subsidiaries, which totaled approximately \$10.4 billion as of December 31, 2016, are intended to be permanently reinvested outside the United States. The Company does not provide for federal income taxes on foreign earnings intended to be permanently reinvested outside the United States. Accordingly, federal taxes, which would have aggregated approximately \$3.2 billion as of December 31, 2016, have not been provided on such earnings.

Net income taxes paid by the Company during 2016, 2015 and 2014, were approximately \$3.0 billion, \$3.4 billion and \$2.5 billion, respectively. These amounts include estimated tax payments and cash settlements relating to prior tax years.

The Company is subject to the income tax laws of the United States, its states and municipalities and those of the foreign jurisdictions in which the Company operates. These tax laws are complex, and the manner in which they apply to the taxpayer's facts is sometimes open to interpretation. Given these inherent complexities, the Company must make judgments in assessing the likelihood that a tax position will be sustained upon examination by the taxing authorities based on the technical merits of the tax position. A tax position is recognized only when, based on management's judgment regarding the application of income tax laws, it is more likely than not that the tax position will be sustained upon examination. The amount of benefit recognized for financial reporting purposes is based on management's best judgment of the largest amount of benefit that is more likely than not to be realized on ultimate settlement with the taxing authority given the facts, circumstances and information available at the reporting date. The Company adjusts the level of unrecognized tax benefits when there is new information available to assess the likelihood of the outcome.

The Company is under continuous examination by the Internal Revenue Service (IRS) and tax authorities in other countries and states in which the Company has significant business operations. The tax years under examination and open for examination vary by jurisdiction. The IRS has completed its field examination of the Company's federal tax returns for years through 2007; however, refund claims for certain years continue to be reviewed by the IRS. In addition, the Company is currently under examination by the IRS for the years 2008 through 2014.

The following table presents changes in unrecognized tax benefits:

<u>(Millions)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Balance, January 1</u>	<u>\$ 870</u>	<u>\$ 909</u>	<u>\$ 1,044</u>
<u>Increases:</u>			
<u>Current year tax positions</u>	<u>167</u>	<u>81</u>	<u>4</u>
<u>Tax positions related to prior years</u>	<u>117</u>	<u>177</u>	<u>111</u>
<u>Decreases:</u>			
<u>Tax positions related to prior years</u>	<u>(81)</u>	<u>(256)</u>	<u>(181)</u>
<u>Settlements with tax authorities</u>	<u>(76)</u>	<u>(15)</u>	<u>(67)</u>
<u>Lapse of statute of limitations</u>	<u>(22)</u>	<u>(26)</u>	<u>(1)</u>
<u>Effects of foreign currency translations</u>	<u>(1)</u>	<u>—</u>	<u>(1)</u>
<u>Balance, December 31</u>	<u>\$ 974</u>	<u>\$ 870</u>	<u>\$ 909</u>

Included in the unrecognized tax benefits of \$1.0 billion, \$0.9 billion and \$0.9 billion for December 31, 2016, 2015 and 2014, respectively, are approximately \$516 million, \$502 million and \$412 million, respectively, that, if recognized, would favorably affect the effective tax rate in a future period.

The Company believes it is reasonably possible that its unrecognized tax benefits could decrease within the next 12 months by as much as \$449 million, principally as a result of potential resolutions of prior years' tax items with various taxing authorities. The prior years' tax items include unrecognized tax benefits relating to the deductibility of certain expenses or losses and the attribution of taxable income to a particular jurisdiction or jurisdictions. Of the \$449 million of unrecognized tax benefits, approximately \$309 million relates to amounts that, if recognized, would be recorded in shareholders' equity and would not impact the Company's results of operations or its effective tax rate. In January 2017, the Company reached resolution with the IRS on an item comprising approximately \$289 million of the \$309 million referenced above. As a result, \$289 million will be recognized in shareholders' equity in the first quarter of 2017.

Interest and penalties relating to unrecognized tax benefits are reported in the income tax provision. For the years ended December 31, 2016 and 2015, the Company recognized approximately \$9 million and \$38 million, respectively, in expenses for interest and penalties. For the year ended December 31, 2014, the Company recognized benefits of approximately \$19 million of interest and penalties. The Company had approximately \$173 million and \$164 million accrued for the payment of interest and penalties as of December 31, 2016 and 2015, respectively.

## NOTE 22

### EARNINGS PER COMMON SHARE (EPS)

The computations of basic and diluted EPS for the years ended December 31 were as follows:

(Millions, except per share amounts)	2016	2015	2014
<b>Numerator:</b>			
Basic and diluted:			
Net income	\$ 5,408	\$ 5,163	\$ 5,885
Preferred dividends	(80)	(62)	—
Net income available to common shareholders	5,328	5,101	5,885
Earnings allocated to participating share awards <sup>(a)</sup>	(43)	(38)	(46)
Net income attributable to common shareholders	\$ 5,285	\$ 5,063	\$ 5,839
<b>Denominator:</b> <sup>(a)</sup>			
Basic: Weighted-average common stock	933	999	1,045
Add: Weighted-average stock options <sup>(b)</sup>	2	4	6
Diluted	935	1,003	1,051
Basic EPS	\$ 5.67	\$ 5.07	\$ 5.58
Diluted EPS	\$ 5.65	\$ 5.05	\$ 5.56

(a) The Company's unvested restricted stock awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered participating securities. Calculations of EPS under the two-class method exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

(b) The dilutive effect of unexercised stock options excludes from the computation of EPS 2.4 million, 0.5 million and 0.2 million of options for the years ended December 31, 2016, 2015 and 2014, respectively, because inclusion of the options would have been anti-dilutive.

## NOTE 23

### REGULATORY MATTERS AND CAPITAL ADEQUACY

The Company is supervised and regulated by the Federal Reserve and is subject to the Federal Reserve's requirements for risk-based capital and leverage ratios. The Company's two U.S. bank operating subsidiaries, American Express Centurion Bank (Centurion Bank) and American Express Bank, FSB (American Express Bank) (together, the Banks), are subject to supervision and regulation, including similar regulatory capital requirements by the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC), respectively.

Under the risk-based capital guidelines of the Federal Reserve, the Company is required to maintain minimum ratios of Common Equity Tier 1 (CET1), Tier 1 and Total (Tier 1 plus Tier 2) capital to risk-weighted assets, as well as a minimum leverage ratio (Tier 1 capital to average adjusted on-balance sheet assets).

Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional, discretionary actions by regulators, that, if undertaken, could have a direct material effect on the Company's and the Banks' operating activities.

As of December 31, 2016 and 2015, the Company and the Banks met all capital requirements to which each was subject and maintained regulatory capital ratios in excess of those required to qualify as well capitalized.

The following table presents the regulatory capital ratios for the Company and the Banks:

<i>(Millions, except percentages)</i>	CET 1 capital	Tier 1 capital	Total capital	CET 1 Capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 leverage ratio
<b>December 31, 2016<sup>(a)</sup></b>							
American Express Company	\$ 16,134	\$ 17,665	\$ 19,893	12.3 %	13.5 %	15.2 %	11.6 %
American Express Centurion Bank	6,134	6,134	6,600	16.5	16.5	17.8	16.2
American Express Bank, FSB	6,681	6,681	7,194	16.3	16.3	17.5	13.9
<b>December 31, 2015<sup>(a)</sup></b>							
American Express Company	\$ 16,747	\$ 18,265	\$ 20,551	12.4 %	13.5 %	15.2 %	11.7 %
American Express Centurion Bank	6,013	6,013	6,460	16.9	16.9	18.2	17.7
American Express Bank, FSB	6,927	6,927	7,601	13.7	13.7	15.1	13.2
Well-capitalized ratios <sup>(b)</sup>				6.5 %	8.0 %	10.0 %	5.0 % <sup>(c)</sup>
Minimum capital ratios <sup>(b)</sup>				4.5 %	6.0 %	8.0 %	4.0 %

(a) As a Basel III advanced approaches institution in parallel run, capital ratios are reported using Basel III capital definitions, inclusive of transition provisions, and risk-weighted assets using the Basel III standardized approach.

(b) As defined by the regulations issued by the Federal Reserve, OCC and FDIC for the year ended December 31, 2016.

(c) Represents requirements for banking subsidiaries to be considered "well-capitalized" pursuant to regulations issued under the Federal Deposit Insurance Corporation Improvement Act. There is no CET1 capital ratio or Tier 1 leverage ratio requirement for a bank holding company to be considered "well-capitalized."

## RESTRICTED NET ASSETS OF SUBSIDIARIES

Certain of the Company's subsidiaries are subject to restrictions on the transfer of net assets under debt agreements and regulatory requirements. These restrictions have not had any effect on the Company's shareholder dividend policy and management does not anticipate any impact in the future. Procedures exist to transfer net assets between the Company and its subsidiaries, while ensuring compliance with the various contractual and regulatory constraints. As of December 31, 2016, the aggregate amount of net assets of subsidiaries that are restricted to be transferred to the Company was approximately \$7.8 billion.

## BANK HOLDING COMPANY DIVIDEND RESTRICTIONS

The Company is limited in its ability to pay dividends by the Federal Reserve, which could prohibit a dividend that would be considered an unsafe or unsound banking practice. It is the policy of the Federal Reserve that bank holding companies generally should pay dividends on preferred and common stock only out of net income available to common shareholders generated over the past year, and only if prospective earnings retention is consistent with the organization's current and expected future capital needs, asset quality and overall financial condition. Moreover, bank holding companies are required by statute to be a source of strength to their insured depository institution subsidiaries and should not maintain dividend levels that undermine their ability to do so. On an annual basis, the Company is required to develop and maintain a capital plan, which includes planned dividends over a two-year horizon. We may be limited in our ability to pay dividends if the Federal Reserve objects to our capital plan.

In addition, the Capital Rules include a capital conservation buffer which is being phased in from January 1, 2016 through January 1, 2019. The Capital Rules also include a countercyclical capital buffer, which is currently set at zero but which could be increased by the Federal Reserve in the future. These buffers can be satisfied only with CET1 capital. If our risk-based capital ratios were to fall below the applicable buffer levels, we would face graduated constraints on dividends, stock repurchases and other capital distributions based on the amount of the shortfall.

## BANKS' DIVIDEND RESTRICTIONS

In the year ended December 31, 2016, Centurion Bank and American Express Bank paid dividends from retained earnings to their parent of \$1.6 billion and \$3.2 billion, respectively.

The Banks are limited in their ability to pay dividends by banking statutes, regulations and supervisory policy. In general, applicable federal and state banking laws prohibit, without first obtaining regulatory approval, insured depository institutions, such as Centurion Bank and American Express Bank from making dividend distributions if such distributions are not paid out of available retained earnings or would cause the institution to fail to meet capital adequacy standards. The Banks must maintain a capital conservation buffer (and countercyclical buffer if in effect). If the Banks' risk-based capital ratios do not satisfy minimum requirements plus the combined capital conservation buffer (and the countercyclical capital buffer, if applicable), they will face graduated constraints on dividends and other capital distributions based on the amount of the shortfall. As of December 31, 2016, the Banks' aggregate retained earnings available for the payment of dividends was \$6.0 billion. In determining the dividends to pay their parent, the Banks must also consider the effects on applicable risk-based capital and leverage ratio requirements, as well as policy statements of the federal regulatory agencies. In addition, the Banks' banking regulators have authority to limit or prohibit the payment of a dividend by the Banks under a number of circumstances, including if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound banking practice in light of the financial condition of the banking organization.

## NOTE 24

### SIGNIFICANT CREDIT CONCENTRATIONS

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to American Express' total credit exposure. The Company's customers operate in diverse industries, economic sectors and geographic regions.

The following table details the Company's maximum credit exposure by category, including the credit exposure associated with derivative financial instruments, as of December 31:

(Billions)	2016	2015
On-balance sheet:		
Individuals <sup>(a)</sup>	\$ 98	\$ 104
Financial institutions <sup>(b)</sup>	28	25
U.S. Government and agencies <sup>(c)</sup>	3	4
All other <sup>(d)</sup>	18	17
Total on-balance sheet <sup>(e)</sup>	147	150
Unused lines-of-credit <sup>(f)(g)</sup>	\$ 242	\$ 297

(a) Individuals primarily include Card Member loans and receivables, including the HFS portfolios for 2015.

(b) Financial institutions primarily include debt obligations of banks, broker-dealers, insurance companies and savings and loan associations.

(c) U.S. Government and agencies represent debt obligations of the U.S. Government and its agencies, states and municipalities and government-sponsored entities.

(d) All other primarily includes Card Member receivables from other corporate institutions.

(e) Certain distinctions between categories require management judgment.

(f) Because charge card products generally have no preset spending limit, the associated credit limit on charge products is not quantifiable. Therefore, the quantified unused line-of-credit amounts only include the approximate credit line available on lending products.

(g) Primarily relates to established lending product agreements with individuals.

As of December 31, 2016 and 2015, the Company's most significant concentration of credit risk was with individuals, including Card Member loans and receivables. These amounts are generally advanced on an unsecured basis. However, the Company reviews each potential customer's credit application and evaluates the applicant's financial history and ability and willingness to repay. The Company also considers credit performance by customer tenure, industry and geographic location in managing credit exposure.

The following table details the Company's Card Member loans and receivables exposure (including unused lines-of-credit) in the United States and outside the United States as of December 31:

(Billions)	2016	2015
On-balance sheet:		
U.S. <sup>(a)</sup>	\$ 93	\$ 99
Non-U.S.	20	19
On-balance sheet <sup>(b)(c)</sup>	113	118
Unused lines-of-credit <sup>(d)</sup>		
U.S. <sup>(a)</sup>	203	259
Non-U.S.	39	38
Total unused lines-of-credit	\$ 242	\$ 297

(a) Includes on-balance sheet Card Member loans and receivables HFS and unused lines-of-credit for Card Member loans HFS, for December 31, 2015.

(b) Represents Card Member loans to individuals as well as receivables from individuals and corporate institutions as discussed in footnotes (a) and (d) from the previous table.

(c) The remainder of the Company's on-balance sheet exposure includes cash, investments, other loans, other receivables and other assets including derivative financial instruments. These balances are primarily within the United States.

(d) Primarily relates to established lending product agreements with individuals.

**NOTE 25**

**REPORTABLE OPERATING SEGMENTS AND GEOGRAPHIC OPERATIONS**

**REPORTABLE OPERATING SEGMENTS**

The Company is a global services company that is principally engaged in businesses comprising four reportable operating segments: USCS, ICNS, GCS and GMS.

The Company considers a combination of factors when evaluating the composition of its reportable operating segments, including the results reviewed by the chief operating decision maker, economic characteristics, products and services offered, classes of customers, product distribution channels, geographic considerations (primarily United States versus outside the United States), and regulatory environment considerations.

The following is a brief description of the primary business activities of the Company's four reportable operating segments:

- USCS issues a wide range of proprietary consumer cards and provides services to consumers in the United States, including consumer travel services.
- ICNS issues a wide range of proprietary consumer cards outside the United States and enters into partnership agreements with third-party card issuers and acquirers, licensing the American Express brand and extending the reach of the global network. It also provides travel services to consumers outside the United States.
- GCS issues a wide range of proprietary corporate and small business cards and provides payment and expense management services globally. In addition, GCS provides commercial financing products.
- GMS operates a global payments network that processes and settles proprietary and non-proprietary card transactions. GMS acquires merchants and provides multi-channel marketing programs and capabilities, services and data analytics, leveraging the Company's global closed-loop network. GMS also operates loyalty coalition businesses in certain countries around the world.

Corporate functions and certain other businesses and operations, including the Company's Prepaid Services business and the GBT operations up to June 30, 2014, and subsequent activities related to the GBT JV, are included in Corporate & Other.

The following table presents certain selected financial information for the Company's reportable operating segments and Corporate & Other as of or for the years ended December 31, 2016, 2015 and 2014:

<i>(Millions, except where indicated)</i>	USCS	ICNS	GCS	GMS	Corporate & Other <sup>(a)</sup>	Consolidated
<b>2016</b>						
Non-interest revenues	\$ 7,874	\$ 4,785	\$ 9,007	\$ 4,235	\$ 447	\$ 26,348
Interest income	5,082	922	1,209	1	261	7,475
Interest expense	536	219	401	(237)	785	1,704
Total revenues net of interest expense	12,420	5,488	9,815	4,473	(77)	32,119
Total provisions <sup>(b)</sup>	1,065	325	604	25	7	2,026
Pretax income (loss) from continuing operations	3,881	818	2,945	2,295	(1,843)	8,096
Income tax provision (benefit)	1,368	163	1,036	837	(716)	2,688
Net income (loss)	2,513	655	1,909	1,458	(1,127)	5,408
Total assets (billions)	\$ 87	\$ 36	\$ 47	\$ 24	\$ (35)	\$ 159
Total equity (billions)	\$ 7.2	\$ 2.5	\$ 7.0	\$ 2.5	\$ 1.3	\$ 20.5
<b>2015</b>						
Non-interest revenues	\$ 8,479	\$ 4,627	\$ 8,930	\$ 4,471	\$ 389	\$ 26,896
Interest income	5,198	945	1,175	1	226	7,545
Interest expense	488	235	365	(211)	746	1,623
Total revenues net of interest expense	13,189	5,337	9,740	4,683	(131)	32,818
Total provisions <sup>(b)</sup>	1,064	300	588	31	5	1,988
Pretax income (loss) from continuing operations	3,677	904	3,164	2,381	(2,188)	7,938
Income tax provision (benefit)	1,322	220	1,142	882	(791)	2,775
Net income (loss)	2,355	684	2,022	1,499	(1,397)	5,163
Total assets (billions)	\$ 93	\$ 35	\$ 45	\$ 24	\$ (36)	\$ 161
Total equity (billions)	\$ 7.2	\$ 2.6	\$ 7.0	\$ 2.4	\$ 1.5	\$ 20.7
<b>2014</b>						
Non-interest revenues	\$ 8,198	\$ 5,091	\$ 9,571	\$ 4,571	\$ 1,285	\$ 28,716
Interest income	4,821	1,088	1,026	2	242	7,179
Interest expense	453	325	409	(287)	807	1,707
Total revenues net of interest expense	12,566	5,854	10,188	4,860	720	34,188
Total provisions	1,030	354	569	79	12	2,044
Pretax income (loss) from continuing operations	3,502	887	3,723	2,330	(1,451)	8,991
Income tax provision (benefit)	1,283	194	1,381	872	(624)	3,106
Net income (loss)	2,219	693	2,342	1,458	(827)	5,885
Total assets (billions)	\$ 90	\$ 31	\$ 44	\$ 18	\$ (24)	\$ 159
Total equity (billions)	\$ 7.6	\$ 2.6	\$ 6.9	\$ 2.1	\$ 1.5	\$ 20.7

(a) Corporate & Other includes adjustments and eliminations for intersegment activity.

(b) Beginning December 1, 2015 through to the sale completion dates, in the USCS and GCS segments, total provisions does not include credit costs related to Card Member loans and receivables HFS, which were reported in Other expenses through a valuation allowance adjustment.

## Total Revenues Net of Interest Expense

The Company allocates discount revenue and certain other revenues among segments using a transfer pricing methodology. Within the USCS, ICNS and GCS segments, discount revenue reflects the issuer component of the overall discount revenue generated by each segment's Card Members; within the GMS segment, discount revenue reflects the network and acquirer component of the overall discount revenue. Net card fees and Other fees and commissions are directly attributable to the segment in which they are reported.

Interest and fees on loans and certain investment income is directly attributable to the segment in which it is reported. Interest expense represents an allocated funding cost based on a combination of segment funding requirements and internal funding rates.

## Provisions for Losses

The provisions for losses are directly attributable to the segment in which they are reported.

## Expenses

Marketing and promotion expenses are included in each segment based on actual expenses incurred. Global brand advertising is primarily reflected in Corporate & Other and may be allocated to the segment based on the actual expense incurred. Rewards and Card Member services expenses are included in each segment based on the actual expenses incurred within the segment.

Salaries and employee benefits and other operating expenses includes expenses such as professional services, occupancy and equipment and communications incurred directly within each segment. In addition, expenses related to support services, such as

technology costs, are allocated to each segment primarily based on support service activities directly attributable to the segment. Other overhead expenses, such as staff group support functions, are allocated from Corporate & Other to the other segments based on a mix of each segment's direct consumption of services and relative level of pretax income.

## Capital

Each business segment is allocated capital based on established business model operating requirements, risk measures and regulatory capital requirements. The business model operating requirements include capital needed to support operations and specific balance sheet items. The risk measures include considerations for credit, market and operational risk.

## Income Taxes

An income tax provision (benefit) is allocated to each business segment based on the effective tax rates applicable to various businesses that comprise the segment.

## GEOGRAPHIC OPERATIONS

The following table presents the Company's total revenues net of interest expense and pretax income (loss) from continuing operations in different geographic regions:

<i>(Millions)</i>	United States	EMEA <sup>(a)</sup>	JAPA <sup>(a)</sup>	LACC <sup>(a)</sup>	Other Unallocated <sup>(b)</sup>	Consolidated
<b>2016<sup>(c)</sup></b>						
Total revenues net of interest expense	\$ 24,133	\$ 3,248	\$ 3,052	\$ 2,274	\$ (588)	\$ 32,119
Pretax income (loss) from continuing operations	8,202	482	559	597	(1,744)	8,096
<b>2015<sup>(c)</sup></b>						
Total revenues net of interest expense	\$ 24,927	\$ 3,293	\$ 2,791	\$ 2,412	\$ (605)	\$ 32,818
Pretax income (loss) from continuing operations	7,500	544	587	693	(1,386)	7,938
<b>2014<sup>(c)</sup></b>						
Total revenues net of interest expense	\$ 24,678	\$ 3,574	\$ 2,923	\$ 2,784	\$ 229	\$ 34,188
Pretax income (loss) from continuing operations	8,406	528	565	675	(1,183)	8,991

(a) EMEA represents Europe, the Middle East and Africa; JAPA represents Japan, Asia/Pacific and Australia; and LACC represents Latin America, Canada and the Caribbean.

(b) Other Unallocated includes net costs which are not directly allocable to specific geographic regions, including costs related to the net negative interest spread on excess liquidity funding and executive office operations expenses.

(c) The data in the above table is, in part, based upon internal allocations, which necessarily involve management's judgment.

**NOTE 26****PARENT COMPANY****PARENT COMPANY – CONDENSED STATEMENTS OF INCOME**

Years Ended December 31 (Millions)	2016	2015	2014
<b>Revenues</b>			
Non-interest revenues			
Gain on sale of securities	\$ —	\$ —	\$ 99
Other	391	400	270
<b>Total non-interest revenues</b>	<b>391</b>	<b>400</b>	<b>369</b>
Interest income	196	172	141
Interest expense	515	526	543
<b>Total revenues net of interest expense</b>	<b>72</b>	<b>46</b>	<b>(33)</b>
<b>Expenses</b>			
Salaries and employee benefits	388	341	275
Other	510	443	357
<b>Total expenses</b>	<b>898</b>	<b>784</b>	<b>632</b>
Pretax loss	(826)	(738)	(665)
Income tax benefit	(327)	(268)	(249)
<b>Net loss before equity in net income of subsidiaries and affiliates</b>	<b>(499)</b>	<b>(470)</b>	<b>(416)</b>
<b>Equity in net income of subsidiaries and affiliates</b>	<b>5,907</b>	<b>5,633</b>	<b>6,301</b>
<b>Net income</b>	<b>\$ 5,408</b>	<b>\$ 5,163</b>	<b>\$ 5,885</b>

**PARENT COMPANY – CONDENSED BALANCE SHEETS**

As of December 31 (Millions)	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 5,229	\$ 6,400
Investment securities	1	1
Equity in net assets of subsidiaries and affiliates	20,522	19,856
Accounts receivable, less reserves	513	311
Premises and equipment, less accumulated depreciation: 2016, \$96; 2015, \$140	30	133
Loans to subsidiaries and affiliates	7,620	11,762
Due from subsidiaries and affiliates	867	896
Other assets	277	275
<b>Total assets</b>	<b>35,059</b>	<b>39,634</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Accounts payable and other liabilities	1,531	1,603
Due to subsidiaries and affiliates	619	716
Short-term debt of subsidiaries and affiliates	4,044	6,923
<b>Long-term debt</b>	<b>8,364</b>	<b>9,719</b>
<b>Total liabilities</b>	<b>14,558</b>	<b>18,961</b>
<b>Shareholders' Equity</b>		
Preferred Shares	—	—
Common shares	181	194
Additional paid-in capital	12,733	13,348
Retained earnings	10,371	9,665
Accumulated other comprehensive loss	(2,784)	(2,534)
<b>Total shareholders' equity</b>	<b>20,501</b>	<b>20,673</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 35,059</b>	<b>\$ 39,634</b>

## PARENT COMPANY – CONDENSED STATEMENTS OF CASH FLOWS

Years Ended December 31 (Millions)	2016	2015	2014
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 5,408	\$ 5,163	\$ 5,885
Adjustments to reconcile net income to cash provided by operating activities:			
Equity in net income of subsidiaries and affiliates	(5,903)	(5,633)	(6,301)
Dividends received from subsidiaries and affiliates	4,999	5,331	5,455
Gain on sale of securities	—	—	(99)
Other operating activities, primarily with subsidiaries and affiliates	(102)	332	173
<b>Net cash provided by operating activities</b>	<b>4,402</b>	<b>5,193</b>	<b>5,113</b>
<b>Cash Flows from Investing Activities</b>			
Sales of available-for-sale investment securities	—	—	111
Purchase of investments	—	(3)	—
Purchase of premises and equipment	(1)	(29)	(39)
Loans to subsidiaries and affiliates	4,142	(3,952)	(2,574)
Investments in subsidiaries and affiliates	(25)	—	—
<b>Net cash provided by (used in) investing activities</b>	<b>4,116</b>	<b>(3,984)</b>	<b>(2,502)</b>
<b>Cash Flows from Financing Activities</b>			
(Principal payments on)/issuance of long-term debt	(1,350)	—	(655)
Short-term debt of subsidiaries and affiliates	(2,879)	986	5,118
Issuance of American Express preferred shares	—	841	742
Issuance of American Express common shares and other	176	192	362
Repurchase of American Express common shares	(4,430)	(4,480)	(4,389)
Dividends paid	(1,206)	(1,172)	(1,041)
<b>Net cash (used in) provided by financing activities</b>	<b>(9,689)</b>	<b>(3,633)</b>	<b>137</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,171)</b>	<b>(2,424)</b>	<b>2,748</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>6,400</b>	<b>8,824</b>	<b>6,076</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 5,229</b>	<b>\$ 6,400</b>	<b>\$ 8,824</b>
<b>Supplemental cash flow information</b>			
<b>Non-cash financing activities</b>			
Gain on business travel joint venture transaction	\$ —	\$ —	\$ 630

**NOTE 27**

**QUARTERLY FINANCIAL DATA (UNAUDITED)**

<i>(Millions, except per share amounts)</i>								
Quarters Ended	2016				2015			
	12/31	9/30	6/30	3/31	12/31	9/30	6/30	3/31
Total revenues net of interest expense	\$ 8,022	\$ 7,774	\$ 8,235	\$ 8,088	\$ 8,391	\$ 8,193	\$ 8,284	\$ 7,950
Pretax income	1,161	1,735	3,016	2,184	1,454	1,938	2,230	2,316
Net income	825	1,142	2,015	1,426	899	1,266	1,473	1,525
Earnings Per Common Share — Basic:								
Net income attributable to common shareholders <sup>(a)</sup>	\$ 0.88	\$ 1.21	\$ 2.11	\$ 1.45	\$ 0.89	\$ 1.24	\$ 1.43	\$ 1.49
Earnings Per Common Share — Diluted:								
Net income attributable to common shareholders <sup>(a)</sup>	0.88	1.20	2.10	1.45	0.89	1.24	1.42	1.48
Cash dividends declared per common share	0.32	0.32	0.29	0.29	0.29	0.29	0.29	0.26
Common share price:								
High	75.74	66.71	67.34	68.18	77.85	81.66	81.92	93.94
Low	\$ 59.50	\$ 58.25	\$ 57.15	\$ 50.27	\$ 67.57	\$ 71.71	\$ 76.53	\$ 77.12

(a) Represents net income, less (i) earnings allocated to participating share awards of \$6 million, \$9 million, \$17 million and \$11 million for the quarters ended December 31, September 30, June 30 and March 31, 2016, respectively, and \$6 million, \$10 million, \$11 million and \$11 million for the quarters ended December 31, September 30, June 30 and March 31, 2015, respectively, and (ii) dividends on preferred shares of \$19 million, \$21 million, \$19 million and \$21 million for the quarters ended December 31, September 30, June 30 and March 31, 2016, respectively, and \$20 million, \$22 million, \$20 million and nil for the quarters ended December 31, September 30, June 30 and March 31, 2015, respectively.

**EXHIBIT F**

**Card Acceptance Agreement**

## Agreement for American Express® Card Acceptance

The Agreement is by and between **American Express Travel Related Services Company, Inc.**, a New York corporation, and **you, the Merchant**. By accepting the American Express® Card, you agree to be bound by the Agreement.

### General Provisions

#### 1. SCOPE AND OTHER PARTS OF AGREEMENT; DEFINITIONS

**a. Scope of the Agreement.** The Agreement governs your acceptance of American Express Cards in the United States, Puerto Rico, the U.S. Virgin Islands, and other U.S. territories and possessions. You must notify us if you have any Establishments outside of the United States, Puerto Rico, the U.S. Virgin Islands, and other U.S. territories and possessions and cause them to comply with the terms of an agreement with our Affiliate governing Card acceptance there. You will be notified of those terms. The Agreement covers you *alone*. You shall distribute all notices, statements, amendments, and other communications related to this Agreement that you receive from us to your Affiliates and any other Entities accepting the Card hereunder. You must not obtain Authorizations, submit Charges or Credits, or receive payments on behalf of any other party, except as otherwise expressly permitted in the Merchant Regulations.

**b. Merchant Regulations.** The Merchant Regulations set forth the policies and procedures governing your acceptance of the Card. You shall ensure that your personnel interacting with customers are fully familiar with the Merchant Regulations. The Merchant Regulations are a part of, and are hereby incorporated by reference into, the Agreement. You agree to be bound by and accept all provisions in the Merchant Regulations (as changed from time to time) as if fully set out herein and as a condition of your agreement to accept the Card. We have the right to make changes to the Merchant Regulations in scheduled changes and at any time in unscheduled changes as set forth in section 8.j of the General Provisions. The Merchant Regulations and releases of scheduled changes therein are provided ~~only in electronic form, existing~~ at the website specified below in the definition of “Merchant Regulations” or its successor website. ~~However, we shall~~We will provide you a paper copy of or a CD-ROM containing the Merchant Regulations or releases of scheduled changes therein upon your request. To order a copy, please call our Merchant Services representatives (telephone: 1-800-528-5200). We may charge you a fee for each copy that you request.

**c. Definitions.** Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Merchant Regulations. Some definitions are repeated here for ease of reference.

*Affiliate* means any Entity that controls, is controlled by, or is under common control with either party, including its subsidiaries. As used in this definition, *control* means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an Entity, whether through ownership of voting securities, by contract, or otherwise. For the avoidance of doubt, but not by way of limitation, the direct or indirect ownership of more than 50% of (i) the voting securities or (ii) an interest in the assets, profits, or earnings of an Entity shall be deemed to constitute “control” of the Entity.

*Agreement* means the General Provisions, the Merchant Regulations, and any accompanying schedules and exhibits, collectively (sometimes referred to as the Card Acceptance Agreement in our materials).

*American Express Card* or *Cards* mean (i) any card, account access device, or payment device or service in each case bearing our or our Affiliates’ Marks and issued by an Issuer or (ii) a Card Number.

*Cardmember* means an individual or Entity (i) that has entered into an agreement establishing a Card account with an Issuer or (ii) whose name appears on the Card. (Cardmember is sometimes referred to as “Card Member” in our materials.)

*Charge* means a payment or purchase made on the Card.

*Chargeback* when used as a verb, means (i) our reimbursement from you for the amount of a Charge subject to such right or (ii) our reversal of a Charge for which we have not paid you; when used as a noun, means the amount of a Charge subject to reimbursement from you or reversal. (Chargeback is sometimes called “full recourse” or “Full Recourse” in our materials.)

*Claim* means any claim (including initial claims, counterclaims, cross-claims, and third party claims), dispute, or controversy between you and us arising from or relating to the Agreement or prior Card acceptance agreements, or the relationship resulting therefrom, whether based in contract, tort (including negligence, strict liability, fraud, or otherwise), statutes, regulations, or any other theory, including any question relating to the existence, validity, performance, construction, interpretation, enforcement, or termination of the Agreement or prior Card acceptance agreements, or the relationship resulting therefrom, except for the validity, enforceability, or scope of section 7.c of the General Provisions.

*Credit* means the amount of the Charge that you refund to Cardmembers for purchases or payments made on the Card.

*Discount* means an amount that we charge you for accepting the Card, which amount is: ~~(i)~~ a percentage (*Discount Rate*) of the face amount of the Charge that you submit, or a flat per-Transaction fee, or a combination of both; ~~and/or (ii) a Monthly Flat Fee (if you meet our requirements).~~

*Disputed Charge* means a Charge about which a claim, complaint, or question has been brought.

*Entity* means a corporation, partnership, sole proprietorship, trust, association, or any other legally recognized entity or organization.

*Establishments* means any or all of your and your Affiliates’ locations, outlets, websites, online networks, and all other methods for selling goods and services, including methods that you adopt in the future.

*General Provisions* means the provisions set out in the Agreement other than the provisions in the Merchant Regulations or any accompanying schedule and exhibit hereto.

*Marks* mean names, logos, service marks, trademarks, trade names, taglines, or other proprietary designs or designations.

*Merchant Number* means a unique number we assign to your Establishment.

*Merchant Regulations* means the American Express Merchant Regulations – U.S., which are available at [www.americanexpress.com/merchantpolicy](http://www.americanexpress.com/merchantpolicy) and can be accessed by entering your online Merchant Account user ID and password.

*Other Agreement* means any agreement, other than the Agreement, between (i) you or any of your Affiliates and (ii) us or any of our Affiliates.

*Other Payment Products* mean any charge, credit, debit, stored value, prepaid, or smart cards, account access devices, or other payment cards, services, or products other than the Card.

*Reserve* means a fund established and/or collateral held by us as security for your or any of your Affiliates’ obligations to us or any of our Affiliates under the Agreement or any Other Agreements.

*We, our, and us* mean American Express Travel Related Services Company, Inc., a New York corporation.

*You* and *your* mean the individual or Entity accepting the Card under the Agreement and (as applicable) its Affiliates conducting business in the same industry (sometimes called the “Merchant”, “Service Establishment,” or “SE” in our materials).

**d. List of Affiliates.** You must provide to us a complete list of your Affiliates in the region specified in section 1.a of the General Provisions that conduct business in your industry and notify us promptly of any subsequent changes in the list. You must notify us promptly if you have any Establishments in Puerto Rico, the U.S. Virgin Islands, or any other U.S. territory or possession, as our Discount, fees, and payment terms for Card acceptance may be different in those regions. We shall notify you of those terms after you have notified us that you have any such Establishments.

## **2. ACCEPTING THE CARD**

**a. Acceptance.** You must accept the Card as payment for all goods and services sold at all of your Establishments, except as otherwise expressly specified in the Merchant Regulations. You agree that the provisions of Chapter 3 (Card Acceptance) of the Merchant Regulations are reasonable and necessary to protect the Cardmember’s choice of which Card to use. You are responsible and jointly and severally liable for the performance by your Establishments of all provisions of the Agreement and all obligations of your Establishments under the Agreement.

**b. Transaction Processing and Payments.** Our Card acceptance, processing, and payment requirements are set forth in the Merchant Regulations. Some requirements are summarized here for ease of reference, but do not supersede the provisions in the Merchant Regulations.

**i. Format.** You must create a Charge Record for every Charge, and a Credit Record for every Credit, that must comply with our Technical Specifications, as described in the Merchant Regulations. If the Cardmember wants to use different Cards for payment of a purchase, you may create a separate Charge Record for each Card used. However, if the Cardmember wants to use a single Card for payment of a purchase, you shall not divide the purchase into more than one Charge nor shall you create more than one Charge Record unless the purchase qualifies for a Delayed Delivery Charge.

**ii. Authorization.** For every Charge, you must obtain from and submit to us an Authorization Approval code. An Authorization Approval does not guarantee that (i) the person making the Charge is the Cardmember, (ii) the Charge is in fact valid or bona fide, (iii) you will be paid for the Charge, or (iv) you will not be subject to Chargeback.

**iii. Submitting Charges and Credits.** Your Establishments must submit Charges and Credits only in U.S. dollars. You must not issue a Credit when there is no corresponding Charge. You must issue Credits to the Card used to make the original purchase, except as otherwise expressly specified in the Merchant Regulations.

**iv. Payment for Charges.** We will pay you according to your payment plan in U.S. dollars for the face amount of Charges submitted from your Establishments less all applicable deductions, rejections, and withholdings, which include: (i) the Discount, (ii) any amounts you owe us or our Affiliates, (iii) any amounts for which we have Chargebacks, and (iv) any amounts for which you have submitted Credits. Your initial Discount is indicated in the Agreement or otherwise provided to you in writing by us. In addition to your Discount we may charge you additional fees and assessments, as listed in the Merchant Regulations or as otherwise provided to you in writing by us. We may adjust any of these amounts and may change any other amount we charge you for accepting the Card.

**v. Chargeback.** We have Chargeback rights, as described in the Merchant Regulations. We may Chargeback by (i) deducting, withholding, recouping from, or otherwise offsetting against our payments to you or debiting your Bank Account, or we may notify you of your obligation to pay us, which you must do promptly and fully; or (ii) reversing a Charge for which we have not paid you. Our failure to demand payment does not waive our Chargeback rights.

**vi. Protecting Cardmember Information.** You must protect Cardmember Information, as described in the Merchant Regulations. You have additional obligations based on your Transaction volume, including providing to us documentation validating your compliance with the PCI DSS.

## **3. PROTECTIVE ACTIONS**

**a. Creating a Reserve.** Regardless of any contrary provision in the Agreement, we have the right in our sole discretion to determine that it is necessary to establish a Reserve. If we believe that we need to create a Reserve, we may immediately establish a Reserve or terminate the Agreement. We shall inform you if we establish a Reserve or terminate the Agreement. We may establish a Reserve by (i) withholding amounts from payment we otherwise would make to you under the Agreement or (ii) requiring you to deposit funds or other collateral with us. Any collateral provided pursuant to this section 3 of the General Provisions is subject to our prior written approval. We may increase the amount of the Reserve at any time so long as the amount of the Reserve does not exceed an amount sufficient, in our reasonable judgment, to satisfy any financial exposure or risk to us under the Agreement (including Charges submitted by you for goods or services not yet received by Cardmembers and our costs of handling Disputed Charges) or to us or our Affiliates under any Other Agreement, or to Cardmembers. Upon the occurrence of an event described in section 3.b.viii of the General Provisions, and during any continuation of such event, we may take immediate action to establish or increase the amount of any Reserve to an amount, in our reasonable judgment, proportional to the risk to us and our Affiliates arising from such event.

**b. Trigger Events for Reserve.** Some of the events that may cause us to establish a Reserve include: (i) your ceasing a substantial portion of or adversely altering your operations; (ii) your selling all or substantially all of your assets or any party acquiring 25% or more of the equity interests issued by you (other than parties owning 25% or more of such interests as of the effective date of the Agreement), whether through acquisition of new equity interests, previously outstanding interests, or otherwise; (iii) your suffering a material adverse change in your business or a material adverse change occurs in your industry; (iv) your breach of section 3.e of the General Provisions; (v) your becoming or threatening to become insolvent; (vi) our receiving a disproportionate number or amount of Disputed Charges at your Establishments; (vii) our reasonable belief that you will not be able to perform your obligations under the Agreement, any Other Agreement, or to Cardmembers; or (viii) the establishment of a reserve or other protective action taken by any Entity with whom you have entered into an arrangement for the acceptance or processing (or both) of Other Payment Products that (A) results in the withholding of funds that would otherwise have been payable to you, (B) requires you to make a direct payment into a reserve account or similar device, or (C) requires you to provide such Entity with a letter of credit or other third-party guaranty of payment.

**c. Application of Reserve.** We may deduct and withhold from, and recoup and set-off against, the Reserve (i) any amounts you or any of your Affiliates owe us or any of our Affiliates under the Agreement or any Other Agreement; (ii) any costs incurred by us in connection with the administration of the Reserve, including attorneys' fees; and (iii) any costs incurred by us as a result of your failure to fulfill any obligations to us, any of our Affiliates, or to Cardmembers, including attorneys' fees and our costs of handling Disputed Charges.

**d. Other Protections.** We may take other reasonable actions to protect our rights and the rights of any of our Affiliates, including changing the speed or method of payment for Charges, exercising Chargeback under any of our Chargeback programs, offsetting any amounts due to you under the Agreement against amounts that you owe us or our Affiliates under the Agreement or any Other Agreement, or charging you fees for Disputed Charges.

**e. Providing Information.** You must provide to us promptly, upon request, information about your and your Affiliates' finances, creditworthiness, and operations, including the most recent certified financial statements. You must notify us immediately of the occurrence of any event described in section 3.b.viii of the General Provisions.

#### **4. NOTICES**

**a. Delivery and Receipt.** Unless otherwise explicitly provided for herein, all notices hereunder must be in writing and sent by hand delivery; or by U.S. postal service, such as first class mail or third class mail, postage prepaid; or by expedited mail courier service; or by ~~electronic mail (e-mail); email~~ or by facsimile transmission, ~~to the addresses set out below~~. Notices are deemed received and effective as follows: if hand-delivered, upon delivery; if sent by ~~e-mail~~ email or by facsimile transmission, upon sending; if mailed, upon the earlier of (i) receipt or (ii) three days after being deposited in the mail if mailed by first class postage or ten days after being deposited in the mail if mailed by third class postage. If the addressee provided for below rejects or otherwise refuses to accept the notice, or if the notice cannot be delivered because of a change in a postal or electronic address for which no notice was appropriately given, then the notice is effective upon the rejection, refusal or inability to deliver.

~~**b. Our Notice Address. Unless we notify you otherwise, you shall send notices to us at:**~~

b. Electronic Communications. We may provide any notice, including any notice under section 4.a, as well as any statement, or other communication related to this Agreement to you by any lawfully permitted electronic means, including by (i) transmission to an electronic address (e.g., email), (ii) posting it on an American Express website, or (iii) making it available to you on an American Express website through a link provided on a statement, other notice or communication. Notices, statements and other communications sent to you electronically will be effective the earlier of when (i) we send it to you, or (ii) we send or otherwise provide you with notice that the notice, statement or communication has been posted on an American Express website. You agree that we may use any electronic address you, or any of your authorized representatives, provide to us in the course of our relationship with you. You will provide us with your current electronic address(es) and notify us promptly with any updates to those address(es) so we may continuously and effectively communicate with you. It is your responsibility to access and retain copies of all electronic notices, statements or communications that we provide you. If you ask us for a paper copy of an electronically delivered notice, statement or communication, we may charge you a fee for providing the copy. The provisions of this paragraph will survive termination of this agreement.

c. Our Notice Address. Unless we notify you otherwise, you shall send notices under section 4.a to us at:

American Express Travel Related Services Company, Inc.  
P.O. Box 299051  
Fort Lauderdale, FL 33329  
Attn: Department 87  
~~E-mail~~Email: American.Express.Contract.Keying@aexp.com  
Fax: (602) 744-8413  
~~Tel: (800) 528-5200~~

~~e.~~

d. Your ~~Notice Address-Contact Information~~. We ~~shall~~may send notices, statements or other communications to you at the address, ~~e-mail~~any postal or electronic address, or facsimile number, you ~~indicated on~~or any of your authorized representatives provide to us in the course of our relationship with you, either as part of your application to ~~accept the Card or otherwise~~. You must notify us immediately of any change ~~in your~~to your contact information, including without limitation the contact information and address(es) described in sections 4.a and 4.b above. Your failure to provide such updated contact information may result in a delay of the delivery of notices, statements and communications herein referenced; however, it will not impact our ability to give proper legal notice ~~address~~under this provision or the legal effectiveness of same.

## 5. INDEMNIFICATION AND LIMITATION OF LIABILITY

**a. Indemnity.** You shall indemnify, defend, and hold harmless us and our Affiliates, successors, and assigns from and against all damages, liabilities, losses, costs, and expenses, including legal fees, arising or alleged to have arisen from your breach, negligent or wrongful act or omission, failure to perform under the Agreement, or failure in the provision of your goods or services.

**b. Limitation of Liability.** IN NO EVENT SHALL WE OR OUR AFFILIATES, SUCCESSORS, OR ASSIGNS BE LIABLE TO YOU FOR ANY INCIDENTAL, INDIRECT, SPECULATIVE, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES OF ANY KIND (WHETHER BASED IN CONTRACT, TORT, INCLUDING NEGLIGENCE, STRICT LIABILITY, FRAUD, OR OTHERWISE, OR STATUTES, REGULATIONS, OR ANY OTHER THEORY) ARISING OUT OF OR IN CONNECTION WITH THE AGREEMENT, EVEN IF ADVISED OF SUCH POTENTIAL DAMAGES. NEITHER YOU NOR WE WILL BE RESPONSIBLE TO THE OTHER FOR DAMAGES ARISING FROM DELAYS OR PROBLEMS CAUSED BY TELECOMMUNICATIONS CARRIERS, INTERNET SERVICE PROVIDERS, OTHER COMMUNICATION NETWORKS OR THE BANKING SYSTEM, EXCEPT THAT OUR RIGHTS TO CREATE RESERVES AND EXERCISE CHARGEBACKS WILL NOT BE IMPAIRED BY SUCH EVENTS.

## 6. TERM AND TERMINATION

**a. Effective Date/Termination Date.** The Agreement begins as of the date (i) you first accept the Card after receipt of the Agreement or otherwise indicate your intention to be bound by the Agreement or (ii) we approve your application to accept the Card, whichever occurs first. Either party can terminate the Agreement without cause (and notwithstanding

any other rights established under the Agreement) at any time by notifying the other party. Termination will take effect according to the notice period specified in section 4.a of the General Provisions.

**b. Grounds for Termination.** In addition to our rights in sections 3.a and 6.a of the General Provisions, we may terminate the Agreement at any time without notice to you and without waiving our other rights and remedies if you have not submitted a Charge within any twelve month period.

**c. Post-Termination.** If the Agreement terminates, without waiving our other rights and remedies, we may withhold from you any payments until we have fully recovered all amounts owing to us and our Affiliates. If any amounts remain unpaid, then you and your successors and permitted assigns remain liable for such amounts and shall pay us within thirty days of our request. You must also remove all displays of our Marks, return our materials and equipment immediately, and submit to us any Charges and Credits incurred prior to termination.

**d. Effect of Termination.** Termination of the Agreement for any reason does not relieve the parties of their respective rights and duties arising prior to the effective date of termination that by their nature are intended to survive termination, including the provisions of sections 1, 3, 5, 6, 7, and 8 of these General Provisions, our Chargeback rights, and your duties set forth in the Merchant Regulations to: (i) protect Cardmember Information, (ii) indemnify us, (iii) retain documents evidencing Transactions, and (iv) notify your Recurring Billing customers of such termination. Our right of direct access to the Bank Account will also survive until such time as all credits and debits permitted by the Agreement, and relating to Transactions prior to the effective date of termination, have been made.

## 7. DISPUTE RESOLUTION

We value our merchant relationships. Most merchant concerns can be resolved by contacting our Merchant Services representatives at tel: 1-800-528-5200 or by ~~e-mail~~[email](mailto:American.Express.Contract.Keying@aexp.com): American.Express.Contract.Keying@aexp.com. Please be prepared to provide them with any information you have about the matter, including any efforts you may have made to address or resolve the matter. In the event Merchant Services is unable to resolve a complaint to your satisfaction, this section explains how Claims can be resolved through mediation, arbitration or litigation. It includes an arbitration provision. Your agreement to this Dispute Resolution provision does not preclude you from bringing your concerns to the attention of any appropriate governmental agencies.

**a. Notice of Claim.** Before filing a lawsuit or beginning a mediation or arbitration regarding a Claim, you and we agree to send a written notice (*Claim notice*) to each party against whom the Claim is asserted. This provides the parties an opportunity to resolve the Claim informally or through mediation. The Claim notice must describe the nature and basis of the Claim and state the specific amount or other relief demanded. Notice to us must include your name, your Merchant name, address, and Merchant Number and be sent to our notice address set forth in section 4.b of the General Provisions. If the Claim proceeds to arbitration, the amount of any relief demanded by you or us in a Claim notice shall not be disclosed to the arbitrator until after the arbitrator determines the amount, if any, to which you or we are entitled on the Claim.

**b. Mediation.** In mediation, a neutral mediator helps parties resolve a claim. The mediator does not decide the claim but helps parties reach agreement.

**i. Initiation of Mediation.** Before beginning a mediation, you or we must first provide the Claim notice described above and attempt to resolve the Claim in good faith through informal negotiations. If the parties are unable to resolve the Claim through informal negotiations within sixty days of receiving the Claim notice, you or we will then have ninety days to submit the Claim to JAMS (1-800-352-5267, jamsadr.com) or the American Arbitration Association (AAA) (1-800-778-7879, adr.org) for mediation, or to an alternative mediator mutually agreed upon in writing by you and us.

**ii. Conduct of Mediation.** You and we agree to cooperate in selecting a mediator from a panel of neutrals and in scheduling the mediation proceedings. We will pay the fees of the mediator.

**iii. Confidentiality/Tolling.** All communications made for the purpose of, in the course of, or pursuant to the mediation shall be confidential, and no evidence of any such communication shall be admissible for any purpose or subject to discovery. All applicable statutes of limitation and defenses based upon the passage of time shall be tolled from thirty days following the sending of the Claim notice for sixty days or until termination of the mediation, whichever is earlier.

iv. Effect. If neither party elects mediation within ninety days after the completion of the sixty day informal negotiations period, or we do not reach a resolution within a period of ninety days from the first meeting of the parties in mediation, then the parties will settle the Claim through binding arbitration as set forth in section (c) below.

c. Arbitration. You or we may elect to resolve any Claim by individual, binding arbitration. Claims are decided by a neutral arbitrator.

**If arbitration is chosen by any party, neither you nor we will have the right to litigate that Claim in court or have a jury trial on that Claim. Further, you and we will not have the right to participate in a representative capacity or as a member of any class pertaining to any Claim subject to arbitration. Arbitration procedures are generally simpler than the rules that apply in court, and discovery is more limited. Other rights you or we would have in court may also not be available in arbitration. The arbitrator's decisions are as enforceable as any court order and are subject to very limited review by a court. Except as set forth below, the arbitrator's decision will be final and binding. ~~Other rights you or we would have in court may also not be available in arbitration.~~**

i. Initiation of Arbitration. Before beginning an arbitration, you or we must first provide the Claim notice described above. Claims will be referred to either JAMS or AAA, as selected by the party electing arbitration. Claims will be resolved pursuant to this Arbitration provision and the selected organization's rules in effect when the Claim is filed, except where those rules conflict with this Agreement. If we choose the organization, you may select the other within thirty days after receiving notice of our selection. Contact JAMS or AAA to begin an arbitration or for other information. Claims may be referred to another arbitration organization if you and we agree in writing, or to an arbitrator appointed pursuant to section 5 of the Federal Arbitration Act, 9 U.S.C. §§ 1-16 (*FAA*). Any arbitration hearing that ~~you attend~~ requires the physical presence of the parties shall take place in New York, New York unless the parties agree to an alternate venue.

ii. Limitations on Arbitration. **If either party elects to resolve a Claim by arbitration, that Claim will be arbitrated on an individual basis. There ~~will be~~ no right or authority for any Claims to be arbitrated on a class action basis or on bases involving Claims brought in a purported representative capacity on behalf of the general public, other Merchants or other persons similarly situated.** The arbitrator's authority is limited to Claims between you and us alone. Claims may not be joined or consolidated unless you and we agree in writing. An arbitration award and any judgment confirming it will apply only to the specific case and cannot be used in any other case except to enforce the award. This prohibition is intended to, and does, preclude you from participating in any action by any trade association or other organization against us. Notwithstanding any other provision and without waiving the right to appeal such decision, if any portion of these *Limitations on Arbitration* is deemed invalid or unenforceable, then the entire Arbitration provision (other than this sentence) will not apply.

iii. Previously Filed Claims/No Waiver. You or we may elect to arbitrate any Claim that has been filed in court at any time before trial has begun or final judgment has been entered on the Claim. Either you or we may choose to delay enforcing or to not exercise rights under this arbitration provision, including the right to elect to arbitrate a Claim, without waiving the right to exercise or enforce those rights on any other occasion. For the avoidance of any confusion, and ~~not to limit~~ without limiting its scope, this section applies to any class-action lawsuit relating to the "Honor All Cards," "non-discrimination," or "no steering" provisions of the Merchant Regulations, or any similar provisions of any prior Card acceptance agreement, that was filed against us prior to the effective date of the Agreement.

iv. Arbitrator's Authority. The arbitrator shall have the power and authority to award any relief that would have been available in court, including equitable relief (e.g., injunction, specific performance) and, cumulative with all other remedies, shall grant specific performance whenever possible. The arbitrator shall have no power or authority to alter the Agreement or any of its separate provisions, including this section, nor to determine any matter or make any award except as provided in this section.

v. Split Proceedings for Equitable Relief. Either you or we may seek equitable relief in aid of arbitration prior to arbitration on the merits to preserve the status quo pending completion of such process. This section shall be enforced by any court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all costs, including legal fees, to be paid by the party against whom enforcement is ordered.

**vi. Small Claims Court; Injunctive Relief.** We shall not elect to use arbitration under this section for any Claim you properly file in a small claims court so long as the Claim seeks individual relief only and is pending only in that court. Injunctive relief sought to enforce the provisions of sections 8.a and 8.b of the General Provisions is not subject to the requirements of this section. This section is not intended to, and does not, substitute for our ordinary business practices, policies, and procedures, including our rights to Chargeback and to create Reserves.

**vii. Governing Law/Arbitration Procedures/Entry of Judgment.** This section is made pursuant to a transaction involving interstate commerce and is governed by the FAA. The arbitrator shall apply New York law and applicable statutes of limitations and shall honor claims of privilege recognized by law. The arbitrator shall apply the rules of the arbitration organization selected, as applicable to matters relating to evidence and discovery, not the federal or any state rules of civil procedure or rules of evidence, provided that any party may request that the arbitrator expand the scope of discovery by doing so in writing and copying any other parties, who shall have fifteen days to make objections, and the arbitrator shall notify the parties of his/her decision within twenty days of any objecting party's submission. If a Claim is for \$10,000 or less, you or we may choose whether the arbitration will be conducted solely on the basis of documents submitted to the arbitrator, through a telephonic hearing, or by an in-person hearing as established by the rules of the selected arbitration organization. At the timely request of a party, the arbitrator shall provide a written and reasoned opinion explaining his/her award. The arbitrator's decision shall be final and binding, except for any rights of appeal provided by the FAA. If a Claim is for \$100,000 or more, or includes a request for injunctive relief, (A) you and we shall be entitled to reasonable document and deposition discovery, including (1) reasonable discovery of electronically stored information, as approved by the arbitrator, who shall consider, *inter alia*, whether the discovery sought from one party is proportional to the discovery received by the other party, and (2) no less than five depositions per party; and (B) within sixty days of the initial award either party can file a notice of appeal to a three-arbitrator panel administered by the selected arbitration organization, which shall reconsider *de novo* any aspect requested of that award and whose decision shall be final and binding. If more than sixty days after the written arbitration decision is issued the losing party fails to satisfy or comply with an award or file a notice of appeal, if applicable, the prevailing party shall have the right to seek judicial confirmation of the award in any state or federal court where your headquarters or assets are located

**viii. Confidential Proceedings.** The arbitration proceeding and all testimony, filings, documents, and any information relating to or presented during the proceedings shall be deemed to be confidential information not to be disclosed to any other party. All offers, promises, conduct, and statements, whether written or oral, made in the course of the Claim resolution, negotiations, mediations, arbitration, and proceedings to confirm arbitration awards by either party, its agents, employees, experts or attorneys, or by the mediator or arbitrator, including any arbitration award or judgment related thereto, are confidential, privileged, and inadmissible for any purpose, including impeachment or estoppel, in any other litigation or proceeding involving any of the parties or non-parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the negotiation, mediation, or arbitration.

**ix. Costs of Arbitration Proceedings.** You will be responsible for paying your share of any arbitration fees (including filing, administrative, hearing or other fees), but only up to the amount of the filing fees you would have incurred if you had brought a Claim in court. We will be responsible for any additional arbitration fees. At your written request, we will consider in good faith making a temporary advance of your share of any arbitration fees, or paying for the reasonable fees of an expert appointed by the arbitrator for good cause.

**x. Additional Arbitration Awards.** If the arbitrator rules in your favor for an award in an amount greater than any final offer we made to you before any arbitration award is announced, that arbitrator's award will include: (A) any money to which you are entitled pursuant to the award, but in no case less than \$5,000; plus (B) any reasonable attorneys' fees, costs and expert and other witness fees.

**d. Definitions.** For purposes of section 7 of the General Provisions only, (i) *we*, *our*, and *us* include any of our Affiliates, licensees, predecessors, successors, or assigns, any purchasers of any receivables, and all agents, directors, and representatives of any of the foregoing, and (ii) *you* and *your* include any of your Affiliates, licensees, predecessors, successors, or assigns, any purchasers of any receivables and all agents, directors, and representatives of any of the foregoing.

e. Continuation. This section will survive termination of this Agreement, any legal proceeding to collect a debt, any bankruptcy and any sale of you or your assets (in the case of a sale, its terms will apply to the buyer). If any portion of this Dispute Resolution section, except as otherwise provided in the *Limitations on Arbitration* subsection, is deemed invalid or unenforceable, it will not invalidate the remaining portions of this Dispute Resolution section, the Agreement or any predecessor agreement you may have had with us, each of which shall be enforceable regardless of such invalidity.

## 8. MISCELLANEOUS

a. Confidentiality. You must keep confidential and not disclose to any third party the provisions of the Agreement and any information that you receive from us that is not publicly available.

b. Proprietary Rights and Permitted Uses. Neither party has any rights in the other party's Marks, except as otherwise expressly specified in the Merchant Regulations, nor shall one party use the other party's Marks without its prior written consent, ~~except that we may use your name, address (including your website addresses or URLs), and customer service telephone numbers in any media at any time.~~

c. Your Representations and Warranties. You represent and warrant to us that: (i) you are duly organized, validly existing, and in good standing under the laws of the jurisdiction in which you are organized; (ii) you are duly qualified and licensed to do business in all jurisdictions in which you conduct business; (iii) you have full authority to enter into the Agreement and all necessary assets and liquidity to perform your obligations and pay your debts hereunder as they become due; (iv) there is no circumstance threatened or pending that might have a material adverse effect on your business or your ability to perform your obligations or pay your debts hereunder; (v) you are authorized to enter into the Agreement on behalf of your Establishments and Affiliates, including those indicated in the Agreement, and the individual who signs the Agreement or otherwise enters into it has authority to bind you and them to it; (vi) you are not (A) listed on the U.S. Department of Treasury, Office of Foreign Assets Control, Specially Designated Nationals and Blocked Persons List (available at [www.treas.gov/ofac](http://www.treas.gov/ofac)), (B) listed on the U.S. Department of State's Terrorist Exclusion List (available at [www.state.gov](http://www.state.gov)), or (C) located in or operating under license issued by a jurisdiction identified by the U.S. Department of State as a sponsor of international terrorism, by the U.S. Secretary of the Treasury as warranting special measures due to money laundering concerns, or as noncooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization of which the United States is a member; (vii) you have not assigned to any third party any payments due to you under the Agreement and all indebtedness arising from Charges are for bona fide sales of goods or services (or both) at your Establishments and free of any liens, claims, or encumbrances other than ordinary sales taxes or with respect to liens or other security interests that you grant pursuant to credit facilities obtained in the ordinary course of business from your commercial banks or other financial institutions; (viii) all information that you provided in connection with the Agreement is true, accurate, and complete; and (ix) you have read the Agreement and kept a copy for your file. If any of your representations or warranties in the Agreement become untrue, inaccurate, or incomplete at any time, we may immediately terminate the Agreement in our discretion.

d. Compliance with Laws. You shall comply with all Applicable Laws and governmental regulations and rules.

e. Governing Law; Jurisdiction; Venue. The Agreement and all Claims are governed by and shall be construed and enforced according to the laws of the State of New York without regard to internal principles of conflicts of law. Subject to section 7 of the General Provisions, any action by either party hereunder shall be brought only in the appropriate federal or state court located in the County and State of New York. Each party consents to the exclusive jurisdiction of such court and waives any Claim of lack of jurisdiction or *forum non conveniens*.

f. Interpretation. In construing the Agreement, unless the context requires otherwise: (i) the singular includes the plural and vice versa; (ii) the term "or" is not exclusive; (iii) the term "including" means "including, but not limited to;" (iv) the term "day" means "calendar day;" (v) all amounts are stated in U.S. dollars; (vi) references to a "party" means us, on the one hand, and you, on the other hand; (vii) the term "may" (unless followed by "not") means "has the right, but not the obligation, to"; (viii) any reference to any agreement (including the Agreement), instrument, contract, policy, procedure, or other document refers to it as amended, supplemented, modified, suspended, replaced, restated, or novated from time to time; (ix) any reference to a website or a URL (or both) refers to its successor website or URL; (x) all captions, headings, and similar terms are for reference only; and (xi) where specific language is used to illustrate by example or clarify a general statement, such specific language shall not be interpreted to modify, limit, or restrict the

construction of the general statement. To the extent possible, these General Provisions, the provisions of the Merchant Regulations, and the provisions of any accompanying schedules or exhibits shall be interpreted to give each their full effect. However, if a conflict is deemed to exist between them, then that conflict shall be resolved in the following order of precedence: any accompanying schedules or exhibits shall control over these General Provisions or the Merchant Regulations (or both) and the Merchant Regulations shall control over these General Provisions.

**g. Assignment.** You shall not assign the Agreement, or any of your rights, interests, or obligations hereunder, whether voluntarily or by operation of law (including by way of sale of assets, merger, or consolidation), without our prior written consent. Any purported assignment by operation of law is voidable in our sole discretion. We may assign the Agreement, or any of our rights, interests, or obligations hereunder, without your consent. Except as otherwise specified herein, the Agreement binds, and inures to the benefit of, the parties and their respective successors and permitted assigns.

**h. Waiver; Cumulative Rights.** Either party's failure to exercise any of its rights under the Agreement, its delay in enforcing any right, or its waiver of its rights on any occasion, shall not constitute a waiver of such rights on any other occasion. No course of dealing by either party in exercising any of its rights ~~shall constitute~~ constitutes a waiver thereof. No waiver of any provision of the Agreement ~~shall be~~ is effective unless it is in writing and signed by the party against whom the waiver is sought to be enforced. All rights and remedies of the parties are cumulative, not alternative.

**i. Savings Clause.** Other than as set forth in the last sentence of section 7.c.ii of ~~thesethe~~ General Provisions, if any provision of the Agreement is held by a court of competent jurisdiction to be illegal or unenforceable, that provision shall be replaced by an enforceable provision most closely reflecting the parties' intentions, with the balance of the Agreement remaining unaffected. If the provision that was previously held to be illegal or unenforceable is subsequently found to not be illegal or unenforceable as a result of a legislative, regulatory or judicial mandate or agreement of an authority with competent jurisdiction, such provision shall be reinstated in the Agreement and shall supersede the replacement provision. If any such legislative, regulatory or judicial mandate that caused a provision to be held illegal or unenforceable is subsequently modified in any manner, the provision shall be replaced by an enforceable provision that most closely reflects the parties' intentions as shown by the original contract provision.

**j. Amendments.** We reserve the right to change the Agreement at any time (including by amending any of its provisions, adding new provisions, or deleting or modifying existing provisions) on at least ten days' prior notice to you, provided that we shall change the Merchant Regulations pursuant to the provisions set forth below. You agree to accept all changes (and further to abide by the changed provisions in the Merchant Regulations) as a condition of your agreement to accept the Card. We are not bound by any changes that you propose in the Agreement, unless we expressly agree in a writing signed by our authorized representative. An ~~e-mail~~ email or other electronic communication does not constitute such a signed writing.

**i. Scheduled Changes.** The Merchant Regulations are published twice each year, in April and October. We have the right to, and hereby notify you that we may, change the provisions of the Merchant Regulations in scheduled releases (sometimes called "Notification of Changes" in our materials) as follows:

- a release of scheduled changes, to be published every April, which changes shall take effect in the following October (or in a later) edition of the Merchant Regulations or during the period between two editions of the Merchant Regulations, and
- a release of scheduled changes, to be published every October, which changes shall take effect in the following April (or in a later) edition of the Merchant Regulations or during the period between two editions of the Merchant Regulations.

Where a change is to take effect during the period between two editions of the Merchant Regulations, we shall also include the change in the edition of the Merchant Regulations covering the period during which the change shall take effect, noting the effective date of the change therein.

**ii. Unscheduled Changes.** We also have the right to, and hereby notify you that we may, change the provisions of the Merchant Regulations in separate unscheduled releases, which generally shall take effect ten days after notice to you (unless another effective date is specified in the notice).

**k. Entire Agreement.** The Agreement is the complete and exclusive expression of the agreement between you and us regarding the subject matter hereof and supersedes any prior or contemporaneous agreements, understandings, or courses of dealing regarding the subject matter hereof.

**l. Disclaimer of Warranties.** WE DO NOT MAKE AND HEREBY DISCLAIM ANY AND ALL REPRESENTATIONS, WARRANTIES, AND LIABILITIES, WHETHER EXPRESS, IMPLIED, OR ARISING BY LAW OR FROM A COURSE OF DEALING OR USAGE OF TRADE, INCLUDING IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY WARRANTY OF TITLE OR NON-INFRINGEMENT.

**m. No Third-Party Beneficiaries.** Except for the indemnitees specified in section 5.a of the General Provisions, the Agreement does not and is not intended to confer any rights or benefits on any person that is not a party hereto and none of the provisions of the Agreement shall be enforceable by any person other than the parties hereto, their successors and permitted assigns. The parties reserve the right to amend or terminate the Agreement without the consent of those indemnitees.

**n. Press Releases.** You shall not issue any press release or make any public announcement (or both) in respect of the Agreement or us without our prior written consent.

**o. Independent Contractors.** You and we are independent contractors. No agency, partnership, joint-venture, or employment relationship is created between the parties by the Agreement. Each party is solely responsible for its own acts and omissions and those of its respective agents, employees, representatives, and subcontractors in connection with the Agreement.

**AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.**

By:

[INSERT SIGNATURE]

Anré Williams  
President, Global Merchant Services [& Loyalty Group](#)

**EXHIBIT G**

**Table of Contents of the  
Representative Manual**

*Responsibilities of Membership Manual*

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## EXHIBIT H

### List of ~~Legacy System~~ Operational Franchises\* Under Legacy System As of December 31, 2016

AGENCY	ADDRESS	CITY	STATE	ZIP	PHONE
<del>Classic Travel of Scottsdale, Inc.</del>	<del>9393 N. 90TH STREET, STE 109</del>	<del>Scottsdale</del>	<del>AZ</del>	<del>85258</del>	<del>(480) 860-0090</del>
International Cruise & Excursion	15501 N. Dial Boulevard	Scottsdale	AZ	85260	(602) 395-1995
<del>El Sol Travel</del>	<del>1575 West University Drive</del>	<del>Tempe</del>	<del>AZ</del>	<del>85284</del>	<del>(480) 894-5533</del>
<del>Levon Travel</del>	<del>1132 N. Brand Blvd.</del>	<del>Glendale</del>	<del>CA</del>	<del>91202</del>	<del>(818) 552-7700</del>
Corporate Travel Center	885 Patriot Drive Ste B	Moorpark	CA	93021	(805) 529-1120
Anderson Travel Service	1801 East Tahquitz Canyon Way	Palm Springs	CA	92262	(760) 325-2001
<del>Travel Managers Inc. D/B/A Hunter World Travel</del>	<del>4637 Chabot Drive</del>	<del>Pleasanton</del>	<del>CA</del>	<del>94588</del>	<del>(925) 463-0560</del>
<del>Innovative Travel (05559035)</del>	<del>159B Cascade Court</del>	<del>Rohnert Park</del>	<del>CA</del>	<del>94928</del>	<del>(707) 586-4030</del>
THE TRAVEL BUG	24300 TOWN CENTER DRIVE	VALENCIA	CA	91355	(661) 255-5030
AMT	340 S. Glendora Ave	WEST COVINA	CA	91790	(626) 917-9341
<del>Steamboat Ski &amp; Resort Corporation</del>	<del>1475 Pine Grove Rd</del>	<del>Steamboat Springs</del>	<del>CO</del>	<del>80487</del>	<del>(970) 879-0740</del>
<del>HRW Associates, Inc./Sanditz Travel</del>	<del>98 WASHINGTON STREET</del>	<del>MIDDLETOWN</del>	<del>CT</del>	<del>06457</del>	<del>(860) 346-5514</del>
PERKINS TRAVEL CORP.	40 S. HIGH ST.	NEW BRITAIN	CT	06051	(860) 223-1655
TRAVEL DESK OF CONNECTICUT	112 Prospect Street	Stamford	CT	06901	(203) 622-0800
Jetset Travel Inc.	222 South Dupont Highway, Ste 102	DOVER	DE	19901	(302) 678-5050
BOCA EXPRESS TRAVEL	8177 GLADES ROAD	BOCA RATON	FL	33434	(561) 451-4511
<del>CRUISE PLANNERS, INC.</del>	<del>3300 University Drive</del>	<del>Coral Springs</del>	<del>FL</del>	<del>33065</del>	<del>(954) 344-8060</del>
UNIVERSAL TRAVEL/Accent Travel	1425C SE 17th Street	FORT LAUDERDALE	FL	33316	(954) 525-5000
Main Street Travel	8130 Lakewood Main Street	Lakewood Ranch	FL	34202	(941) 907-9145
Avoya Travel dba America's Vacation Center	5201 Blue Lagoon Drive	Miami	FL	33126	(305) 677-2308
Brickell Travel Management	175 SW 7th St.	Miami	FL	33130	(305) 856-8889
Mena Travel	3907 SW 67th Avenue	Miami	FL	33155	(305) 649-7066
<del>THE TRAVEL GALLERY</del>	<del>361 TEQUESTA DRIVE</del>	<del>TEQUESTA</del>	<del>FL</del>	<del>33469</del>	<del>(561) 744-6744</del>
<del>Aladdin Travel Services, Ltd. (11554686)</del>	<del>294 North Main St.</del>	<del>Alpharetta</del>	<del>GA</del>	<del>30009</del>	<del>(770) 475-1511</del>
<del>Georgia International Travel, Inc.</del>	<del>6285 Barfield Road</del>	<del>Atlanta</del>	<del>GA</del>	<del>30328</del>	<del>(404) 851-9166</del>
<del>CLASSIC WORLD TRAVEL-BRAELINN, INC.</del>	<del>200 Commerce Drive</del>	<del>PEACHTREE CITY</del>	<del>GA</del>	<del>30269</del>	<del>(770) 487-9529</del>
<del>Travel Services, Inc.</del>	<del>512 East Edwards Street</del>	<del>Litchfield</del>	<del>IL</del>	<del>62056</del>	<del>(217) 324-6400</del>
<del>MARKETING INNOVATORS INTERNATIONAL, INC.</del>	<del>9701 WEST HIGGINS ROAD</del>	<del>ROSEMONT</del>	<del>IL</del>	<del>60018</del>	<del>(847) 696-1111</del>
<del>MENNO TRAVEL SERVICE, INC (15762110) (15762110)</del>	<del>240 S. Main St</del>	<del>GOSHEN</del>	<del>IN</del>	<del>46526</del>	<del>(574) 534-1524</del>
<del>GREAT DESTINATIONS</del>	<del>627 S Tillotson Ave</del>	<del>MUNCIE</del>	<del>IN</del>	<del>47304</del>	<del>(765) 284-6316</del>
<del>WINGGATE TRAVEL</del>	<del>8645 College Blvd.</del>	<del>OVERLAND PARK</del>	<del>KS</del>	<del>66210</del>	<del>(913) 451-9200</del>
<del>TRAVEL CENTRAL</del>	<del>3221 N Causeway Blvd</del>	<del>METAIRIE</del>	<del>LA</del>	<del>70002</del>	<del>(504) 834-7000</del>
YOUNG'S TRAVEL SERVICE, INC.	714B Southbridge Street	Auburn	MA	01501	(508) 721-2600
CLEVELAND CIRCLE TRAVEL	1624 BEACON STREET	BROOKLINE	MA	02446	(617) 734-2350

Carolyn A.Celorier Enterprises/Travel Concepts	225 Worcester Rd.	Framingham	MA	01701	(508)-879-8600
Cole Travel	46924 Shangri-La Drive	Lexington Park	MD	20653	(301)-863-9497
Departure Travel Management	344 North Old Woodward Ste. 100	Birmingham	MI	48009	(248)-723-1754
Bursch Travel Agency, Inc.	817 Broadway	Alexandria	MN	56308	(320)-762-1544
Travel Advisors International	840 West 78th Street	Chanhassen	MN	55317	(952)-474-3666
BLUE RIBBON BUSINESS TRAVEL	3601 W. 76TH STREET, STE 190	EDINA	MN	55435	(952)-835-2724
CARROUSEL TRAVEL	6625 LYNDALE AVE. S.	MINNEAPOLIS	MN	55423	(612)-866-2503
ProfessionalTravelService.com/Plymouth Travel	3545 Plymouth Blvd	PLYMOUTH	MN	55447	(763)-577-2300
WILCOX TRAVEL AGENCY, INC.	1 WEST PACK SQUARE	ASHEVILLE	NC	28801	(828) 254-0746
TRAVEL FAIRE	8719 SHAMROCK ROAD	OMAHA	NE	68114	(402) 397-6900
TRAVEL GROUP	700 E PALISADE AVENUE	ENGLEWOOD CLIFFS	NJ	07632	(201)-569-7711
E. CLARKE TRAVEL	200 MAIN STREET, POB 152	FORT LEE	NJ	07024	(201) 947-2443
SHANTHI TRAVEL, INC.	194 DIAMOND BRIDGE AVENUE	HAWTHORNE	NJ	07506	(973) 423-4444
Prestige Travel	1322 Highway 36	Hazlet	NJ	07730	(732)-739-2424
The Travel Center	3562 Route 27	Kendall Park	NJ	08824	(732)-329-1000
Town Place Travel	501 Route 73 South	Marlton	NJ	08053	(856) 985-1555
PRIME TRAVEL	180 E. MAIN STREET	RAMSEY	NJ	07446	(201) 825-1600
VIP Luxury Travel/Euphrates	Kennedy Blvd East	West New York	NJ	07093	(855)-452-2626
Bianconero Enterprises Inc/Avenue Travel Group	385 Northfield Avenue	West Orange	NJ	07052	(973) 325-2345
PRESTIGE TRAVEL (29814212)	6175 SPRING MOUNTAIN ROAD	LAS VEGAS	NV	89146	(702)-251-5552
The Travel Team, Inc.	2495 Main Street, Suite 340	Buffalo	NY	14214	(716)-862-7600
SPIES TRAVEL AGENCY	1022 MAIN STREET	HOLBROOK	NY	11741	(631)-981-0700
Creative Travel International, Inc.	900 Walt Whitman Road	Melville	NY	11747	(631) 424-3500
HERRICKS TRAVEL CENTER, INC.	22 JERICHO TURNPIKE	MINEOLA	NY	11501	(516) 294-0020
Altour International, Inc	1270 Avenue of the Americas	New York	NY	10020	(212)-897-5000
Up and Away Travel, Inc.	347 Fifth Avenue	New York	NY	10016	(212) 889-2345
Town & Country Travel, Inc.	732 Pittsford-Victor Rd	Pittsford	NY	14534	(585)-381-2850
ARRIVA TRAVEL	382 MAMARONECK AVE	WHITE PLAINS	NY	10605	(914) 428-6611
Blue Ribbon Travel	11-16 154th Street	Whitestone	NY	11357	(718) 767-5455
Landfall Travel	19104 Old Detroit Road	Rocky River	OH	44116	(216)-521-7733
Journey House Travel Inc	2915 United Founders Blvd	Oklahoma City	OK	73112	(405) 232-9215
WORLD CLASS VACATIONS	7540 WINDSOR DRIVE, STE 202	ALLENTOWN	PA	18195	(610) 391-9094
Holiday Travel International	12239 Route 30	North Huntingdon	PA	15642	(724) 863-7500
PENNSYLVANIA TRAVEL INC.	15 MAPLE AVENUE	PAOLI	PA	19301	(610)-251-9944
RODGERS TRAVEL	512 W. Lancaster Ave.	Wayne	PA	19087	(610) 964-1775
Global Excellence	20-Veterans-Memorial-Drive	Warwick	RI	02886	(401)-732-8080
TRAVELINK, INCORPORATED	404 BNA DRIVE, Suite 650, Nashville, TN 37217	NASHVILLE	TN	37217	(615)-367-4900
FAIRWAY TRAVEL SERVICES, INC.	2785 Rockbrook Drive Ste.101	Lewisville	TX	75067	(972)-436-9700
Interline Vacations	12708 Riata Vista Circle STE A 125	Austin	TX	78727	(512)691-4501
Jim's Travel Link Inc.-(45646996)	1250 W. Mockingbird Lane	Dallas	TX	75247	(214)-720-1000
Gulliver's Travel Service, Inc.	2800 South Hulen #110	Fort Worth	TX	76109	(817)-924-7766
Infinity Travel Management	7042 Highway 6 North	Houston	TX	77095	(281) 859-8747

Windsor Travel Corp.	2121 Sage Road	Houston	TX	77056	(713) 627-0114
LOZANO TRAVEL, LLC	201 West Del Mark Blvd	Laredo	TX	78041	(956) 791-4455
ENVOYE TRAVEL	3602 SLIDE ROAD, B-6	LUBBOCK	TX	79414	(806) 793-3901
National Travel Systems (non-appointed Headquarters)	4314 S. Loop 289	Lubbock	TX	79413	(806) 794-3336
ARTA Travel Motivation & Tours	5700 West Plano Parkway	Plano	TX	75093	(972) 422-4000
Canyon Creek Travel	333 W Campbell Road	Richardson	TX	75080	(972) 238-1998
Alamo Travel Group Inc.	8930 Wurzbach Road	San Antonio	TX	78240	(210) 593-0084
Lough Management, Inc./Travel Partners	2002 LOY LAKE ROAD	SHERMAN	TX	75090	(903) 892-4666
FOX TRAVEL	25701 I-45 N.#3A	SPRING	TX	77380	(281) 363-0808
HESS TRAVEL	150 N. MAIN STREET	BOUNTIFUL	UT	84010	(801) 292-8687
MACNAIR TRAVEL MANAGEMENT	1101 King Street	ALEXANDRIA	VA	22314	(703) 836-1100
United Fairfax Travel/IGC	9864 Main Street	Fairfax	VA	22031	(703) 591-3544
CI Travel (49616556)	870 No. Military Highway	Norfolk	VA	23502	(757) 627-8000
MILNE TRAVEL AGENCY, INC.	325 N. MAIN STREET	BARRE	VT	05641	564 (802) 479-0541
ACCENT TRAVEL, INC.	600 BLAIR PARK	WILLISTON	VT	05495	(802) 879-6903
PASSPORT TRAVEL & TOURS, INC.	6270 NE Bothell Way	Kenmore	WA	98028	(425) 483-8687
Travel Associates	777 East Wisconsin Avenue	Milwaukee	WI	53202	(414) 276-3980
KEYSTONE TRAVEL SERVICES	16735 West Greenfield Ave.	New Berlin	WI	53151	(262) 782-8750
Marathon Travel dba Travel Guard-Business Travel Services	3300 Business Park Drive	STEVENS POINT	WI	54482	(715) 344-6203
National Travel, Inc	707 Virginia Street East, Suite 100	Charleston	WV	25301	(304) 357-0801

\*This list contains the name, address and telephone number of each franchisee under the Legacy System as of December 31, ~~2015~~2016.

**List of Operational Franchises  
Under Current System  
As of December 31, 2016\***

AGENCY	ADDRESS	CITY	STATE	ZIP	PHONE
International Cruise & Excursion	15501 N. Dial Boulevard	Scottsdale	AZ	85260	(602) 395-1995
CRUISE PLANNERS, INC.	3300 University Drive	Coral Springs	FL	33065	(954) 344-8060
HRW Associates, Inc./Sanditz Travel	98 WASHINGTON STREET	MIDDLETOWN	CT	06457	(860) 346-5511
The Travel Team, Inc.	2495 Main Street., Suite 340	Buffalo	NY	14214	(716) 862-7600
<b>There are no franchisees operating</b>					
Altour International, Inc	1270 Avenue of the Americas	New York	NY	10020	(212) 897-5000
PRESTIGE TRAVEL (29814212)	6175 SPRING MOUNTAIN ROAD	LAS VEGAS	NV	89146	(702) 251-5552
TRAVELINK, INCORPORATED	404 BNA DRIVE, Suite 650, Nashville, TN 37217	NASHVILLE	TN	37217	(615) 367-4900
MILNE TRAVEL AGENCY, INC.	325 N. MAIN STREET	BARRE	VT	05641	(802) 479-0541
CI Travel (49616556)	870 No. Military Highway	Norfolk	VA	23502	(757) 627-8000
National Travel, Inc	707 Virginia Street East, Suite 100	Charleston	WV	25301	(304) 357-0801

\*This list contains the name, address and telephone number of each franchisee under the new Representative Network Current System as of the issuance date of this Franchise Disclosure Document December 31, 2016.

**EXHIBIT I**

**Former Legacy System Franchisees  
Now Operating Under the Representative Agreement  
As of December 31, ~~2015~~2016\***

<u>AGENCY</u>	<u>CITY</u>	<u>STATE</u>	<u>PHONE</u>
<a href="#">International Cruise &amp; Excursion</a>	<a href="#">Scottsdale</a>	<a href="#">AZ</a>	<a href="#">(602) 395-1995</a>
<a href="#">Cruise Planners, Inc.</a>	<a href="#">Coral Springs</a>	<a href="#">FL</a>	<a href="#">(954) 344-8060</a>
<a href="#">Hrw Associates, Inc./Sanditz Travel</a>	<a href="#">Middletown</a>	<a href="#">CT</a>	<a href="#">(860) 346-5511</a>
<a href="#">The Travel Team, Inc.</a>	<a href="#">Buffalo</a>	<a href="#">NY</a>	<a href="#">(716) 862-7600</a>
<a href="#">Altour International, Inc.</a>	<a href="#">New York</a>	<a href="#">NY</a>	<a href="#">(212) 897-5000</a>
<a href="#">Prestige Travel</a>	<a href="#">Las Vegas</a>	<a href="#">NV</a>	<a href="#">(702) 251-5552</a>
<a href="#">Travelink, Incorporated</a>	<a href="#">Nashville</a>	<a href="#">TN</a>	<a href="#">(615) 367-4900</a>
<a href="#">Milne Travel Agency, Inc.</a>	<a href="#">Barre</a>	<a href="#">VT</a>	<a href="#">(802) 479-0541</a>
<a href="#">CI Travel</a>	<a href="#">Norfolk</a>	<a href="#">VA</a>	<a href="#">(757) 627-8000</a>
<a href="#">National Travel, Inc.</a>	<a href="#">Charleston</a>	<a href="#">WV</a>	<a href="#">(304) 357-0801</a>

**Former Legacy System Franchisees  
Affiliated with American Express Under Other Programs  
As of December 31, 2016\***

<u>AGENCY</u>	<u>CITY</u>	<u>STATE</u>	<u>TELEPHONE</u>
<a href="#">Levon Travel</a>	<a href="#">Glendale</a>	<a href="#">CA</a>	<a href="#">(818) 552-7700</a>
<a href="#">Innovative Travel</a>	<a href="#">Rohnert Park</a>	<a href="#">CA</a>	<a href="#">(707) 586-4030</a>
<a href="#">Steamboat Ski &amp; Resort Corporation</a>	<a href="#">Steamboat Springs</a>	<a href="#">CO</a>	<a href="#">(970) 879-0740</a>
<a href="#">Classic World Travel-Braelinn, Inc.</a>	<a href="#">Peachtree City</a>	<a href="#">GA</a>	<a href="#">(770) 487-9529</a>
<a href="#">Travel Services, Inc.</a>	<a href="#">Litchfield</a>	<a href="#">IL</a>	<a href="#">(217) 324-6400</a>
<del>Homewood</del> <a href="#">Menno Travel Service-, Inc.</a>	<del>Homewood</del> <a href="#">Goshen</a>	<del>IL</del> <a href="#">IN</a>	<del>(708) 799-5218</del> <a href="#">(574) 534-1521</a>
<a href="#">Great Destinations</a>	<a href="#">Muncie</a>	<a href="#">IN</a>	<a href="#">(765) 284-6316</a>
<a href="#">Wingate Travel</a>	<a href="#">Overland Park</a>	<a href="#">KS</a>	<a href="#">(913) 451-9200</a>
<a href="#">Travel Central</a>	<a href="#">Metairie</a>	<a href="#">LA</a>	<a href="#">(504) 834-7000</a>
<del>Sunrise</del> <a href="#">Young's Travel Center</a> <del>Service, Inc.</del>	<del>Seagirt</del> <a href="#">Auburn</a>	<del>NJ</del> <a href="#">MA</a>	<del>(732) 449-2200</del> <a href="#">(508) 721-2600</a>
<del>Direct</del> <a href="#">travel</a> <a href="#">Cleveland Circle Travel</a>	<del>Paramus</del> <a href="#">Brookline</a>	<del>NJ</del> <a href="#">MA</a>	<del>201-847-9000</del> <a href="#">(617) 734-2350</a>
<del>Prestige</del> <a href="#">Cole</a> Travel	<del>Raleigh</del> <a href="#">Lexington Park</a>	<del>NC</del> <a href="#">MD</a>	<del>(919) 787-8083</del> <a href="#">(301) 863-9497</a>
<del>Atlas</del> <a href="#">Departure</a> Travel <a href="#">Management</a>	<del>Norristown</del> <a href="#">Birmingham</a>	<del>PA</del> <a href="#">MI</a>	<del>(610) 279-2535</del> <a href="#">(248) 723-1754</a>
<del>ATP</del> <a href="#">Travel Advisors</a> International, <del>Inc.</del>	<del>New Haven</del> <a href="#">Chanhassen</a>	<del>CT</del> <a href="#">MN</a>	<del>(203) 772-0060</del> <a href="#">(952) 474-3666</a>
<a href="#">Carrousel Travel</a>	<a href="#">Minneapolis</a>	<a href="#">MN</a>	<a href="#">(612) 866-2503</a>
<a href="#">Bursch Travel</a>	<a href="#">Waite Park</a>	<a href="#">MN</a>	<a href="#">(320) 762-1544</a>
<a href="#">Travel Group</a>	<a href="#">Englewood Cliffs</a>	<a href="#">NJ</a>	<a href="#">(201) 569-7711</a>
<a href="#">The Travel Center</a>	<a href="#">Kendall Park</a>	<a href="#">NJ</a>	<a href="#">(732) 329-1000</a>

<u>AGENCY</u>	<u>CITY</u>	<u>STATE</u>	<u>TELEPHONE</u>
<a href="#">Spies Travel Agency</a>	<a href="#">Holbrook</a>	<a href="#">NY</a>	<a href="#">(631) 981-0700</a>
<a href="#">Herricks Travel Center, Inc.</a>	<a href="#">Mineola</a>	<a href="#">NY</a>	<a href="#">(516) 294-0020</a>
<a href="#">Town &amp; Country Travel, Inc.</a>	<a href="#">Pittsford</a>	<a href="#">NY</a>	<a href="#">(585) 381-2850</a>
<a href="#">Landfall Travel</a>	<a href="#">Rocky River</a>	<a href="#">OH</a>	<a href="#">(216) 521-7733</a>
<a href="#">Global Excellence</a>	<a href="#">Warwick</a>	<a href="#">RI</a>	<a href="#">(401) 732-8080</a>
<a href="#">AdvantageGullivers Travel</a>	<a href="#">Fort Worth</a> <del><a href="#">Houston</a></del>	<a href="#">TX</a>	<a href="#">(817) 924-7766</a> <del><a href="#">(281) 558-5777</a></del>
<a href="#">Lozano Travel, LLC</a>	<a href="#">Laredo</a>	<a href="#">TX</a>	<a href="#">(956) 791-4455</a>
<a href="#">All SeasonsFairway Travel AgencyServices, Inc.</a>	<a href="#">Lewisville</a> <del><a href="#">Birmingham</a></del>	<del><a href="#">AL</a></del> <a href="#">TX</a>	<a href="#">(972) 436-9700</a> <del><a href="#">(205) 870-3003</a></del>
<a href="#">National Travel Systems</a>	<a href="#">Lubbock</a>	<a href="#">TX</a>	<a href="#">(806) 794-3336</a>
<a href="#">Canyon Creek Travel</a>	<a href="#">Richardson</a>	<a href="#">TX</a>	<a href="#">(972) 238-1998</a>
<a href="#">Keystone Travel Services</a>	<a href="#">New Berlin</a>	<a href="#">WI</a>	<a href="#">(262) 782-8750</a>

~~\*This list contains~~

**Former Legacy System Franchisees**  
**No Longer Affiliated with American Express**  
**As of December 31, 2016\***

<u>AGENCY</u>	<u>CITY</u>	<u>STATE</u>	<u>TELEPHONE</u>
<a href="#">Travel Managers DBA Hunter World Travel</a>	<a href="#">Pleasanton</a>	<a href="#">CA</a>	<a href="#">(925) 463-0560</a>
<a href="#">The Travel Gallery</a>	<a href="#">Tequesta</a>	<a href="#">FL</a>	<a href="#">(561) 744-6744</a>
<a href="#">Aladdin Travel</a>	<a href="#">Alpharetta</a>	<a href="#">GA</a>	<a href="#">(770) 475-1511</a>
<a href="#">Georgia International Travel</a>	<a href="#">Atlanta</a>	<a href="#">GA</a>	<a href="#">(404) 851-9166</a>
<a href="#">Marketing Innovators</a>	<a href="#">Rosemont</a>	<a href="#">IL</a>	<a href="#">(847) 696-1111</a>
<a href="#">Travel Concepts</a>	<a href="#">Framingham</a>	<a href="#">MA</a>	<a href="#">(508) 879-8600</a>
<a href="#">Blue Ribbon Business Travel</a>	<a href="#">Edina</a>	<a href="#">MN</a>	<a href="#">(952) 835-2724</a>
<a href="#">ProfessionalTravelService.com</a>	<a href="#">Minneapolis</a>	<a href="#">MN</a>	<a href="#">(763) 577-2300</a>
<a href="#">Euphrates Travel Inc.</a>	<a href="#">Aventura</a>	<a href="#">FL</a>	<a href="#">(786) 787-0332</a>
<a href="#">Prestige Travel</a>	<a href="#">Hazlet</a>	<a href="#">NJ</a>	<a href="#">(732) 739-2424</a>
<a href="#">Pennsylvania Travel</a>	<a href="#">Paoli</a>	<a href="#">PA</a>	<a href="#">(610) 251-9944</a>
<a href="#">Jim's Travel Link</a>	<a href="#">Irving</a>	<a href="#">TX</a>	<a href="#">(214) 720-1000</a>
<a href="#">AMMEA Investments LLC/Travel Partners</a>	<a href="#">Sherman</a>	<a href="#">TX</a>	<a href="#">(903) 892-4666</a>
<a href="#">Windsor Travel</a>	<a href="#">Windsor</a>	<a href="#">TX</a>	<a href="#">(713) 627-0111</a>
<a href="#">MacNair Travel Management</a>	<a href="#">Fairfax</a>	<a href="#">VA</a>	<a href="#">(703) 836-1100</a>
<a href="#">Accent Travel</a>	<a href="#">Williston</a>	<a href="#">VT</a>	<a href="#">(802) 879-6903</a>

~~\*These lists contain~~ the name, city, state, and telephone number of each Legacy System franchisee who has had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business in the Legacy System during ~~2015~~[2016](#), or who has not communicated with TRS within 10 weeks of the date of this disclosure document.

There were no franchisees operating under the new Representative Network who had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Representative Agreement during ~~2015~~2016, or who has not communicated with TRS within 10 weeks of the date of this disclosure document.

**EXHIBIT J**

**State Addenda to the Franchise Disclosure Document**

**MARYLAND ADDENDUM**

**ADDENDUM TO THE  
AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, MD. CODE ANN., BUS. REG. §§14-201 to 14-233 (2004 Repl. Vol. & Supp. 2006), the Franchise Disclosure Document of American Express Travel Related Services Company, Inc. for use in the State of Maryland shall be amended as follows:

1. Item 17(f), under the heading entitled “Termination by us with cause” for the Representative Agreement, shall be supplemented by adding the following language at the end of the Item:

The provision in the Representative agreement which provides for termination upon bankruptcy of the Representative may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. Items 17(v) and 17(w), under the headings entitled “Choice of forum” and “Choice of law” for the Representative Agreement shall be supplemented by adding the following language at end of each Item:

; except that you may sue TRS in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Addendum. The Addendum shall have no force or effect if such jurisdictional requirements are not met.

\* \* \*

**AMENDMENT TO THE  
AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.  
REPRESENTATIVE AGREEMENT  
REQUIRED BY THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, MD. CODE ANN., BUS. REG. §§14-201 to 14-233 (2004 Repl. Vol. & Supp. 2006), the parties to the attached American Express Travel Related Services Company, Inc. Representative Agreement (the “Representative Agreement”) agree as follows:

1. Section 14.1(b) of the Representative Agreement, under the heading “Default and Termination”, shall be amended by adding the following:

; provided, however, that termination upon bankruptcy of the Representative may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. Section 25.1 of the Representative Agreement, entitled “Governing Law,” shall be amended by adding the following:

Notwithstanding the foregoing, Representative may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law; provided, however, that any and all claims and actions arising out of or relating to this Agreement under the Maryland Franchise Registration and Disclosure Law, shall be brought by Representative against TRS within three (3) years after the grant of the franchise, or such claim or action shall be barred.

3. At the end of Section 23 of the Representative Agreement, a new Subsection 11 shall be added stating the following:

(11) The foregoing acknowledgments shall not be construed as a waiver or release by Representative of any claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of the Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties hereto have duly executed this Maryland Amendment to the Representative Agreement on the same date as that on which the Representative Agreement was executed.

**AMERICAN EXPRESS TRAVEL  
RELATED SERVICES COMPANY, INC.**

**[INSERT REPRESENTATIVE NAME]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Name: \_\_\_\_\_  
(Type Name)

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**OWNER**

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Date: \_\_\_\_\_

**MICHIGAN ADDENDUM**

## NOTICE REQUIRED BY THE STATE OF MICHIGAN

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise agreement prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding the notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Franchise Section, 670 Law Building, Lansing, Michigan 48913/Telephone number: (517) 373-7117.

\* \* \*

**MINNESOTA ADDENDUM**

**ADDENDUM TO THE  
AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MINNESOTA**

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the American Express Travel Related Services Company, Inc. Franchise Disclosure Document for use in the state of Minnesota shall be amended to include the following:

1. Item 13, under the heading “Trademarks,” shall be amended by the addition of the following language at the end of the Item:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), if we determine that you have used our trademarks, services marks, trade names, logotypes, or other commercial symbols in accordance with the Representative Agreement, we will protect any rights which you have to use our trademarks, service marks, trade names, logotypes, or other commercial symbols.

2. In Item 17, each section (b), (c), (f), and (m), under the headings entitled “Renewal or Extension of the Term,” “Requirements for you to Renew or Extend,” “Termination by TRS with cause,” and “Conditions for TRS’ approval of transfer”, shall be amended by adding the following language at the end of those sections:

Minnesota law provides franchisees with certain termination, non-renewal, and transfer rights. In sum, Minn. Stat. § 80C.14 (subd. 3, 4, and 5) currently requires, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of nonrenewal of the Representative Agreement, and that consent to the transfer of the franchise not be unreasonably denied.

3. In Item 17, each section (v) and (w), under the headings entitled “Choice of forum” and “Choice of law,” shall be amended by adding the following language at the end of the section:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

4. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22 and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930 are met independently without reference to this Addendum to the Disclosure Document.

\* \* \*

**AMENDMENT TO THE  
AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.  
REPRESENTATIVE AGREEMENT  
REQUIRED BY THE STATE OF MINNESOTA**

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn Rules. §§ 2860.0100 through 2860.9930, the parties to the attached American Express Travel Related Services Company, Inc. Representative Agreement (the “Representative Agreement”) agree as follows:

1. Sections 4.6, 13, and 14 of the Representative Agreement shall be supplemented by the addition of the following language:

Minnesota law provides franchisees with certain termination, non-renewal and transfer rights. In sum, Minn. Stat. § 80C.14 (subd. 3, 4, and 5) currently requires, except specified cases, that a franchisee be given 90 ~~days~~ days’ notice of termination (with 60 days to cure) and 180 ~~days~~ days’ notice of nonrenewal of the Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

2. Section 11 of the Representative Agreement shall be supplemented by the addition of the following language:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), if TRS determines that the Representative has used TRS’ trademarks, service marks, trade names, logotypes, or other commercial symbols in accordance with the Representative Agreement, TRS will protect any rights which the Representative has to use TRS’ trademarks, service marks, trade names, logotypes, or other commercial symbols.

3. Section 25 of the Representative Agreement shall be supplemented by the addition of the following language:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the disclosure document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Representative Agreement on the same date as that on which the Representative Agreement was executed.

**AMERICAN EXPRESS TRAVEL  
RELATED SERVICES COMPANY, INC.**

**[INSERT REPRESENTATIVE NAME]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Name: \_\_\_\_\_  
(Type Name)

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**OWNER**

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Date: \_\_\_\_\_

**NORTH DAKOTA ADDENDUM**

**ADDENDUM TO THE  
AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.  
REPRESENTATIVE AGREEMENT  
REQUIRED BY THE STATE OF NORTH DAKOTA**

The North ~~Dakota~~Dakota Securities Commissioner has held the following practices to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.) under the provisions of the North Dakota Franchise Investment Law:

- A. Restrictive Covenants: Franchise offering circulars which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.
- B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of the disputes at a location that is remote from the site of the franchisees' business.
- C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Requiring North Dakota Franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Franchise agreements, which specify that they are to be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
- I. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

\* \* \*

**RHODE ISLAND ADDENDUM**

**ADDENDUM TO THE  
AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act, the Franchise Disclosure Document of the American Express Travel Related Services Company, Inc. for use in the State of Rhode Island shall be amended to include the following:

1. Item 17 shall be supplemented by the addition of the following language at the end of Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. Each provision of this Addendum to the Franchise Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Addendum to the Franchise Disclosure Document.

**ADDENDUM TO THE  
AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.  
REPRESENTATIVE AGREEMENT  
REQUIRED BY THE STATE OF RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act, the parties to the attached American Express Travel Related Services Company, Inc. Representative Agreement (the "Representative Agreement") agree that notwithstanding anything which may be contained in the body of the Representative Agreement to the contrary, the Representative Agreement is amended to include the following:

1. Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed this Rhode Island Amendment to the Representative Agreement on the same date as that on which the Representative Agreement was executed.

**AMERICAN EXPRESS TRAVEL  
RELATED SERVICES COMPANY, INC.**

**[INSERT REPRESENTATIVE NAME]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Name: \_\_\_\_\_  
(Type Name)

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**OWNER**

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Date: \_\_\_\_\_

**VIRGINIA ADDENDUM**

**ADDENDUM TO THE  
AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for American Express Travel Related Services Company, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

1. Item 17.h. of the Franchise Disclosure Document table shall be amended by the addition of the following language:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for TRS to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Representative Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Amendment.

\* \* \*

**WASHINGTON ADDENDUM**

**ADDENDUM TO THE  
AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF WASHINGTON**

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable. In recognition of the requirements of the Franchise Investment Protection Act § § 19.100.010 through 19.100.940, the Franchise Disclosure Document of American Express Travel Related Services Company, Inc., for use in connection with the offer and sale of its franchises for use in the State of Washington shall be amended as follows:

1. Item 17(b), under the heading entitled “Renewal or extension of term,” and Item 17(f) under the heading entitled “Termination by TRS with cause,” shall be supplemented with the following:

The state of Washington has a statute, RCW 19.100.180 which may supersede the Representative Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Representative Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

The Representative Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C. § 101, et seq.).

2. Item 17(f), under the heading entitled “Termination by TRS with cause,” shall be supplemented with the following:

The state of Washington has a statute, RCW 19.100.180 which may supersede the Representative Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Representative Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

3. Item 17(h), under the heading entitled “‘Cause’ defined-non-curable defaults,” shall be supplemented with the following:

Washington law provides that, except in specified cases, a franchisee be given the opportunity to cure a default after being given written notice thereof and a reasonable opportunity, no more than thirty (30) days, to cure such default, or if thirty (30) days is not adequate to cure such default, to initiate within thirty (30) days a substantial and continuing action to cure such default.

4. Item 6 and Item 17(m), under the headings entitled “Other fees” and “Conditions for TRS’ approval of transfer,” shall be supplemented with the following:

If you are located in Washington State, you must pay a transfer fee in the amount necessary to reimburse us for our reasonable costs and expenses associated with reviewing the application to transfer, including legal and accounting fees.

5. Item 17(v), under the heading “Forum,” shall be supplemented with the following:

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

6. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Retail Franchising Act, § § 19.100.010 through 19.100.940, are met independently without reference to this Addendum.

\* \* \*

**AMENDMENT TO THE  
AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.  
REPRESENTATIVE AGREEMENT  
REQUIRED BY THE STATE OF WASHINGTON**

The state of Washington has a statute, RCW 19.100.180 which may supersede the Representative Agreement in your relationship with the franchisor including the areas termination and renewal of your franchise. There may also be court decisions which may supersede the Representative Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

In recognition of the requirements of the Washington Franchise Investment Protection Act § § 19.100.010 through 19.100.940, the parties to the attached American Express Travel Related Services Company, Inc. Representative Agreement (the "Representative Agreement") agree as follows:

1. Section 9.2. of the Representative Agreement shall be supplemented by the addition of the following:

Washington law provides that, except in specified cases, a franchisee be given the opportunity to cure a default after being given written notice thereof and a reasonable opportunity, no more than thirty (30) days, to cure such default, or if thirty (30) days is not adequate to cure such default, to initiate within thirty (30) days a substantial and continuing action to cure such default.

2. Section 13 of the Representative Agreement shall be supplemented by the addition of the following language:

The transfer fee is imposed to reimburse TRS for its reasonable costs and expenses (including legal and accounting fees) associated with reviewing any application as to any transfer under the Representative Agreement. However, the amount of the transfer fee will only be the amount necessary to compensate TRS for the expenses described above as a result of a transfer. This fee is non-refundable.

3. Section 25. of the Representative Agreement shall be supplemented by the addition of the following language which shall be considered an integral part of the Representative Agreement:

Notwithstanding anything to the contrary herein, no provision of this Agreement shall be deemed to constitute a waiver of compliance with any provision of the Washington Franchise Investment Protection Act.

If any provisions of this Agreement conflict with the Washington Franchise Investment Protection Act, the provisions of the Washington Franchise Investment Protection Act shall prevail.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act §§ 19.100.010 through 19.100.940 are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Amendment to the Representative Agreement on the same date as that on which the Representative Agreement was executed.

**AMERICAN EXPRESS TRAVEL  
RELATED SERVICES COMPANY, INC.**

**[INSERT REPRESENTATIVE NAME]**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Name: \_\_\_\_\_  
(Type Name)

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**OWNER**

By: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_  
(Type Name)

Date: \_\_\_\_\_

**RECEIPT**  
**(Franchisee Copy)**

This disclosure document summarizes certain provisions of the representative agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If American Express Travel Related Services Company, Inc. ("TRS") offers you a franchise, TRS must provide this disclosure document at the earliest of (a) the first personal meeting, (b) 14 calendar days before you sign a binding agreement with, or make payment to, TRS or an affiliate in connection with the proposed franchise sale, or (c) 10 business days before you sign a binding agreement with, or make payment to, TRS or an affiliate in connection with the proposed franchise sale.

If TRS does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and ~~your~~the relevant state agency ~~listed in~~as noted on Exhibit A.

TRS authorizes the agents listed in Exhibit D to receive service of process for it.

The franchise seller(s) offering this franchise is/are checked off below:

- Ernesto G. Lavandero, 200 Vesey Street, New York, NY 10285, 212-640-2000
- ~~Jody M. Sibole, 200 Vesey Street, New York, NY 10285, 770-432-0682~~
- Catherine A. Daley, 200 Vesey Street, New York, NY 10285, 617-953-4775
- \_\_\_\_\_
- \_\_\_\_\_

Issuance Date: March 31, ~~2017~~2016. (Please see the state effective dates on the State Cover Page at the front of this disclosure document.)

I have received a disclosure document dated March 31, ~~2017~~2016, that included the following exhibits:

- A. List of State Administrators
- B. Representative Agreement
- C. Predecessor and Affiliates
- D. List of Agents for Service of Process
- E. American Express Company's Audited Financial Statements and Guarantee of Performance
- F. Card Acceptance Agreement
- G. Table of Contents of the Representative Manual
- H. List of Operational Franchises
- I. List of Former Franchises
- J. State Addenda to the Franchise Disclosure Document

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- ~~B. Representative Agreement~~
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- ~~D. List of Agents for Service of Process~~
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- ~~G. Table of Contents of the Representative Manual~~
- ~~H. List of Operational Franchises~~
- ~~I. List of Former Franchises~~
- ~~J. State Addenda to the Franchise Disclosure Document~~

Date: \_\_\_\_\_

Prospective Franchisee/Representative: \_\_\_\_\_

Print Name: \_\_\_\_\_

**~~R~~ETAIN THIS COPY FOR YOUR RECORDS**

RECEIPT



**RECEIPT**  
(Franchisor Copy)

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Date: \_\_\_\_\_

Prospective Franchisee/Representative: \_\_\_\_\_

Print Name: \_\_\_\_\_

**(RETURN THIS COPY TO AMERICAN EXPRESS)**