

# VIAD CORP

## FORM 10-Q (Quarterly Report)

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Industry	Business Services
Sector	Services
Fiscal Year	12/31

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13  
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2002  
*Commission file number 001-11015*

**VIAD CORP**

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

36-1169950  
(I.R.S. Employer  
Identification No.)

1850 N. CENTRAL AVE., PHOENIX, ARIZONA  
(Address of principal executive offices)

85077  
(Zip Code)

Registrant's telephone number, including area code (602) 207-4000

Indicate by check mark whether the registrant (1) has filed all Exchange Act reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

As of March 31, 2002, 88,863,727 shares of Common Stock (\$1.50 par value) were outstanding.

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**VIAD CORP  
CONSOLIDATED BALANCE SHEETS**

(000 omitted, except share data)	March 31, 2002 ----- (Unaudited)	December 31, 2001 -----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 45,746	\$ 46,593
Short-term investments	131,070	118,021
Receivables	95,504	64,134
Inventories	49,470	55,682
Deferred income taxes	45,501	45,916
Other current assets	38,429	48,555
	-----	-----
Funds, agents' receivables and current maturities of investments restricted for payment service obligations	405,720 1,394,070	378,901 1,476,475
	-----	-----
Total current assets	1,799,790	1,855,376
Investments in securities	44,434	51,535
Investments restricted for payment service obligations	5,432,422	5,422,899
Property and equipment	254,424	260,480
Other investments and assets	101,748	67,715
Deferred income taxes	76,270	82,764
Goodwill	587,135	587,365
Other intangible assets	35,511	35,925
	-----	-----
	\$ 8,331,734	\$ 8,364,059
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term bank loans	\$ --	\$ 457
Accounts payable	64,517	60,913
Other current liabilities	236,071	203,702
Current portion of long-term debt	42,221	42,224
	-----	-----
Payment service obligations	342,809 6,579,923	307,296 6,649,722
	-----	-----
Total current liabilities	6,922,732	6,957,018
Long-term debt	348,902	354,147
Pension and other postretirement benefits	94,531	94,424
Derivative financial instruments	64,160	91,414
Other deferred items and insurance liabilities	134,883	135,420
Minority interests	5,720	5,284
\$4.75 Redeemable preferred stock	6,685	6,679
Common stock and other equity:		
Common stock, \$1.50 par value, 200,000,000 shares authorized, 99,739,925 shares issued	149,610	149,610
Additional capital	235,072	225,003
Retained income	786,368	762,008
Unearned employee benefits and other	(87,303)	(82,952)
Accumulated other comprehensive income:		
Unrealized gain on securities classified as available for sale	6,773	29,876
Unrealized loss on derivative financial instruments	(24,308)	(53,875)
Cumulative translation adjustments	(13,552)	(13,211)
Minimum pension liability adjustment	(13,739)	(13,739)
Common stock in treasury, at cost, 10,876,198 and 10,806,006 shares	(284,800)	(283,047)
	-----	-----
Total common stock and other equity	754,121	719,673
	-----	-----
	\$ 8,331,734	\$ 8,364,059
	=====	=====

See Notes to Consolidated Financial Statements.

**VIAD CORP**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

(000 omitted, except per share data)	Three months ended March 31,	
	2002	2001
	-----	-----
Revenues	\$444,405	\$459,564
	-----	-----
Costs and expenses:		
Costs of sales and services	391,880	414,678
Corporate activities and minority interests	4,560	4,567
Net interest expense	3,789	6,265
	-----	-----
	400,229	425,510
	-----	-----
Income before income taxes	44,176	34,054
Income taxes	11,832	9,752
	-----	-----
NET INCOME	\$ 32,344	\$ 24,302
	=====	=====
DILUTED NET INCOME PER COMMON SHARE	\$ 0.37	\$ 0.28
Average outstanding and potentially dilutive common shares	86,728	86,672
	=====	=====
BASIC NET INCOME PER COMMON SHARE	\$ 0.37	\$ 0.28
Average outstanding common shares	86,095	85,560
	=====	=====
Dividends declared per common share	\$ 0.09	\$ 0.09
	=====	=====
Preferred stock dividends	\$ 285	\$ 284
	=====	=====

See Notes to Consolidated Financial Statements.

**VIAD CORP**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)

(000 omitted)	Three months ended March 31,	
	2002	2001
	-----	-----
Net income	\$ 32,344	\$ 24,302
	-----	-----
Other comprehensive income, net of tax:		
Unrealized gains (losses) on securities classified as available for sale:		
Statement of Financial Accounting Standards ("SFAS") No. 133		
transition adjustment, effective January 1, 2001, resulting		
from the transfer of securities classified as held-to-maturity		
to securities classified as available-for-sale	--	3,772
Holding gains (losses) arising during the period	(20,954)	25,200
Reclassification adjustment for net realized gains included in net income	(2,149)	(2,933)
	-----	-----
	(23,103)	26,039
	-----	-----
Unrealized gains (losses) on derivative financial instruments:		
Cumulative effect of transition adjustment upon initial application of		
SFAS No. 133 on January 1, 2001	--	(7,501)
Holding gains (losses) arising during the period	10,855	(34,850)
Net reclassifications from other comprehensive income to net income	18,712	1,646
	-----	-----
	29,567	(40,705)
	-----	-----
Unrealized foreign currency translation adjustments:		
Holding losses arising during the period	(341)	(3,820)
	-----	-----
Other comprehensive income (loss)	6,123	(18,486)
	-----	-----
Comprehensive income	\$ 38,467	\$ 5,816
	=====	=====

See Notes to Consolidated Financial Statements.

**VIAD CORP**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(000 omitted)	Three months ended March 31,	
	2002	2001
	-----	-----
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Net income	\$ 32,344	\$ 24,302
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,157	17,144
Deferred income taxes	2,990	5,128
Other noncash items, net	1,477	(3,062)
Change in operating assets and liabilities:		
Receivables and inventories	(27,008)	(32,776)
Accounts payable and accrued compensation	13,022	9,231
Other assets and liabilities, net	20,478	13,288
	-----	-----
Change in payment service assets and obligations, net	56,460	33,255
	9,360	62,069
	-----	-----
Net cash provided by operating activities	65,820	95,324
	-----	-----
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:</b>		
Capital expenditures	(7,004)	(12,445)
Proceeds from dispositions of property and other assets, net	11	161
Proceeds from sales and maturities of securities	882,790	792,229
Purchases of securities	(930,659)	(841,370)
	-----	-----
Net cash used by investing activities	(54,862)	(61,425)
	-----	-----
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:</b>		
Payments on long-term borrowings	(210)	(25,164)
Net change in short-term borrowings	(5,457)	24,186
Dividends on common and preferred stock	(8,043)	(8,001)
Exercise of stock options	3,124	7,532
Common stock purchased for treasury	(1,219)	(34,018)
	-----	-----
Net cash used by financing activities	(11,805)	(35,465)
	-----	-----
Net decrease in cash and cash equivalents	(847)	(1,566)
Cash and cash equivalents, beginning of year	46,593	42,298
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 45,746	\$ 40,732
	=====	=====

See Notes to Consolidated Financial Statements.

## VIAD CORP

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

#### NOTE A - BASIS OF PREPARATION

The Consolidated Financial Statements of Viad Corp ("Viad") include the accounts of Viad and all of its subsidiaries. This information should be read in conjunction with the financial statements set forth in the Viad Corp Annual Report on Form 10-K for the year ended December 31, 2001.

Accounting policies utilized in the preparation of the financial information herein presented are the same as set forth in Viad's annual financial statements except as modified for interim accounting policies which are within the guidelines set forth in Accounting Principles Board ("APB") Opinion No. 28, "Interim Financial Reporting" and the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" as discussed in Note D. The interim consolidated financial information is unaudited. In the opinion of management, all adjustments, consisting only of normal recurring accruals, necessary to present fairly Viad's financial position as of March 31, 2002, and its results of operations and its cash flows for the three months ended March 31, 2002 and 2001 have been included. Interim results of operations are not necessarily indicative of the results of operations for the full year.

Certain prior year amounts have been reclassified to conform with the 2002 presentation.

#### NOTE B - ASSETS RESTRICTED FOR PAYMENT SERVICE OBLIGATIONS

Viad's Payment Services subsidiaries generate funds from the sale of official checks, money orders and other payment instruments, with the related liabilities classified as "Payment service obligations." Substantially all of the proceeds of such sales are invested in permissible securities, principally high-quality debt instruments. These investments, along with related cash and funds in transit, are restricted by state regulatory agencies for use by the subsidiaries to satisfy the liability to pay, upon presentment, the face amount of the payment service obligations. In addition, certain other assets of the Payment Services subsidiaries are available if necessary to meet such obligations. Such assets are not available to satisfy working capital or other financing requirements of Viad. Securities are included in the Consolidated Balance Sheets under the caption, "Investments restricted for payment service obligations." Certain additional assets of the Payment Services subsidiaries relating to payment service obligations, including cash on hand, funds in transit from agents, and securities expected to be sold or maturing within one year, are included under the caption, "Funds, agents' receivables and current maturities of investments restricted for payment service obligations."

As described in notes to Viad's annual financial statements, a Payment Services subsidiary hedges a substantial portion of the variable rate commission payments to its selling agents and the net proceeds of selling receivables primarily from its money order agents through swap agreements (see Note E). The swap agreements effectively convert such variable rates to fixed rates.

Under normal circumstances, the swap agreements will not be terminated prior to maturity, nor is there any requirement to sell long-term debt securities prior to maturity, as the funds flow from ongoing sales of money orders and other payment instruments and funds from maturing long-term and short-term investments are expected to be adequate to settle payment service items as they are presented.

The following is a summary of asset and liability carrying amounts related to the payment service obligations, along with the fair value of related swap agreements:

(000 omitted)	March 31, 2002	December 31, 2001
	-----	-----
Funds, agents' receivables and current maturities of investments restricted for payment service obligations	\$ 1,394,070	\$ 1,476,475
Investments restricted for payment service obligations (1)	5,432,422	5,422,899
Payment service obligations	(6,579,923)	(6,649,722)
Fair value of derivative financial instruments (2)	(38,887)	(87,187)
	-----	-----
Total	\$ 207,682	\$ 162,465
	=====	=====

(1) Securities classified as "available-for-sale" are carried at market value and securities classified as "held-to-maturity" are carried at amortized cost (see Note C).

(2) The fair value represents the estimated amounts that Viad would pay to counterparties to terminate the swap agreements at March 31, 2002 and December 31, 2001.

#### NOTE C - INVESTMENTS RESTRICTED FOR PAYMENT SERVICE OBLIGATIONS

Investments restricted for payment service obligations include the following debt and equity securities:

(000 omitted)	March 31, 2002	December 31, 2001
	-----	-----
Securities classified as available for sale, at fair value (amortized cost of \$3,866,404 and \$3,947,971)	\$ 3,877,431	\$ 3,997,058
Securities classified as held to maturity, at amortized cost (fair value of \$1,600,341 and \$1,478,178)	1,578,538	1,449,641
	-----	-----
Less current maturities	5,455,969	5,446,699
	(23,547)	(23,800)
	-----	-----
	\$ 5,432,422	\$ 5,422,899
	=====	=====

#### NOTE D - GOODWILL AND OTHER INTANGIBLE ASSETS

In January 2002, Viad adopted SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 142 specifies that goodwill and certain intangible assets with indefinite lives no longer be amortized but instead be subject to periodic impairment testing. At March 31, 2002, Viad completed the transitional impairment test for certain intangible assets with indefinite lives and found that no impairment exists. As required by SFAS No. 142, the transitional impairment test for goodwill will be completed during the second quarter of 2002.

Intangible assets with finite lives will continue to be amortized over their respective useful lives and will be tested for impairment in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement, adopted in January 2002, supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and it broadens the presentation of discontinued operations to include more disposal transactions.



A summary of intangible assets at March 31, 2002 is presented below:

(000 omitted)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	-----	-----	-----
Amortized intangible assets:			
Customer lists	\$27,523	\$15,263	\$12,260
Patents	13,200	9,290	3,910
Other	6,897	6,728	169
	-----	-----	-----
	47,620	31,281	16,339
	-----	-----	-----
Unamortized intangible assets:			
Trademarks	13,182	--	13,182
Pension intangible assets	5,990	--	5,990
	-----	-----	-----
	19,172	--	19,172
	-----	-----	-----
Total intangible assets:	\$66,792	\$31,281	\$35,511
	=====	=====	=====

Intangible asset amortization expense for the three months ended March 31, 2002 was \$490,000. Estimated amortization expense for the five succeeding fiscal years is as follows:

(000 omitted)	
	-----
2002	\$ 1,887
2003	1,868
2004	1,806
2005	1,779
2006	1,570

The changes in the carrying amount of goodwill for the period ended March 31, 2002 are as follows:

(000 omitted)	Payment Services	Convention and Event Services	Other	Total
	-----	-----	-----	-----
Balance at beginning of year	\$ 297,705	\$ 262,243	\$ 27,417	\$ 587,365
Foreign currency translation adjustments	--	(209)	(21)	(230)
	-----	-----	-----	-----
Balance at end of period	\$ 297,705	\$ 262,034	\$ 27,396	\$ 587,135
	=====	=====	=====	=====

Amortization expense of goodwill and intangible assets with indefinite lives for the three months ended March 31, 2001 was \$4,112,000 (\$3,501,000 after-tax) and \$98,000 (\$61,000 after-tax), respectively. Net income as reported and as adjusted with the adoption of SFAS No. 142 is presented below:

(000 omitted, except per share data)	Three months ended March 31, 2002	2001
	-----	-----
Reported net income	\$ 32,344	\$ 24,302
Amortization of goodwill and intangible assets with indefinite lives	--	3,562
	-----	-----
Adjusted net income	\$ 32,344	\$ 27,864
	=====	=====
Diluted earnings per share:		
Reported net income	\$ 0.37	\$ 0.28
Amortization of goodwill and intangible assets with indefinite lives	--	0.04
	-----	-----
Adjusted net income	\$ 0.37	\$ 0.32
	=====	=====
Basic earnings per share:		
Reported net income	\$ 0.37	\$ 0.28
Amortization of goodwill and intangible assets with indefinite lives	--	0.04
	-----	-----
Adjusted net income	\$ 0.37	\$ 0.32
	=====	=====

#### NOTE E - DERIVATIVE FINANCIAL INSTRUMENTS

Viad uses derivative financial instruments as part of its risk management strategy to manage exposure to fluctuations in interest and foreign currency rates. Derivatives are not used for speculative purposes.

A portion of Viad's Payment Services business involves the payment of variable-rate commissions to selling agents of its official check program. In addition, a Viad Payment Services subsidiary has agreements to sell, on a periodic basis, undivided percentage ownership interests in certain receivables primarily from money order agents in an amount not to exceed \$450,000,000. The agreement expires in June 2003. The receivables, sold at a discount based on short-term variable interest rates, are sold in order to accelerate Payment Services' cash flow for investment in permissible securities. Variable-to-fixed derivative financial instruments (swap agreements) have been entered into to mitigate the effects of fluctuations on commission expense and on the net proceeds from agents' receivable sales.

Viad records all derivatives as either assets or liabilities, measured at fair value, with the change in fair value of the derivative recognized in earnings or in other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. Viad's swap agreements have been designated, and qualify, as cash flow hedges. The length of time over which future cash flows are hedged ranges from one to six years.

The effective portion of the change in fair values of derivatives qualifying as cash flow hedges is recorded in other comprehensive income. Amounts receivable or payable under the swap agreements are reclassified from other comprehensive income to net income as an adjustment to the expense of the related transaction. These amounts are included in the Consolidated Statements of Income under "Costs of sales and services." The amount recognized in earnings due to the ineffectiveness of the cash flow hedges was not material. No cash flow hedges were discontinued during the quarter.

Viad is also exposed to foreign currency exchange risk. Forward derivative contracts are used to hedge assets and liabilities denominated in foreign currencies. While these contracts economically hedge Viad's foreign

currency risk, they are not designated as hedges for accounting purposes under SFAS No. 133. Accordingly, these contracts are recorded on the Consolidated Balance Sheets at fair value, with the change in fair value reflected in earnings. The effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, is not significant.

#### NOTE F - DEBT

At March 31, 2002 and December 31, 2001, Viad classified as long-term debt \$161,000,000 and \$166,000,000, respectively, of short-term borrowings. These borrowings are supported by unused commitments under \$425,000,000 of long-term credit facilities.

#### NOTE G - INCOME TAXES

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes for the three months ended March 31, is as follows:

(000 omitted)	2002		2001	
	-----	-----	-----	-----
Computed income taxes at statutory federal income tax rate	\$ 15,462	35.0%	\$ 11,919	35.0%
Nondeductible goodwill amortization	--	0.0%	871	2.6%
State income taxes	1,216	2.8%	1,151	3.4%
Other, net	499	1.1%	230	0.6%
	-----	-----	-----	-----
Tax-exempt income	17,177	38.9%	14,171	41.6%
Adjustment to estimated annual effective rate (1)	(5,695)	(12.9%)	(7,219)	(21.2%)
	350	0.8%	2,800	8.2%
	-----	-----	-----	-----
Provision for income taxes	\$ 11,832	26.8%	\$ 9,752	28.6%
	=====	=====	=====	=====

(1) Accounting principles generally accepted in the United States of America for interim financial reporting (APB Opinion No. 28) require that income taxes be provided based on the estimated effective tax rate expected to be applicable for the entire fiscal year.

#### NOTE H - SEGMENT INFORMATION

Viad measures profit and performance of its operations on the basis of operating income before restructuring charges and other items. An adjustment is made to the Payment Services segment to present revenues and operating income on a fully taxable equivalent basis as though amounts were invested in taxable investments. Intersegment sales and transfers are not significant. Corporate activities include expenses not allocated to operations. Disclosures regarding Viad's reportable segments along with the reconciliation to consolidated totals are presented below.

(000 omitted)	Three months ended March 31,	
	2002	2001
	-----	-----
Revenues:		
Payment Services	\$ 196,685	\$ 179,298
Convention and Event Services	254,807	289,509
	-----	-----
Reportable segments	451,492	468,807
Travel and Recreation Services	3,170	3,659
	-----	-----
	454,662	472,466
Less taxable equivalent adjustment	(10,257)	(12,902)
	-----	-----
	\$ 444,405	\$ 459,564
	=====	=====
Operating income:		
Payment Services	\$ 42,041	\$ 34,795
Convention and Event Services	22,244	24,743
	-----	-----
Reportable segments	64,285	59,538
Travel and Recreation Services	(1,503)	(1,750)
	-----	-----
	62,782	57,788
Corporate activities and minority interests	(4,560)	(4,567)
Less taxable equivalent adjustment	(10,257)	(12,902)
	-----	-----
	47,965	40,319
Other investment income	1,292	1,280
Interest expense	(5,081)	(7,545)
	-----	-----
Income before income taxes	\$ 44,176	\$ 34,054
	=====	=====

#### NOTE I - RESTRUCTURING CHARGES AND OTHER ITEMS

In the 2001 third quarter, Viad recorded restructuring charges totaling \$66,100,000 (\$39,910,000 after-tax) associated with the closure and consolidation of certain facilities, severance and other employee benefits. At March 31, 2002, there was \$30,238,000 of remaining accrued liability, of which \$10,042,000 and \$20,196,000 were included in the Consolidated Balance Sheets under the captions "Other current liabilities" and "Other deferred items and insurance liabilities," respectively.

Payments under long-term lease obligations will continue to be made over the remaining terms of the leases. Approximately 90 percent of the facility closures and consolidation had been completed and approximately 90 percent of the positions had been eliminated as of March 31, 2002. Severance and benefits payments will continue to be made over the varying terms of the individual separation agreements.

A summary of the change in the accrued liability balance is as follows:

(000 omitted)	Severance and Benefits	Facility Closure and Lease Termination	Total
	-----	-----	-----
Balance at December 31, 2001	\$ 7,007	\$ 27,917	\$ 34,924
Cash payments	(2,922)	(1,764)	(4,686)
	-----	-----	-----
Balance at March 31, 2002	\$ 4,085	\$ 26,153	\$ 30,238
	=====	=====	=====

## **NOTE J - RECENT ACCOUNTING PRONOUNCEMENT**

In November 2001, the Emerging Issues Task Force reached a consensus on Issue 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred" ("EITF 01-14"), which became effective for Viad on January 1, 2002. Under EITF 01-14, reimbursements received for out-of-pocket expenses incurred should be characterized as revenue in the income statement. Upon adoption of EITF 01-14, comparative financial statements for prior periods should be reclassified to comply with the current presentation. The adoption of EITF 01-14 does not have any impact on Viad's consolidated financial statements.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### RESULTS:

Viad Corp ("Viad") focuses on two principal service businesses: Payment Services and Convention and Event Services.

There were no material changes in the nature of Viad's business, nor were there any other changes in the general characteristics of its operations as described and discussed in the "Results of Operations" section of Management's Discussion and Analysis of Results of Operations and Financial Condition presented in the Viad Corp Annual Report on Form 10-K for the year ended December 31, 2001.

All per share figures discussed are stated on the diluted basis.

### COMPARISON OF FIRST QUARTER OF 2002 TO THE FIRST QUARTER OF 2001:

In the first quarter of 2002, revenues decreased \$15.2 million, or 3.3 percent, to \$444.4 million from \$459.6 million in the first quarter 2001. Payment Services invests in a mix of tax-exempt and taxable investments. The tax-exempt investments have lower pre-tax yields but produce higher income on an after-tax basis than comparable taxable investments. Fully taxable equivalent information is used by management to measure profit and performance of Viad's operations. This information is supplemental to results presented under accounting principles generally accepted in the United States of America. Revenues on the fully taxable equivalent basis decreased 3.8 percent for the quarter. Operating income on the same basis (before corporate activities and minority interests) was \$62.8 million for the first quarter of 2002 compared with \$57.8 million for the first quarter 2001, and operating margins for the first quarter 2002 were 13.8 percent compared to 12.2 percent in the first quarter 2001. See Note H of Notes to Consolidated Financial Statements.

Net income for the first quarter of 2002 was \$32.3 million, or \$0.37 per share, compared to \$24.3 million, or \$0.28 per share, for the first quarter of 2001.

Cash earnings per share, defined as income plus after-tax goodwill amortization, was \$0.37, an increase of \$0.05 per share from \$0.32 for the first quarter of 2001. Cash earnings per share does not represent a measure of cash flows from operations as defined by accounting principles generally accepted in the United States of America, and may not be comparable to similarly titled measures reported by other companies.

**PAYMENT SERVICES.** On the fully taxable equivalent basis, first quarter 2002 revenues of the Payment Services segment were \$196.7 million, up \$17.4 million, or 9.7 percent, from 2001 first quarter revenues. On the same basis, operating income increased \$7.2 million, or 20.8 percent. Operating margins on the fully taxable equivalent basis were 21.4 percent in the first quarter of 2002, compared with 19.4 percent in the 2001 first quarter. Results were driven by continuing strong growth in official check and money transfer operations, offset slightly by the lower interest rate environment which resulted in slower revenue growth. The money order business continues to contribute significantly to the segment's operating margin. MoneyGram continued to show improvement with transaction volume growing over 33 percent, led by strong International and Express Payment transaction volume growth and a sizable turnaround in the U.S.-to-Mexico corridor. MoneyGram's agent base expanded by 32.7 percent over the 2001 first quarter. The official check business continues to be a strong driver of revenue growth for the Payment Services segment. Average investable balances were up 32.8 percent in the 2002 first quarter compared to the 2001 first quarter, resulting in higher investment income.

**CONVENTION AND EVENT SERVICES.** Convention and Event Services revenues decreased \$34.7 million, or 12.0 percent, to \$254.8 million in the first quarter of 2002. Operating income for the segment decreased \$2.5 million, or 10.1 percent from the first quarter of 2001. Operating margins increased to 8.7 percent in the first quarter of 2002 compared with 8.5 percent in the first quarter of 2001. The segment benefited from show rotation, cost savings from the impact of the fourth quarter 2001 restructuring activities, and labor efficiencies through a show management process instituted during 2001. These were offset by anticipated show shrinkage, lower attendance and more exhibit refurbishments instead of new exhibit builds. In spite of the weakness in most business sectors, particularly telecommunications and technology, the segment continues to focus on reducing the cost structure in order to position the segment to take advantage of new opportunities.

**TRAVEL AND RECREATION SERVICES.** Revenues of the travel and recreation businesses decreased to \$3.2 million for the first quarter of 2002, compared with \$3.7 million in the first quarter 2001, mainly due to significant declines in booking levels from all markets throughout the world. The seasonal operating loss was \$1.5 million compared with \$1.8 million in the 2001 quarter. The first and fourth quarters are historically the slowest periods for these businesses due to the seasonal slowdown and the winter closure of the Glacier Park facilities.

**NET INTEREST EXPENSE.** Other investment income was \$1.3 million in the first quarter of both 2002 and 2001 as the effect in the 2002 first quarter of higher average investment balances was offset by lower average interest rates as compared to the 2001 first quarter. Interest expense decreased to \$5.1 million in the first quarter 2002 compared to \$7.5 million in the first quarter of 2001, primarily as a result of lower average debt levels and interest rates in the 2002 period.

**INCOME TAXES.** The effective tax rate in the 2002 first quarter was 26.8 percent compared to 28.6 percent for the first quarter of 2001. The relatively low effective tax rate compared to the statutory federal rate is primarily attributable to tax-exempt income from Viad's Payment Services businesses. APB Opinion No. 28 requires that income taxes be provided based on the estimated effective tax rate expected to be applicable for the entire fiscal year. The estimated annual tax rate of 26.8 percent for 2002 is expected to be higher than the annual effective tax rate of 23.6 percent in 2001 (excluding the effect of the restructuring charges and other items) due to lower tax-exempt income in proportion to total pre-tax income, resulting from a shift in the mix of investments in tax-exempt securities in the Payment Services segment.

#### **LIQUIDITY AND CAPITAL RESOURCES:**

Viad's total debt at March 31, 2002 was \$391.1 million compared with \$396.8 million at December 31, 2001. The debt-to-capital ratio was 0.34 to 1 at March 31, 2002, compared with 0.35 to 1 at December 31, 2001. Capital is defined as total debt plus minority interests, preferred stock, common stock and other equity.

Under a Shelf Registration filed in 1994 with the Securities and Exchange Commission, Viad can issue up to an aggregate \$500 million of debt and equity securities. While the Shelf Registration is effective, it requires amendment to ensure immediate access to the capital markets. Viad is in the process of preparing and filing such amendment. No securities have been issued under the program.

Viad began its stock repurchase program in July 1998 for the purpose of replacing common shares issued upon exercise of stock options and in connection with other stock compensation plans, with the intended effect of reducing dilution caused by the issuance of such shares. Given the uncertainty in the economy, the share repurchase program has been deferred in order to prudently conserve cash. Net proceeds from the exercise of stock options totaled \$3.1 million during the first quarter of 2002.

EBITDA is a measure of Viad's ability to service debt, fund capital expenditures and finance growth, and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America. EBITDA is defined by Viad as net income from continuing operations before interest expense, income taxes, depreciation and amortization and restructuring charges and other items and includes the fully taxable equivalent adjustment. EBITDA for the first quarter of 2002 was \$72.7 million, up from \$71.6 million for the first quarter of 2001.

There were no other material changes in Viad's financial condition nor were there any substantive changes relative to matters discussed in the "Liquidity and Capital Resources" section of Management's Discussion and Analysis of Results of Operations and Financial Condition as presented in Viad Corp's Annual Report on Form 10-K for the year ended December 31, 2001.

#### **FORWARD-LOOKING STATEMENTS:**

As provided by the safe harbor provision under the "Private Securities Litigation Reform Act of 1995," Viad cautions readers that, in addition to the historical information contained herein, this Quarterly Report on Form 10-Q includes certain information, assumptions and discussions that may constitute forward-looking statements. These forward-looking statements are not historical facts, but reflect current estimates, projections, or expectations of or current trends in future growth, operating cash flows, availability of short-term borrowings, consumer demand, new business, investment policies, productivity improvements, ongoing cost reduction efforts, efficiency, competitiveness, tax rates, restructure plans (including timing and realization of cost savings) and market risk disclosures. Actual results could differ materially from those projected in forward-looking statements. Viad's businesses can be affected by a host of risks and uncertainties. Among other things, gains and losses of customers, consumer demand patterns, labor relations, purchasing decisions related to customer demand for convention and event services, existing and new competition, industry alliances and consolidation and growth patterns within the industries in which Viad competes may individually or in combination impact future results. In addition to the factors mentioned elsewhere, economic, competitive, governmental, technological, capital marketplace and other factors could affect the forward-looking statements contained in this filing.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Viad's market risk exposures relate to fluctuations in interest rates and, to a lesser degree, to fluctuations in foreign exchange rates. Interest rate risk is the risk that changing interest rates will adversely affect the market value and earnings of Viad. Foreign exchange risk is the risk that fluctuating exchange rates will adversely affect earnings. Viad's exposure to these risks is primarily associated with its Payment Services business. Certain derivative financial instruments are used as part of Viad's risk management strategy to manage these exposures. Derivatives are not used for speculative purposes.

Stockholders' equity can be adversely affected by changing interest rates, as after-tax changes in the fair value of securities classified as available for sale and in the fair value of derivative financial instruments are included as a component of stockholders' equity. The fair value of derivative financial instruments generally increases when the market value of fixed rate, long-term debt investments decline and vice versa. However, an increase or decrease in stockholders' equity related to changes in the fair value of securities classified as available for sale, may not be offset, in whole or in part, by the decrease or increase in stockholders' equity related to changes in the fair value of derivative financial instruments.

A portion of Viad's Payment Services business involves the payment of commissions to selling agents of its official check program as described in Note E. A Viad Payment Services subsidiary has also



entered into agreements to sell receivables primarily from its money order agents. The commissions and net proceeds from the agents' receivables sales are computed based on short-term variable interest rates that subject Viad to risk arising from changes in such rates. Viad has hedged a substantial portion of this risk through swap agreements which convert the variable rate payments to fixed rates.

Viad is also exposed to short-term interest rate risk on certain of its debt obligations. Viad currently does not use derivative financial instruments to hedge cash flows for such obligations.

**EARNINGS SENSITIVITY TO INTEREST RATE CHANGES.** Based on a hypothetical 10 percent proportionate increase in interest rates from the average level of interest rates during the last twelve months, and taking into consideration expected investment positions, commissions paid to selling agents, growth in new business, the effects of the swap agreements and the expected borrowing level of variable-rate debt, the increase in pre-tax income would be approximately \$1.0 million. A hypothetical 10 percent proportionate decrease in interest rates, based on the same set of assumptions, would result in a decrease in pre-tax income of approximately \$0.8 million. These amounts are estimated based on a certain set of assumptions about interest rates and portfolio balance growth and do not represent expected results.

**FAIR VALUE SENSITIVITY TO INTEREST RATE CHANGES.** The fair value of securities classified as available-for-sale, derivative financial instruments and fixed-rate debt is sensitive to changes in interest rates. A 10 percent proportionate increase in interest rates would result in an estimated decrease in the fair value of securities classified as available-for-sale of approximately \$84.2 million (along with an after-tax decrease in accumulated other comprehensive income of approximately \$51.3 million), an estimated increase in the fair value of Viad's swap agreements of approximately \$48.1 million (along with an after-tax increase in accumulated other comprehensive income of \$29.3 million) and an estimated off-balance-sheet decrease in the fair value of Viad's fixed-rate debt of approximately \$1.4 million. A 10 percent proportionate decrease in interest rates would result in an estimated increase in the fair value of securities classified as available-for-sale of approximately \$80.4 million (along with an after-tax increase in accumulated other comprehensive income of approximately \$49.0 million), an estimated decrease in the fair value of Viad's swap agreements of approximately \$48.1 million (along with an after-tax decrease in accumulated other comprehensive income of \$29.3 million) and an estimated off-balance-sheet increase in the fair value of Viad's fixed-rate debt of approximately \$1.5 million. These amounts are estimated based on a certain set of assumptions about interest rates and portfolio balance growth.

**INTEREST RATE RISK AND MARKET RISK OVERSIGHT.** Viad has established several levels of risk management oversight and control. An investment committee, comprised of senior officers of Viad and Payment Services, and reporting to the Chief Executive Officer of Viad, routinely reviews investment and risk management strategies and results. Additionally, Viad employs an independent advisor to its investment committee. Viad maintains formal procedures for entering into derivative transactions, and management regularly monitors and reports to the Audit Committee of the Board of Directors on such activity. The agreements are with major financial institutions which are currently expected to fully perform under the terms of the agreements, thereby mitigating the credit risk from the transactions in the event of nonperformance by the counterparties. In addition, Viad regularly monitors the credit ratings of the counterparties, and the likelihood of default is considered remote.

## PART II. OTHER INFORMATION

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit No. 10.A - Copy of Viad Corp Management Incentive Plan as amended March 26, 2002.

Exhibit No. 10.B - Copy of Restricted Stock Agreement, as amended March 26, 2002, pursuant to the Viad Corp 1997 Omnibus Incentive Plan.

Exhibit No. 10.C - Copy of Performance Driven Restricted Stock Agreement, as amended March 26, 2002, pursuant to the Viad Corp 1997 Omnibus Incentive Plan.

(b) Reports on Form 8-K filed in the first quarter 2002.

A report on Form 8-K dated January 24, 2002, was filed January 24, 2002 by the Registrant. The Form 8-K reported under item 5 the announcement by the Registrant of financial results for the fourth quarter and 2001 fiscal year (subject to audit) and the restatement of Registrant's audited financial statements for the fiscal years 2000, 1999, and 1998.

A report on Form 8-K dated February 21, 2002, was filed on February 28, 2002 by the Registrant. The Form 8-K reported under item 5 the declaration of a dividend of one preferred share purchase right for each outstanding share of common stock, par value \$1.50 per share, of Registrant.

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**VIAD CORP**  
(Registrant)

*May 1, 2002*

*By /s/ Ellen M. Ingersoll*  
-----  
*Ellen M. Ingersoll*  
*Vice President - Controller*  
*(Chief Accounting Officer*  
*and Authorized Officer)*

## EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
10.A -	Copy of Viad Corp Management Incentive Plan as amended March 26, 2002.
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**EXHIBIT 10.A**

**VIAD CORP**

**MANAGEMENT INCENTIVE PLAN**

**PURSUANT TO THE 1997 VIAD CORP OMNIBUS INCENTIVE PLAN**

**AS AMENDED MARCH 26, 2002**

**I. PURPOSE:**

The purpose of the Viad Corp Management Incentive Plan (Plan) is to provide key executives of Viad Corp (Viad) and its subsidiaries with an incentive to achieve goals as set forth under this Plan for each calendar year (Plan Year) for their respective companies and to provide effective management and leadership to that end.

**II. PHILOSOPHY:**

The Plan will provide key executives incentive bonuses based upon appropriately weighted pre-defined income and other performance measurements.

**III. SUBSIDIARIES, SUBSIDIARY GROUPS AND DIVISIONS:**

A. Each subsidiary, subsidiary group, line of business or division listed below is a "Company" for the purposes of this Plan:

**Name of Company**

Brewster Transport Company Limited/Brewster Tours group Exhibitgroup/Giltspur group  
GES Exposition Services, Inc. group Glacier Park, Inc.  
Travelers Express Company, Inc. group

Viad may, by action of its Board of Directors or its Human Resources Committee, add or remove business units on the list of participant companies from time to time.

## B. FUNDING LIMIT:

A "funding limit" shall be established annually for each Company participant who has been designated an Executive Officer as defined under Section 16(b) of the Securities Exchange Act. The funding limit shall be an amount determined by multiplying the actual net income of the Company for the Plan Year by the percent of such income approved by the Human Resources Committee of the Viad Corp Board of Directors (Committee) for such funding limit. The subsidiary executive cannot be paid a larger bonus than the funding limit provided by this clause, but may be paid less in the discretion of the Committee based on the Performance Goals set forth below and other such factors which the Committee may consider.

## C. PERFORMANCE GOALS:

### 1. OPERATING OR PRE-TAX INCOME (as calculated for external reporting purposes):

An appropriate "operating income" or "pre-tax income" target for the plan year for each Company will be recommended by the Chief Executive Officer of Viad to the Committee for approval taking into account overall corporate objectives, historical income and Plan Year financial plan income (on the same basis as determined below) and, if appropriate, other circumstances.

Operating or pre-tax income to be used in calculating the bonus pool of each Company shall mean operating income before minority interest, interest expense and taxes, after deduction of corporate overhead, or pre-tax income after minority interest, in each case adjusted to appropriately exclude the effects of gains and losses from the sale or other disposition of capital assets other than vehicles. In addition, an adjustment to actual operating or pre-tax income will be made for any increase or decrease in cost to a subsidiary in connection with a change in the actual formula allocation of corporate overhead over amounts included in the Plan for the year.

Special treatment of any other significant unusual or non-recurring items (for purposes of determining actual or target operating or pre-tax income) arising after a Company's targets are set may be recommended by the Chief Executive Officer of Viad to the Committee for approval, including, for example, appropriate adjustment of operating or pre-tax income target or actuals to reflect planned effects of an acquisition approved after target has been set. Other examples include unusual items or effects of a change in accounting principle.

Incentives to be paid under this Plan must be deducted from the subsidiary corporation's earnings by the end of the year. Goals must be achieved after deducting from actual results all incentive compensation applicable to the year, including those incentives earned under this Plan.

## 2. Value Added Measurement:

An appropriate "Value Added" target for the plan year for certain companies will be recommended by the Chief Executive Officer of Viad Corp to the Committee for approval. This measurement is intended to place increased emphasis on securing an adequate return to Viad on all capital employed in the business. Viad Value Added (VVA) compares net operating income to the return required on capital invested in the business.

In calculating the bonus pool of each applicable Company, VVA shall mean Net Operating Profit After Taxes (NOPAT is defined as sales minus operating expenses minus taxes) minus a Capital Charge calculated by multiplying a Cost of Capital times the actual Capital (Capital is defined as total assets less current and other liabilities exclusive of debt). Certain adjustments are necessary to determine NOPAT and Capital.

## 3. CASH FLOW:

An appropriate "Cash Flow" target for the plan year for certain companies will be recommended by the Chief Executive Officer of Viad Corp to the Committee for approval. This measurement is intended to place increased emphasis on delivering available cash to Viad.

Free Cash Flow is defined as net income plus depreciation and amortization less capital expenditures, plus the change in working capital plus minority interest income/loss plus the change in other operating activities (i.e., change in long-term assets/liabilities, settlement of lawsuits, etc.).

#### 4. OTHER PERFORMANCE MEASUREMENTS:

An appropriate number of performance measurements other than operating or pre-tax income, VVA, and cash flow will be established for each Company, to place increased emphasis on areas of importance to achieving overall corporate objectives, with the Chief Executive Officer of Viad to recommend to the Committee the measures to be used and, at the end of the year, the level of achievement against each.

#### 5. REVENUE:

The bonus pool earned will be subject to a further calculation whereby the total bonus pool otherwise accruable will be adjusted by 95% (threshold) up to 105% (maximum), depending on the achievement against the revenue target.

#### 6. ESTABLISHING TARGETS:

The targets for revenue, operating or pre-tax income, VVA, cash flow and for the categories of discretionary performance measurements to be employed will be established by the Committee no later than 90 days after the beginning of the Plan Year after receiving the recommendations of the Chief Executive Officer of Viad Corp.

#### D. PARTICIPANT ELIGIBILITY:

The Committee will select the Executive Officers as defined under Section 16(b) of the Securities Exchange Act eligible for participation no later than 90 days after the beginning of the Plan Year. Other personnel will be eligible for participation as designated by each Company President or Chief Executive Officer and recommended to the Chief Executive Officer of Viad Corp for approval, limited only to those executives who occupy a position in which they can significantly affect operating results as pre-defined by appropriate and consistent criteria, i.e., base salary not less than \$49,000 per year, or base salary not less than 50% of the Company's Chief Executive Officer, or position not more than the third organizational level below the Company Chief Executive Officer or another applicable criteria.

NOTE: Individuals not qualifying under the criteria established for the Plan Year who were included in the previous year will be grandfathered (continue as qualified participants until retirement, reassignment, or termination of employment) if designated by the Company President or Chief Executive Officer, and approved by the Chief Executive Officer of Viad Corp.

#### E. TARGET BONUSES:

Target bonuses will be approved by the Committee for each Executive Officer in writing within the following parameters no later than 90 days after the beginning of the Plan Year and will be expressed as a percentage of salary paid during the year. Target bonuses for other eligible personnel will be established in writing within the following parameters subject to approval by the Chief Executive Officer of Viad Corp.

Actual bonus awards will be dependent on Company performance versus the targets established. A threshold performance will be required before any bonus award is earned under the net income goal. Awards will also be capped when stretch performance levels are achieved.

Subsidiary Positions*	As a Percentage of Salary		
	Threshold**	Target	Cap
Chief Executive Officer/President	25.0%	50%	89.25%
	22.5%	45%	80.325%
	20.0%	40%	71.4%
Executive Vice President-Senior Vice President, and Other Operating Executives	20.0%	40%	71.4%
Vice Presidents	17.5%	35%	62.475%
	15.0%	30%	53.55%
Key Management Reporting to Officers	12.5%	25%	44.625%
	10.0%	20%	35.7%
Staff Professionals	7.5%	15%	26.775%
	5.0%	10%	17.85%

\* Target Bonus, as determined by the Committee, is dependent upon organization reporting relationships.

\*\* Reflects minimum achievement of all performance targets. Threshold could be lower if minimum achievement of only one performance target is met.

#### F. BONUS POOL TARGET:

1. The "Bonus Pool Target" will be initially established no later than 90 days after the beginning of the Plan Year and will be adjusted to equal the sum of the target bonuses of all designated participants in each Company based upon actual Plan Year salaries, as outlined in paragraph D above, plus 15% for Special Achievement Awards.



2. The bonus pool will accrue in accordance with the Bonus Pool Accrual Formula recommended by the Chief Executive Officer of Viad Corp and approved by the Committee.

3. Bonus pool accruals not paid out shall not be carried forward to any succeeding year.

#### G. INDIVIDUAL BONUS AWARDS:

1. Indicated bonus awards will be equal to the product of the target bonus percentage times the weighted average percentage of bonus pool accrued as determined in paragraph F above times the individual's actual base salary earnings during the Plan Year, subject to adjustments as follows:

a) discretionary upwards or downward adjustment of formula bonus awards by the Committee after considering the recommendation of the Company President or Chief Executive Officer with the approval of the Chief Executive Officer of Viad Corp for those executives not affected by Section 162(m) of the Internal Revenue Code, and

b) discretionary downward adjustment of awards by the Committee for those Executive Officers affected by Section 162(m) of the Internal Revenue Code, and

c) no individual award may exceed the individual's capped target award or the funding limit with respect to Executive Officers, and the aggregate recommended bonuses may not exceed the bonus pool accrued for other than Special Achievement Awards.

2. Bonuses awarded to the participating management staff of subsidiary groups may be paid from funds accrued based upon the target bonus for such participant(s) times the weighted average performance of the Companies in the subsidiary group, subject to adjustments as above.

#### IV. VIAD CORP CORPORATE STAFF:

##### A. FUNDING LIMIT:

A "funding limit" shall be established annually for each Corporate participant who has been designated an Executive Officer as defined under Section 16(b) of the Securities Exchange Act. The funding limit will be an amount determined by multiplying the actual net income from continuing operations of Viad (as used in the income per share calculation described herein) for the Plan Year by the percent of such income approved by the Committee for such funding limit. The executive cannot be paid a larger bonus than the funding limit provided by this clause, but may be paid less in the discretion of the Committee based on the Performance Goals set forth below and such other factors which the Committee may consider.

##### B. PERFORMANCE GOALS:

###### 1. INCOME PER SHARE:

An appropriate "income per share" from continuing operations target for Viad Corp will be recommended by the Chief Executive Officer of Viad Corp to the Committee for approval after considering historical income per share from continuing operations, Plan Year financial plan income, overall corporate objectives, and, if appropriate, other circumstances.

Income per share from continuing operations is determined before unusual or extraordinary items, effects of changes in accounting principles or a change in federal income tax rates after the target has been set. Reclassification of a major business unit to discontinued operations status after targets have been set would also require adjustment because of the effect on continuing operations results. While gains on disposition of a business would normally not be included in determining actual Plan Year net income or income per share, in the event of the sale of a subsidiary or major business unit, a portion of gain would be included equal to the difference between the sold unit's planned net income for the year and actual results to date of sale plus calculated interest savings on proceeds for the balance of the year, so that actual results are not penalized for selling a business.

Incentives to be paid under this Plan must be deducted from Viad's earnings by the end of the year. Goals must be achieved after deducting from actual results all incentive compensation applicable to the year, including those incentives earned under this Plan.

## 2. VALUE ADDED MEASUREMENT:

An appropriate "Value Added" target for the plan year for Corporate will be recommended by the Chief Executive Officer of Viad for approval by the Human Resources Committee. This measurement is intended to place increased emphasis on securing an adequate return to Viad on all capital employed in the business. Viad Value Added (VVA) compares operating income to the return required on capital invested in the business.

In calculating the bonus pool for Corporate, VVA shall mean Net Operating Profit After Taxes (NOPAT is defined as sales minus operating expenses minus taxes) minus a Capital Charge calculated by multiplying a Cost of Capital times the actual Capital (Capital is defined as total assets less current and other liabilities exclusive of debt). Certain adjustments are necessary to determine NOPAT and Capital.

## 3. OTHER PERFORMANCE MEASUREMENTS:

An appropriate number of performance measurements other than income per share will be established for Corporate, with the Chief Executive Officer of Viad to recommend to the Committee the level of achievement against each of the measures.

## 4. REVENUE:

The bonus pool earned will be subject to a further calculation whereby the total bonus pool otherwise accruable will be adjusted by 95% (threshold) up to 105% (maximum) depending on the achievement against the revenue target.

## 5. ESTABLISHING TARGETS:

The actual targets for revenue, income per share, VVA and for the performance measurements to be used will be established by the Committee no later than 90 days after the beginning of the Plan Year after receiving the recommendations of the Chief Executive Officer of Viad Corp.

### C. PARTICIPANT ELIGIBILITY:

The Committee will select the Executive Officers as defined under Section 16(b) of the Securities Exchange Act eligible for participation no later than 90 days after the beginning of the Plan Year. Other personnel will be eligible for participation as recommended by the appropriate staff Vice President and as approved by the Chief Executive Officer of Viad Corp, limited only to those executives who occupy a position in which they can significantly affect operating results as defined by the following criteria:

- a) Salary grade 25 and above; and
- b) Not more than Organizational Level Four below the Chief Executive Officer.

NOTE: Individuals not qualifying under the criteria established for the Plan Year who were included in the previous year will be grandfathered (continue as qualified participants until retirement, reassignment, or termination of employment) if designated by the appropriate Vice President and approved by the Chief Executive Officer of Viad Corp.

### D. TARGET BONUSES:

Target bonuses will be approved by the Committee for each Executive Officer in writing within the following parameters no later than 90 days after the beginning of the Plan Year and will be expressed as a percentage of salary. Target bonuses for other eligible personnel will be established in writing within the following parameters subject to approval by the Chief Executive Officer of Viad Corp.

Actual bonus awards will be dependent on Company performance versus the targets established. A threshold performance will be required before any bonus award is earned under the income per share goal. Awards also will be capped when stretch performance levels are achieved.

Corporate Positions -----	As a Percentage of Salary		
	Threshold** -----	Target -----	Cap ---
Chairman, President & Chief Executive Officer	37.5%	75%	137.8%
Senior Advisory Group	25.0%	50%	89.25%
	22.5%	45%	80.325%
Corporate Staff Officers	20.0%	40%	71.4%
Staff Directors*	17.5%	35%	62.475%
	15.0%	30%	53.55%
	12.5%	25%	44.625%
	10.0%	20%	35.7%
Staff Professionals*	7.5%	15%	26.775%
	5.0%	10%	17.85%

\* Target Bonus, as determined by the Committee, is dependent upon organization reporting relationships.

\*\* Reflects minimum of achievement of all performance targets. Threshold could be lower if minimum achievement of only one performance target is met.

#### E. BONUS POOL TARGET:

1. The "Bonus Pool Target" will be established no later than 90 days after the beginning of the Plan Year and will be adjusted to equal the sum of the target bonuses of all qualified participants based upon actual Plan Year base salaries, as outlined in paragraph C above, plus 15% for Special Achievement Awards.
2. The bonus pool will accrue in accordance with the Bonus Pool Accrual Formula recommended by the Chief Executive Officer of Viad Corp and approved by the Committee.
3. Bonus pool accruals not paid out shall not be carried forward to any succeeding year.

#### F. INDIVIDUAL BONUS AWARDS:

Indicated bonus awards will be equal to the product of the target bonus percentage times the weighted average percentage of bonus pool accrued as determined in paragraph D above times the individual's actual Plan Year base salary earnings, subject to adjustments as follows:

- a) discretionary upward or downward adjustment of formula awards by the Committee after considering the recommendations of the Chief Executive Officer of Viad Corp for those executives not affected by Section 162(m) of the Internal Revenue Code,

b) discretionary downward adjustment of awards by the Committee for those Executive Officers affected by Section 162(m) of the Internal Revenue Code, and

c) no individual award may exceed the individual's capped target award or the funding limit with respect to Executive Officers and the aggregate recommended bonuses may not exceed the bonus pool for other than Special Achievement Awards.

#### V. SPECIAL ACHIEVEMENT AWARDS:

Special bonuses of up to 15% of base salary for exceptional performance to employees (primarily exempt employees) who are not participants in this Plan, including newly hired employees, may be recommended at the discretion of the Chief Executive Officer to the Committee from the separate funds for discretionary awards provided for under paragraphs III F and IV E.

#### VI. APPROVAL AND DISTRIBUTION:

The individual incentive bonus amounts and the terms of payment thereof will be fixed following the close of the Plan Year by the Committee. Any award made under this Plan is subject to the approval of this Plan by the stockholders of Viad Corp.

#### VII. COMPENSATION ADVISORY COMMITTEE:

The Compensation Advisory Committee is appointed by the Chief Executive Officer of Viad Corp to assist the Committee in the implementation and administration of this Plan. The Compensation Advisory Committee shall propose administrative guidelines to the Committee to govern interpretations of this Plan and to resolve ambiguities, if any, but the Compensation Advisory Committee will not have the power to terminate, alter, amend, or modify this Plan or any actions hereunder in any way at any time.

#### VIII. SPECIAL COMPENSATION STATUS:

All bonuses paid under this Plan shall be deemed to be special compensation and, therefore, unless otherwise provided for in another plan or agreement, will not be included in determining the earnings of the recipients for the purposes of any pension, group insurance or other plan or agreement of a Company or of Viad Corp. Participants in this Plan shall not be eligible for any contractual or other short-term (sales, productivity, etc.) incentive plan except in those cases where participation is weighted between this Plan and any such other short-term incentive plan.

#### IX. DEFERRALS:

Participants subject to taxation of income by the United States may submit to the Committee, prior to November 15 of the year in which the bonus is being earned a written request that all or a portion, but not less than a specified minimum, of their bonus awards to be determined, if any, be irrevocably deferred substantially in accordance with the terms and conditions of a deferred compensation plan approved by the Board of Directors of Viad Corp or, if applicable, one of its subsidiaries. Participants subject to taxation of income by other jurisdictions may submit to the Committee a written request that all or a portion of their bonus awards be deferred in accordance with the terms and conditions of a plan which is adopted by the Board of Directors of a participant's Company. Upon the receipt of any such request, the Committee thereunder shall determine whether such request should be honored in whole or part and shall forthwith advise each participant of its determination on such request.

#### X. PLAN TERMINATION:

This Plan shall continue in effect until such time as it may be canceled or otherwise terminated by action of the Board of Directors of Viad Corp and will not become effective with respect to any Company unless and until its Board of Directors adopts a specific plan for such Company. While it is contemplated that incentive awards from the Plan will be made, the Board of Directors of Viad Corp, or any other Company hereunder, may terminate, amend, alter, or modify this Plan at any time and from time to time. Participation in the Plan shall create no right to participate in any future year's Plan.

#### XI. EMPLOYEE RIGHTS:

No participant in this Plan shall be deemed to have a right to any part or share of this Plan, except as provided in Paragraph XII. This Plan does not create for any employee or participant any right to be retained in service by any Company, nor affect the right of any such Company to discharge any employee or participant from employment. Except as provided for in administrative guidelines, a participant who is not an employee of Viad Corp or one of its subsidiaries on the date bonuses are paid will not receive a bonus payment.

#### XII. EFFECT OF CHANGE OF CONTROL:

Notwithstanding anything to the contrary in this Plan, in the event of a Change of Control (as defined in the 1997 Viad Corp Omnibus Incentive Plan) each participant in the Plan shall be entitled to a prorata bonus award calculated on the basis of achievement of performance goals through the date of the Change of Control.

XIII. EFFECTIVE DATE:

The Plan shall be effective January 1, 1997, provided however, that any award made under this Plan is subject to the approval of the 1997 Viad Corp Omnibus Incentive Plan by the stockholders of Viad Corp.



**EXHIBIT 10.B**

**VIAD CORP  
1997 OMNIBUS INCENTIVE PLAN  
RESTRICTED STOCK AGREEMENT  
AS AMENDED MARCH 26, 2002**

Shares of Restricted Stock are hereby awarded by Viad Corp (Corporation), a Delaware corporation, effective to ((FirstName)) ((LastName)) (Employee) in accordance with the following terms and conditions:

1. **SHARE AWARD.** The Corporation hereby awards the Employee ((NumberofUnits)) shares (Shares) of Common Stock, par value \$1.50 per share (Common Stock) of the Corporation pursuant to the Viad Corp 1997 Omnibus Incentive Plan (Plan), and upon the terms and conditions, and subject to the restrictions therein and hereinafter set forth.

2. **RESTRICTIONS ON TRANSFER AND RESTRICTION PERIOD.** During the period commencing on the effective date hereof (Commencement Date) and terminating 3 years thereafter (Restriction Period), the Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered by the Employee, except as hereinafter provided. The Restriction Period shall lapse and full ownership of Shares will vest at the end of the Restriction Period.

The Board of Directors (Board) shall have the authority, in its discretion, to accelerate the time at which any or all of the restrictions shall lapse with respect to any Shares, prior to the expiration of the Restriction Period with respect thereto, or to remove any or all of such restrictions, whenever the Board may determine that such action is appropriate by reason of change in applicable tax or other law, or other change in circumstances.

3. **TERMINATION OF EMPLOYMENT.** Except as provided in this paragraph 3 and in paragraph 8 below or as otherwise may be determined by the Board, if the Employee ceases to be an Employee of the Corporation or any affiliate of the Corporation for any reason, all Shares which at the time of such termination of employment are subject to the restrictions imposed by paragraph 2 above shall upon such termination of employment be forfeited and returned to the Corporation. Except as otherwise specifically determined by the Human Resources Committee in its absolute discretion on a case by case basis, if the Employee is terminated by the Corporation or any affiliate of the Corporation for any reason (other than for Cause, or for failure to meet performance expectations, as determined by the Chief Executive Officer of the Corporation), or if the Employee ceases to be an employee of the Corporation or any affiliate by reason of death or total or partial disability, full ownership of the Shares will occur to the extent not previously earned, upon lapse of the Restriction Period as set forth in paragraph 2. If the Employee ceases to be an employee of the Corporation or any Affiliate of the Corporation by reason of normal or early retirement, full ownership of the Shares will occur upon lapse of the Restriction Period as set forth in paragraph 2 and dividends will be paid through such period, in each case on a pro-rata basis, calculated based on the percentage of time such Employee was employed by the Corporation or any affiliate of the Corporation from the Commencement Date through the date the Employee ceases to be an employee of the Corporation or any affiliate of the Corporation.

(RS)1

4. **CERTIFICATES FOR THE SHARES.** The Corporation shall issue a certificate in respect of the Shares in the name of the Employee, the number of Shares of which shall equal the amount of the award specified herein, and shall hold such certificate on deposit for the account of the Employee until the expiration of the restrictions set forth in paragraph 2 above with respect to the Shares represented thereby. The certificate shall bear the following legend:

The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) contained in the Viad Corp 1997 Omnibus Incentive Plan and an Agreement entered into between the registered owner and Viad Corp. Copies of such Plan and Agreement are on file with the Vice President-General Counsel of Viad Corp, Viad Tower, Phoenix, Arizona 85077-1012.

The Employee further agrees that simultaneously with his or her acceptance of this Agreement, he or she shall execute a stock power covering such award endorsed in blank and that he or she shall promptly deliver such stock power to the Corporation.

5. **EMPLOYEE'S RIGHTS.** Except as otherwise provided herein, the Employee, as owner of the Shares, shall have all rights of a shareholder, including, but not limited to, the right to receive all dividends paid on the Shares and the right to vote the Shares.

6. **EXPIRATION OF RESTRICTION PERIOD.** Upon the lapse or expiration of the Restriction Period with respect to any Shares, the Corporation shall redeliver to the Employee the certificate in respect of such Shares (reduced appropriately in number in the event of early or normal retirement) and the related stock power held by the Corporation pursuant to paragraph 4 above. The Shares as to which the Restriction Period shall have lapsed or expired and which are represented by such certificate shall be free of the restrictions referred to in paragraph 2 above and such certificate shall not bear thereafter the legend provided for in paragraph 4 above.

To the extent permissible under applicable tax, securities, and other laws, the Corporation may, in its sole discretion, permit Employee to satisfy a tax withholding requirement by directing the Corporation to apply Shares to which Employee is entitled as a result of termination of the Restricted Period with respect to any Shares of Restricted Stock, in such manner as the Corporation shall choose in its discretion to satisfy such requirement.

7. **ADJUSTMENTS FOR CHANGES IN CAPITALIZATION OF CORPORATION.** In the event of a change in the Common Stock through stock dividends, stock splits, recapitalization or other changes in the corporate structure of the Corporation during the Restriction Period, the number of Shares of Common Stock subject to restrictions as set forth herein shall be appropriately adjusted and the determination of the Board of Directors of the Corporation as to any such adjustments shall be final, conclusive and binding upon the Employee. Any Shares of Common Stock or other securities received, as a result of the foregoing, by the Employee with respect to Shares subject to the restrictions contained in paragraph 2 above also shall be subject to such restrictions and the certificate(s) or other instruments representing or evidencing such Shares or securities shall be legended and deposited with the Corporation, along with an executed stock power, in the manner provided in paragraph 4 above.

(RS)2

8. EFFECT OF CHANGE IN CONTROL. In the event of a Change in Control (as defined in the Plan), the restrictions applicable to any Shares awarded hereby shall lapse, and such Shares shall be free of all restrictions and become fully vested and transferable to the full extent of the original grant.

9. PLAN AND PLAN INTERPRETATIONS AS CONTROLLING. The Shares hereby awarded and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which are controlling. The Plan provides that the Corporation's Board of Directors may from time to time make changes therein, interpret it and establish regulations for the administration thereof. The Employee, by acceptance of this Agreement, agrees to be bound by said Plan and such Board actions.

Shares may not be issued hereunder, or redelivered, whenever such issuance or redelivery would be contrary to law or the regulations of any governmental authority having jurisdiction.

IN WITNESS WHEREOF, the parties have caused this Restricted Stock Agreement to be duly executed.

Dated: \_\_\_\_\_ VIAD CORP

By: \_\_\_\_\_  
ROBERT H. BOHANNON  
Chairman, President and Chief  
Executive Officer

ATTEST:

\_\_\_\_\_  
Vice President - General Counsel  
or Assistant Secretary

ACCEPTED:

\_\_\_\_\_  
Employee

(RS) 3

**EXHIBIT 10.C**

**VIAD CORP  
1997 OMNIBUS INCENTIVE PLAN  
PERFORMANCE DRIVEN RESTRICTED STOCK AGREEMENT  
AS AMENDED MARCH 26, 2002**

Shares of Performance Driven Restricted Stock are hereby awarded by Viad Corp (Corporation), a Delaware corporation, effective , to ((First\_Name))((Last\_Name))((Employee)) in accordance with the following restrictions, terms and conditions:

1. **SHARE AWARD.** The Corporation hereby awards the Employee ((Options\_Granted)) shares (Shares) of Common Stock, par value \$1.50 per share (Common Stock) of the Corporation pursuant to the Viad Corp 1997 Omnibus Incentive Plan (Plan), and upon the terms and conditions, and subject to the restrictions therein and hereinafter set forth.

2. **RESTRICTIONS ON TRANSFER AND RESTRICTION PERIOD.** During the period commencing on the date hereof (Commencement Date) and terminating as set forth below (Restriction Period), the Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered by the Employee, except as hereinafter provided. The Restriction Period shall lapse as follows:

a) 100% of Shares at the end of three years from the date hereof if performance targets are achieved under the Management Incentive Plan at a minimum average of 100% of "Target" over the three-year period;

b) 100% of Shares at the end of four years from the date hereof if performance targets are achieved under the Management Incentive Plan at an average of 75% or greater, but less than 100%, of "Target" over the three-year period;

c) If the performance targets are achieved under the Management Incentive Plan at an average of less than 75%, no award will be earned and the shares will be forfeited.

Full ownership of shares will enure to the benefit of the Employee at the expiration of the Restriction Period with respect thereto, provided, however, notwithstanding the foregoing, Employee agrees that if beneficial ownership of such Shares is not retained by Employee for a period of at least three years after such full ownership occurs, Employee may be deemed ineligible to receive any further awards under the Plan or any successor plan; provided, however, such retention requirement will be satisfied if at the direction of Employee the Corporation in its discretion retains or reacquires ownership of a sufficient number of shares to satisfy any tax withholding requirement under the Code. The Board of Directors (Board) shall have the authority, in its discretion, to accelerate the time at which any or all of the restrictions shall lapse with respect to any Shares, prior to the expiration of the Restriction Period with respect thereto, or to remove any or all of such restrictions, whenever the Board may determine that such action is appropriate by reason of change in applicable tax or other law, or any other change in circumstances.

3. **TERMINATION OF EMPLOYMENT.** Except as provided in this paragraph 3 and in paragraph 8 below, if the Employee ceases to be an Employee of the Corporation or any affiliate of the Corporation for any reason, all Shares which at the time of such termination of employment are subject to the restrictions imposed by paragraph 2 above shall upon such termination of employment be forfeited and returned to the Corporation. Except as otherwise specifically determined by the Human Resources Committee in its absolute discretion on a case by case basis, if the Employee is terminated by the Corporation or any affiliate of the Corporation for any reason (other than for Cause, or for failure to meet performance expectations, as determined by the Chief Executive Officer of the Corporation), or if the Employee ceases to be an employee of the Corporation or any affiliate by reason of death or total or partial disability, full ownership of the Shares will occur to the extent not previously earned, upon lapse of the applicable Restriction Periods as set forth in paragraph 2. If the Employee ceases to be an employee of the Corporation or any Affiliate of the Corporation by reason of normal or early retirement, full ownership of the Shares will occur upon lapse of the Restriction Periods as set forth in paragraph 2 and dividends will be paid through such period, in each case on a pro-rata basis, calculated based on the percentage of time such Employee was employed during the three-year period following the Commencement Date.

4. **CERTIFICATES FOR THE SHARES.** The Corporation shall issue a certificate in respect of the aggregate number of Shares in the name of the Employee, which shall equal the amount of the award specified herein. The Corporation shall hold all certificates on deposit for the account of the Employee until expiration of the first restriction period set forth in paragraph 2 above, as applicable, with respect to the Shares granted, at which time new certificates shall be issued which shall be commensurate with the installment periods set forth in paragraph 2 above. Each certificate for restricted shares shall bear the following legend:

The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) contained in the Viad Corp 1997 Omnibus Incentive Plan and an Agreement entered into between the registered owner and Viad Corp.

Copies of such Plan and Agreement

are on file with the Vice President-General Counsel of Viad Corp, Viad Tower, Phoenix, Arizona 85077-1012.

The Employee further agrees that simultaneously with his or her acceptance of this Agreement, he or she shall from time to time execute a stock power covering such award endorsed in blank and that he or she shall promptly deliver such stock power to the Corporation.

5. **EMPLOYEE'S RIGHTS.** Except as otherwise provided herein, the Employee, as owner of the Shares, shall have all rights of a shareholder, including, but not limited to, the right to receive all dividends paid on the Shares and the right to vote the Shares.

6. **EXPIRATION OF RESTRICTION PERIOD.** Upon the lapse or expiration of the Restriction Period with respect to any Shares, the Corporation shall deliver or redeliver to the Employee the certificate in respect of such Shares and the related stock power held by the Corporation pursuant to paragraph 4 above. The Shares as to which the Restriction Period shall have lapsed or expired and which are represented by such certificate shall be free of the restrictions referred to in paragraph 2 above and such certificate shall not bear thereafter the legend provided for in paragraph 4 above provided, however, that sale of such shares within three years may result in deemed ineligibility to receive any further awards pursuant to said paragraph 2.

To the extent permissible under applicable tax, securities, and other laws, the Corporation may, in its sole discretion, permit Employee to satisfy a tax withholding requirement by directing the Corporation to apply Shares to which Employee is entitled as a result of termination of the Restricted Period with respect to any shares of Restricted Stock, in such manner as the Corporation shall choose in its discretion to satisfy such requirement.

7. ADJUSTMENTS FOR CHANGES IN CAPITALIZATION OF CORPORATION. In the event of a change in the Common Stock through stock dividends, stock splits, recapitalization or other changes in the corporate structure of the Corporation during the Restriction Period, the number of shares of Common Stock subject to restrictions as set forth herein shall be appropriately adjusted and the determination of the Board of Directors of the Corporation as to any such adjustments shall be final, conclusive and binding upon the Employee. Any shares of Common Stock or other securities received, as a result of the foregoing, by the Employee with respect to Shares subject to the restrictions contained in paragraph 2 above also shall be subject to such restrictions and the certificate(s) or other instruments representing or evidencing such shares or securities shall be legended and deposited with the Corporation, along with an executed stock power, in the manner provided in paragraph 4 above.

8. EFFECT OF CHANGE IN CONTROL. In the event of a Change in Control (as defined in the Plan), the restrictions applicable to any Shares awarded hereby shall lapse, and such Shares shall be free of all restrictions and become fully vested and transferable to the full extent of the original grant.

9. PLAN AND PLAN INTERPRETATIONS AS CONTROLLING. The Shares hereby awarded and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which are controlling. The Plan provides that the Corporation's Board of Directors may from time to time make changes therein, interpret it and establish regulations for the administration thereof. The Employee, by acceptance of this Agreement, agrees to be bound by said Plan and such Board actions.

Shares may not be issued hereunder, or redelivered, whenever such issuance or redelivery would be contrary to law or the regulations of any governmental authority having jurisdiction.

IN WITNESS WHEREOF, the parties have caused this Performance Driven Restricted Stock Agreement to be duly executed.

Dated: \_\_\_\_\_

VIAD CORP

By: \_\_\_\_\_  
ROBERT H. BOHANNON  
Chairman, President and Chief  
Executive Officer

ATTEST:  
  
\_\_\_\_\_  
General Counsel or Assistant Secretary

ACCEPTED:  
  
\_\_\_\_\_  
Employee

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