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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark one)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2005

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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 North Central Avenue, Suite 800 Phoenix, Arizona

(Address of principal executive offices)

85004-4545

(Zip Code)

(602) 207-4000

(Registrant's telephone number, including area code)

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

Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of July 29, 2005, 22,351,574 shares of common stock (\$1.50 par value) were outstanding.

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

**VIAD CORP**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	June 30, 2005	December 31, 2004
	(in thousands, except share data)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 120,287	\$ 115,050
Accounts receivable, net of allowance for doubtful accounts of \$2,066 at June 30, 2005 and \$2,226 at December 31, 2004	76,236	47,246
Receivable from MoneyGram (Note 14)	207	4,057
Inventories	31,509	36,392
Deferred income taxes	24,473	24,598
Other current assets	12,768	11,139
Total current assets	265,480	238,482
Property and equipment, net	141,382	152,512
Other investments and assets	27,500	28,115
Deferred income taxes	48,076	49,968
Goodwill	181,539	183,167
Other intangible assets, net	6,519	6,188
<b>Total Assets</b>	<b>\$ 670,496</b>	<b>\$ 658,432</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 45,180	\$ 36,413
Other current liabilities	109,191	126,229
Current portion of long-term debt and capital lease obligations	3,290	4,056
Total current liabilities	157,661	166,698
Long-term debt and capital lease obligations	14,821	16,998
Pension and other postretirement benefits	27,015	26,839
Other deferred items and insurance liabilities	95,312	97,289
Commitments and contingencies (Note 13)		
Minority interests	3,930	4,103
Common stock and other equity:		
Common stock, \$1.50 par value, 200,000,000 shares authorized, 24,934,981 shares issued	37,402	37,402
Additional capital	663,136	676,877
Retained deficit	(52,871)	(74,435)
Unearned employee benefits and other	(17,752)	(21,601)
Accumulated other comprehensive income (loss):		
Unrealized gain on investments	443	479
Cumulative foreign currency translation adjustments	16,892	19,831
Minimum pension liability adjustment	(4,852)	(4,852)
Common stock in treasury, at cost, 2,641,866 and 2,794,763 shares	(270,641)	(287,196)
Total common stock and other equity	371,757	346,505
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 670,496</b>	<b>\$ 658,432</b>

See Notes to Consolidated Financial Statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
	(in thousands, except per share data)			
Revenues:				
Convention show services	\$151,523	\$141,548	\$342,964	\$299,878
Exhibit design and construction	57,414	48,496	110,755	93,782
Travel and recreation services	18,094	17,334	22,824	21,273
Total revenues	<u>227,031</u>	<u>207,378</u>	<u>476,543</u>	<u>414,933</u>
Costs and expenses:				
Costs of services	149,488	139,618	321,149	284,755
Costs of products sold	55,254	48,882	110,338	95,094
Corporate activities and minority interests	3,147	3,835	5,766	6,357
Restructuring charges (recoveries)	(73)	853	(363)	853
Net interest expense (income)	(262)	265	(412)	606
Total costs and expenses	<u>207,554</u>	<u>193,453</u>	<u>436,478</u>	<u>387,665</u>
Income before income taxes	19,477	13,925	40,065	27,268
Income tax expense	8,391	4,743	16,554	10,527
Income from continuing operations	11,086	9,182	23,511	16,741
Income (loss) from discontinued operations	59	—	(168)	—
<b>Net income</b>	<u>\$ 11,145</u>	<u>\$ 9,182</u>	<u>\$ 23,343</u>	<u>\$ 16,741</u>
<b>Diluted income per common share</b>				
Income from continuing operations	\$ 0.50	\$ 0.42	\$ 1.06	\$ 0.77
Income (loss) from discontinued operations	—	—	(0.01)	—
<b>Net income</b>	<u>\$ 0.50</u>	<u>\$ 0.42</u>	<u>\$ 1.05</u>	<u>\$ 0.77</u>
Average outstanding and potentially dilutive common shares	<u>22,191</u>	<u>21,839</u>	<u>22,142</u>	<u>21,811</u>
<b>Basic income per common share</b>				
Income from continuing operations	\$ 0.51	\$ 0.42	\$ 1.07	\$ 0.77
Income (loss) from discontinued operations	—	—	(0.01)	—
<b>Net income</b>	<u>\$ 0.51</u>	<u>\$ 0.42</u>	<u>\$ 1.06</u>	<u>\$ 0.77</u>
Average outstanding common shares	<u>22,033</u>	<u>21,732</u>	<u>21,975</u>	<u>21,705</u>
Dividends declared per common share	<u>\$ 0.04</u>	<u>\$ —</u>	<u>\$ 0.08</u>	<u>\$ —</u>

See Notes to Consolidated Financial Statements.

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

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	(in thousands)			
<b>Net income</b>	<u>\$11,145</u>	<u>\$ 9,182</u>	<u>\$23,343</u>	<u>\$16,741</u>
Other comprehensive loss:				
Unrealized gains (losses) on investments:				
Holding gains (losses) arising during the period, net of tax	18	(23)	(36)	107
Unrealized foreign currency translation losses	<u>(1,650)</u>	<u>(2,303)</u>	<u>(2,939)</u>	<u>(2,405)</u>
Other comprehensive loss	<u>(1,632)</u>	<u>(2,326)</u>	<u>(2,975)</u>	<u>(2,298)</u>
Comprehensive income	<u>\$ 9,513</u>	<u>\$ 6,856</u>	<u>\$20,368</u>	<u>\$14,443</u>

See Notes to Consolidated Financial Statements.

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

	<u>Six months ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
	(in thousands)	
<b>Cash flows from operating activities:</b>		
Net income	\$ 23,343	\$ 16,741
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,403	10,797
Deferred income taxes	6,101	5,586
Loss from discontinued operations	168	—
Restructuring charges (recoveries)	(363)	853
Gains on dispositions of property and other assets	(198)	(587)
Other noncash items, net	5,880	5,457
Change in operating assets and liabilities:		
Receivables	(29,559)	(27,031)
Inventories	4,883	(1,315)
Accounts payable	8,767	12,051
Restructuring liability (cash payments)	(1,267)	(4,511)
Accrued spin-off costs	—	9,134
Receivable from MoneyGram	3,850	(7,113)
Other assets and liabilities, net	<u>(23,368)</u>	<u>2,228</u>
Net cash provided by operating activities	<u>9,640</u>	<u>22,290</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(10,646)	(5,974)
Acquisition of business, net of cash acquired	—	(2,711)
Proceeds from dispositions of property and other assets	<u>8,793</u>	<u>2,095</u>
Net cash used in investing activities	<u>(1,853)</u>	<u>(6,590)</u>
<b>Cash flows from financing activities:</b>		
Payments on debt and capital lease obligations	(3,159)	(1,458)
Dividends paid on common stock	(1,763)	—
Proceeds from exercise of stock options	2,643	—
Net distributions from MoneyGram	<u>—</u>	<u>35,560</u>
Net cash provided by (used in) financing activities	<u>(2,279)</u>	<u>34,102</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(271)</u>	<u>(615)</u>
Net increase in cash and cash equivalents	5,237	49,187
Cash and cash equivalents, beginning of year	<u>115,050</u>	<u>61,286</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$120,287</u>	<u>\$110,473</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for:		
Income taxes	<u>\$ 16,632</u>	<u>\$ 7,591</u>
Interest	<u>\$ 1,022</u>	<u>\$ 1,613</u>

See Notes to Consolidated Financial Statements.

**VIAD CORP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1. Basis of Preparation and Principles of Consolidation**

***Spin-off of MoneyGram International***

On June 30, 2004, Viad Corp (“Viad” or the “Company”) separated its payment services business from its other businesses by means of a tax-free spin-off. To effect the separation, Travelers Express Company, Inc. became a subsidiary of MoneyGram International, Inc. (“MoneyGram”), a newly-formed, wholly-owned subsidiary of Viad, and Viad distributed all of the shares of MoneyGram common stock as a dividend on Viad common stock on the date of the spin-off. Certain members of Viad’s Board of Directors are also members of MoneyGram’s Board of Directors. Viad’s operations continuing after the spin-off consist of the businesses of convention show services, exhibit design and construction and travel and recreation services operations, as well as Viad’s centralized corporate functions located in Phoenix, Arizona.

Due to the relative significance of MoneyGram as compared to the remaining businesses of Viad, the transaction was accounted for as a reverse spin-off in accordance with Emerging Issues Task Force Issue No. 02-11, “Accounting for Reverse Spin-offs.” Accordingly, MoneyGram was considered the divesting entity for accounting purposes and is the accounting successor to Viad with respect to the historical consolidated financial statements of Viad prior to the spin-off. Conversely, the remaining combined businesses of Viad (excluding MoneyGram) represent the entity which was “spun-off” from MoneyGram International (accounting successor to Viad Corp).

***Basis of Presentation***

The accompanying unaudited consolidated financial statements of Viad have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. Certain prior period amounts have been reclassified to conform to the current period presentation.

For further information, refer to the consolidated financial statements and related footnotes for the year ended December 31, 2004, included in the Company’s Form 10-K (File No. 001-11015), filed with the Securities and Exchange Commission (“SEC”) on March 15, 2005.

The consolidated financial statements include the accounts of Viad and all of its wholly-owned subsidiaries. All significant intercompany account balances and transactions between Viad and its subsidiaries have been eliminated in consolidation. Viad’s reporting segments consist of: GES Exposition Services, Inc. (“GES”), Exhibitgroup/Giltspur (“Exhibitgroup”) and Travel and Recreation Services.

**Note 2. Stock-Based Compensation**

In 1997, Viad’s stockholders adopted the Viad Corp Omnibus Incentive Plan (the “Omnibus Plan”). The Omnibus Plan provides for the following types of awards to officers, directors and certain key employees: (a) incentive and nonqualified stock options; (b) stock appreciation rights; (c) restricted stock; and (d) performance-based awards. The number of shares of Viad common stock available for grant under the Omnibus Plan in each calendar year is limited to two percent of the total number of shares of common stock outstanding as of the first day of each year, provided that any shares available for grant in a particular year which are not, in fact, granted in such year shall be added to the shares available for grant in any subsequent calendar year.

Stock options granted in 2005 and 2004 were for terms of seven years at an exercise price based on the market value at the date of grant and become exercisable in annual increments of twenty percent beginning one year after grant date and become fully exercisable after five years from the date of grant. Stock options granted since 1998 contain certain forfeiture and noncompete provisions.

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As permitted by Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting for Stock-Based Compensation,” Viad uses the intrinsic value method of accounting for stock-based compensation awards prescribed by Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations in accounting for its stock-based compensation plans. Assuming Viad had recognized compensation expense for stock options and performance-based stock awards in accordance with the fair value method of accounting defined in SFAS No. 123, net income and diluted and basic income per share for the three and six months ended June 30 would be as presented in the table below. Compensation cost calculated under SFAS No. 123 is recognized ratably over the vesting period and is net of estimated forfeitures and tax effects.

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
	(in thousands, except per share data)			
Net income, as reported	\$11,145	\$9,182	\$23,343	\$16,741
Less: stock-based employee compensation expense determined under fair value based method, net of tax	<u>(330)</u>	<u>(363)</u>	<u>(731)</u>	<u>(1,302)</u>
Pro forma net income	<u>\$10,815</u>	<u>\$8,819</u>	<u>\$22,612</u>	<u>\$15,439</u>
Diluted income per share:				
As reported	<u>\$ 0.50</u>	<u>\$ 0.42</u>	<u>\$ 1.05</u>	<u>\$ 0.77</u>
Pro forma	<u>\$ 0.49</u>	<u>\$ 0.41</u>	<u>\$ 1.03</u>	<u>\$ 0.71</u>
Basic income per share:				
As reported	<u>\$ 0.51</u>	<u>\$ 0.42</u>	<u>\$ 1.06</u>	<u>\$ 0.77</u>
Pro forma	<u>\$ 0.49</u>	<u>\$ 0.41</u>	<u>\$ 1.04</u>	<u>\$ 0.72</u>

For purposes of applying SFAS No. 123, the estimated fair value of stock options granted during 2005 and 2004 was \$7.57 and \$7.33 per share, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2005	2004
Expected dividend yield	0.6%	0.6%
Expected volatility	26.3%	28.5%
Risk-free interest rate	3.89%	3.16%
Expected life	5 years	5 years

### Note 3. Acquisition of Business

In May 2004, GES acquired a convention services contractor in Edmonton, Canada. The net purchase price of \$2.7 million was allocated to the net tangible and identifiable intangible assets and liabilities acquired based on the estimated fair values at the date of acquisition. The amount paid in excess of the estimated fair values was recorded to goodwill. In connection with the transaction, GES initially recorded goodwill of \$2.1 million, amortizable intangible assets of \$904,000 and other net liabilities of \$282,000 (including acquisition and assumed liabilities of \$1.1 million). During the second quarter of 2005, GES finalized its accounting for the purchase transaction and revised the amounts above to the following: goodwill of \$1.6 million, amortizable intangible assets of \$1.3 million and other net liabilities of \$208,000 (including acquisition and assumed liabilities of \$923,000). The amount of goodwill expected to be deductible for tax purposes is not significant. The accompanying consolidated financial statements include the accounts and results of operations of the acquired company from the date of acquisition.

### Note 4. Inventories

The components of inventories were as follows:

	June 30, 2005	December 31, 2004
	(in thousands)	
Raw materials	\$22,480	\$21,986
Work in process	<u>9,029</u>	<u>14,406</u>
Inventories	<u>\$31,509</u>	<u>\$36,392</u>

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### Note 5. Property and Equipment

Property and equipment consisted of the following:

	June 30, 2005	December 31, 2004
	(in thousands)	
Land	\$ 23,508	\$ 23,874
Buildings and leasehold improvements	78,614	79,582
Equipment and other	<u>245,371</u>	<u>252,876</u>
	347,493	356,332
Accumulated depreciation	<u>(206,111)</u>	<u>(203,820)</u>
Property and equipment, net	<u>\$ 141,382</u>	<u>\$ 152,512</u>

In January 2005, Viad sold a 50 percent interest in its corporate aircraft to MoneyGram for \$8.6 million in cash, which prior to the sale was included in "Equipment and other" above. The purchase price was determined by reference to third party appraisals that indicated a fair market value which closely approximated the net book value of the aircraft. Accordingly, no gain or loss was recorded in connection with the transaction.

Depreciation expense for the three months ended June 30, 2005 and 2004 was \$5.4 million and \$5.3 million, respectively, and for the six months ended June 30, 2005 and 2004 was \$11.3 million and \$10.7 million, respectively.

### Note 6. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the six months ended June 30, 2005 were as follows:

	GES	Travel and Recreation	Total
	(in thousands)		
Balance at January 1, 2005	\$149,668	\$33,499	\$183,167
Adjustment to previously recorded goodwill	(510)	—	(510)
Foreign currency translation adjustments	<u>(268)</u>	<u>(850)</u>	<u>(1,118)</u>
Balance at June 30, 2005	<u>\$148,890</u>	<u>\$32,649</u>	<u>\$181,539</u>

A summary of other intangible assets at June 30, 2005 is presented below:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	(in thousands)		
Amortized intangible assets:			
Customer lists	\$ 858	\$ (200)	\$ 658
Other	<u>563</u>	<u>(72)</u>	<u>491</u>
	<u>1,421</u>	<u>(272)</u>	<u>1,149</u>
Unamortized intangible assets:			
Trademarks	4,590	—	4,590
Pension intangible assets	<u>780</u>	<u>—</u>	<u>780</u>
	<u>5,370</u>	<u>—</u>	<u>5,370</u>
Total	<u>\$ 6,791</u>	<u>\$ (272)</u>	<u>\$ 6,519</u>

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A summary of other intangible assets at December 31, 2004 is presented below:

	<u>Gross Carrying Value</u>	<u>Accumulated Amortization (in thousands)</u>	<u>Net Carrying Value</u>
Amortized intangible assets:			
Customer lists	\$ 888	\$(118)	\$ 770
Other	<u>317</u>	<u>(239)</u>	<u>78</u>
	<u>1,205</u>	<u>(357)</u>	<u>848</u>
Unamortized intangible assets:			
Trademark	4,560	—	4,560
Pension intangible assets	<u>780</u>	<u>—</u>	<u>780</u>
	<u>5,340</u>	<u>—</u>	<u>5,340</u>
Total	<u>\$6,545</u>	<u>\$(357)</u>	<u>\$6,188</u>

As discussed in Note 3, upon finalization of the accounting for GES's acquisition of a convention services contractor in Edmonton, Canada, an additional \$399,000 of other intangible assets was included in the "Other" subcategory of "Amortized intangible assets" above.

Intangible asset amortization expense for the three months ended June 30, 2005 and 2004 was \$59,000 and \$41,000, respectively. For the six months ended June 30, 2005 and 2004, intangible asset amortization expense was \$117,000 and \$56,000, respectively. The weighted-average amortization period of amortized intangible assets at June 30, 2005 was approximately two and one-half years. Estimated amortization expense related to the amortized intangible assets for the remainder of 2005 and the four succeeding years is expected to be \$136,000 (2005), \$273,000 (2006), \$273,000 (2007), \$273,000 (2008) and \$194,000 (2009).

### Note 7. Accrued Liabilities and Other

Other current liabilities consisted of the following:

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
	(in thousands)	
Accrued income taxes	\$ 44,058	\$ 46,579
Customer deposits	21,255	33,092
Accrued compensation	15,416	16,897
Self-insured liability accrual	3,441	5,138
Accrued restructuring	2,162	3,060
Accrued dividends	1,105	1,134
Other	<u>21,754</u>	<u>20,329</u>
Total other current liabilities	<u>\$109,191</u>	<u>\$126,229</u>

Other deferred items and insurance liabilities consisted of the following:

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
	(in thousands)	
Self-insured liability accrual	\$31,328	\$31,026
Liabilities associated with previously sold operations	26,412	26,794
Accrued restructuring	10,447	11,180
Foreign deferred tax liability	9,061	9,639
Deferred gain on sale of property	5,959	6,442
Other	<u>12,105</u>	<u>12,208</u>
Total other deferred items and insurance liabilities	<u>\$95,312</u>	<u>\$97,289</u>

**Note 8. Debt**

At June 30, 2005, Viad's total debt of \$18.1 million consisted of \$5.2 million of capital lease obligations, \$1.2 million of subordinated debentures and an \$11.7 million borrowing under the Company's \$150 million secured revolving credit agreement which Viad entered into effective June 30, 2004. The term of the credit facility is three years (expiring on June 30, 2007) and borrowings are to be used for general corporate purposes (including permitted acquisitions) and to support up to \$75 million of letters of credit. The lenders have a first perfected security interest in all of the personal property of Viad and GES, including 65 percent of the capital stock of top-tier foreign subsidiaries.

Borrowings under the facility (of which GES is a guarantor) are indexed to the prime rate or the London Interbank Offering Rate, plus appropriate spreads tied to Viad's leverage ratio. Commitment fees and letters of credit fees are also tied to Viad's leverage ratio. Financial covenants include a minimum consolidated net worth requirement, a fixed-charge coverage ratio and a leverage ratio. Significant other covenants include limitations on investments, common stock dividends, stock repurchases, additional indebtedness, sales/leases of assets, acquisitions, consolidations or mergers, liens on property, capital expenditures and operating leases. At June 30, 2005, Viad was in compliance with all covenants.

**Note 9. Income Per Share**

A reconciliation of the numerators and denominators of diluted and basic per share computations for income from continuing operations for the three and six months ended June 30 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
	(in thousands, except per share data)			
Income from continuing operations	<u>\$11,086</u>	<u>\$ 9,182</u>	<u>\$23,511</u>	<u>\$16,741</u>
Average outstanding common shares	22,033	21,732	21,975	21,705
Additional dilutive shares related to stock-based compensation	<u>158</u>	<u>107</u>	<u>167</u>	<u>106</u>
Average outstanding and potentially dilutive common shares	<u>22,191</u>	<u>21,839</u>	<u>22,142</u>	<u>21,811</u>
Diluted income per share from continuing operations	<u>\$ 0.50</u>	<u>\$ 0.42</u>	<u>\$ 1.06</u>	<u>\$ 0.77</u>
Basic income per share from continuing operations	<u>\$ 0.51</u>	<u>\$ 0.42</u>	<u>\$ 1.07</u>	<u>\$ 0.77</u>

Options to purchase 104,000 and 676,000 shares of common stock were outstanding at June 30, 2005 and 2004, respectively, but were not included in the computation of diluted income per share because the effect would be anti-dilutive.

**Note 10. Income Taxes**

A reconciliation of income tax expense and the amount that would be computed using statutory federal income tax rates for the six months ended June 30 is as follows:

	2005		2004	
	(in thousands)			
Computed income tax expense at statutory federal income tax rate of 35%	\$14,023	35.0%	\$ 9,544	35.0%
State income taxes	2,237	5.6%	1,724	6.3%
Other, net	<u>247</u>	<u>0.6%</u>	<u>(498)</u>	<u>(1.8%)</u>
	16,507	41.2%	10,770	39.5%
Adjustment to estimated annual effective rate <sup>(1)</sup>	<u>47</u>	<u>0.1%</u>	<u>(243)</u>	<u>(0.9%)</u>
Income tax expense	<u>\$16,554</u>	<u>41.3%</u>	<u>\$10,527</u>	<u>38.6%</u>

(1) APB Opinion No. 28, "Interim Financial Reporting," requires that income taxes be recorded based on the estimated effective tax rate expected to be applicable for the entire fiscal year.

**Note 11. Pension and Other Postretirement Benefit Plans**

The net periodic costs for defined benefit pension plans and other postretirement benefit plans for the three months ended June 30 included the following components:

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(in thousands)			
Service cost	\$ 59	\$ 18	\$ 20	\$ 30
Interest cost	284	290	358	553
Expected return on plan assets	(217)	(236)	(75)	(87)
Amortization of prior service cost	52	52	(267)	(168)
Recognized net actuarial loss	<u>114</u>	<u>75</u>	<u>173</u>	<u>288</u>
Net periodic benefit cost	<u>\$ 292</u>	<u>\$ 199</u>	<u>\$ 209</u>	<u>\$ 616</u>

For the six months ended June 30, the net periodic costs for defined benefit pension plans and other postretirement benefit plans included the following components:

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(in thousands)			
Service cost	\$ 118	\$ 35	\$ 40	\$ 60
Interest cost	568	581	716	1,106
Expected return on plan assets	(434)	(471)	(150)	(155)
Amortization of prior service cost	104	104	(534)	(336)
Recognized net actuarial loss	<u>198</u>	<u>150</u>	<u>346</u>	<u>568</u>
Net periodic benefit cost	<u>\$ 554</u>	<u>\$ 399</u>	<u>\$ 418</u>	<u>\$ 1,243</u>

Viad is expected to contribute approximately \$536,000 to its unfunded pension plans and approximately \$600,000 to its other postretirement benefit plans in 2005. Viad is not required to contribute to its funded pension plans in 2005. As of June 30, 2005, Viad has contributed \$261,000 to its unfunded pension plans and \$259,000 to its other postretirement benefit plans.

**Note 12. Restructuring Charges and Recoveries**

In the second quarter of 2004, Viad recorded restructuring charges of \$853,000 primarily related to planned employee reductions as a result of the MoneyGram spin-off. All amounts related to this reserve had been paid as of March 31, 2005 and thus, during the first quarter of 2005, the remaining liability of \$43,000 was reversed. Viad recorded an additional charge of \$850,000 in the third quarter of 2004 as a result of the consolidation of certain leased office space at its corporate headquarters. At June 30, 2005, \$786,000 of the liability remained of which \$128,000 was included in the consolidated balance sheets under the caption "Other current liabilities" and \$658,000 under the caption "Other deferred items and insurance liabilities."

In the fourth quarter of 2002, Viad approved a restructuring plan related to Exhibitgroup and recorded a charge totaling \$20.5 million. The charge consisted of costs associated with the closure and consolidation of certain facilities, severance and other employee benefits and included a provision for the write-down (net of estimated proceeds) of certain inventories and fixed assets, facility closure and lease termination costs (less estimated sublease income) and other exit costs. In the first quarter of 2005, \$247,000 of the reserve was reversed as certain costs originally anticipated in the restructuring plan were ultimately not expected to be incurred. At June 30, 2005, there was a remaining liability of \$1.8 million, of which \$523,000 and \$1.3 million were included in the consolidated balance sheets under the captions "Other current liabilities" and "Other deferred items and insurance liabilities," respectively. Viad had completed the restructuring activities by December 31, 2003. However, payments due under the long-term lease obligations will continue to be made over the remaining terms of the lease agreements. Additionally, payments of severance and benefits will continue to be made over the varying terms of the individual separation agreements.

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A summary of the changes in the 2002 restructuring charge liability balance for the six months ended June 30, 2005 is as follows:

	<u>Severance and Benefits</u>	<u>Facility Closure and Lease Termination</u>	<u>Total</u>
		(in thousands)	
Balance at January 1, 2005	\$ 486	\$1,962	\$2,448
Cash payments	(134)	(144)	(278)
Adjustment to liability	(247)	(87)	(334)
Balance at June 30, 2005	<u>\$ 105</u>	<u>\$1,731</u>	<u>\$1,836</u>

In the third quarter of 2001, Viad approved a plan of restructuring and recorded a charge totaling \$65.1 million. Of the total charge, \$13.6 million related to GES, \$47.9 million related to Exhibitgroup and \$3.6 million related to corporate activities. The restructuring charge was associated with the closure and consolidation of certain facilities, severance and other employee benefits. All facilities were closed or consolidated and all positions eliminated as of December 31, 2002. The restructuring liability balance at December 31, 2004 of \$11.5 million (comprised solely of future lease payment obligations) was reduced during the six months ended June 30, 2005 by \$767,000 as a result of cash payments and \$73,000 as the result of certain facilities costs that will not be incurred. Offsetting these amounts was an \$87,000 noncash adjustment to the liability. Therefore, at June 30, 2005, a liability remained of \$10.8 million, of which \$1.6 million and \$9.2 million were included in the consolidated balance sheets under the captions "Other current liabilities" and "Other deferred items and insurance liabilities," respectively. Payments under the long-term lease obligations will continue to be made over the remaining terms of the lease agreements.

### Note 13. Litigation, Claims and Other Contingencies

Viad and certain of its subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against Viad. Although the amount of liability at June 30, 2005, with respect to certain of these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, including insurance coverage, will not have a material effect on the Company's financial position or results of operations.

Viad was involved in claims and counter-claims related to unfair competitive practices and violation of intellectual property rights related to Exhibitgroup's kiosk business. In July 2005, the parties involved settled the litigations and entered into Consent Judgments that recognize the validity and value of Viad's intellectual property rights, including Viad's copyrights. The settlement agreement includes payments aggregating \$2.0 million to be received by Viad in several installments through 2006. Viad has agreed to grant a license with respect to a limited number of Viad's intellectual property rights, including Viad's copyrights related to retail merchandising units permitting the manufacturing and sale of certain retail merchandising units in exchange for payments of royalties.

Viad is subject to various U.S. federal, state and foreign laws and regulations governing the prevention of pollution and the protection of the environment in the jurisdictions in which Viad has or had operations. If the Company has failed to comply with these environmental laws and regulations, civil and criminal penalties could be imposed and Viad could become subject to regulatory enforcement actions in the form of injunctions and cease and desist orders. As is the case with many companies, Viad also faces exposure to actual or potential claims and lawsuits involving environmental matters relating to its past operations. Although it is a party to certain environmental disputes, Viad believes that any resulting liabilities, after taking into consideration amounts already provided for, including insurance coverage, will not have a material effect on the Company's financial position or results of operations.

As of June 30, 2005, Viad had certain obligations under guarantees to third parties on behalf of its subsidiaries. These guarantees are not subject to liability recognition in the consolidated financial statements and primarily relate to leased facilities and credit or loan arrangements with banks, entered into by Viad's subsidiary operations. The Company would generally be required to make payments to the respective third parties under these guarantees in the event that the related subsidiary could not meet its own payment obligations. The maximum potential amount of future payments that Viad would be required to make under all guarantees existing at June 30, 2005 would be \$32.7 million, of which \$32.2 million related to aggregate guarantees on leased equipment and facilities expiring through January 2015. At June 30, 2005, the aggregate guarantees related to credit or loan arrangements with banks were \$518,000 which expire concurrent with the credit or loan arrangement. There are no recourse provisions that would enable Viad to recover from third parties any payments made under the guarantees. Furthermore, there are no collateral or similar arrangements whereby Viad could recover payments.

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Glacier Park's concession contract with the National Park Service (the "Park Service") expires at the end of 2005, at which time a new concessionaire may be selected by the Park Service and Glacier Park's business would consist only of the operations at Waterton Lakes, Canada, and East Glacier, Montana, which are not part of the concession contract. In such a circumstance, Viad would be entitled to an amount equal to its "possessory interest," which generally means the value of the structures acquired or constructed, fixtures installed or improvements made to Glacier National Park during the term of the contract, based on the reconstruction cost of a new unit of like kind, less physical depreciation, but not to exceed fair market value. The option exists for the Park Service to extend Glacier Park's contract for up to three years. While the Park Service has not formally exercised this option, management believes that an extension of at least one year is likely. Glacier Park approximated 21 percent of Travel and Recreation Services' full year 2004 operating income.

### Note 14. Related Party Transactions

Prior to the spin-off transaction, distributions from MoneyGram primarily represented cash transfers to "New" Viad in order to fund working capital requirements and for general corporate purposes. Distributions to MoneyGram primarily represented cash payments to fund stockholder dividends, common stock repurchases, interest and principal payments on general corporate debt obligations and certain capital contributions associated with MoneyGram. The pre-spin-off net distributions from MoneyGram were \$35.6 million for the six months ended June 30, 2004.

As discussed in Note 5 above, in January 2005 Viad sold a 50 percent interest in its corporate aircraft to MoneyGram for \$8.6 million in cash. The purchase price was determined by reference to third party appraisals that indicated a fair market value which closely approximated the net book value of the aircraft. Accordingly, no gain or loss was recorded in connection with the transaction. In accordance with the Joint Ownership Agreement entered into at the time of the transaction, Viad and MoneyGram share the fixed costs of operating the aircraft and each pays the variable costs depending on the usage by each company. During the three and six months ended June 30, 2005, Viad received aggregate payments of \$321,000 and \$592,000, respectively, from MoneyGram representing operating cost reimbursements pursuant to the Joint Ownership Agreement. Operating costs reimbursed by MoneyGram are recorded as a reduction of expense under the caption "Corporate activities and minority interests" in the consolidated statements of operations.

In January 2005, Viad received a \$4.0 million payment from MoneyGram related to the transfer of certain tax credits pursuant to the Tax Sharing Agreement dated June 30, 2004. Additionally, during the three and six months ended June 30, 2005, Viad received aggregate payments of \$410,000 and \$820,000, respectively, related to certain administrative services provided to MoneyGram pursuant to the Interim Services Agreement dated June 30, 2004. Viad also received net payments of \$626,000 and \$683,000 from MoneyGram primarily related to software licensing costs during the three and six months ended June 30, 2005, respectively. As of June 30, 2005, Viad had a receivable recorded of \$207,000 included in the consolidated balance sheets under the caption "Receivable from MoneyGram."

On July 1, 2005, MoneyGram provided notice to Viad of its election to terminate certain services currently provided by Viad under the Interim Services Agreement effective September 30, 2005.

**Note 15. Segment Information**

Viad measures profit and performance of its operations on the basis of operating income before restructuring charges and other items. Intersegment sales are eliminated in consolidation and intersegment transfers are not significant. Corporate activities include expenses not allocated to operations. Depreciation and amortization are the only significant noncash items for the reportable segments. Disclosures regarding Viad's reportable segments with reconciliations to consolidated totals for the three and six months ended June 30 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
	(in thousands)			
Revenues:				
GES	\$150,420	\$137,392	\$348,770	\$300,955
Exhibitgroup	58,517	52,652	104,949	92,705
Travel and Recreation Services	18,094	17,334	22,824	21,273
	\$227,031	\$207,378	\$476,543	\$414,933
Operating income before restructuring charges:				
GES	\$ 16,144	\$ 14,113	\$ 42,896	\$ 34,671
Exhibitgroup	1,985	96	157	(2,933)
Travel and Recreation Services	4,160	4,669	2,003	3,346
	22,289	18,878	45,056	35,084
Corporate activities and minority interests	(3,147)	(3,835)	(5,766)	(6,357)
	19,142	15,043	39,290	28,727
Interest income	864	126	1,571	352
Interest expense	(602)	(391)	(1,159)	(958)
Restructuring recoveries (charges):				
GES	73	—	73	—
Exhibitgroup	—	—	247	—
Corporate	—	(853)	43	(853)
	\$ 19,477	\$ 13,925	\$ 40,065	\$ 27,268
			June 30, 2005	December 31, 2004
			(in thousands)	
Assets:				
GES			\$261,223	\$255,788
Exhibitgroup			98,239	89,327
Travel and Recreation Services			121,868	117,360
Corporate and other			189,166	195,957
			\$670,496	\$658,432

**Note 16. Recent Accounting Pronouncements**

In May 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") FAS 106-2 on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"), which was enacted into law on December 8, 2003, and which provides a federal subsidy to employers that sponsor postretirement health care plans that provide certain prescription drug benefits to the extent such benefits are deemed "actuarially equivalent" to Medicare Part D. The Company made a one-time election, under the previously issued FSP FAS 106-1, to defer recognition of the effects of the Act until further authoritative guidance was issued. With FSP FAS 106-2, which superceded FSP FAS 106-1, specific guidance was provided in accounting for the subsidy, effective for the first reporting period beginning after June 15, 2004. The Company adopted FSP FAS 106-2 on July 1, 2004 using the prospective method. In January 2005, final regulations were released by the Centers for Medicare and Medicaid Services for determining the medical prescription drug benefit and other key elements of the Act, including actuarial equivalence. The adoption of these additional regulations is not expected to have a material impact on Viad's financial position or results of operations.

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In November 2004, the FASB issued SFAS No. 151, "Inventory Costs (an amendment of Accounting Research Bulletin No. 43, Chapter 4)." SFAS No. 151 seeks to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) in the determination of inventory carrying costs. The statement requires such costs to be treated as a current period expense and is effective for fiscal years beginning after July 15, 2005. The Company does not expect the adoption of SFAS No. 151 to have a material impact on Viad's financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123(R) replaced SFAS No. 123 and superseded APB Opinion No. 25. SFAS No. 123(R) will require compensation costs related to share-based payment transactions to be recognized in the financial statements. As permitted by SFAS No. 123, Viad elected to follow the guidance of APB Opinion No. 25, which allowed companies to use the intrinsic value method of accounting to value their share-based payment transactions with employees. Based on this method, Viad has not recognized compensation expense in its financial statements as the stock options granted had an exercise price equal to the fair market value of the underlying common stock on the date of grant. SFAS No. 123(R) requires measurement of the cost of share-based payment transactions to employees at the fair value of the award on the grant date and recognition of expense over the service or vesting period. In March 2005, the SEC released Staff Accounting Bulletin ("SAB") 107, "Share-Based Payment," which expresses views of the SEC Staff regarding the application of SFAS No. 123(R). Among other things, SAB 107 provides interpretive guidance related to the interaction between SFAS No. 123(R) and certain SEC rules and regulations, and provides the SEC Staff's views regarding the valuation of share-based payment arrangements for public companies. SFAS No. 123(R) was originally effective for Viad on July 1, 2005; however, in April 2005, the SEC issued a final rule amending the effective date for compliance with SFAS No. 123(R) to the first fiscal year beginning on or after June 15, 2005. Accordingly, Viad will adopt the provisions of SFAS No. 123(R) on January 1, 2006 using the modified prospective method, under which compensation expense for the unvested portion of previously granted awards and all new awards will be recognized in the financial statements over the service period. Viad currently estimates that the adoption of SFAS No. 123(R) will result in annual after-tax compensation expense of approximately \$1.5 million. This estimate assumes that the number of stock options granted is consistent with 2005 levels and also utilizes Viad's current stock price. However, because levels of future awards and the fair value assigned thereto are not currently determinable, actual results may differ upon adoption.

In December 2004, the FASB issued FSP FAS 109-1 related to the application of SFAS No. 109, "Accounting for Income Taxes," to the tax deduction on qualified production activities provided by the American Jobs Creation Act of 2004 (the "Jobs Creation Act"). FSP FAS 109-1 clarifies that the manufacturer's deduction provided for under the Jobs Creation Act should be accounted for as a special deduction in accordance with SFAS No. 109 and not as a tax rate reduction. The Company is currently evaluating the effect that the manufacturer's deduction will have in 2005 and subsequent years. The adoption of FSP FAS 109-1 is not expected to have a material impact on Viad's financial position or results of operations in 2005.

In December 2004, the FASB also issued FSP FAS 109-2 related to accounting and disclosure guidance for the foreign earnings repatriation provision within the Jobs Creation Act. The Jobs Creation Act introduces a special one-time dividend-received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer provided certain criteria are met. Currently, management does not anticipate repatriating any foreign earnings during 2005 that would qualify for this dividend received deduction.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections," which replaces APB Opinion No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements — An Amendment of APB Opinion No. 28." SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 is not expected to have a material impact on Viad's financial position or results of operations.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with Viad Corp's consolidated financial statements and related notes. This discussion contains forward-looking statements that involve risks and uncertainties. Viad Corp's actual results could differ materially from those anticipated due to various factors discussed under "Forward-Looking Statements" and elsewhere in this quarterly report.

### Overview:

Viad Corp ("Viad" or the "Company") operates in three reportable business segments as follows:

*GES* — GES Exposition Services, Inc. ("GES") provides exhibition and event services throughout North America, such as logistics and material handling, furnishing and decorating, transportation, installation and dismantling and management services to trade associations, show management companies and exhibitors. GES also provides certain exhibit design and construction services.

*Exhibitgroup* — Exhibitgroup/Giltspur ("Exhibitgroup") specializes in the design, construction, installation and warehousing of convention and trade show exhibits and displays, primarily for corporate customers in North America, and to a lesser extent in Europe. Exhibitgroup also provides trade show services to its corporate customers.

*Travel and Recreation Services* — Brewster Transport Company Limited ("Brewster") provides tourism services in the Canadian Rockies in Alberta and in other parts of Western Canada. Brewster's operations include the Banff Gondola, Columbia Icefield Ice Explorer Tours, motorcoach services, charter and package tours and other sightseeing services, hotel operations and travel agencies. Glacier Park, Inc. ("Glacier Park") operates four historic lodges and three motor inns and provides food and beverage operations, retail operations and tour and transportation services in and around Glacier National Park in Montana and Waterton Lakes National Park in Alberta, Canada.

The following are financial highlights of the second quarter of 2005 as compared to the second quarter of 2004 that are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"):

#### Viad Corp (Consolidated)

- Total revenues of \$227.0 million, a 9.5 percent increase from 2004
- Net income of \$11.1 million versus \$9.2 million in 2004
- Diluted income per share of \$0.50 versus \$0.42 in 2004
- Cash and cash equivalents totaled \$120.3 million as of June 30, 2005

#### GES

- Revenues of \$150.4 million, an increase of 9.5 percent from 2004
- Segment operating income of \$16.1 million, an increase of 14.4 percent from 2004

#### Exhibitgroup

- Revenues of \$58.5 million, an increase of 11.1 percent from 2004
- Segment operating income of \$2.0 million compared to \$96,000 in 2004

#### Travel and Recreation Services

- Revenues of \$18.1 million, an increase of 4.4 percent from 2004
- Segment operating income of \$4.2 million, a decrease of 10.9 percent from 2004

### Non-GAAP Measure:

The following discussion includes a presentation of Adjusted EBITDA which is utilized by management to measure the profit and performance of Viad's operations and to facilitate period to period comparisons. "Adjusted EBITDA" is defined by Viad as net income before interest expense, income taxes, depreciation and amortization, goodwill and intangible asset impairments, changes in accounting principles and the effects of discontinued operations. Adjusted EBITDA is considered a useful operating metric as potential variations arising from taxes, depreciation, debt service costs, goodwill and intangible asset impairments, changes in accounting principles and the effects of discontinued operations are eliminated, thus resulting in an additional measure considered to be indicative of Viad's ongoing operations. Adjusted EBITDA is also used by management to assess Viad's ability to service debt, fund capital expenditures and finance growth. The presentation of Adjusted EBITDA is supplemental to results presented under GAAP and may not be comparable to similarly titled measures used by other companies. This non-GAAP measure should be considered in addition to, but not a substitute for, other measures of financial performance and liquidity reported in accordance with GAAP.

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Management believes that the presentation of Adjusted EBITDA provides useful information to investors regarding Viad's results of operations for trending, analyzing and benchmarking the performance and value of Viad's business. Management uses Adjusted EBITDA primarily as a performance measure and believes that the GAAP financial measure most directly comparable to this non-GAAP measure is net income. Although Adjusted EBITDA is used as a financial measure to assess the performance of the business, the use of Adjusted EBITDA is limited because it does not consider material costs, expenses and other items necessary to operate the business. These items include debt service costs, noncash depreciation and amortization expense associated with long-lived assets, expenses related to federal and state income taxes, noncash goodwill and intangible asset impairments, and the effects of accounting changes and discontinued operations. Because Adjusted EBITDA does not consider the above items, a user of Viad's financial information should consider net income an important measure of financial performance because it provides a more complete measure of the Company's performance.

A reconciliation of Adjusted EBITDA to net income for the three and six months ended June 30 is as follows:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(in thousands)			
Adjusted EBITDA	\$25,488	\$19,684	\$ 52,627	\$ 39,023
Interest expense	(602)	(391)	(1,159)	(958)
Income tax expense	(8,391)	(4,743)	(16,554)	(10,527)
Depreciation and amortization	(5,409)	(5,368)	(11,403)	(10,797)
Income (loss) from discontinued operations	59	—	(168)	—
Net income	<u>\$11,145</u>	<u>\$ 9,182</u>	<u>\$ 23,343</u>	<u>\$ 16,741</u>

The increase in Adjusted EBITDA of \$5.8 million for the second quarter of 2005 compared to the second quarter of 2004 was driven by higher segment operating income at GES and Exhibitgroup as well as favorable restructuring charges, corporate overhead costs and interest income. Partially offsetting this was lower segment operating income at Travel and Recreation Services. The increase in Adjusted EBITDA of \$13.6 million for the six months ended June 30, 2005 compared to 2004 was due to the same factors. See "Results of Operations" below for further discussion.

### Results of Operations:

#### Comparison of Second Quarter of 2005 to the Second Quarter of 2004

In the second quarter of 2005, revenues increased 9.5 percent from 2004 to \$227.0 million from \$207.4 million in the second quarter of 2004. The increase was primarily due to positive show rotation at Exhibitgroup, increased discretionary services revenue at GES as well as an overall increase in trade show activity that benefited both segments. Income before income taxes was \$19.5 million for the second quarter of 2005 compared to \$13.9 million in the second quarter of 2004. Viad's income from continuing operations for the second quarter of 2005 was \$11.1 million, or \$0.50 per diluted share, up from \$9.2 million, or \$0.42 per diluted share, in the second quarter of 2004. This improvement was largely the result of increased revenues.

Net income for the second quarter of 2005 was \$11.1 million, or \$0.50 per diluted share, including income from discontinued operations of \$59,000 relating to tax matters associated with previously sold operations. This compares to net income of \$9.2 million, or \$0.42 per diluted share, in the second quarter of 2004.

**GES**. Revenues for GES were \$150.4 million for the second quarter of 2005, up 9.5 percent from \$137.4 million in the 2004 quarter. The increase resulted from continued improvement in the exhibition and event industry and additional sales from GES's Products and Services group.

Segment operating income was \$16.1 million in the second quarter of 2005, up 14.4 percent from \$14.1 million in the second quarter of 2004. Operating margins increased to 10.7 percent in 2005 from 10.3 percent in 2004. The increase in operating income was primarily driven by the increase in revenue described above, offset slightly by a lower freight mix. Although margins improved over the 2004 quarter, they continue to be negatively affected by increased petroleum costs. Exhibitors are using lighter weight exhibits and bringing fewer products to the show floor, which puts pressure on higher-margin material handling revenue.

GES's revenue growth is dependent upon, among other things, show rotation, general economic conditions and levels of exhibitor spending. In general, the convention and event industry is experiencing signs of modest growth in terms of square footage and number of exhibitors. Management believes that further improvements in the economy and corporate earnings could lead to increased show spending. The prospects for individual shows tend to be driven by the success of the industry related to those shows. Certain industries have performed very well (i.e. health care and defense) while others have had more difficulty (i.e. certain technology segments). GES has a diversified revenue base and is generally insulated from industry specific trends.

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Although the convention and event environment appears to be improving, GES is experiencing pressure on material handling revenue as discussed above. Material handling revenue is a key driver in the official services contractor business model. If this trend continues, future operating margins may be negatively affected. In response to lower material handling revenue and increased labor and other costs, management continues to emphasize cost containment, productivity improvements and revenue growth through greater market penetration into exhibitor elective spending. Management is also pursuing price increases.

GES and Exhibitgroup are subject to multiple collective bargaining agreements that affect labor costs, approximately one-third of which expire each year. Although labor relations between the companies and labor are currently stable, disruptions during future contract negotiations could occur, with the possibility of an adverse impact on the operating results of GES and/or Exhibitgroup.

**Exhibitgroup** . Revenues for Exhibitgroup were \$58.5 million, up 11.1 percent in the second quarter of 2005 from \$52.7 million in the second quarter of 2004. The increase in revenue was due to a European air show during the second quarter of 2005 that did not occur in the 2004 quarter. Slightly offsetting this was decreased spending from certain customers in the pharmaceutical industry. While overall trade show activity improved, many exhibitors continue to reuse or refurbish existing exhibits rather than placing orders for new construction. As a result, the mix of higher-margin construction revenue remains well below historical levels.

Segment operating income was \$2.0 million in the 2005 quarter as compared to \$96,000 in the 2004 quarter. Exhibitgroup's operating results during the 2005 quarter were negatively impacted by \$2.3 million in legal costs incurred in connection with claims and counter-claims related to unfair competitive practices and violation of intellectual property rights in its kiosk business. In July 2005, the parties involved settled the litigations and entered into Consent Judgments that recognize the validity and value of Viad's intellectual property rights, including Viad's copyrights. The settlement agreement includes payments aggregating \$2.0 million to be received by Viad in several installments through 2006. Viad has agreed to grant a license with respect to a limited number of Viad's intellectual property, including copyrights related to retail merchandising units permitting the manufacturing and sale of certain retail merchandising units in exchange for payment of royalties.

Although Exhibitgroup is beginning to experience some improvement in exhibit construction activity, including an increase in requests for proposal, visibility over revenues continues to be poor and new exhibit construction remains well below historical levels. Future revenues, which are dependent upon customer marketing budgets, could decline and operating income could be similarly affected. Management remains focused on cost control, productivity enhancements, customer service improvements and innovative pricing strategies in order to preserve and increase operating margins over the longer-term.

**Travel and Recreation Services** . Revenues of the travel and recreation businesses were \$18.1 million, an increase of 4.4 percent from \$17.3 million in the second quarter of 2004. Segment operating income was \$4.2 million for the second quarter of 2005, compared with \$4.7 million in 2004. Results in 2005 were negatively impacted by excessive rainfall in Alberta, Canada during the quarter, which resulted in reduced passenger volumes at Brewster's high-margin gondola and icefield attractions.

Glacier Park's concession contract with the National Park Service (the "Park Service") expires at the end of 2005, at which time a new concessionaire may be selected by the Park Service and Glacier Park's business would consist only of the operations at Waterton Lakes, Canada, and East Glacier, Montana, which are not part of the concession contract. In such a circumstance, Viad would be entitled to an amount equal to its "possessory interest," which generally means the value of the structures acquired or constructed, fixtures installed or improvements made to Glacier National Park during the term of the contract, based on the reconstruction cost of a new unit of like kind, less physical depreciation, but not to exceed fair market value. The option exists for the Park Service to extend Glacier Park's contract for up to three years. While the Park Service has not formally exercised this option, management believes that an extension of at least one year is likely. Glacier Park approximated 21 percent of Travel and Recreation Services' full year 2004 operating income.

**Net Interest Income (Expense)** . Net interest income of \$262,000 in the second quarter of 2005 improved from net interest expense of \$265,000 in the second quarter of 2004. The increase was due to higher average investment balances and related interest rates in the second quarter of 2005 than in 2004.

**Income Taxes** . The effective tax rate in the second quarter of 2005 was 43.1 percent compared to 34.1 percent for the second quarter of 2004. The increase was due primarily to adjustments of the state tax effective rate in the second quarter of 2005 and a favorable income tax settlement in the second quarter of 2004.

**Comparison of First Six Months of 2005 to the First Six Months of 2004**

Revenues for the first six months of 2005 increased 14.8 percent to \$476.5 million from \$414.9 million in 2004. The increase was primarily driven by positive show rotation and continued improvement in the exhibition and event industry. Income before income taxes was \$40.1 million for the six months ended June 30, 2005 compared with \$27.3 million for the comparable period in 2004, up 46.9 percent. Income from continuing operations for the first six months of 2005 was \$23.5 million, or \$1.06 per diluted share, up from \$16.7 million, or \$0.77 per diluted share, in the first six months of 2004. This improvement was primarily driven by the increased revenues described above as well as improved operating margins at Exhibitgroup. Net income for the first six months of 2005 was \$23.3 million, or \$1.05 per share, compared to \$16.7 million, or \$0.77 per share, for the first six months of 2004. 2005 net income included a loss from discontinued operations of \$168,000, or \$0.01 per diluted share, relating to tax matters associated with previously sold operations.

**GES** . Revenues for GES were \$348.8 million for the first six months of 2005, an increase of 15.9 percent from the 2004 amount of \$301.0 million. The increase largely reflects positive show rotation in the first quarter of 2005, from shows including CONEXPO-CON/AGG and PROMAT, which did not take place in 2004. Additionally, GES experienced modest same show growth for the first six months of 2005 and increased discretionary services revenue. Segment operating income grew to \$42.9 million in the first six months of 2005 from \$34.7 million in the 2004 period, up 23.7 percent. Operating margins increased to 12.3 percent in the first six months of 2005 from 11.5 percent in the first six months of 2004. The increase in operating income was primarily due to the increase in revenue; however, this was partially offset by higher costs for labor and petroleum-based commodities. Additionally, exhibitors are using lighter weight exhibits and bringing fewer products to the show floor, which puts pressure on higher-margin material handling revenue.

**Exhibitgroup** . Exhibitgroup's revenue was \$104.9 million for the first six months of 2005, an increase of 13.2 percent from the 2004 amount of \$92.7 million. The increase in revenue in the first six months of 2005 resulted from the rotation in of a European air show and customers exhibiting at CONEXPO-CON/AGG, which did not take place in 2004. An overall increase in trade show activity also contributed to the increase in revenue. Segment operating income in the first six months of 2005 was \$157,000, versus a segment operating loss of \$2.9 million in the first six months of 2004. This was largely due to increased revenue and improved operating margins, which more than offset the \$4.8 million in legal fees incurred during the first six months of 2005 to protect intellectual property rights in the kiosk business. Management's continued focus on cost savings, process and quality service improvement initiatives and sales initiatives has resulted in improved operating margins.

**Travel and Recreation Services** . Revenues of the Travel and Recreation Services segment were \$22.8 million in the first six months of 2005, an increase of 7.3 percent from \$21.3 million in 2004. Segment operating income was \$2.0 million for the first six months of 2005, compared with \$3.3 million for the first six months of 2004. Operating margins decreased to 8.8 percent in the first six months of 2005 from 15.7 percent in the first six months of 2004. 2005 results were negatively impacted by excessive rainfall in Alberta, Canada during the month of June, which resulted in reduced passenger volumes at Brewster's high-margin gondola and icefield attractions.

**Net Interest Income (Expense)** . Net interest income of \$412,000 in the first six months of 2005 improved from net interest expense of \$606,000 in the first six months of 2004. The increase was due to higher average investment balances and related interest rates in 2005 than in 2004.

**Income Taxes** . The effective tax rate in the first six months of 2005 was 41.3 percent compared to 38.6 percent for the first six months of 2004. The increase was due primarily to adjusting the state tax effective rate in 2005. The relatively lower 2004 rate was due to a favorable income tax settlement in 2004.

**Liquidity and Capital Resources:**

Cash and cash equivalents were \$120.3 million at June 30, 2005 as compared to \$115.1 million at December 31, 2004, with the increase primarily due to the 50 percent sale of the corporate aircraft as discussed below.

Viad's total debt at June 30, 2005 was \$18.1 million compared with \$21.1 million at December 31, 2004. The debt-to-capital ratio was 0.046 to 1 at June 30, 2005 compared with 0.057 to 1 at December 31, 2004. Capital is defined as total debt plus minority interests and common stock and other equity.

Effective June 30, 2004, Viad entered into a \$150 million secured revolving credit agreement with eight lenders. The term of the credit facility is three years (expiring on June 30, 2007) and borrowings are to be used for general corporate purposes (including permitted acquisitions) and to support up to \$75 million of letters of credit. The lenders have a first perfected security interest in all of the personal property of Viad and GES, including 65 percent of the capital stock of top-tier foreign subsidiaries. Borrowings under the facility (of which GES is a guarantor) are indexed to the prime rate or the London Interbank Offering Rate ("LIBOR"), plus appropriate spreads tied to Viad's leverage ratio. Commitment fees and letters of credit fees are also tied to Viad's leverage ratio. At June 30, 2005, Viad had an outstanding borrowing of \$11.7 million under the revolving credit agreement

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which was used to repay in full certain debt obligations outstanding after the spin-off. Financial covenants include a minimum consolidated net worth requirement of not less than \$294.9 million plus 50 percent of positive quarterly consolidated net income earned in each fiscal quarter beginning with the quarter ended December 31, 2004; a fixed-charge coverage ratio of not less than 1.25 to 1, and a leverage ratio (defined as total debt to Adjusted EBITDA) of not greater than 2.65 to 1. Significant other covenants include limitations on investments, common stock dividends, stock repurchases, additional indebtedness, sales/leases of assets, acquisitions, consolidations or mergers, liens on property, capital expenditures and operating leases. At June 30, 2005, Viad was in compliance with all covenants.

Under a Shelf Registration filed with the Securities and Exchange Commission (“SEC”), Viad can issue up to an aggregate \$500 million of debt and equity securities. No securities have been issued under the program.

Capital expenditures for the six months ended June 30, 2005 totaled \$10.6 million as compared to \$6.0 million in the 2004 period. These expenditures primarily related to the purchase of new tour buses at Brewster, certain leasehold improvements, information systems and related costs, and manufacturing and other equipment.

In January 2005, Viad sold a 50 percent interest in its corporate aircraft to MoneyGram for \$8.6 million in cash. The purchase price was determined by reference to third party appraisals that indicated a fair market value which closely approximated the net book value of the aircraft. Accordingly, there was no gain or loss in connection with the transaction. Viad and MoneyGram share in the fixed costs of operating the aircraft while each pays the variable costs depending on the usage by each company.

In February 2005, Viad repaid its senior notes outstanding of \$2.0 million pursuant to their scheduled maturities.

Viad is subject to various U.S. federal, state and foreign laws and regulations governing the prevention of pollution and the protection of the environment in the jurisdictions in which Viad has or had operations. If the Company has failed to comply with these environmental laws and regulations, civil and criminal penalties could be imposed and Viad could become subject to regulatory enforcement actions in the form of injunctions and cease and desist orders. As is the case with many companies, Viad also faces exposure to actual or potential claims and lawsuits involving environmental matters relating to its past operations. Although it is a party to certain environmental disputes, Viad believes that any resulting liabilities, after taking into consideration amounts already provided for, including insurance coverage, will not have a material effect on the Company’s financial position or results of operations.

### **Off-Balance Sheet Arrangements:**

Viad does not have any “off-balance sheet” transactions or arrangements with unconsolidated special-purpose or other entities that would affect the Company’s liquidity or capital resources. Furthermore, Viad does not have any relationships with special-purpose or other entities that provide off-balance sheet financing, liquidity or credit risk support, or engage in leasing or other services that expose the Company to liability or risks of loss that are not reflected in Viad’s consolidated financial statements.

### **Critical Accounting Policies:**

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements. The SEC has defined a company’s most critical accounting policies as those that are most important to the portrayal of a company’s financial position and results of operations, and that require a company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on these criteria, Viad has identified and discussed with its audit committee the following critical accounting policies and estimates pertaining to Viad, and the methodology and disclosures related to those estimates:

*Goodwill* — Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets,” requires annual impairment testing of goodwill based on the estimated fair value of Viad’s reporting units. The fair value of Viad’s reporting units is estimated based on discounted expected future cash flows using a weighted average cost of capital rate. Additionally, an assumed terminal value is used to project future cash flows beyond base years. The estimates and assumptions regarding expected cash flows, terminal values and the discount rate require considerable judgment and are based on historical experience, financial forecasts and industry trends and conditions.

As of June 30, 2005, Viad had recorded goodwill of \$148.9 million and \$32.6 million related to GES and Travel and Recreation Services, respectively. Goodwill and unamortized intangible assets are typically tested for impairment annually as of October 31 of each year.

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*Insurance liabilities* — Viad is self-insured up to certain limits for workers' compensation, automobile, product and general liability and property loss claims. The aggregate amount of insurance liabilities related to Viad's continuing operations was \$20.8 million as of June 30, 2005. Of this total, \$14.1 million related to workers compensation liabilities and the remaining \$6.7 million related to general/auto liability claims. Viad has also retained and provided for certain insurance liabilities in conjunction with previously sold businesses totaling \$14.0 million at June 30, 2005, primarily related to workers' compensation liabilities. Provisions for losses for claims incurred, including estimated claims incurred but not yet reported, are made based on Viad's historical experience, claims frequency and other factors. Viad has purchased insurance for amounts in excess of the self-insured levels, which generally range from \$200,000 to \$500,000 on a per claim basis. Viad does not maintain a self-insured retention pool fund as claims are paid from current cash resources at the time of settlement. Viad's net cash payments in connection with these insurance liabilities were \$2.5 million and \$3.6 million for the six months ended June 30, 2005 and 2004, respectively.

*Postretirement benefits other than pensions* — Viad and certain of its subsidiaries have defined benefit postretirement plans that provide medical and life insurance for certain eligible employees, retirees and dependents. The related postretirement benefit liabilities are recognized over the period that services are provided to employees. In addition, Viad retained the obligations for these benefits for retirees of certain sold businesses. While the plans have no funding requirements, Viad expects to contribute approximately \$600,000 to the plans in 2005.

The assumed health care cost trend rate used in measuring the 2004 accumulated postretirement benefit obligation was ten percent in the year 2004, declining one percent each year to the ultimate rate of five percent by the year 2009 and remaining at that level thereafter. The assumed health care cost trend rate used in measuring the 2003 accumulated postretirement benefit obligation was nine percent in the year 2004, declining one percent each year to the ultimate rate of five percent by the year 2008 and remaining at that level thereafter.

A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation at December 31, 2004 by approximately \$2.1 million and the total of service and interest cost components by approximately \$190,000. A one-percentage-point decrease in the assumed health care cost trend rate for each year would decrease the accumulated postretirement benefit obligation at December 31, 2004 by approximately \$1.9 million and the total of service and interest cost components by approximately \$169,000.

The weighted average discount rates used to determine benefit obligations at December 31, 2004 and 2003 were 5.75 percent and 6.25 percent, respectively. The weighted average discount rates used to determine net periodic benefit cost for the years ended December 31, 2004 and 2003 were 6.25 percent and 6.75 percent, respectively. The expected return on plan assets used to determine net periodic benefit cost for the years ended December 31, 2004 and 2003 were both 3.75 percent.

*Stock-based compensation* — As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," Viad uses the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans. Accordingly, Viad does not use the fair value method to value stock options in accordance with SFAS No. 123. See Note 2 of notes to consolidated financial statements for the pro forma impact of stock-based awards using the fair value method of accounting. See also Note 16 of notes to consolidated financial statements for a discussion of SFAS No. 123 (revised 2004) which will require compensation costs related to share-based payment transactions to be recognized in the financial statements.

*Income taxes* — Viad is required to estimate and record provisions for income taxes in each of the jurisdictions in which the Company operates. Accordingly, the Company must estimate its actual current income tax liability, and assess temporary differences arising from the treatment of items for tax purposes as compared to the treatment for accounting purposes. These differences result in deferred tax assets and liabilities which are included in Viad's consolidated balance sheets. The Company must assess the likelihood that deferred tax assets will be recovered from future taxable income and to the extent that recovery is not likely, a valuation allowance must be established. As of June 30, 2005 and December 31, 2004, Viad had deferred tax assets (net of deferred tax liabilities) of \$72.5 million and \$74.6 million, respectively.

Viad is subject to regular and recurring audits by the taxing authorities in the jurisdictions in which the Company conducts or had previously conducted significant operations. Accordingly, the Company maintains reserves associated with various federal, state and foreign tax audit exposures that may arise in connection with such audits. As of June 30, 2005 and December 31, 2004, Viad had \$38.2 million and \$42.7 million, respectively, accrued for these exposures. If the reserves are less than amounts ultimately assessed by the taxing authorities, Viad must record additional income tax expense in the period in which the assessment is determined. To the extent that the Company has favorable settlements, or determines that reserves are no longer needed, such reserves would be reversed as a reduction of income tax expense, or in some cases through discontinued operations, in the period such determination is made. Viad's policy is to retain amounts accrued for tax audit exposures until final resolution with the appropriate taxing authority. Based on tax audits in process and other factors, management currently estimates that tax issues of

approximately \$3 million could potentially be resolved or settled during the remainder of 2005 resulting in a decrease of accrued taxes payable. To the extent these tax resolutions or settlements occur, they would result in cash payments and/or the reversal of accrued income taxes which may include amounts related to previously discontinued operations.

### Recent Accounting Pronouncements:

In May 2004, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position (“FSP”) FAS 106-2 on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”), which was enacted into law on December 8, 2003, and which provides a federal subsidy to employers that sponsor postretirement health care plans that provide certain prescription drug benefits to the extent such benefits are deemed “actuarially equivalent” to Medicare Part D. The Company made a one-time election, under the previously issued FSP FAS 106-1, to defer recognition of the effects of the Act until further authoritative guidance was issued. With FSP FAS 106-2, which superceded FSP FAS 106-1, specific guidance was provided in accounting for the subsidy, effective for the first reporting period beginning after June 15, 2004. The Company adopted FSP FAS 106-2 on July 1, 2004 using the prospective method. In January 2005, final regulations were released by the Centers for Medicare and Medicaid Services in determining the medical prescription drug benefit and other key elements of the Act, including actuarial equivalence. The adoption of these additional regulations is not expected to have a material impact on Viad’s financial position or results of operations.

In November 2004, the FASB issued SFAS No. 151, “Inventory Costs (an amendment of Accounting Research Bulletin No. 43, Chapter 4).” SFAS No. 151 seeks to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) in the determination of inventory carrying costs. The statement requires such costs to be treated as a current period expense and is effective for fiscal years beginning after July 15, 2005. Viad does not expect the adoption of SFAS No. 151 to have a material impact on the Company’s financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), “Share-Based Payment.” SFAS No. 123(R) replaced SFAS No. 123 and superceded APB Opinion No. 25. SFAS No. 123(R) will require compensation costs related to share-based payment transactions to be recognized in the financial statements. As permitted by SFAS No. 123, Viad elected to follow the guidance of APB Opinion No. 25, which allowed companies to use the intrinsic value method of accounting to value their share-based payment transactions with employees. Based on this method, Viad has not recognized compensation expense in its financial statements as the stock options granted had an exercise price equal to the fair market value of the underlying common stock on the date of grant. SFAS No. 123(R) requires measurement of the cost of share-based payment transactions to employees at the fair value of the award on the grant date and recognition of expense over the service or vesting period. In March 2005, the SEC released Staff Accounting Bulletin (“SAB”) 107, “Share-Based Payment,” which expresses views of the SEC Staff regarding the application of SFAS No. 123(R). Among other things, SAB 107 provides interpretive guidance related to the interaction between SFAS No. 123(R) and certain SEC rules and regulations, and provides the SEC Staff’s views regarding the valuation of share-based payment arrangements for public companies. SFAS No. 123(R) was originally effective for Viad on July 1, 2005; however, in April 2005, the SEC issued a final rule amending the effective date for compliance with SFAS No. 123(R) to the first fiscal year beginning on or after June 15, 2005. Accordingly, Viad will adopt the provisions of SFAS No. 123(R) on January 1, 2006 using the modified prospective method, under which compensation expense for the unvested portion of previously granted awards and all new awards will be recognized in the financial statements over the service period. Viad currently estimates that the adoption of SFAS No. 123(R) will result in annual after-tax compensation expense of approximately \$1.5 million. This estimate assumes that the number of stock options granted is consistent with 2005 levels and also utilizes Viad’s current stock price. However, because levels of future awards and the fair value assigned thereto are not currently determinable, actual results may differ upon adoption.

In December 2004, the FASB issued FSP FAS 109-1 related to the application of SFAS No. 109, “Accounting for Income Taxes,” to the tax deduction on qualified production activities provided by the American Jobs Creation Act of 2004 (the “Jobs Creation Act”). FSP FAS 109-1 clarifies that the manufacturer’s deduction provided for under the Jobs Creation Act should be accounted for as a special deduction in accordance with SFAS No. 109 and not as a tax rate reduction. The Company is currently evaluating the effect that the manufacturer’s deduction will have in 2005 and subsequent years. The adoption of FSP FAS 109-1 is not expected to have a material impact on Viad’s financial position or results of operations in 2005.

In December 2004, the FASB also issued FSP FAS 109-2 related to accounting and disclosure guidance for the foreign earnings repatriation provision within the Jobs Creation Act. The Jobs Creation Act introduces a special one-time dividend-received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer provided certain criteria are met. Currently, management does not anticipate repatriating any foreign earnings during 2005 that would qualify for this dividend received deduction.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections” which replaces APB Opinion No. 20, “Accounting Changes,” and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements — An Amendment of APB Opinion No. 28.” SFAS No. 154 provides guidance on the accounting for and reporting of accounting

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changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 is not expected to have a material impact on Viad's financial position or results of operations.

### 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 historical information contained herein, this quarterly report 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, expectations, or trends concerning future growth, operating cash flows, availability of short-term borrowings, consumer demand, new business, investment policies, productivity improvements, ongoing cost reduction efforts, efficiency, competitiveness, legal expenses, tax rates and other tax matters, and the realization of restructuring cost savings. Actual results could differ materially from those projected in the forward-looking statements. Viad's businesses can be affected by a host of risks and uncertainties. Among other things natural disasters, 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, consolidation, and growth patterns within the industries in which Viad competes and any deterioration in the economy may individually or in combination impact future results. In addition to factors mentioned elsewhere, economic, competitive, governmental, technological, capital marketplace and other factors, including further terrorist activities or war, could affect the forward-looking statements in this quarterly report.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Viad's market risk exposures relate to fluctuations in interest rates, foreign exchange rates and certain commodity prices. 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 results of operations. Commodity risk is the risk that changing prices will adversely affect results of operations.

Viad is 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. As of June 30, 2005, Viad had variable rate debt outstanding of \$11.7 million under its revolving credit agreement. Interest payments are indexed to the prime rate or LIBOR. See Note 8 of notes to consolidated financial statements.

Viad is exposed to foreign exchange risk as it has certain transactions, receivables and payables denominated in foreign currencies. From time to time, Viad utilizes forward contracts to reduce the impact on earnings due to its exposure to fluctuations in foreign exchange rates. The effect of changes in foreign exchange rates, net of the effect of the related forward contracts has historically been immaterial to Viad's results of operations. As of June 30, 2005, Viad had aggregate contracts to sell \$2.3 million (notional amount) in exchange for Canadian dollars at an average contract rate of 1.31. Furthermore, the fair value of Viad's forward exchange contracts was \$159,000 and is included in the consolidated balance sheet under the caption "Other current assets."

One of Viad's travel and recreation subsidiaries has certain exposure to changing fuel prices. Periodically, the subsidiary enters into futures contracts with an oil company to purchase two types of fuel and specifies the monthly total volume, by fuel product, to be purchased over the agreed upon term of the contract, which is generally no longer than one year. The main objective of Viad's risk policy is to reduce transaction exposure in order to mitigate the cash flow risk and protect profit margins.

### Item 4. Controls and Procedures.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of Viad, the effectiveness of the design and operation of disclosure controls and procedures has been evaluated as of June 30, 2005, and, based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective as of June 30, 2005. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in such reports is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decision regarding required disclosure.

There were no changes in the Company's internal control over financial reporting that occurred during the second quarter of 2005 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

**PART II — OTHER INFORMATION**

**Item 4. Submission of Matters to a Vote of Security Holders.**

- (a) The annual meeting of Stockholders of Viad Corp was held May 17, 2005.
- (b) Not applicable – (i) proxies for the meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934; (ii) there was no solicitation in opposition to management’s nominees as listed in the proxy statement; and (iii) all such nominees were elected.
- (c) Matters voted upon at the annual meeting for which proxies were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934:
  - 1. The election of Directors as follows:

	<u>Affirmative Vote</u>	<u>Vote Withheld</u>
Wayne G. Allcott	18,531,861	594,986
Judith K. Hofer	18,366,506	760,341

- 2. The appointment of Deloitte & Touche LLP as Viad’s independent registered public accounting firm for fiscal year 2005:

Affirmative Vote	18,957,628
Against	52,871
Abstentions	116,348

**Item 6. Exhibits.**

- Exhibit No. 10.N Copy of Retirement Plan for Management Employees of Brewster Transport Company Limited, as amended and restated.+\*
- Exhibit No. 31.1 Certification of Chief Executive Officer of Viad Corp pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- Exhibit No. 31.2 Certification of Chief Financial Officer of Viad Corp pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- Exhibit No. 32.1 Certification of Chief Executive Officer of Viad Corp pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*
- Exhibit No. 32.2 Certification of Chief Financial Officer of Viad Corp pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

\* Filed herewith.

+ Management contract or compensation plan or arrangement.

**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.

**August 5, 2005**

(Date)

**VIAD CORP**

(Registrant)

**By /s/ G. Michael Latta**

G. Michael Latta  
 Vice President — Controller  
 (Chief Accounting Officer  
 and Authorized Officer)

**EXHIBIT 10.N**

**RETIREMENT PLAN FOR MANAGEMENT EMPLOYEES  
OF  
BREWSTER TRANSPORT COMPANY LIMITED**

February 2005

**FOREWORD**

Effective April 15, 1982, the Canadian Greyhound Employees Retirement Income Plan was amended to provide for the participation of designated Employees of Brewster Transport Company Limited.

Effective May 31, 1996 those designated Employees of Brewster Transport Company Limited who were Members of the Canadian Greyhound Employees Retirement Income Plan (the "Prior Plan") terminated membership in said plan and became Members of the Retirement Plan for Management Employees of Brewster Transport Company Limited, effective June 1, 1996.

For the purpose of determining the eligibility and the amount of benefits under the Retirement Plan for Management Employees of Brewster Transport Company Limited (the "Plan"), Continuous Service and Credited Service under the Prior Plan shall be recognized. In no event will benefits accrued to May 31, 1996 with respect to membership in the Prior Plan be less under this Plan.

Appropriate assets with respect to benefits accrued prior to May 31, 1996, as determined by an Actuary and approved by government regulatory authorities, were transferred from the pension Fund of the Prior Plan to the pension fund of this Plan.

The Plan has been amended from time to time thereafter and effective January 1, 2000 it is amended and restated to allow Members to make money purchase contributions for the purpose of enhancing their benefits under the Plan and to reflect the merger of The Pension Plan for the Employees of Banff Lifts Ltd. (the "Banff Lifts Plan") into the Plan. The benefits for members of the Banff Lifts Plan for service to December 31, 1999 will be determined pursuant to the terms of the Banff Lifts Plan as it read on December 31, 1999 and the benefits of the members for service after December 31, 1999 will be based on the provisions of this Plan. The terms of the Banff Lifts Plan on December 31, 1999 are attached as Appendix A.

Effective February 1, 2000, Banff Lifts Ltd. amalgamated with Cascade Holdings (Banff) Inc. to form Brewster Inc. Effective on that date, employees of Banff Lifts Ltd. became employees of Banff Sulphur Mountain Gondola an operating division of Brewster Inc.

Except as otherwise required by applicable legislation, the rights and entitlements of any Member who retired, died or otherwise terminated employment before January 1, 2000 shall be governed by the terms of the Plan as in effect at the date of termination of employment.

The Plan, as contained herein, is subject to continued registration with Canada Revenue Agency so that the Company is entitled to deduct its contributions as expenses under the Income Tax Act or any other applicable tax laws.

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# ARTICLE 1

## DEFINITIONS

Wherever used in this Plan, the following terms will have the meanings given below unless the context clearly indicates otherwise.

- 1.01 "ACT" means the Employment Pension Plans Act of Alberta and any future legislation amending, supplementing, superseding or incorporating it, and any regulations issued pursuant to it or such other provincial pension benefits legislation as may be applicable to a Member in the circumstances.
- 1.02 "ACTUARIAL EQUIVALENT" means a benefit of equal value computed on an actuarial basis that is consistent with the basis applicable to the calculation of a Commuted Value in respect of the Member, as recommended by the Actuary and approved by the Company, subject to the Act.
- 1.03 "ACTUARY" means the actuary appointed by the Company for the purposes of the Plan. Such actuary must be a fellow of the Canadian Institute of Actuaries.
- 1.04 "ANCILLARY VALUE" means the value determined pursuant to Section 5.04.
- 1.05 "BANFF LIFTS MEMBER" means a Member who was participating in the Banff Lifts Plan on December 31, 1999 and who became a Member of this Plan effective January 1, 2000.
- 1.06 "BANFF LIFTS PENSION" means the pension determined by reference to Section 5.05.
- 1.07 "BANFF LIFTS PLAN" means the Pension Plan for the Employees of Banff Lifts Ltd. as it read on December 31, 1999.
- 1.08 "BENEFICIARY" of a Member means the person designated pursuant to Section 9.05.
- 1.09 "COMMUTED VALUE" means, in relation to benefits that a person has a present or future entitlement to receive, a lump sum amount which is the actuarial present value on any specified date of those benefits computed at the rate of interest and using the actuarial tables and other assumptions as may be adopted by the Company or an authorized officer of the Company, subject to the requirements of the Act and the Income Tax Act.
- 1.10 "COMPANY" means Brewster Transport Company Limited and associated subsidiaries. The term "Company" as used in Article 15 regarding administration and Article 17 regarding the power to amend or terminate the Plan means Brewster Transport Company Limited only and does not include any associated subsidiaries.

- 1.11 "CONTINUOUS SERVICE" means service determined pursuant to Section 3.01.
- 1.12 "CREDITED RETURN" in respect of Money Purchase Contributions means the rate of return earned by the applicable portion of the Pension Fund (net of expenses) in which the contribution is invested from the date of contribution until the date of computation.
- 1.13 "CREDITED SERVICE" means service credited pursuant to Section 3.02, 3.03, 3.04 and 3.05.
- 1.14 "DEFINED BENEFIT ACCOUNT" means the account established within the Pension Fund pursuant to Section 12.01(a).
- 1.15 "DEFINED BENEFIT PENSION" means the pension determined by reference to Section 5.03.
- 1.16 "EARLY RETIREMENT DATE" of a Member means the date determined pursuant to Section 4.02.
- 1.17 "EARNINGS" of a Member means basic salary or wages paid to the Member by the Company and will exclude overtime pay, bonuses and any other additional remuneration or taxable benefits. For the purposes of any applicable benefit calculations, it will be assumed that a Disabled Member receives Earnings at the same rate as was in effect on the date of his Total Disability and a Member on a Leave of Absence receives Earnings at the same rate as was in effect on the date that the Leave of Absence commenced.
- 1.18 "EMPLOYEE" means a person who is employed by Brewster Transport Company Ltd. and is designated by the Company as being employed in a managerial or supervisory capacity ("BREWSTER TRANSPORT EMPLOYEE"); or between January 1, 2000 and January 31, 2000 inclusive a person who is employed by Banff Lifts Ltd., and effective February 1, 2000 and after a person employed in the Banff Sulphur Mountain Gondola division of Brewster Inc. ("BANFF GONDOLA EMPLOYEE")
- 1.19 "HIGHEST AVERAGE EARNINGS" of a Member means the average of the Member's highest annual Earnings in any three (3) calendar years of Credited Service, including Compensation in any calendar years of Continuous Service under the Banff Lifts Plan, determined as at the date of termination of Continuous Service, death, retirement, Plan termination, whichever occurs first. For Members with less than three (3) calendar years of Credited Service, Highest Average Earnings means the aggregate of the Member's monthly Earnings received while an Employee divided by the number of months of his Credited Service.

For the sole purpose of determining Highest Average Earnings, the Earnings of a Member who is employed on a less than full-time basis, shall be annualized for each Plan Year of less than full-time employment. To annualize such a Member's Earnings, the actual Earnings received by the Member while employed on a less than full-time basis in the Plan Year shall be multiplied by the ratio of the hours regularly scheduled to be worked by full-time Members to the Member's actual hours worked on a less than full-time basis in the Plan Year.

- 1.20 "FUNDING AGENT" means the trust company or insurance company appointed by the Company pursuant to Section 12.01 for the purpose of holding and administering the Pension Fund.
- 1.21 "FUNDING AGREEMENT" means an agreement between the Company and a Funding Agent pursuant to Section 12.01.
- 1.22 "INCOME TAX RULES" means the provisions of the Income Tax Act of Canada and the Regulations thereunder.
- 1.23 "LEAVE OF ABSENCE" means a period of temporary suspension of employment not exceeding twenty-six (26) weeks. It shall also mean a temporary period of suspension of employment not exceeding twenty-six (26) weeks where a Member is on maternity leave.
- 1.24 "MEMBER" means a person who has enrolled in the Plan pursuant to Article 2 and who is entitled to receive a benefit under the Plan. "ACTIVE MEMBER" means a Member who is an Employee other than a Disabled Member or Suspended Member. "DEFERRED MEMBER" means a Member who is no longer an Employee and who is entitled to receive a deferred pension pursuant to Article 7. "DISABLED MEMBER" means a Member who is Totally Disabled and is accruing benefits under the Plan pursuant to Section 3.03. "RETIRED MEMBER" means a Member who is receiving a pension pursuant to the terms of the Plan.
- 1.25 "MONEY PURCHASE ACCOUNT" of a Member means the account established in his name pursuant to Section 12.01(b).
- 1.26 "MONEY PURCHASE CONTRIBUTIONS" means the contributions made by the Member pursuant to Section 14.01.
- 1.27 "MONEY PURCHASE PENSION" means a pension determined by reference to Section 5.02.
- 1.28 "MP FACTOR" means the factor determined pursuant to Section 5.02.

- 1.29 "NORMAL RETIREMENT DATE" of a Member means the first day of the month coincident with or next following the Member's 65th birthday.
- 1.30 "PENSION FUND" means all sums of money and other property acquired by the Funding Agent to hold for the purposes of this Plan, and all earnings and profits thereon, and proceeds, investments and reinvestments thereof, less payments made by the Funding Agent from the said fund as authorized herein.
- 1.31 "PLAN" means the Retirement Plan for Management Employees of Brewster Transport Company Limited, as set forth in this document and as the same may be amended from time to time.
- 1.32 "PLAN FACTORS" means such standards and procedures for determining amounts of pension, Commuted Values of pensions and other standards and procedures of a like nature as are adopted from time to time by the Company or an authorized officer of the Company and which shall produce values in accordance with those prescribed by the Act and the Income Tax Act.
- 1.33 "PLAN YEAR" means June 1, 1996 to December 31, 1996 with respect to the first year of operation and thereafter means the period commencing on each January 1 and ending on the following December 31.
- 1.34 "POSTPONED RETIREMENT DATE" of a Member means the date determined pursuant to Section 4.03.
- 1.35 "PREDECESSOR COMPANY" means Banff Lifts Ltd.
- 1.36 "PRESENT VALUE FACTOR" means, in respect of an annual pension amount, the present value for \$1.00 of such pension determined on an actuarial basis that is consistent with the basis that applicable to the calculation of a Commuted Value in respect of the Member, using the methods and assumptions adopted by the Company, subject to the Act and the Income Tax Rules.

1.37 "SPOUSE" of a Member means:

- (a) a person who, at the relevant time, was married to the Member and had not been living separate and apart from that Member for 3 or more consecutive years, or
- (b) if there is no person to whom subclause (a) applies, a person of the opposite sex who had lived with the Member in a marriage-like relationship for the 3-year period immediately preceding the relevant time.

Effective June 1, 2003, Spouse of a Member means:

- (a) a person who, at the relevant time, was married to the Member and had not been living separate and apart from the Member for 3 or more consecutive years, or
- (b) if there is no person to whom sub clause (a) applies, a person who, immediately preceding the relevant time, had lived with the Member in a conjugal relationship
  - (i) for a continuous period of at least 3 years, or
  - (ii) of some permanence, if there is a child by the relationship by birth or adoption.

1.38 "TOTALLY DISABLED" means, in respect of a Member, suffering from a mental or physical condition that, as determined by the Company on the basis of the certification of a licensed medical doctor prevents the Member permanently or in the foreseeable future from performing the assigned duties of his job or any other job for which he is reasonably suited by virtue of his education, training or experience and there is no reasonable expectation that he will recover. "TOTAL DISABILITY" has a corresponding meaning.

1.39 "YMPE" means, in any year, the Year's Maximum Pensionable Earnings established for that year under the provisions of the Canada Pension Plan or the Quebec Pension Plan, whichever is applicable to the Member concerned.

ARTICLE 2

ELIGIBILITY AND PARTICIPATION

2.01 CONTINUING MEMBERS

A person who is a Member of the Plan on December 31, 1999 and who does not break Continuous Service on January 1, 2000 shall remain a Member of the Plan on January 1, 2000.

An employee of Banff Lifts Ltd. who is participating in the Banff Lifts Plan on December 31, 1999 and who is a Banff Gondola Employee on January 1, 2000 shall become an Active Member of the Plan on January 1, 2000.

2.02 NEW MEMBERS

Each full-time Employee who does not qualify under Section 2.01 shall become an Active Member of the Plan on the first day of the month following date of hire.

Each Employee employed on a less than full-time basis shall become a Member of the Plan at any time after completing at least two (2) years of employment with the Company and having earned at least thirty-five percent (35%) of the YMPE in each of two (2) consecutive calendar years.

2.03 WAIVER

The Company may waive the eligibility requirements for any Employee.

2.04 ENROLLMENT

Each full-time Employee, shall file with the Company or its agent an enrollment form provided by the Company for this purpose. Any other Employee, who meets the eligibility requirements set forth above shall file such an enrollment form in the same manner as a full-time Employee.

2.05 CONTINUING PARTICIPATION AS A MEMBER

An Active Member may not terminate membership in the Plan while employed by the Company as an Employee. In addition, a Member who is or becomes employed on a less than full-time basis shall not cease to be a Member or to accrue pension benefits under the Plan only because he earns less than thirty-five percent (35%) of the YMPE in each of two (2) consecutive calendar years.

2.06 RE-EMPLOYMENT - DEFERRED MEMBER

If a former Employee, other than a person described in Article 2.07, is subsequently re-employed by the Company, the Employee shall for purposes of the Plan be treated as a new Employee, except that any right to a deferred pension he may have as a result of his prior period of Credited Service shall not be affected by this provision and such deferred pension shall not be allowed to commence during the period of re-employment. For greater certainty, any pension earned after the date of re-employment shall be calculated based only on Credited Service after that date.

2.07 RE-EMPLOYMENT - RETIRED MEMBER

If a Retired Member is re-employed by the Company, he shall continue to receive his pension but he shall not be permitted to again join the Plan nor shall he accrue further pension benefits during the period of re-employment.

ARTICLE 3

SERVICE

3.01 CONTINUOUS SERVICE

Continuous Service of an Employee means the most recent period of continuous uninterrupted employment of the Employee with the Company including any employment with the Predecessor Company and any Leave of Absence. The following breaks in the continuity of employment shall be ignored:

- (a) a period of absence from employment following termination thereof if followed by reinstatement with past service unimpaired; and
- (b) a period of layoff, furlough or other absence if followed by return to service with past service unimpaired.

3.02 CREDITED SERVICE

Credited Service means that period of an Employee's Continuous Service in Canada during which he is an Active Member of the Plan plus any service credited pursuant to Section 3.03 or 3.04 and any Credited Service accrued under the Canadian Greyhound Employees Retirement Income Plan by a Member who transferred to this Plan effective June 1, 1996 but excluding any period of "Pensionable Service" which a Banff Lifts Member accrued under the Banff Lifts Plan. Credited Service shall be determined from the records of the

Company in accordance with such rules and regulations as may from time to time be in effect.

Subject to the Act and the Income Tax Rules, a Member who is absent due to a Leave of Absence will continue to accrue Credited Service under the Plan. Notwithstanding any other provisions of the Plan, in no event will a Member receive Credited Service for periods of Leave of Absence in excess of five years of full-time equivalent remuneration, plus three years of full-time equivalent remuneration for periods of parenting, throughout his period of employment with the Company after December 31, 1990, in accordance with the Act and the Income Tax Rules.

3.03 CREDITED SERVICE WHILE TOTALLY DISABLED

If an Active Member becomes Totally Disabled, the Member's Continuous Service shall not be broken, the Member shall become a Disabled Member and the Member shall continue to accrue Credited Service until the earliest

of:

- (a) the date he ceases to be Totally Disabled;
- (b) the date he dies;
- (c) the date he retires pursuant to the Plan;
- (d) his Normal Retirement Date; and
- (e) the date the Plan is terminated in respect of the class of employees in which the member last worked.

Upon the earliest of the above-noted dates, the Disabled Member's Continuous Service shall be broken unless the Member returns to active employment as an Employee at that time. Credited Service accrued pursuant to this Section shall accrue at the same rate as the Disabled Member was accruing Credited Service immediately prior to becoming disabled.

The Company may, by written notice, require a Disabled Member to submit to medical examination at any time prior to his Normal Retirement Date in order to determine such Disabled Member's eligibility for continued accrual of Credited Service, provided that such examinations may not be required more frequently than semi-annually. If:

- (a) on the basis of a medical examination the Company finds that the Member is no longer Totally Disabled;

(b) the Member engages in gainful employment other than for purposes of occupational therapy directed toward physical rehabilitation; or

(c) such Member refuses to submit to a medical examination;

as determined by the Company, accrual of Credited Service under this Section shall cease effective on: (i) the date when the Company finds that the Member is no longer Totally Disabled, (ii) the date when the Member engaged in gainful employment for purposes other than occupational therapy, or (iii) the date when the Company last issued written notice requesting the Member to submit to medical examination, whichever is applicable. At such time, if the Member does not return to employment with the Company, he shall be deemed to have broken Continuous Service and his entitlement under the Plan shall be determined pursuant to Article 4, 7 or 9, whichever is applicable.

A Member may continue to contribute pursuant to Section 14.01 in respect of a period of Credited Service provided under this Section.

#### 3.04 PRIOR SERVICE TRANSFERRED INTO PLAN

Credited Service shall include any period of service, as approved by the Company and deemed permissible under the Income Tax Rules, during which the Member was in employment with the Company or a predecessor employer and for which the Member has paid contributions in full into the Fund and/or for which the Member has made a qualifying transfer under the terms of the Income Tax Rules into the Fund. The amount of contribution and/or qualifying transfer shall be determined by the Actuary in accordance with the Plan Factors. Additional benefits resulting from the crediting of this service shall be subject to the provisions of Article 10.

#### 3.05 DETERMINATION AND MEASUREMENT OF CREDITED SERVICE

Credited Service shall be expressed as a period of years and fractions thereof, rounded to three decimals. For a Member who is employed on a less than full-time basis, Credited Service shall be determined for each Plan Year of less than full-time employment by multiplying the Member's period of Credited Service as defined pursuant to Section 3.02, 3.03 and 3.04 by the ratio of such Member's actual hours worked on a less than full-time basis during the Plan Year to the hours regularly scheduled to be worked by full-time Members during that time period.

ARTICLE 4

RETIREMENT

4.01 NORMAL RETIREMENT

Subject to Sections 4.02 and 4.03, an Active Member or Disabled Member shall retire on his Normal Retirement Date. A Member who retires on his Normal Retirement Date shall receive a retirement pension calculated pursuant to Section 6.01.

4.02 EARLY RETIREMENT

An Active Member or Disabled Member may elect to retire prior to his Normal Retirement Date on the first day of any month coincident with or following attainment of his fiftieth (50th) birthday. The date selected by the Member for early commencement of his pension under the Plan shall be his Early Retirement Date. A Member who elects early retirement shall receive, commencing on his Early Retirement Date, a retirement pension calculated pursuant to Section 6.02.

4.03 POSTPONED RETIREMENT

An Active Member may, with the consent of the Company, remain in active employment beyond the Member's Normal Retirement Date. The retirement pension of a Member who postpones retirement beyond his Normal Retirement Date shall commence on the first day of the month coincident with or next following the earliest of:

- (a) the first day of the month coincident with or following the date on which the Member retires from active employment with the Company;

(b) the first day of any month selected by the Member; and

(c) the first day of December in the year in which the Member attains age 69 or such later date as may be permitted under the Income Tax Rules;

and such date shall be the Member's Postponed Retirement Date. A Member who retires on his Postponed Retirement Date shall receive, commencing on such Postponed Retirement Date, a retirement pension calculated pursuant to Section 6.04. A Member shall not accrue further Credited Service after his Postponed Retirement Date.

ARTICLE 5

PENSION FORMULA

5.01 AMOUNT OF PENSION

Subject to Article 10, the benefits of a Member under this Plan shall be the Member's Defined Benefit Pension and Money Purchase Pension, plus the Banff Lifts Pension if applicable, determined by reference to the provisions of this Article.

5.02 MONEY PURCHASE PENSION

For the purposes of the offset under Section 5.03(b), a Money Purchase Pension shall be calculated for a Member equal to the annual pension payable at the Member's Normal Retirement Date which can be provided by the balance of his Money Purchase Account when such balance is applied to produce a pension with a Present Value Factor (the "MP Factor") equal to the following:

$$(X + Y)Z/Y$$

where X equals: the balance in the Money Purchase Account of the Member;

Y equals: Z multiplied by the annual amount of Defined Benefit Pension determined under Section 5.03(a);

Z equals: the Present Value Factor for \$1.00 of lifetime pension (payable commencing when the Member reaches Normal Retirement Date) pursuant to the terms of the Plan, determined as if payable as a Defined Benefit Pension payable in the normal form under Section 8.01, or in the form required under Section 8.04 if applicable, and without any indexing under Article 11,

provided that such MP Factor shall not exceed the Present Value Factor of a lifetime pension with the maximum level of ancillary benefits offered under Section 5.04 (including any applicable bridging benefits), reflecting the limitations contained in Section 6.02(e), 6.06, 8.02, 8.05, Article 10 and Section 11.01.

5.03 DEFINED BENEFIT PENSION

A Member's annual Defined Benefit Pension shall be equal to:

(a) 2% of the Member's Highest Average Earnings multiplied by the Member's Credited Service (provided that such pension shall not exceed the amount determined by reference to Section 10.01);

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(b) the annual amount of Money Purchase Pension determined pursuant to Section 5.02;

provided that the resulting amount shall not be less than zero.

However, if a Member retires pursuant to Section 4.01, 4.02 or 4.03, and does not elect to transfer his Money Purchase Account out of the Pension Fund pursuant to Section 6.05, or if the Member is entitled to a deferred pension pursuant to Section 7.02 and the Member does not elect to transfer his Money Purchase Account out of the Pension Fund pursuant to Section 7.05, then the following rules shall apply.

(c) The Member's Defined Benefit Pension which, pursuant to Section 6.01, 6.02, 6.04, or 7.02, is calculated by reference to the first paragraph of this Section 5.03 shall be determined without the offset provided under Section 5.03(b).

(d) The redetermination of the Member's Defined Benefit Pension pursuant to (c) above shall be subject to certification by the Minister of Revenue of any past service pension adjustment that arises due to such redetermination, as reduced by any qualifying transfer arising from the transfer described in (e) below.

(e) The balance of the Member's Money Purchase Account, not exceeding the limit contained in the last paragraph of Section 5.04, Part B (Member Transfers Money Purchase Account to Defined Benefit Account), shall be transferred to the Defined Benefit Account as of the date of pension commencement chosen by the Member. However, if the balance of the Member's Money Purchase Account exceeds the limit contained in the last paragraph of Section 5.04, Part B, then a portion of the Member's Money Purchase Account equal to such limit shall be transferred to the Defined Benefit Account and the remainder of the Money Purchase Account shall be paid to the Member in cash.

5.04 ANCILLARY VALUE AND ENHANCEMENT OF PENSION

The provisions of Part A or Part B below, as applicable, determine the enhancement of a Member's pension.

PART A: MEMBER TRANSFERS MONEY PURCHASE ACCOUNT OUTSIDE PLAN

If a Member has a Money Purchase Account and elects to transfer that Money Purchase Account out of the Pension Fund pursuant to Section 6.05 or 7.05, then the Member shall be credited with an Ancillary Value equal to:

- (a) the value Y determined pursuant to Section 5.02;

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- (b) the annual Defined Benefit Pension determined pursuant to Section 5.03 after the offset provided under Section 5.03(b), multiplied by the factor Z determined pursuant to Section 5.02.

The Member may elect to allocate his Ancillary Value to provide one or more of the following enhancements to his Defined Benefit Pension by completing and filing an election form in the manner prescribed by the Company:

- (c) If the Member's pension would be subject to a reduction for early retirement under Section 6.02(c) that early retirement reduction may be lessened, or waived entirely if possible, pursuant to Section 6.02(e) subject to the minimum reduction required under Section 6.02(e).
- (d) If the Member does not have a Spouse or if the mandatory joint and survivor form is waived pursuant to Section 8.06, then the Member's pension may be guaranteed pursuant to Section 8.02 but the guarantee period shall not exceed 180 months. If the Member does have a Spouse, the benefit may be paid in the form of a joint and two-thirds survivor pension pursuant to Section 8.05 which is unreduced or reduced on a less than actuarial basis and which may include a guarantee of 60 months.
- (e) The Member's pension and any bridging benefits may be granted indexing pursuant to the provisions of Article 11.
- (f) The Member may elect to receive a bridging benefit payable from his Early Retirement Date pursuant to Section 6.03, but subject to the limits imposed by Article 10.

The Member must complete and file such election with the Company no later than the date of pension commencement chosen by the Member or the Member shall be deemed to have elected to allocate his Ancillary Value to each of (c), (d), (e) and (f) above in turn in descending order. If the Ancillary Value is not exhausted by one item the balance of the Ancillary Value shall be allocated to each subsequent item in turn until the Ancillary Value is exhausted or until the maximum allocation has occurred under all of (c), (d), (e) and (f).

PART B: MEMBER TRANSFERS MONEY PURCHASE ACCOUNT TO DEFINED BENEFIT ACCOUNT

If a Member retires pursuant to Section 4.01, 4.02 or 4.03, and does not elect to transfer his Money Purchase Account out of the Pension Fund pursuant to Section 6.05, or if the Member is entitled to a deferred pension pursuant to Section 7.02 and the Member does not elect to transfer his Money Purchase Account out of the Pension Fund pursuant to Section 7.05, then:

- (a) the Member shall be credited with an Ancillary Value equal to the balance of his Money Purchase Account transferred pursuant to Section 5.03(e); and
- (b) the following provisions of Part B of this Section shall apply to that Member.

The Member may elect to allocate his Ancillary Value to provide one or more of the following enhancements to his Defined Benefit Pension by completing and filing an election form in the manner prescribed by the Company:

- (c) If the Member's pension would be subject to a reduction for early retirement under Section 6.02(c), then that early retirement reduction may be lessened, or waived entirely if possible, pursuant to Section 6.02(e), subject to the minimum reduction required under Section 6.02(e).
- (d) If the Member does not have a Spouse or if the mandatory joint and survivor form is waived pursuant to Section 8.06, then the Member's pension may be guaranteed pursuant to Section 8.02 but the guarantee period shall not exceed 180 months. If the Member does have a Spouse, the Member's pension may be paid in the form of a joint and two-thirds survivor pension pursuant to Section 8.05 which is unreduced or reduced on a less than actuarial basis and which may include a guarantee of 60 months.
- (e) The Member's pension and any bridging benefits may be granted indexing pursuant to the provisions of Article 11.
- (f) The Member may elect to receive a bridging benefit payable from his Early Retirement Date pursuant to Section 6.03, but subject to the limits imposed by Article 10.

The Member must complete and file such election with the Company no later than the date of pension commencement chosen by the Member or the Member shall be deemed to have elected to allocate his Ancillary Value to each of (c), (d), (e) and (f) above in turn in descending order. If the Ancillary Value is not exhausted by one item the balance of the Ancillary Value shall be allocated to each subsequent item in turn until the Ancillary Value is exhausted or until the maximum allocation has occurred under all of (c), (d), (e) and (f).

A Member's Ancillary Value shall be allocated to provide enhancements under (c), (d), (e) and (f) to the fullest extent possible. However, the amount transferred from the Member's Money Purchase Account to the Defined Benefit Account pursuant to the second paragraph of Section 5.03 shall not exceed the Commuted Value of the offset to the Defined Benefit Pension determined under Section 5.03(b) when valued using the MP Factor determined for the Member pursuant to Section 5.02.

#### 5.05 BANFF LIFTS PENSION

A Member's annual Banff Lifts Pension shall be calculated based on the applicable terms of the Banff Lifts Plan attached as Appendix A, and determining the "Final Earnings" and "Indexed Compensation" of the Member (as those terms are used in Appendix A) at the time the Member retires or otherwise terminates employment with the Company as if he had continued to participate in the Banff Lifts Plan until that date and using "Pensionable Service" accrued under the Banff Lifts Plan to December 31, 1999.

### ARTICLE 6

#### RETIREMENT PENSION

##### 6.01 NORMAL RETIREMENT PENSION

A Member who retires on his Normal Retirement Date shall receive a retirement pension calculated pursuant to Section 5.01, 5.02, 5.03 and 5.04 based on the Member's Credited Service and Highest Average Earnings on his Normal Retirement Date and the value of his Money Purchase Account at that time.

In addition, if the Member is a Banff Lifts Member he shall receive his Banff Lifts Pension calculated pursuant to Section 5.05.

##### 6.02 EARLY RETIREMENT PENSION

A Member who retires on his Early Retirement Date shall receive a retirement pension based on the Member's Credited Service and Highest Average Earnings on his Early Retirement Date and the value of his Money Purchase Account at that time, and calculated according to the following

procedure:

(a) The Member's MP Factor shall be calculated by reference to Section 5.02 except that the formula for the MP Factor shall be modified to read as:

$$(X + Y(E))Z/Y$$

where X, Y and Z are determined pursuant to Section 5.02; and

Y(E) equals: the Commuted Value of the benefits payable commencing on the Member's Early Retirement Date, determined as if payable as a Defined Benefit Pension without the offset provided under Section 5.03(b), payable in the normal form under Section 8.01, or the joint and survivor form required pursuant to Section 8.04 if applicable, and without any indexing under Article 11, and after reduction pursuant to the reduction factor specified in Section 6.02(c),

provided that such MP Factor shall not exceed the Present Value Factor of a lifetime pension with the maximum level of ancillary benefits offered under Section 5.04 (including any applicable bridging benefits), reflecting the limitations contained in Section 6.02(e), 6.06, 8.02, 8.05, Article 10 and Section 11.01.

The Member's Money Purchase Pension offset pursuant to Section 5.02 shall then be calculated based on this MP Factor.

(b) The Member's Defined Benefit Pension shall be calculated pursuant to Section 5.03 and:

(i) if the Member elects to transfer his Money Purchase Account out of the Pension Fund pursuant to Section 6.05, then the offset under Section 5.03(b) shall be based on the amount calculated under Section 6.02(a); and

(ii) if the Member does not elect to transfer his Money Purchase Account out of the Pension Fund pursuant to Section 6.05, then the transfer from the Member's Money Purchase Account to the Defined Benefit Account described in Section 5.03(e) shall occur and, subject to Section 5.03(c) and (d), the Money Purchase Pension offset under Section 5.03(b) shall not apply.

(c) The Member's Defined Benefit Pension calculated under (b) above shall then be reduced by five-twelfths of one percent (5/12%) for each month that his Early Retirement Date precedes the first day of the month following his 60th birthday subject to the minimum reduction required under the Income Tax Rules.

(d) The Member's Ancillary Value shall be determined as:

(i) if the conditions in subsection (b)(i) apply:

(A) the value Y(E) determined pursuant to Section 6.02(c);

**MINUS**

(B) the Commuted Value of the monthly Defined Benefit Pension determined pursuant to Section 6.02(c); and

(ii) if the conditions in subsection (b)(ii) apply, the balance of his Money Purchase Account transferred pursuant to Section 5.03(e).

(e) Notwithstanding (c) above, if the Member elects (or is deemed to elect) to apply all or part of his Ancillary Value pursuant to subsection (c) of either Part A or Part B of Section 5.04 to lessen the early retirement reduction applicable to his Defined Benefit Pension, then the early retirement reduction otherwise applicable shall be lessened to the extent selected by the Member subject to the following conditions: (i) the Commuted Value of the diminishment of the early retirement reduction shall equal the Ancillary Value allocated pursuant to that subsection (c); and (ii) the Defined Benefit Pension must be reduced by at least 0.25% for each month that the Member's Early Retirement Date precedes the earliest of:

(i) the date the Member would attain age 60;

(ii) the date the age and early retirement eligibility service of the Member would total 80 years; and

(iii) the date the Member would accrue 30 years of early retirement eligibility service;

if the Member continued to participate in the Plan. For the purposes of this paragraph "early retirement eligibility service" has the meaning given to that term under the Income Tax Rules.

In addition, if the Member is a Banff Lifts Member then he shall receive his Banff Lifts Pension calculated by reference to Section 5.05 and reduced as required by the applicable provisions of Appendix A regarding early retirement.

### 6.03 BRIDGING BENEFIT

(a) If the Member elects (or is deemed to elect) to apply all or part of his Ancillary Value pursuant to subsection (f) of either Part A or Part B of Section 5.04 to provide a bridging benefit, then the Member shall receive a bridging benefit payable under the defined benefit provisions of the Plan. The amount of such bridging benefit shall be selected by the Member subject to the condition that the Commuted Value of the bridging benefit shall equal the Ancillary Value allocated pursuant to that subsection.

(b) The bridging benefits determined pursuant to subsection (a) shall be payable commencing no earlier than the Member's Early Retirement Date and shall cease with the payment for the month in which the Member dies or attains age 65, whichever occurs earlier. However, the bridging benefit may continue to the payment for the month in which the Member would have attained age 65 if the Member elects to apply Ancillary Value to secure such a survivor option for the bridging benefit.

(c) The bridging benefits payable under this Section 6.03 are subject to the limitations contained in Article 10.

### 6.04 POSTPONED RETIREMENT PENSION

A Member who retires on a Postponed Retirement Date shall be entitled to receive, commencing on such Postponed Retirement Date, an annual retirement pension calculated by reference to Article 5 based on the Member's Credited Service and Highest Average Earnings on his Postponed Retirement Date. The Member's Money Purchase Pension offset shall be based on the value of his Money Purchase Account on his Postponed Retirement Date and calculated pursuant to Section 5.02 subject to the following modifications:

- (a) The Member's MP Factor shall be calculated pursuant to Section 5.02 assuming a pension commencing at the Member's Postponed Retirement Date.
- (b) Factor Z shall be based on a Present Value Factor for a lifetime pension commencing on the Member's Postponed Retirement Date.

In addition, if the Member is a Banff Lifts Member then he shall receive his Banff Lifts Pension calculated by reference to Section 5.05 and adjusted as required by the applicable provisions of Appendix A regarding postponed retirement.

#### 6.05 PORTABILITY OF PENSION

A Member who is entitled to a pension under Section 6.01, 6.02 or 6.04 may, despite eligibility for an immediate pension and after determining any offset of his Defined Benefit Pension pursuant to Section 5.03 and allocating his Ancillary Value pursuant to Section 5.04, elect to transfer either the Commuted Value of his Defined Benefit Pension (including any associated bridge benefits) plus the balance of his Money Purchase Account, or the balance his Money Purchase Account out of the Pension Fund to:

- (a) another registered pension fund meeting the requirements prescribed under the Act, if the administrator of that fund agrees to accept the payment;
- (b) a company licensed to provide annuities in Canada, for the purchase of a life annuity that will commence no earlier than age 55;
- (c) a locked-in retirement account in the name of the Member provided that the Spouse of such Member executes and files with the Company a waiver in the form required under the Act;
- (d) a life income fund in the name of the Member provided that the Spouse of such Member executes and files with the Company a waiver in the form required under the Act; or
- (e) another retirement savings arrangement meeting the requirements prescribed under the Act;

provided that notice of such election is given to the Company within the time limits prescribed under the Act (or as otherwise permitted by the Company) and that such transfer is carried out in accordance with the requirements of the Act and the Income Tax Rules.

The Member may elect to receive the balance of his Money Purchase Account in a cash lump sum or to transfer it to an unlocked registered retirement savings plan rather than transferring it to one of the locked-in portability vehicles listed above.

A Member who elects a transfer of the Commuted Value of his Defined Benefit Pension or a transfer or payment of the balance of his Money Purchase Account shall take that transfer or payment in full satisfaction of such rights under the Plan and upon completion of such

transfer or payment shall have no further entitlement in respect of such benefits under the Plan.

## ARTICLE 7

### TERMINATION OF EMPLOYMENT

#### 7.01 NON VESTED TERMINATION

If an Active Member or Disabled Member breaks Continuous Service for any reason other than death or retirement before completing two years of Continuous Service the Member shall receive a lump sum amount equal to the balance of the Member's Money Purchase Account or he may elect to transfer said balance to a registered retirement savings plan in his name.

In addition, if the Member is a Banff Lifts Member termination benefits may be payable pursuant to the applicable terms of Appendix A regarding termination of employment.

#### 7.02 DEFERRED PENSION

If an Active Member or Disabled Member breaks Continuous Service for any reason other than death or retirement after completing two years of Continuous Service the Member shall become a Deferred Member and shall be entitled to receive a deferred pension commencing on the Member's Normal Retirement Date. Such deferred pension shall be calculated and determined by reference to Article 5 at the time that the Member breaks Continuous Service. The calculation shall be based on the Member's Credited Service and Highest Average Earnings on the date he breaks Continuous Service and the value of his Money Purchase Account at his Normal Retirement Date.

The redetermination of the Member's Defined Benefit Pension and the transfer of his Money Purchase Account to the Defined Benefit Account pursuant to Section 5.03(c), (d) and (e) shall occur as of the Member's Normal Retirement Date. The Member must complete an election allocating his Ancillary Value pursuant to Part A or Part B of Section 5.04, as applicable, and file such election with the Company on or prior to his Normal Retirement Date or the Member shall be deemed to have elected to allocate his Ancillary Value to each of Section 5.04(c), (d), (e) and (f) in turn in descending order. If the Ancillary Value is not exhausted by one item, the balance of the Ancillary Value shall be allocated to each subsequent item in turn until the Ancillary Value is exhausted or until the maximum allocation has occurred under all of subsections(c), (d), (e) and (f).

In addition, if the Member is a Banff Lifts Member a deferred pension or termination benefit may be payable pursuant to the applicable terms of Appendix A regarding termination of employment.

#### 7.03 EARLY COMMENCEMENT

A Deferred Member may elect to begin receiving his deferred pension on the first day of any month after he will attain age 50. A Deferred Member who wishes to begin receiving his deferred pension prior to his Normal Retirement Date must apply, in writing, to the Company, at least 60 days prior to the date when the Deferred Member wishes payment of the pension to commence.

The Member's Defined Benefit Pension shall be actuarially reduced to reflect commencement prior to Normal Retirement Date except as modified by any allocation pursuant to subsection (c) of either Part A or Part B of Section 5.04. However, if the Deferred Member had attained age 50 before he broke Continuous Service, then the amount of any reduction to his Defined Benefit Pension for early commencement shall be determined pursuant to Section 6.02(c) as if the Deferred Member was retiring early (based on his Credited Service and Highest Average Earnings at the date the Member breaks Continuous Service and the value of his Money Purchase Account on the date of pension commencement), as modified by any allocation pursuant to subsection (c) of either Part A or Part B of Section 5.04. The redetermination of the Member's Defined Benefit Pension and the transfer of his Money Purchase Account to the Defined Benefit Account pursuant to Section 5.03(c), (d) and (e) shall occur as of the date chosen for pension commencement. The Deferred Member who elects to commence his deferred pension early must allocate his Ancillary Value calculated pursuant to Section 6.02 in accordance with Section 5.04 by the time his pension is to commence or he shall be deemed to allocate his Ancillary Value pursuant to the default provisions of Section 5.04.

A Member who elects to commence his deferred pension prior to his Normal Retirement Date will also receive any bridging benefit which he has elected to receive or is deemed to elect pursuant to subsection (f) of either Part A or Part B of Section 5.04.

The amount of any deferred Banff Lifts Pension payable to a Banff Lifts Member shall be determined pursuant to the applicable terms of Appendix A regarding early commencement of benefits.

#### 7.04 APPLICATION FOR PENSION

A Deferred Member entitled to a deferred pension shall make application, in writing, to the Company, at least 60 days prior to the date when the Deferred Member wishes payment of

the pension to commence.

7.05 PORTABILITY

A Member who breaks Continuous Service and who is entitled to a deferred pension under the terms of this Plan may, after determining any offset of his Defined Benefit Pension pursuant to Section 5.03 and allocating his Ancillary Value pursuant to Section 5.04, elect to transfer either the Commuted Value of the deferred Defined Benefit Pension (including any associated bridge benefits) plus the balance of his Money Purchase Account, or the balance his Money Purchase Account out of the Pension Fund to:

- (a) another registered pension fund meeting the requirements prescribed under the Act, if the administrator of that fund agrees to accept the payment;
- (b) a company licensed to provide annuities in Canada, for the purchase of a life annuity that will commence no earlier than age 55;

(c) a locked-in retirement account in the name of the Member;

(d) a life income fund or locked-in retirement income fund in the name of the Member provided that the Member had attained age 50 and the Spouse of such Member executes and files with the Company a waiver in the form required under the Act; or

(e) another prescribed retirement savings arrangement in the name of the Member;

provided that notice of such election is given to the Company within the time limits prescribed under the Act (or as otherwise permitted by the Company) and that such transfer is completed in accordance with the requirements of the Act and the Income Tax Rules.

The Member may elect to receive the balance of his Money Purchase Account in a cash lump sum or to transfer it to an unlocked registered retirement savings plan in lieu of transferring it to one of the locked-in portability vehicles listed above.

A Member who elects a transfer of the Commuted Value of his deferred Defined Benefit Pension or a transfer or payment of the balance of his Money Purchase Account shall take that transfer or payment in full satisfaction of such rights under the Plan and upon the completion of such transfer or payment shall have no further entitlement in respect of such benefits under the Plan.

ARTICLE 8

NORMAL AND OPTIONAL FORMS OF PENSION

8.01 NORMAL FORM OF PENSION

Subject to the other provisions of this Article:

- (a) a Member's annual pension shall be payable in equal monthly instalments for the lifetime of the Member beginning on the Member's retirement date and ending with the payment immediately preceding his death, and
- (b) a Member's Banff Lifts Pension shall be payable pursuant to the applicable terms of Appendix A regarding normal forms.

8.02 ENHANCED FORM OF PENSION

Notwithstanding the provisions of Section 8.01, if a Member elects (or is deemed to elect) to apply all or part of his Ancillary Value pursuant to subsection (d) of either Part A or Part B of Section 5.04 to provide a form of guarantee then the Member's Defined Benefit Pension shall be guaranteed for a number of months. The length of the guarantee shall be determined so that the Commuted Value of the Defined Benefit Pension with the guarantee is equal to the Commuted Value of the Defined Benefit Pension payable without a guarantee plus the Ancillary Value allocated to provide the guarantee. The guarantee period shall be measured in whole months and the total period guaranteed under this Article 8 shall not exceed 180 months.

8.03 COMMUTATION OF GUARANTEE

If a Member dies before the guaranteed number of payments have been made, the monthly instalments shall then be paid to the Member's Beneficiary until the guaranteed number of payments have been completed. Alternatively, if the Beneficiary elects, the Company may, at its discretion, commute the remaining payments and pay the Commuted Value of such remaining payments to the Member's Beneficiary in a lump sum in satisfaction of the guarantee.

8.04 MANDATORY JOINT AND SURVIVOR FORM OF PENSION

Notwithstanding the preceding provisions of this Article 8, if a Member has a Spouse on the date that payment of the Member's pension commences then the amount of the Member's Defined Benefit Pension shall be reduced and paid in the form of a joint and 60% survivor pension without guarantee. This joint and survivor pension shall be payable in equal

monthly installments for the Member's lifetime and after the Member's death, the pension shall continue to be paid to the Member's Spouse for the Spouse's remaining lifetime, in equal monthly installments, equal to sixty percent (60%) of the amount of the monthly installment that was paid to the Member immediately prior to his death. The joint and survivor pension shall be the Actuarial Equivalent of the normal form of pension which would otherwise be payable under Section 8.01. However, if the Member retires on or after his Normal Retirement Date, no actuarial reduction applies and the amount of Defined Benefit Pension payable to the Member shall be the amount determined by reference to Article 5 with 60% of such amount payable to the Spouse for her lifetime on the death of the Member.

The form and amount of the Banff Lifts Pension payable to a Banff Lifts Member shall be determined pursuant to the applicable terms of Appendix A regarding normal forms.

#### 8.05 ENHANCED JOINT AND TWO-THIRDS SURVIVOR FORM OF PENSION

Notwithstanding the provisions of Section 8.04, if a Member with a Spouse on the date that payment of his pension commences elects (or is deemed to elect) to apply all or part of his Ancillary Value pursuant to subsection (d) of either Part A or Part B of Section 5.04 to provide an unreduced (or partially reduced, as applicable):

- (a) joint and two-thirds survivor pension without guarantee then the Member's Defined Benefit Pension shall be paid to the Member in equal monthly instalments until the Member dies at which time two-thirds of the amount paid to the Member shall be paid to the Member's surviving Spouse, if any, for the remaining lifetime of such Spouse; or
- (b) joint and two-thirds survivor pension with a five year guarantee then the Member's Defined Benefit Pension shall be paid to the Member in equal monthly instalments until the Member dies at which time two-thirds of the amount paid to the Member shall be paid to the Member's surviving Spouse, if any, for the remaining lifetime of such Spouse, provided that:
  - (i) if the Member dies before he has received sixty payments then the amount payable to the surviving Spouse for the remainder of such sixty months shall not be less than the amount payable to the Member; and
  - (ii) if the Spouse dies before the Member and the surviving Spouse have received a total of sixty payments between them then the payments shall

continue to the Beneficiary of the Member for the remainder of such sixty months.

The reduction, if any, to be applied to the Defined Benefit Pension payable to the Member shall be determined by reference to the Member's Ancillary Value. If the Member's Ancillary Value allocated for this purpose equals the difference in Commuted Value between an unreduced joint and two-thirds survivor pension (with a five year guarantee if applicable) and a joint and two-thirds survivor pension (with a five year guarantee if applicable) that is actuarially equivalent to the mandatory form of pension that would otherwise be payable under Section 8.04, then the Defined Benefit Pension payable to the Member shall be unreduced. If the Member's Ancillary Value allocated for this purpose is less than such difference in Commuted Value, then the Defined Benefit Pension payable to the Member shall be reduced to the extent required to ensure that the Commuted Value of such reduced pension with its joint and two-thirds survivor pension (and five year guarantee if applicable) is equal to the Ancillary Value allocated pursuant to the applicable subsection (d) of Section 5.04 plus the Commuted Value of a joint and two-thirds survivor pension, with a five year guarantee if applicable, that is actuarially equivalent to the mandatory form of pension that would otherwise be payable pursuant to Section 8.04.

#### 8.06 WAIVER OF JOINT AND SURVIVOR FORM OF PENSION

The requirement to pay a pension in the joint and survivor form pursuant to Section 8.04 shall not apply if the Member elects an enhanced joint and survivor form pursuant to Section 8.05 or if Member and the Spouse of such Member execute and file with the Company a waiver in the form required under the Act or a certified copy of a domestic contract containing such waiver. The waiver must be filed within the time prescribed under the Act.

#### 8.07 OPTIONAL FORMS OF PENSION

Subject to the requirement to provide a waiver if Section 8.04 applies, a Member may, with the approval of the Company, elect to receive an alternative pension form as follows:

- (a) a life annuity guaranteed for either five (5), ten (10), or fifteen (15) years; or
- (b) a life annuity guaranteed to himself and to an individual he has designated as a joint annuitant provided that such joint annuitant is the Member's Spouse or the Member's dependent as defined in the Income Tax Rules. Any benefit payable to a Member's dependent shall not continue beyond the eligible survivor benefit

period as stated in the Income Tax Rules and shall not exceed sixty-six and two thirds percent (66 2/3%) of the Member's benefit.

An alternative pension form will be the Actuarial Equivalent of the pension which would otherwise have been provided under Section 8.01 or 8.04, as applicable.

#### ARTICLE 9

#### BENEFITS ON DEATH

##### 9.01 PRE-RETIREMENT DEATH BENEFIT

If an Active Member or Disabled Member dies before beginning to receive a pension under the Plan or if a Deferred Member dies before beginning to receive a pension under the Plan then a pre-retirement death benefit shall be paid to the surviving Spouse of the Member.

- (a) The pre-retirement death benefit of an Active Member or Disabled Member shall be equal to the Commuted Value of the deferred pension calculated pursuant to Article 7 as if the Member had broken Continuous Service immediately prior to his death. The redetermination of the Member's Defined Benefit Pension and the transfer of his Money Purchase Account to the Defined Benefit Account pursuant to Section 5.03(c), (d) and (e) shall apply as of the Member's date of death, and his Ancillary Value shall be allocated at the time of his death pursuant to the default allocation prescribed in Section 5.04. However, if the Member was eligible to retire on the date of his death then the pre-retirement death benefit shall equal the Commuted Value of the immediate pension that would have been payable pursuant to Article 7 as if the Member had retired immediately prior to his death. The redetermination of the Member's Defined Benefit Pension and the transfer of his Money Purchase Account to the Defined Benefit Account pursuant to Section 5.03(c), (d) and (e) shall apply as of the Member's date of death, and his Ancillary Value shall be allocated pursuant to the default allocation prescribed in Section 5.04.

The pre-retirement death benefit in the case of a Deferred Member shall be equal to the Commuted Value of the Member's deferred pension.

- (b) Any pre-retirement death benefit payable to a Banff Lifts Member shall be determined pursuant to the applicable terms of Appendix A regarding death prior to retirement.

9.02 FORM OF PRE-RETIREMENT DEATH BENEFIT

Subject to the requirements of the Act, a Spouse entitled to receive a pre-retirement death benefit pursuant to Section 9.02 may elect to receive

the benefit in the form of:

- (a) an immediate pension payable for the lifetime of the Spouse;
- (b) a deferred pension payable for the lifetime of the Spouse commencing or on the first day of any month on or after the date the Spouse attains age fifty-five (55), but before the end of the calendar year in which the Spouse attains age sixty-nine (69) or, if later, within one (1) year after the death of the Member; or
- (c) transfer to another registered pension plan of which the Spouse is a Member, if that plan permits;
- (d) a transfer to the Spouse's locked-in retirement account.

The form of any pre-retirement death benefit payable to a Banff Lifts Member shall be determined pursuant to the applicable terms of Appendix A regarding death prior to retirement.

The Spouse shall elect the form of such pre-retirement death benefits within 90 days of receipt, from the Company, of notice of entitlement, failing which the Spouse shall be deemed to have elected a pension with monthly payments commencing on the first of the month coincident with or next following the Spouse's sixty-fifth (65th) birthday.

9.03 PAYMENT TO BENEFICIARY

If a Member does not have a Spouse at the time of death then the pre-retirement death benefit payable under Section 9.02 shall be paid to the Beneficiary in a lump sum.

9.04 DEATH AFTER RETIREMENT

If a Retired Member dies then the death benefit, if any, shall be the remaining monthly payments or other benefit payable in accordance with the form of pension in effect pursuant to Article 8.

9.05 DESIGNATION OF BENEFICIARY

Subject to the Act, each Member may, from time to time, designate a person or persons to receive the benefits which may be payable to a beneficiary under the Plan in the event of the death of the Member. Each such designation shall revoke all prior designations by such

Member, shall be in writing on a form provided for that purpose and filed with the Company, and may name one or more primary beneficiaries. If the Member has not designated a Beneficiary or such Beneficiary pre-deceases the Member then any death benefit payable to a Beneficiary shall be paid to the estate of the Member.

## **ARTICLE 10**

### **LIMITATIONS ON BENEFITS**

#### **10.01 MAXIMUM LIFETIME PENSION AMOUNT IN YEAR OF COMMENCEMENT**

Notwithstanding the other provisions of the Plan, the annual lifetime pension payable to a Member under this Plan in the year of commencement (including any benefit payable to a Spouse or former Spouse of the Member pursuant to Section 18.04) (and excluding any portion of a pension resulting solely from an actuarial increase in respect of deferral after the Member's Normal Retirement Date, any Money Purchase Pension or Banff Lifts Pension) shall not exceed the lesser of:

- (a) the defined benefit limit for the year in which the pension commences; and
- (b) 2% of the Member's highest average compensation indexed to the year of commencement pursuant to the Income Tax Rules;

multiplied by the Member's Credited Service. For the purposes of this paragraph "defined benefit limit" and "highest average compensation" shall have the meanings given to those terms under the Income Tax Rules, Credited Service in respect of the period prior to January 1, 1992 shall not exceed 35 years, and the phrase "defined benefit limit" in subparagraph (a) shall be read as "2/3 or the defined benefit limit" in respect of Credited Service granted pursuant to Section 3.04 for periods prior to January 1, 1990 that were not previously counted as pensionable service under a registered pension plan.

Any Banff Lifts Pension payable to a Member shall be limited by the applicable terms of Appendix A regarding maximum retirement benefits.

#### **10.02 MAXIMUM EARLY RETIREMENT PENSION**

The maximum lifetime pension determined pursuant to Section 10.01 shall be reduced by one-quarter of one percent (0.25%) for each complete month by which commencement of the pension precedes the earliest of:

- (a) the date the Member would attain age 60;

(b) the date the age and early retirement eligibility service of the Member would total 80 years; and

(c) the date the Member would accrue 30 years of early retirement eligibility service;

if the Member continued to participate in the Plan until that date. For the purposes of this paragraph "early retirement eligibility service" has the meaning given to that term under the Income Tax Rules.

#### 10.03 BRIDGING BENEFIT LIMITS

Notwithstanding the other provisions of the Plan, the annual bridging benefit payable to a Member under the terms of this Plan shall not exceed the maximum amount permitted under the Income Tax Rules.

The sum of the annual bridging benefit and lifetime pension payable to a Member under the terms of this Plan for Credited Service from January 1, 1992 shall not, in the year of commencement, exceed the sum of:

(a) the defined benefit limit for the year of commencement multiplied by the Member's Credited Service from January 1, 1992; and

(b) 25% of the average of the YMPE for the year of commencement and the two immediately preceding years multiplied by a fraction the numerator of which is the Member's Credited Service (not exceeding 35 years) accrued after December 31, 1991 and the denominator of which is 35.

#### 10.04 MAXIMUM PENSION IN YEARS FOLLOWING COMMENCEMENT

Notwithstanding the other provisions of the Plan, the annual lifetime pension and associated bridging benefits payable under this Plan to a Member whose benefits are indexed pursuant to Article 11 in any year following the year of commencement (including any benefit payable to a Spouse or former Spouse of the Member pursuant to Section 18.04) (and excluding any portion of a pension resulting solely from an actuarial increase in respect of deferral after the Member's Normal Retirement Date and any Money Purchase Pension or Banff Lifts Pension) shall not exceed the amount determined under Section 10.01 and 10.02 in the case of the lifetime pension and under Section 10.03 in the case of the bridging benefits, multiplied by the cumulative percentage increase in the Consumer Price Index (as published by Statistics Canada under the authority of the Statistics Act) from the month in which the benefit commenced to the beginning of the current year. The annual lifetime

pension and associated bridging benefits payable under this Plan to a Member whose benefits are not indexed pursuant to Article 11 shall not increase after payment commences.

Any Banff Lifts Pension payable to a Member shall be limited by the applicable terms of Appendix A regarding maximum retirement benefits.

## **ARTICLE 11**

### **INDEXING ADJUSTMENTS**

#### **11.01 ADJUSTMENT TO MEMBER'S PENSION**

If a Member elects (or is deemed to elect) to apply all or part of his Ancillary Value pursuant to subsection (e) of either Part A or Part B of Section 5.04 to provide indexing for his Defined Benefit Pension, and associated bridging benefits if applicable, then such pension and benefits shall be indexed at a fixed annual rate to the extent that the Commuted Value of the indexing is equal to the Ancillary Value allocated to provide the indexing. Such indexing shall not exceed:

- (a) in respect the period from the Member's break in Continuous Service to the end of the month before payment of his pension commences, the percentage increase in the Average Industrial Wage during that period; and
- (b) in respect of the period beginning with the first day of the in which payment of his pension commences, 4% per annum.

The monthly indexed Defined Benefit Pension, and associated bridging benefits if applicable, shall be increased effective the first day of each January following the Member's break in Continuous Service by the addition of an amount which is the product of:

- (a) the monthly amount of such pension, and associated bridging benefits if applicable, which is payable or being paid at the end of the preceding year; and
- (b) the annual rate of indexing determined under the first paragraph of this Section.

In the first year of indexing only, the result shall be further multiplied by a fraction, the numerator of which is the number of calendar months between the commencement date of the pension and the December 31 of the same year and the denominator of which is 12.

A Banff Lifts Pension shall be indexed pursuant to the applicable terms of Appendix A regarding cost of living increases.

## 11.02 ADJUSTMENT TO SURVIVOR BENEFIT

The monthly amount of a post-retirement survivor pension being paid to a Spouse in respect of a deceased Retired Member's pension which was indexed pursuant to Section 11.01 shall be indexed as follows. Such pension shall be increased effective the first day of January in each year following commencement of the survivor pension by the addition of an amount which is the product of:

- (a) the monthly amount of survivor pension in respect of such pension being paid at the end of the preceding year; and
- (b) the annual rate of indexing that was applicable to the Retired Member's pension under Section 11.01.

If the Retired Member's pension on which the survivor pension is based commenced payment later than the first day of January in the preceding year, the result shall be further multiplied by a fraction, the numerator of which is the number of the calendar months between the commencement date of the Retired Member's pension and the December 31 of the same year and the denominator of which is 12.

The adjustment pursuant to this Section shall also apply to any guaranteed pension payments made to a Beneficiary following the death of a Retired Member which are based on a pension that was indexed pursuant to Section 11.01.

## **ARTICLE 12**

### **FUNDING**

#### 12.01 PENSION FUND

The Company shall establish and maintain a Pension Fund with a Funding Agent pursuant to a Funding Agreement for the purpose of funding the benefits under this Plan. The Company may amend or revoke the Funding Agreement, remove the Funding Agent and appoint an additional and/or a successor Funding Agent as it may deem appropriate. All contributions by the Company and Members shall be deposited into the Pension Fund.

The Pension Fund shall contain one Defined Benefit Account, and a Money Purchase Account for each Member who contributes pursuant to Section 14.01 as follows:

- (a) Defined Benefit Account The Defined Benefit Account shall consist of the assets in the Pension Fund not allocated to the Money Purchase Accounts.

(b) Money Purchase Account A separate account shall be maintained for each Member contributing pursuant to Section 14.01 which shall represent the portion of the Pension Fund attributable to the Money Purchase Contributions made by the Member .

#### 12.02 INVESTMENT OF PENSION FUND

The assets of the Pension Fund shall be invested in accordance with the terms of the Funding Agreement, the Income Tax Rules and the Act. The Company shall adopt a statement of investment policies and goals and the Pension Fund shall be invested in compliance with such statement. The Company shall direct the investment of the Defined Benefit Account and the Members with Money Purchase Accounts shall direct the investment of their Money Purchase Accounts in the investment options made available under the terms of the Funding Agreement. The earnings, gains and losses arising within each such investment option shall be determined in accordance with the terms of the Funding Agreement and allocated to the Defined Benefit Account and the applicable Money Purchase Accounts not less frequently than monthly.

#### 12.03 SOLE LIABILITY OF PENSION FUND ASSETS

Any Member or other person having any claim under the Plan must look solely to the assets of the Pension Fund for such benefit. Neither the Company, nor any of its directors or officers, shall be liable, in their individual or other capacities, to any person for the payment of any benefits under the provisions of the Plan, or under the Funding Agreement.

#### 12.04 USE OF EXCESS ASSETS

Subject to the Act, if the assets in the Defined Benefit Account exceed the liabilities attributable to benefits payable from that account then the Company may, in its discretion:

- (a) apply such excess assets against any funding required of the Company as permitted under Section 13.01;
- (b) receive on an ongoing basis, upon obtaining any necessary prior approval of the applicable regulatory authorities, any portion of such excess assets that may be refunded under the Act; or
- (c) utilize such excess assets for any other purpose as the Company may direct and as permitted under the Act and the Income Tax Rules.

## 12.05 RETURN OF CONTRIBUTIONS TO AVOID REVOCATION

Any contributions made to the Pension Fund by the Company or a Member may be returned to the Company or the Member, as applicable, together with Credited Return thereon in the case of any Member Contributions, to the extent such return is required to avoid revocation of the registration of the Plan under the Income Tax Act (Canada). No monies shall be returned without any required prior approval of the appropriate pension regulatory authorities and with such reporting for tax purposes as may be required under the Income Tax Rules.

## ARTICLE 13

### COMPANY CONTRIBUTIONS

#### 13.01 COMPANY CONTRIBUTIONS TO DEFINED BENEFIT ACCOUNT

The Company shall, from time to time as required by the Act and the Income Tax Rules, make quarterly contributions to the Defined Benefit Account of such amounts which, based on the advice of the Actuary, are required to provide an appropriate level of funding for the benefits payable from the Defined Benefit Account in respect of the following:

- (a) the normal actuarial cost of defined benefits currently accruing to Members in accordance with the provisions of the Plan; and
- (b) for the proper amortization of any unfunded actuarial liability or solvency deficiency in relation to the Defined Benefit Account;

both in accordance with requirements of the Act, after taking into account the assets of the Pension Fund, the earnings thereon, and all other relevant factors.

If at any time, while the Plan continues in existence, the Actuary certifies that the assets of the Fund exceed the actuarial liabilities of the Plan in respect of benefits defined in the Plan, such excess assets or any portion of such assets may be used by the Company to reduce its contribution obligation under this Section.

#### 13.02 REMITTANCE OF CONTRIBUTIONS

The Company shall remit to the Funding Agent for deposit in the Fund within thirty (30) days after the period on which they are due, as recommended by the Actuary in the last actuarial report filed in accordance with the Act.

## ARTICLE 14

### MEMBER CONTRIBUTIONS

#### 14.01 MEMBER CONTRIBUTIONS

An Active Member or Disabled Member may elect to contribute to his Money Purchase Account. Such Member contributions shall be made by way of payroll deduction in the case of an Active Member. A Member may elect to continue to contribute during a Leave of Absence for which Credited Service accrues pursuant to Section 3.02, or during a period of Total Disability for which Credited Service accrues pursuant to Section 3.03 and in such case the contributions shall be made by way of direct payment from the Member to the Company subject to such rules as the Company may prescribe.

#### 14.02 AMOUNT OF MEMBER CONTRIBUTIONS

A Member who elects to contribute to his Money Purchase Account shall select the level of such contribution which shall be a percentage of his eligible earnings set at a whole or half integer. A Member's contributions shall not, in a calendar year, exceed the lesser of (a) and (b) below:

(a) the lesser of:

(i) the money purchase limit for the year; and

(ii) 18% of the Member's Earnings for the year.

For the purposes of this subsection, "money purchase limit" shall have the meaning given to that term under the Income Tax Rules; and

(b) the amount of pension credit that the Member would have received for accrual of a defined benefit pension pursuant to the formula in Section 5.03(a) without the offset under Section 5.03(b)

#### 14.03 MANNER AND FREQUENCY OF ELECTING CONTRIBUTION RATE

A Member who wishes to elect to contribute and select the level of such contributions shall complete the forms prescribed by the Company and such election shall be effective as of the date prescribed by the Company. An Employee who fails to make such election shall be deemed to have elected to make no contributions.

An Active Member or Disabled Member who is contributing to the Plan may revoke the election or change the level of contribution once in each calendar year. An Active Member or Disabled Member who is not contributing to the Plan may elect to contribute once in each calendar year. Any change, election or revocation shall be made not later than 30 days before the end of the calendar year and shall be effective on the first day of the next calendar year.

#### 14.04 REPAYMENT OF EXCESS MONEY PURCHASE CONTRIBUTIONS

If the contributions to a Money Purchase Account in respect of a Member for a calendar year exceed the limit set out in Section 14.02, the excess portion shall be repaid to the Member, subject to any required prior approval of a regulatory authority. Following such repayment, the balance of the Money Purchase Account shall be adjusted to reflect this reduction. Such repayment shall be made no later than the last day of February in the year following the year in which the excess arose.

#### 14.05 INTEREST CREDITED ON MEMBER CONTRIBUTION TO DEFINED BENEFIT PROVISION

In respect of the Member contributions and/or qualifying transfers made in accordance with Section 3.04, an account for these monies shall be set up and credited at each Plan Year end with any investment earnings net of all investment expenses incurred in the operation of the Defined Benefit Account (herein referred to as the net rate of interest). The net rate of interest shall be computed by valuing all investments of the Defined Benefit Account at their market value. As such, the net rate of interest includes all interest and dividend income of the Defined Benefit Account and all realized and unrealized capital gains and losses on the investments of the Defined Benefit Account from the first of the month following the date of payment into the Defined Benefit Account to the month end prior to the date of payment of a benefit in respect of such contributions.

Member contributions, including qualifying transfers if any, with interest in excess of fifty (50%) percent of the Commuted Value of the pension benefit that has accrued to the Member, shall be paid in cash to the Member upon the retirement or termination of service of the Member.

Member contributions, including qualifying transfers if any, with interest in excess of fifty (50%) percent of the Commuted Value of the pension benefit that has accrued to the Member, shall be paid in cash to the Member's Spouse or if no Spouse paid to the Member's Beneficiary upon the death of the Member prior to retirement.

## ARTICLE 15

### ADMINISTRATION

#### 15.01 ADMINISTRATOR

The Company shall be the administrator of the Plan for the purposes of the Act and the Income Tax Rules. The Company shall decide all matters and questions in respect of the operation, administration and interpretation of the Plan. As such, the Company shall be entitled to determine conclusively a Member's eligibility, Earnings and periods of continuous employment, membership or service or Credited Service. All interpretations and decisions shall be applied as nearly as may be possible in a uniform manner to all Members similarly situated.

The Company shall maintain, or cause another person to maintain, such records and data as the Actuary may require for the purpose of completing actuarial valuations and estimates of required contributions.

The Company shall be entitled to rely conclusively upon all tables, valuations, certifications, opinions and reports which shall be furnished by an Actuary, accountant, legal counsel or other professional person who shall be employed or engaged for such purposes.

#### 15.02 ACTUARIAL PROCEDURE AND ASSUMPTIONS

The Company shall from time to time appoint an Actuary, to serve at the pleasure of the Company, who shall provide technical advice in all matters in connection with the Plan requiring actuarial computations and valuations. The Company shall from time to time, in consultation with the Actuary, adopt such rates of interest and mortality, service and other tables as may be required in connection with the administration of the Plan whether in connection with computations of benefits, contributions by the Company, or otherwise. On the basis of such tables as the Actuary may adopt, the Actuary shall make a triennial valuation of the assets and liabilities of the Plan and such intermediate valuations as the Company may direct.

#### 15.03 ADMINISTRATION EXPENSES

Any expenses arising in respect of the administration of the Plan and Pension Fund, but limited to the fees and other expenses and charges of any Actuary, auditor or agent employed by the Company in connection with the Plan's or Pension Fund's administration may be paid from the Pension Fund.

#### 15.04 LIMITATION OF LIABILITY AND INDEMNITY

The Company shall save harmless any employees who are involved in the administration of the Plan from the effects and consequences of their acts, omissions and conduct in their formal capacity to the extent permitted by law, except for their own willful and intentional malfeasance or misconduct.

#### 15.05 PURCHASE OF ANNUITIES

Pension benefits shall normally be paid from the Pension Fund, however, the Company may arrange to purchase an annuity or annuities to provide some or all of such pension benefits.

#### 15.06 REQUIREMENTS FOR PAYMENT OF BENEFITS

A pension or an annuity under the Plan shall be granted by the Company only upon application in the manner prescribed by the Company, and after submission of satisfactory proof of age of the Member and, if applicable, of the Spouse or joint annuitant.

Age may be proved by an official birth certificate issued by the appropriate public authority. If the Member is unable to obtain an official birth certificate, evidence of age satisfactory to the Company must be produced.

Payment of any benefit under the Plan other than a pension or annuity shall be made only upon application in the manner prescribed by the Company and upon submission of any relevant supporting evidence as the Company in its discretion may require.

Any person receiving or claiming a pension or an annuity under the Plan shall, on request of the Company, furnish to the Company satisfactory evidence of his continuing right thereto.

Notwithstanding anything in the Plan to the contrary, no cash settlement shall be paid under the terms of the Plan where such payment would be contrary to the provisions of the Act and the Income Tax Rules.

#### 15.07 TIMING OF PAYMENT OR TRANSFER

Where a Member becomes entitled to receive a refund of his Money Purchase Account, or to have a benefit paid from the Plan in a lump sum or transferred from the Plan, the payment of the balance of the Money Purchase Account, or the payment or transfer of the benefit as the case may be, shall be made within 60 days after the event giving rise to the payment or transfer, or the completion and filing of all documents required to authorize the

making of the payment, including any evidence required under Section 15.06 whichever is later.

#### 15.08 ANNUAL LISTING OF ACCOUNT TRANSFERS

Following the end of each fiscal year, the Company shall provide to Canada Revenue Agency a listing of each Member whose Money Purchase Account was transferred to the Defined Benefit Account during the fiscal year, along with confirmation whether any portion of such Money Purchase Account was transferred elsewhere.

### **ARTICLE 16**

#### **DISCLOSURE**

##### 16.01 PLAN SUMMARY

The Company shall provide each Employee eligible for membership within sixty (60) days his date of employment with:

- (a) a written explanation of the terms and conditions of the Plan applicable to him;
- (b) a written explanation of his rights and obligations in respect of the Plan; and
- (c) any other information required by the Act and the Income Tax Rules.

##### 16.02 NOTICE OF AMENDMENT

The Company shall provide each Member, Former Member or other person, who is or will be affected by an amendment made to the Plan, with a written explanation of such amendment within sixty (60) days after the registration of the amendment. If the requirement of providing such written explanation within the above period is dispensed with in accordance with the Act, the Company may provide the explanation with the next annual statement.

##### 16.03 ANNUAL STATEMENT

The Company shall provide each Active Member with an annual statement and a statement on his retirement or termination of Continuous Service, and a statement shall be provided to the surviving Spouse or Beneficiary on the death of a Member other than a Retired Member. Each such statement shall contain the information prescribed under the Act. Further, the Company shall provide a Member or other person entitled to payment from the Plan with such other information as may be required by the Act. If any statement made in such

explanation conflicts with the provisions of the Plan, the provisions of the Plan shall govern.

#### 16.04 INSPECTION OF DOCUMENTS

A copy of the Plan and any other information required to be made available by the Act shall be made available within thirty (30) days of the written request by any person entitled to a benefit under the Plan or the person's authorized agent, at the person's current or former place of employment or such other location as may be agreed upon by the Company and such person. Any person entitled to inspect Plan documents in accordance with this

Section shall be entitled to make such inspection only once in each calendar year.

#### 16.05 OTHER INFORMATION

The Company shall provide such other information regarding the Plan as is required by the Act and the Income Tax Rules.

#### 16.06 LIMITATION

Such explanation, statement or other information provided shall have no effect on the rights or obligations of any person under the Plan and shall not be referred to in interpreting or giving effect to the provisions of the Plan. The Company shall not be liable for any loss or damage claimed by any person to have been caused by any error or omission in such explanation, statement or other information.

### **ARTICLE 17**

#### **FUTURE OF THE PLAN**

##### 17.01 POWER TO AMEND

The Company reserves the right to amend or discontinue the Plan, either in whole or in part, at any time or times, subject to the Income Tax Rules and the provisions of the Act. Without limiting the generality of the foregoing, such right to amend shall include the right to merge the Plan with another pension plan or plans, to divide the Plan, to transfer assets from the Pension Fund to the pension fund of another registered pension plan which assumes liabilities from the Plan, or to convert the Plan to a money purchase pension plan.

##### 17.02 NO REDUCTION IN BENEFITS

No amendment to the Plan shall operate to reduce the amount or the value of the benefits which have accrued to Members prior to the date of such amendment, provided that the

Plan may be amended to reduce benefits payable under the terms of the Plan, or to return contributions, where such amendment is necessary to avoid the revocation of the registration of the Plan under the Income Tax Act (Canada) and prior approval has been granted by the applicable provincial regulatory authorities.

If the Plan is terminated, the Company shall not be obligated to make any further contributions to the Plan with respect to service after the date of such termination of the Plan except as required under the Act.

### 17.03 APPLICATION OF ASSETS ON TERMINATION

If the Plan is terminated or otherwise discontinued, all Members will be 100% vested in the Defined Benefit Pension and Banff Lifts Pension accrued to the date of termination and the assets of the Defined Benefit Account, after providing for the expenses of the Plan attributable thereto, shall be applied, to the extent sufficient, to provide for the accrued Defined Benefit Pensions and Banff Lifts Pensions of Members, Spouses and Beneficiaries as determined by the Company, on the advice of the Actuary and subject to the requirements of the Act.

The Money Purchase Account of a Member affected by the termination shall be transferred to the Defined Benefit Account to eliminate the Money Purchase Pension offset pursuant to Section 5.03 or transferred out of the Pension Fund pursuant to Section 6.05 or 7.05, as elected by the Member.

If the assets of the Defined Benefit Account are insufficient to fully provide for all accrued Defined Benefit Pensions and Banff Lifts Pensions attributable thereto and a solvency deficiency, as defined under the terms of the Act, exists when the Plan is terminated, the Company shall amortize such solvency deficiency in accordance with the Act. If due to insolvency the Company is unable contribute all amounts required under the Act, then the assets of the Defined Benefit Account shall be applied to provide benefits for affected Members, Spouses, and Beneficiaries on a pro rata basis in accordance with their respective interest in the Plan as determined by the Company, on the advice of the Actuary and in a manner approved by the Alberta Superintendent of Pensions. Payment of the accrued Defined Benefit Pensions and Banff Lifts Pensions of Members, Spouses and Beneficiaries shall be made in accordance with the Act.

Any surplus assets which remain in the Defined Benefit Account after the satisfaction of all accrued defined benefits as set out above shall be returned to the Company. Any distribution of funds will be conditional upon the prior approval of the applicable regulatory authorities.

#### 17.04 APPLICATION OF ASSETS ON PARTIAL TERMINATION

If the Company's participation in the Plan is partially terminated, all Members affected by the partial termination will be 100% vested in the Defined Benefit Pension and Banff Lifts Pension accrued to the date of partial termination and a portion of the Defined Benefit Account shall be allocated in respect of that part of the Plan which is being terminated. The portion of the Defined Benefit Account to be allocated shall be determined by the Company in an equitable manner on the advice of the Actuary subject to the Act. Such portion of the Defined Benefit Account shall be applied in accordance with the provisions of Section 17.03 for the benefit of the Members, Spouses and Beneficiaries affected by the partial termination.

If the assets of the Defined Benefit Account allocated to the partial windup are insufficient to fully provide for all accrued Defined Benefit Pensions and Banff Lifts Pensions of Members affected by the partial windup and a solvency deficiency, as defined under the terms of the Act, exists in respect of the partial termination, the Company shall amortize such solvency deficiency in accordance with the Act. If due to insolvency the Company is unable contribute all amounts required under the Act then the assets of the Defined Benefit Account allocated to the partial windup shall be applied to provide benefits for affected Members, Spouses, and Beneficiaries on a pro rata basis in accordance with their respective interest in the Plan as determined by the Company, on the advice of the Actuary and in a manner approved by the Alberta Superintendent of Pensions. Payment of the accrued Defined Benefit Pensions and Banff Lifts Pensions of Members, Spouses and Beneficiaries shall be made in accordance with the Act.

Any surplus assets remaining from such allocated portion after the satisfaction of all accrued benefits of all persons affected by the partial termination shall be paid to the Company or applied as the Company may otherwise direct. Any such distribution shall be conditional upon prior approval of the applicable regulatory authorities.

The Money Purchase Accounts of Members affected by the partial termination shall be allocated to the partial termination and transferred to the Defined Benefit Account to eliminate the Money Purchase Pension offset pursuant to Section 5.03 or transferred out of the Pension Fund pursuant to Section 6.05 or 7.05, as elected by the Member.

#### 17.05 PROVISION OF BENEFITS ON WINDUP

The benefits determined in accordance with the provisions of Section 17.03 or 17.04 may be provided by means of:

(a) the purchase of annuity contracts from a company or companies licensed to provide annuities in Canada;

(b) the transfer of benefits to registered pension plans which meet the requirements prescribed under the Act and which are willing to accept such transfers, registered retirement savings plans or registered retirement income funds;

(c) the continuation of the Pension Fund; or

(d) the payment of cash refunds;

all as determined by the Company, subject to the requirements of the Act.

#### 17.06 NO LIABILITY FOR APPLICATION ON WINDUP

No liabilities shall attach to the Employer or to the liquidator or trustee in bankruptcy, as the case may be, in connection with any application of the pension funds in accordance with the provisions of this Article 17 provided such application was made in good faith and in accordance with the provisions of the Act and the Income Tax Rules.

### **ARTICLE 18**

#### **MISCELLANEOUS PROVISIONS**

##### 18.01 NON ALIENATION OF BENEFITS

Except as specifically provided in Section 18.04, benefits payable under the Plan may not be assigned, charged, anticipated, surrendered, commuted or given as security and any attempt to do so shall be void. Except as provided under the Act no benefit payable under the Plan shall be in any manner liable for, or subject to, execution, seizure or attachment or liable for, or subject to, the debts, contracts, or liabilities of the person entitled to such benefit.

##### 18.02 RIGHTS OF MEMBERS

Nothing in the Plan shall be deemed to give any Employee the right to be retained in the employ of the Company and the provisions of the Plan shall not interfere with the rights of the Company to discipline its employees.

##### 18.03 SMALL PENSIONS

If the annual amount of Defined Benefit Pension and Banff Lifts Pension payable to a Deferred Member or Retired Member at the Member's Normal Retirement Date is less than 4% of the YMPE in the year that such Member breaks Continuous Service or if the

Commuted Value of a benefit payable to a Member when he breaks Continuous Service or of a benefit payable to a Spouse on the death of a Member is less than 20% of the YMPE in that year, then the Member or Spouse, as applicable, may elect to receive that Commuted Value in a lump sum in satisfaction of his entitlement under the Plan. In lieu of a lump sum, the Member or Spouse, as applicable, may elect to transfer, to the extent that the Income Tax Rules allow, the Commuted Value to an unlocked registered retirement savings plan.

#### 18.04 MARRIAGE BREAKDOWN

Subject to the Act, when an order from a court of competent jurisdiction requiring division of the benefits of a Member with a Spouse or former Spouse due to breakdown of marriage has been received by the Company, such division shall be made in accordance with such order, as determined by the Company and subject to the limitations and requirements of the Act and applicable provincial family relations legislation. A Member's benefit entitlement shall be adjusted to the extent required to reflect such division. When a Member becomes entitled to exercise the options available under Section 7.05, a Spouse or former Spouse entitled to a division of benefits pursuant to this Section shall also be entitled to exercise the options available under Section 7.05 in respect of the portion of the benefit allocated to the Spouse, subject to the requirements of the Act. Where permitted under the Act, a Spouse entitled to a division under this Section may exercise the options available under Section 7.05 in respect of the portion of the benefit allocated to the Spouse at the time of such division.

#### 18.05 DIMINISHED LIFE EXPECTANCY

Notwithstanding the locking-in provisions of the Plan and the provisions of Section 18.01, if a Member provides evidence to the Company that his life expectancy is considerably shortened by reason of a terminal illness or a disability, the Company may permit payment of the Commuted Value of the Member's benefit in a lump sum or may provide for payment of the benefit in quarterly or annual instalments.

#### 18.06 LAWFUL CURRENCY

All contributions and benefit payments under this Plan shall be made in the lawful currency of Canada.

#### 18.07 LIMITATION OF RECOURSE

No Member, retired Member, Former Member, Beneficiary, Spouse or joint Annuitant, shall have any recourse under any provisions of this Plan against any past, present or future director, officer, shareholder or Employee of the Company and all such directors, officers, shareholders and Employees shall be free from all liability hereunder as a condition hereof.

#### 18.08 PENSION INCREASES

The Company may from time to time in its discretion elect to grant increases in pensions for the purpose of offsetting, in whole or in part, increases in the cost of living. Such increases may be granted to Retired Members, Spouses or Beneficiaries, or may be applied to any deferred pension entitlements of Deferred Members but shall not be granted in respect of the twelve (12) month period immediately following the date of retirement, death, or termination. Such increases once granted shall not be discontinued. The fact of granting of increases pursuant to this sub-Article, if any, shall not obligate the Company to grant further increases in the future. Any pension increase must be in accordance with the Act and the Income Tax Rules.

#### 18.09 HEADINGS

The division of this Plan into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan.

#### 18.10 GENDER

Words importing the singular include the plural, as appropriate, and vice-versa; words importing the masculine gender include the feminine gender.

## APPENDIX A

### BANFF LIFTS PLAN

This Appendix contains the text of the Pension Plan for the Employees of Banff Lifts Ltd. as it read on December 31, 1999. Relevant terms of the Banff Lifts Plan shall apply to Banff Lifts Members in respect of the Pensionable Service that they accrued under the terms of the Banff Lifts Plan to December 31, 1999. For the purposes of this Appendix, the Retirement Plan for Management Employees of Brewster Transport Company Limited shall be referred to as the Brewster Transport Plan.

The relevant terms of the Banff Lifts Plan are listed below:

- Applicable definitions that are used in relevant provisions of Articles 4, 5, 6, 7, 8 or 9
- The provisions of Article 4 regarding voluntary contributions and the deposit of a refund from another plan to the extent that such contributions or deposits have occurred by December 31, 1999. No further contributions or deposits are permitted after December 31, 1999.
- The provisions of Article 5 (early retirement)
- The provisions of Article 6 (determination of amount of retirement benefit)
- The provisions of Article 7 (pre-retirement death benefits)
- The provisions of Article 8 (termination of employment)
- The provisions of Article 9 (forms of retirement benefits)
- Appendix 1 (listing of pensionable service)

Notwithstanding the above, effective January 1, 2000, certain provisions of the Banff Lifts Plan shall be interpreted as follows:

1. Subsection 2.1 "Commutated Value" shall mean the definition of Commuted Value as stated in Section 1.09 of this Plan.
2. Subsection 2.1 "Spouse" shall mean the definition of Spouse as stated in Section 1.37 of this Plan.

3. Subsection 2.1 "Defined Benefit Limit" has the meaning given under the provisions of the Income Tax Act of Canada and the Regulations thereunder as they apply to registered pension plans.

4. Section 18.04 "Marriage Breakdown" of this Plan shall be applied with respect to the appropriate benefits of the Banff Lifts Plan.

5. References to "5 years of Continuous Service" or "5 years of continuous service" throughout the Banff Lifts Plan shall mean "2 years of Continuous Service".

6. Reference to "the first day of the month following attainment of age 55" in subsection 5.2 shall mean "the first day of the month coincident with or following attainment of age 50" and the phrase "who has completed at least 5 years of Continuous Service" shall be deleted.

7. Reference to "seventy-first (71st) birthday in subsection 5.3 shall mean "sixty-ninth (69th) birthday".

8. Reference to "reduced by 1/2%" in subsection 6.2 shall mean "reduced by five-twelfths of one percent (5/12%).

9. The following words are added to the end of the paragraph in Section 6.2:

", provided that such reduction shall not result in a pension that has a value less than the Actuarial Equivalent Value of the Member's accrued pension payable at the Member's normal retirement date."

10. Subsection 6.5 shall mean "A Member who is entitled to a pension in accordance with the provisions of Sections 5 and 6 shall be eligible to transfer the Commuted Value of his pension on a similar basis as those options and requirements as described in Section 6.05 of the Brewster Transport Plan.

11. Reference to "age 55" in subsection 8.3 shall mean "age 50".



**CERTIFICATION**

I, Robert H. Bohannon, certify that:

1. I have reviewed this report on Form 10-Q of Viad Corp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15d 15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2005

By /s/ Robert H. Bohannon

Robert H. Bohannon  
Chairman of the Board, President  
and Chief Executive Officer



**CERTIFICATION**

I, Ellen M. Ingersoll, certify that:

1. I have reviewed this report on Form 10-Q of Viad Corp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15d 15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2005

By /s/ Ellen M. Ingersoll

Ellen M. Ingersoll  
Chief Financial Officer



**Certification Pursuant To  
18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Robert H. Bohannon, Chief Executive Officer of Viad Corp, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the report on Form 10-Q of Viad Corp for the fiscal quarter ended June 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Viad Corp.

Date: August 5, 2005

By /s/ Robert H. Bohannon

Robert H. Bohannon  
Chief Executive Officer



**Certification Pursuant To  
18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 of the Sarbanes-Oxley Act of 2002**

I, Ellen M. Ingersoll, Chief Financial Officer of Viad Corp, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the report on Form 10-Q of Viad Corp for the fiscal quarter ended June 30, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Viad Corp.

Date: August 5, 2005

By /s/ Ellen M. Ingersoll

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Ellen M. Ingersoll

Chief Financial Officer