VIAD CORP

FORM 10-Q
(Quarterly Report)

Filed 8/5/2002 For Period Ending 6/30/2002

Address	1850 NORTH CENTRAL AVE SUITE 800
	PHOENIX, Arizona 85004-4545
Telephone	(602) 207-4000
CIK	0000884219
Industry	Business Services
Sector	Services
Fiscal Year	12/31

Generated by EDGAR Online Pro
http://pro.edgar-online.com

EDGAR Online

Contact EDGAR Online
Customer Service: 203-852-5666
Corporate Sales: 212-457-8200

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2002
Commission file number 001-11015

VIAD CORP

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	36-1169950 (I.R.S. Employer Identification No.)
1850 N. CENTRAL AVE., PHOENIX, ARIZONA (Address of principal executive offices)	85077 (Zip Code)

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

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

Yes ☒ No ☐

As of June 28, 2002, 89,199,040 shares of Common Stock ($1.50 par value) were outstanding.

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

VIAD CORP
CONSOLIDATED BALANCE SHEETS

(000 omitted, except share data)	June 30, 2002 (Unaudited)	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55,341	$ 46,593
Short-term investments	174,306	118,021
Receivables	76,606	64,134
Inventories	51,248	55,682
Deferred income taxes	40,635	45,916
Other current assets	34,842	48,555
	432,978	378,901
Funds, agents' receivables and current maturities of investments restricted for payment service obligations	1,902,554	1,476,475
Total current assets	2,335,532	1,855,376
Investments in securities	41,212	51,535
Investments restricted for payment service obligations	5,488,219	5,422,899
Property and equipment	256,263	260,480
Other investments and assets	77,875	67,715
Deferred income taxes	75,434	82,764
Goodwill	548,787	587,365
Other intangible assets	35,041	35,925
	$8,858,363	$8,364,059
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term bank loans	$ —	$ 457
Accounts payable	55,156	60,913
Other current liabilities	219,353	203,702
Current portion of long-term debt	142,516	42,224
	417,025	307,296
Payment service obligations	7,075,335	6,649,722
Total current liabilities	7,492,360	6,957,018
Long-term debt	244,619	354,147
Pension and other postretirement benefits	95,141	94,424
Derivative financial instruments	119,616	91,414
Other deferred items and insurance liabilities	135,232	135,420
Minority interests	6,600	5,284
$4.75 Redeemable preferred stock	6,691	6,679
Common stock and other equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 99,739,925 shares issued	149,610	149,610
Additional capital	223,370	225,003
Retained income	772,846	762,008
Unearned employee benefits and other	(76,017)	(82,952)

Accumulated other comprehensive income:		
Unrealized gain on securities classified as available for sale	63,314	29,876
Unrealized loss on derivative financial instruments	(76,484)	(53,875)
Cumulative translation adjustments	(8,344)	(13,211)
Minimum pension liability adjustment	(13,739)	(13,739)
Common stock in treasury, at cost, 10,540,885 and 10,806,006 shares	(276,452)	(283,047)
Total common stock and other equity	758,104	719,673
	$8,858,363	$8,364,059

See Notes to Consolidated Financial Statements.

VIAD CORP
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(000 omitted, except per share data)	Quarter ended June 30, 2002	Quarter ended June 30, 2001	Six months ended June 30, 2002	Six months ended June 30, 2001
Revenues	$408,511	$444,566	$853,532	$904,130
Costs and expenses:				
Costs of sales and services	351,940	386,565	744,436	801,243
Corporate activities and minority interests	7,291	4,113	11,851	8,680
Net interest expense	3,575	5,298	7,364	11,563
Nonrecurring item	—	29,274	—	29,274
	362,806	425,250	763,651	850,760
Income before income taxes and change in accounting principle	45,705	19,316	89,881	53,370
Income taxes	13,439	1,907	25,271	11,659
Net income before change in accounting principle	32,266	17,409	64,610	41,711
Change in accounting principle, net of tax	—	—	(37,739)	—
NET INCOME	$ 32,266	$ 17,409	$ 26,871	$ 41,711
DILUTED NET INCOME PER COMMON SHARE				
Net income per share before change in accounting principle	$ 0.36	$ 0.20	$ 0.73	$ 0.48
Change in accounting principle, net of tax	—	—	(0.43)	—
Net income per share	$ 0.36	$ 0.20	$ 0.30	$ 0.48
Average outstanding and potentially dilutive common shares	87,672	86,090	87,200	86,381
BASIC NET INCOME PER COMMON SHARE				
Net income per share before change in accounting principle	$ 0.37	$ 0.20	$ 0.74	$ 0.48
Change in accounting principle, net of tax	—	—	(0.44)	—
Net income per share	$ 0.37	$ 0.20	$ 0.30	$ 0.48
Average outstanding common shares	86,693	85,158	86,394	85,359
Dividends declared per common share	$ 0.09	$ 0.09	$ 0.18	$ 0.18
Preferred stock dividends	$ 285	$ 284	$ 570	$ 568

See Notes to Consolidated Financial Statements.

VIAD CORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(000 omitted)	Quarter ended June 30, 2002	Quarter ended June 30, 2001	Six months ended June 30, 2002	Six months ended June 30, 2001
Net income	$ 32,266	$ 17,409	$ 26,871	$ 41,711
Other comprehensive income, net of tax:				
Unrealized gains (losses) on securities classified as available-for-sale:				
Statement of Financial Accounting Standards (“SFAS”) No. 133 transition adjustment, effective January 1, 2001, resulting from the transfer of securities classified as held-to-maturity to securities classified as available-for-sale	—	—	—	3,772
Holding gains (losses) arising during the period	57,845	(13,677)	36,891	11,523
Reclassification adjustment for net realized gains included in net income	(1,304)	(1,534)	(3,453)	(4,467)
	56,541	(15,211)	33,438	10,828
Unrealized gains (losses) on derivative financial instruments:				
Cumulative effect of transition adjustment upon initial application of SFAS No. 133 on January 1, 2001	—	—	—	(7,501)
Holding gains (losses) arising during the period	(72,071)	4,406	(61,216)	(30,444)
Net reclassifications from other comprehensive income to net income	19,895	5,841	38,607	7,487
	(52,176)	10,247	(22,609)	(30,458)
Unrealized foreign currency translation adjustments:				
Holding gains (losses) arising during the period	5,208	2,634	4,867	(1,186)
Other comprehensive income (loss)	9,573	(2,330)	15,696	(20,816)
Comprehensive income	$ 41,839	$ 15,079	$ 42,567	$ 20,895

See Notes to Consolidated Financial Statements.

VIAD CORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(000 omitted)	Six months ended June 30, 2002	2001
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net income	$ 26,871	$ 41,711
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,753	34,922
Deferred income taxes	7,840	13,749
Change in accounting principle	40,000	—
Nonrecurring item	—	29,274
Other noncash items, net	(457)	(7,198)
Change in operating assets and liabilities:		
Receivables and inventories	(12,495)	1,459
Accounts payable	(5,757)	(7,700)
Other assets and liabilities, net	11,627	(18,020)
	93,382	88,197
Change in payment service assets and obligations, net	(766)	856,384
Net cash provided by operating activities	92,616	944,581
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Capital expenditures	(17,711)	(24,788)
Proceeds from disposals of property and other assets, net of purchases	543	(640)
Proceeds from sales and maturities of securities	1,532,098	1,249,628
Purchases of securities	(1,578,693)	(2,116,951)
Net cash used by investing activities	(63,763)	(892,751)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:		
Payments on long-term borrowings	(418)	(25,333)
Net change in short-term borrowings	(10,457)	6,211
Dividends on common and preferred stock	(16,150)	(15,972)
Exercise of stock options	8,965	12,097
Common stock purchased for treasury	(2,045)	(34,622)
Net cash used by financing activities	(20,105)	(57,619)
Net increase (decrease) in cash and cash equivalents	8,748	(5,789)
Cash and cash equivalents, beginning of year	46,593	42,298
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 55,341	$ 36,509

See Notes to Consolidated Financial Statements.

VIAD CORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE A – Basis of Preparation

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

Accounting policies utilized in the preparation of the financial information herein presented are the same as set forth in Viad’s annual financial statements except as modified for interim accounting policies which are within the guidelines set forth in Accounting Principles Board (“APB”) Opinion No. 28, “Interim Financial Reporting” and the adoption of Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets” and SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” as discussed in Note D. The interim consolidated financial information is unaudited. In the opinion of management, all adjustments, consisting only of normal recurring accruals, necessary to present fairly Viad’s financial position as of June 30, 2002, and its results of operations and its cash flows for the quarters and six months ended June 30, 2002 and 2001 have been included. Interim results of operations are not necessarily indicative of the results of operations for the full year.

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

NOTE B – Assets Restricted for Payment Service Obligations

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

As described in notes to Viad’s annual financial statements, a Payment Services subsidiary business involves the payment of commissions to selling financial institutions of its official check program. In addition, it has also entered into agreements to sell receivables primarily from money order agents. The commissions and net proceeds from the agents’ receivables are computed based on short-term variable interest rates that are hedged through swap agreements (see Note E) that effectively convert the variable rate payments to fixed rates.

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

The following is a summary of asset and liability carrying amounts related to the payment service obligations, including additional subsidiary funds and the fair value of related swap agreements:

(000 omitted)	June 30, 2002	December 31, 2001
Funds, agents' receivables and current maturities of investments restricted for payment service obligations	$ 1,902,554	$ 1,476,475
Investments restricted for payment service obligations (1)	5,488,219	5,422,899
Payment service obligations	(7,075,335)	(6,649,722)
Fair value of derivative financial instruments (2)	(124,611)	(87,187)
Total	$ 190,827	$ 162,465

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

(2) The fair value represents the estimated amounts that Viad would pay to counterparties to terminate the swap agreements at June 30, 2002 and December 31, 2001.

NOTE C – Investments Restricted for Payment Service Obligations

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

(000 omitted)	June 30, 2002	December 31, 2001
Securities classified as available-for-sale, at fair value (amortized cost of $3,780,781 and $3,947,971)	$3,884,018	$3,997,058
Securities classified as held-to-maturity, at amortized cost (fair value of $1,669,811 and $1,478,178)	1,627,701	1,449,641
	5,511,719	5,446,699
Less current maturities	(23,500)	(23,800)
	$5,488,219	$5,422,899

NOTE D – Goodwill and Other Intangible Assets

In January 2002, Viad adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 specifies that goodwill and certain intangible assets with indefinite lives no longer be amortized but instead be subject to periodic impairment testing. At March 31, 2002, Viad completed the transitional impairment test for certain intangible assets with indefinite lives and found that no impairment exists. Viad completed the transitional impairment test for goodwill during the second quarter of 2002. The test was performed as of January 1, 2002 and concluded that a transitional impairment loss of $40.0 million ($37.7 million after-tax) should be recognized related to goodwill at the Exhibitgroup/Giltspur reporting unit of the Convention and Event Services segment. The fair value of that reporting unit was estimated using the expected present value of future cash flows. The impairment resulted from a change in the criteria for measurement of impairment from an undiscounted to a discounted cash flow method. This impairment was retroactively restated to the first quarter of 2002 in accordance with SFAS No. 142 and is included in the Consolidated Statements of Income under the caption "Change in accounting principle."

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

A summary of intangible assets at June 30, 2002 is presented below:

(000 omitted)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:			
Customer lists	$27,523	$15,583	$11,940
Patents	13,200	9,446	3,754
Other	6,379	6,223	156
	47,102	31,252	15,850
Unamortized intangible assets:			
Trademarks	13,182	—	13,182
Pension intangible assets	6,009	—	6,009
	19,191	—	19,191
Total intangible assets	$66,293	$31,252	$35,041

Intangible asset amortization expense for the quarter and six months ended June 30, 2002 was $489,000 and $979,000, respectively. Estimated amortization expense for the five succeeding fiscal years is as follows:

(000 omitted)	
2002	$1,961
2003	1,938
2004	1,882
2005	1,861
2006	1,570

The changes in the carrying amount of goodwill for the period ended June 30, 2002 are as follows:

(000 omitted)	Payment Services	Convention and Event Services	Other	Total
Balance at beginning of year	$297,705	$262,243	$27,417	$587,365
Transitional impairment loss	—	(40,000)	—	(40,000)
Foreign currency translation adjustments	—	940	482	1,422
Balance at end of period	$297,705	$223,183	$27,899	$548,787

Amortization expense of goodwill and intangible assets with indefinite lives for the quarter ended June 30, 2001 was $4,126,000 ($3,512,000 after-tax) and $98,000 ($61,000 after-tax), respectively. For the six months ended June 30, 2001, amortization expense of goodwill and intangible assets with indefinite lives amounted to $8,238,000 ($7,013,000 after-tax) and $196,000 ($122,000 after-tax), respectively. Net income as reported and as adjusted for the adoption of SFAS No. 142 is presented below:

(000 omitted, except per share data)	Quarter ended June 30, 2002	Quarter ended June 30, 2001	Six months ended June 30, 2002	Six months ended June 30, 2001
Reported net income	$32,266	$17,409	$26,871	$41,711
Amortization of goodwill and intangible assets with indefinite lives, net of tax	—	3,573	—	7,135
Adjusted net income	$32,266	$20,982	$26,871	$48,846
Diluted earnings per share:				
Reported net income	$ 0.36	$ 0.20	$ 0.30	$ 0.48
Amortization of goodwill and intangible assets with indefinite lives, net of tax	—	0.04	—	0.08
Adjusted net income	$ 0.36	$ 0.24	$ 0.30	$ 0.56
Basic earnings per share:				
Reported net income	$ 0.37	$ 0.20	$ 0.30	$ 0.48
Amortization of goodwill and intangible assets with indefinite lives, net of tax	—	0.04	—	0.09
Adjusted net income	$ 0.37	$ 0.24	$ 0.30	$ 0.57

NOTE E – Derivative Financial Instruments

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

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

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

The effective portion of the change in fair values of derivatives qualifying as cash flow hedges is recorded in other comprehensive income. Amounts receivable or payable under the swap agreements are reclassified from other comprehensive income to net income as an adjustment to the expense of the related transaction. These amounts are included in the Consolidated Statements of Income under “Costs of sales and services.” The amount recognized in earnings due to the ineffectiveness of the cash flow hedges was not material. No cash flow hedges were discontinued during the quarter or six months ended June 30, 2002 or 2001.

Viad is also exposed to foreign currency exchange risk. Forward derivative contracts are used to hedge assets and liabilities denominated in foreign currencies. While these contracts economically hedge Viad’s foreign currency risk, they are not designated as hedges for accounting purposes under SFAS No. 133. Accordingly, these contracts are recorded on the Consolidated Balance Sheets at fair value, with the change in fair value reflected in earnings. The effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, is not significant.

NOTE F – Debt

At June 30, 2002 and December 31, 2001, Viad classified as long-term debt $156 million and $166 million, respectively, of short-term borrowings. These borrowings are supported by unused commitments under $425 million of long-term credit facilities.

NOTE G – Income Taxes

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes and change in accounting principle for the six months ended June 30, is as follows:

(000 omitted)	2002		2001	
Computed income taxes at statutory federal income tax rate	$ 31,458	35.0%	$ 18,680	35.0%
Nondeductible goodwill amortization	—	0.0%	1,743	3.3%
State income taxes	3,777	4.2%	2,126	4.0%
Other, net	2,247	2.5%	1,261	2.3%
	37,482	41.7%	23,810	44.6%
Tax-exempt income	(11,261)	(12.5%)	(14,451)	(27.1%)
Adjustment to estimated annual effective rate (1)	(950)	(1.1%)	2,300	4.3%
Provision for income taxes (2)	$ 25,271	28.1%	$ 11,659	21.8%

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

(2) Excluding the effect of the nonrecurring item, the effective tax rate for the first six months of 2001 was 27.4 percent.

NOTE H – Segment Information

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

(000 omitted)	Quarter ended June 30, 2002	Quarter ended June 30, 2001	Six months ended June 30, 2002	Six months ended June 30, 2001
Revenues:				
Payment Services	$205,968	$187,020	$403,269	$366,318
Convention and Event Services	199,450	254,447	454,257	543,956
Reportable segments	405,418	441,467	857,526	910,274
Travel and Recreation Services	13,129	15,876	16,299	19,535
	418,547	457,343	873,825	929,809
Less taxable equivalent adjustment	(10,036)	(12,777)	(20,293)	(25,679)
	$408,511	$444,566	$853,532	$904,130
Operating income before nonrecurring item:				
Payment Services	$ 49,290	$ 43,682	$ 91,331	$ 78,477
Convention and Event Services	14,410	23,485	36,654	48,228
Reportable segments	63,700	67,167	127,985	126,705
Travel and Recreation Services	2,907	3,611	1,404	1,861
	66,607	70,778	129,389	128,566
Corporate activities and minority interests	(7,291)	(4,113)	(11,851)	(8,680)
Less taxable equivalent adjustment	(10,036)	(12,777)	(20,293)	(25,679)
	49,280	53,888	97,245	94,207
Other investment income	1,351	1,490	2,643	2,770
Interest expense	(4,926)	(6,788)	(10,007)	(14,333)
Nonrecurring item	—	(29,274)	—	(29,274)
Income before income taxes and change in accounting principle	$ 45,705	$ 19,316	$ 89,881	$ 53,370

NOTE I – Restructuring Charges and Nonrecurring Item

In the 2001 third quarter, Viad recorded restructuring charges totaling $66.1 million ($39.9 million after-tax) associated with the closure and consolidation of certain facilities, severance and other employee benefits. At June 30, 2002, there was $25.7 million of remaining accrued liabilities, of which $5.9 million and $19.8 million were included in the Consolidated Balance Sheets under the captions “Other current liabilities” and “Other deferred items and insurance liabilities,” respectively.

Payments under long-term lease obligations for closed facilities will continue to be made over the remaining terms of the leases. Approximately 97 percent of the facility closures and consolidation had been completed and approximately 98 percent of the positions had been eliminated as of June 30, 2002. Severance and benefits payments will continue to be made over the varying terms of the individual separation agreements.

Table of Contents

A summary of the change in the accrued liabilities is as follows:

(000 omitted)	Severance and Benefits	Facility Closure and Lease Termination	Total
Balance at December 31, 2001	$ 7,007	$27,917	$34,924
Cash payments	(4,985)	(4,200)	(9,185)
Balance at June 30, 2002	$ 2,022	$23,717	$25,739

In August 2000, Key3Media Group, Inc. ("Key3Media"), a company spun off by Ziff-Davis Inc., terminated a long-term agreement with GES Exposition Services, Inc. ("GES") to produce tradeshows. The companies entered into litigation regarding the contract termination, and after reaching an agreement to end the litigation, Viad recorded a second quarter 2001 noncash provision totaling $29.3 million ($18.3 million after-tax). This provision represented primarily the write-off of net receivables and prepayments made to Key3Media.

NOTE J – Recent Accounting Pronouncements

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

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers" and SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking Fund Requirements." This statement amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 is generally effective for the Company for fiscal year 2003. Viad does not expect the adoption of SFAS No. 145 to have a significant effect on its results of operations or financial position.

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

RESULTS OF OPERATIONS:

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

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

Effective January 1, 2002, Viad adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and certain other intangible assets no longer be amortized, but instead tested for impairment. The following discussion compares 2002 results with 2001 results as originally reported and also on an as adjusted for SFAS No. 142 basis.

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

COMPARISON OF SECOND QUARTER OF 2002 TO THE SECOND QUARTER OF 2001:

In the second quarter of 2002, revenues decreased 8.1 percent, to $408.5 million from $444.6 million in the 2001 second quarter. Payment Services invests in a mix of tax-exempt and taxable investments. The tax-exempt investments have lower pre-tax yields but produce higher income on an after-tax basis than comparable taxable investments. Fully taxable equivalent information is used by management to measure profit and performance of Viad's operations. This information is supplemental to results presented under accounting principles generally accepted in the United States of America. Revenues on the fully taxable equivalent basis were $418.5 million in the 2002 second quarter, down 8.5 percent from $457.3 million in the 2001 second quarter. Segment operating income on the same basis (before corporate activities and minority interests) was $66.6 million for the 2002 second quarter compared with $70.8 million for the 2001 second quarter (down 5.9 percent), and operating margins were 15.9 percent in the second quarter of 2002 compared to 15.5 percent in the second quarter of 2001. Segment operating income and the operating margin in the second quarter of 2001 when adjusted for SFAS No. 142 would have been $75.0 million (down in 2002 by 11.2 percent) and 16.4 percent, respectively. See Note H of Notes to Consolidated Financial Statements for segment information.

Net income for the second quarter of 2002 was $32.3 million, or $0.36 per share, compared to $17.4 million, or $0.20 per share, for the second quarter of 2001. Excluding a nonrecurring, noncash provision related to the resolution of the Key3Media litigation (described further in Note I of Notes to Consolidated Financial Statements), second quarter 2001 income was $35.7 million, or $0.41 per share (with a 2002 decrease of 12.2 percent on a per share basis). When adjusted for SFAS No. 142, net income for the second quarter of 2001 would have been $21.0 million ($0.24 per share) or $39.2 million ($0.45 per share) excluding the nonrecurring item.

(000 omitted, except per share data)	Quarter ended June 30, 2002	2001
Income before nonrecurring item	$32,266	$ 35,676
Nonrecurring item, net of tax	—	(18,267)
Net income	$32,266	$ 17,409
Diluted net income per common share:		
Income before nonrecurring item	$ 0.36	$ 0.41
Nonrecurring item	—	(0.21)
Diluted net income per common share	$ 0.36	$ 0.20

PAYMENT SERVICES . On the fully taxable equivalent basis, second quarter 2002 revenues of the Payment Services segment were $206.0 million, up 10.1 percent, from 2001 second quarter revenues of $187.0 million. On the same basis, operating income increased to $49.3 million, up 12.8 percent from 2001 second quarter operating income of $43.7 million. Operating margins on the fully taxable equivalent basis improved to 23.9 percent in the second quarter of 2002 compared with 23.4 percent in the 2001 second quarter. When adjusting the second quarter of 2001 for the impact of SFAS No. 142, operating income would have been $45.7 million (with a 2002 increase of 7.8 percent) and the operating margin would have been 24.5 percent. Revenue growth was driven by continuing strong growth in money transfer transactions and average investable balances. MoneyGram continued to show improvement with transaction volume growing over 32 percent, led by strong International and Express Payment transaction volume growth. MoneyGram's agent base expanded by 25 percent over the 2001 second quarter. Overall, Payment Services average investable balances were up 18.5 percent in the 2002 second quarter compared to the 2001 second quarter. This increase was primarily a result of strong growth in the official check business driven by new customer signings. The money order business continues to contribute significantly to the operating margin, however, money order volume and related average investable balances were down slightly compared to the 2001 second quarter as some agents were eliminated to improve the credit profile of the money order business. Revenue and operating growth were negatively impacted due to the lower interest rate environment. Specifically, revenue and operating growth were impacted by lower yields on overnight cash balances, lower yields on new balances from the official check business and lower yields on reinvested funds which resulted from the prepayment of mortgage-backed securities associated with higher consumer refinancing activities.

CONVENTION AND EVENT SERVICES. Convention and Event Services revenues decreased $55.0 million, or 21.6 percent, to $199.5 million in the second quarter of 2002 from $254.4 million in the second quarter of 2001. Operating income for the segment decreased to $14.4 million, down 38.6 percent, from 2001 second quarter operating income of $23.5 million. Operating margins were 7.2 percent in the second quarter of 2002 versus 9.2 percent in the second quarter of 2001. Second quarter 2001 operating income would have been $25.4 million (with a 2002 decrease of 43.3 percent) and the operating margin would have been 10.0 percent when adjusted for SFAS No. 142. Show shrinkage, a heavier mix of technology shows and a shift in corporate spending from new exhibits to exhibit refurbishments resulted in lower revenue for the quarter. Given the weakness in most business sectors, particularly telecommunications and technology, the segment continues to focus on reducing its cost structure in order to position the segment to take advantage of new opportunities.

TRAVEL AND RECREATION SERVICES. Revenues of the travel and recreation businesses were $13.1 million for the second quarter of 2002, down 17.3 percent, from 2001 second quarter of $15.9 million. Operating income was $2.9 million in the 2002 second quarter, down 19.5 percent, compared to $3.6 million in the 2001 second quarter. Operating margins were 22.1 percent in the second quarter of 2002 compared with 22.7 percent in the prior year second quarter. When adjusted for SFAS No. 142, second quarter 2001 operating income and the operating margin would have been $3.8 million (down in 2002 by 24.1 percent) and 24.1 percent, respectively. These results are primarily due to a decline in tourism to Canada related to the post September 11, 2001 travel concerns and the current economic conditions.

CORPORATE ACTIVITIES AND MINORITY INTERESTS. The increase in corporate activities expense in the second quarter of 2002 of $2.4 million as compared to the second quarter of 2001 relates to $2.3 million in legal, investment banking and other costs incurred in connection with a contemplated initial public offering and spin-off of Travelers Express/MoneyGram. Further consideration and implementation of the initial public offering and spin-off has been delayed pending improvement in overall economic and capital market conditions. The increase in minority interests in the second quarter of 2002 of $0.8 million as compared to the second quarter of 2001 relates primarily to strong revenue and transaction volume growth in the Payment Services segment's 51 percent interest in an international money transfer services joint venture.

NET INTEREST EXPENSE. The decrease in net interest expense from $5.3 million in the 2001 second quarter to $3.6 million in the second quarter of 2002 was primarily related to the decrease in interest expense in the second quarter of 2002 to $4.9 million from $6.8 million in the second quarter of 2001. Lower short-term interest rates and reduced debt resulted in lower interest expense during the 2002 quarter.

INCOME TAXES. Excluding the 2001 nonrecurring item, the effective tax rate in the 2002 second quarter was 29.4 percent compared to 26.6 percent (25.7 percent as adjusted for SFAS No. 142) for the second quarter of 2001. The relatively low effective tax rate compared to the statutory federal rate is primarily attributable to tax-exempt income from Viad's Payment Services businesses.

COMPARISON OF FIRST SIX MONTHS OF 2002 TO THE FIRST SIX MONTHS OF 2001 :

Revenues for the first six months of 2002 decreased $50.6 million, or 5.6 percent, to $853.5 million from $904.1 million in 2001. Revenues on the fully taxable equivalent basis decreased 6.0 percent to $873.8 million from $929.8 million. Segment operating income on the same basis (before corporate activities and minority interests) was $129.4 million for the first six months of 2002, up 0.6 percent, compared with $128.6 million for the prior year, and operating margins were 14.8 percent in 2002 compared to 13.8 percent in 2001. Segment operating income and the operating margin for the six months ended June 30, 2001 when adjusted for SFAS No. 142 would have been $137.0 million (with a 2002 decrease of 5.6 percent) and 14.7 percent, respectively. See Note H of Notes to Consolidated Financial Statements for segment information.

Net income for the first six months of 2002 was $26.9 million, or $0.30 per share, compared to $41.7 million, or $0.48 per share, for the first six months of 2001. Before the change in accounting principle and nonrecurring item previously discussed, income for the first six months of 2002 and 2001 was $64.6 million, or $0.73 per share and $60.0 million, or $0.69 per share, respectively, with a 5.8 percent increase on a per share basis. Net income for the first six months of 2001 when adjusted for SFAS No. 142 would have been $48.8 million ($0.56 per share) or $67.1 million ($0.77 per share) excluding the nonrecurring item.

(000 omitted, except per share data)	Six months ended June 30, 2002	2001
Income before change in accounting principle and nonrecurring item	$ 64,610	$ 59,978
Change in accounting principle, net of tax	(37,739)	—
Nonrecurring item, net of tax	—	(18,267)
Net income	$ 26,871	$ 41,711
Diluted net income per common share:		
Income before change in accounting principle and nonrecurring item	$ 0.73	$ 0.69
Change in accounting principle	(0.43)	—
Nonrecurring item	—	(0.21)
Diluted net income per common share	$ 0.30	$ 0.48

In June 2002, in accordance with the adoption of SFAS No. 142, Viad completed a transitional impairment test for goodwill. The test was performed as of January 1, 2002 and concluded that a transitional impairment loss of $40.0 million ($37.7 million after-tax) should be recognized related to goodwill at the Exhibitgroup/Giltspur reporting unit of the Convention and Event Services segment. The impairment was retroactively restated to the first quarter of 2002 as a cumulative effect of a change in accounting principle in accordance with SFAS No. 142.

PAYMENT SERVICES. On the fully taxable equivalent basis, revenues of the Payment Services segment for the first six months of 2002 were $403.3 million, up 10.1 percent, from 2001 six month revenues of $366.3 million. On the same basis, operating income increased to $91.3 million, up 16.4 percent from $78.5 million in the 2001 period. Operating margins on the fully taxable equivalent basis were 22.6 percent for the first six months of 2002, compared with 21.4 percent in the first six months of 2001. When adjusting the six month period ended June 30, 2001 for the impact of SFAS No. 142, operating income and the operating margin would have been $82.6 million (with a 2002 increase of 10.6 percent) and 22.5 percent, respectively. Average investable balances were 25.3 percent higher in 2002 compared to the same period in 2001, primarily driven by the strong growth in the official check business reflecting the ramp-up of key new accounts. Transaction volume for MoneyGram grew 33 percent over the prior year, with strong growth in Express Payment and in the international corridors.

CONVENTION AND EVENT SERVICES. Convention and Event Services revenues decreased $89.7 million, or 16.5 percent, to $454.3 million from $544.0 million in the 2001 six month period. Operating income for the segment was $36.7 million, down 24.0 percent, from $48.2 million in the 2001 period (or $52.1 million, down 29.7 percent, when 2001 is adjusted for SFAS No. 142). Operating margins were 8.1 percent compared with 8.9 percent in 2001 (or 9.6 percent when 2001 is adjusted for SFAS No. 142). The segment was impacted by show shrinkage, lower attendance and exhibit refurbishments instead of new builds, somewhat offset by the impact of the restructuring plan implemented last year.

TRAVEL AND RECREATION SERVICES. For the first six months of 2002, revenues of the travel and recreation businesses were $16.3 million, down 16.6 percent, from $19.5 million in the first six months of 2001, while operating income decreased $0.5 million from $1.9 million to $1.4 million for the same period. Operating income for the 2002 period would have been down 38.6 percent from $2.3 million in the six month period ended June 30, 2001, when adjusted for SFAS No. 142. The decrease in revenue and operating income relates primarily to a decrease in package tour volume as a result of a softened economy.

CORPORATE ACTIVITIES AND MINORITY INTERESTS. The increase in corporate activities expense in the first six months of 2002 of $1.7 million as compared to the first six months of 2001 primarily relates to $2.3 million in legal, investment banking and other costs incurred in connection with a contemplated initial public offering and spin-off of Travelers Express/MoneyGram. The increase in minority interests for the first six months of 2002 of $1.5 million as compared to the same period in 2001 relates primarily to strong revenue and transaction volume growth in the Payment Services segment's 51 percent interest in an international money transfer services joint venture.

NET INTEREST EXPENSE. Net interest expense of $7.4 million for the first six months of 2002 decreased 36.3 percent as compared to $11.6 million for the first six months of 2001. This was driven by a decrease in interest expense to $10.0 million for the first six months of 2002 from $14.3 million for the first six months of 2001. The lower interest expense was a result of steadily decreasing interest rates as well as lower average debt balances.

INCOME TAXES. Excluding the 2002 effect of change in accounting principle and the 2001 nonrecurring item, the effective tax rate for the first six months of 2002 was 28.1 percent as compared to 27.4 percent for the first six months of 2001 (26.3 percent as adjusted for SFAS No. 142). The relatively low effective tax rate compared to the statutory federal rate is primarily attributable to tax-exempt income from Viad's Payment Services businesses. APB Opinion No. 28 requires that income taxes be provided based on the estimated effective tax rate expected to be applicable for the entire fiscal year. The estimated annual tax rate of 28.1 percent for 2002 is expected to be higher than the annual effective tax rate of 23.6 percent in 2001, or 22.8 percent when adjusted for SFAS No. 142, (excluding the effect of the nonrecurring item) due to lower tax-exempt income in proportion to total pre-tax income, resulting from a shift in the mix of investments in the Payment Services segment from nontaxable to taxable investments.

LIQUIDITY AND CAPITAL RESOURCES:

Viad's total debt at June 30, 2002 was $387.1 million compared with $396.8 million at December 31, 2001. The debt-to-capital ratio was 0.33 to 1 at June 30, 2002, compared with 0.35 to 1 at December 31, 2001. Capital is defined as total debt plus minority interests, preferred stock, common stock and other equity.

Under a Shelf Registration filed with the Securities and Exchange Commission, Viad can issue up to an aggregate $500 million of debt and equity securities. In the second quarter of 2002, Viad filed an amended Shelf Registration with the Securities and Exchange Commission to update disclosures in the original 1994 registration statement and to maintain Viad's financial flexibility. No securities have been issued under the program.

Viad began its stock repurchase program in July 1998 for the purpose of replacing common shares issued upon exercise of stock options and in connection with other stock compensation plans, with the intended effect of reducing dilution caused by the issuance of such shares. While this program was on hold for most of 2001 and the first six months of 2002, Viad recently announced its intent to repurchase one to two million shares of its common stock in the last half of 2002. This will replace common stock issued upon exercise of stock options and in connection with other stock compensation plans. Net proceeds from the exercise of stock options totaled $9.0 million during the first six months of 2002.

EBITDA is a measure of Viad's ability to service debt, fund capital expenditures and finance growth, and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America. EBITDA is defined by Viad as net income from continuing operations before interest expense, income taxes, depreciation and amortization, change in accounting principle and nonrecurring item and includes the fully taxable equivalent adjustment. EBITDA for the first six months of 2002 was $145.8 million, down from $157.6 million in the 2001 period.

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

FORWARD-LOOKING STATEMENTS:

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

A portion of Viad's Payment Services business involves the payment of commissions to selling financial institutions of its official check program as described in Note E. A Viad Payment Services subsidiary has also entered into agreements to sell receivables primarily from its money order agents. The commissions and net proceeds from the agents' receivables sales are computed based on short-term variable interest rates that subject Viad to risk arising from changes in such rates. Viad has hedged a substantial portion of this risk through swap agreements which convert the variable rate payments to fixed rates.

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

Earnings Sensitivity to Interest Rate Changes. Based on a hypothetical 10 percent proportionate increase in interest rates from the average level of interest rates during the last twelve months, and taking into consideration expected investment positions, commissions paid to selling financial institutions, growth in new business, the effects of the swap agreements and the expected borrowing level of variable-rate debt, the decrease in pre-tax income would be approximately $0.2 million. A hypothetical 10 percent proportionate decrease in interest rates, based on the same set of assumptions, would result in an increase in pre-tax income of approximately $2.4 million. These amounts are estimated based on a certain set of assumptions about interest rates and portfolio balance growth and do not represent expected results. In addition, refer to Management's Discussion and Analysis of Results of Operations and Financial Condition for a discussion of Viad's current period results of operations and the impact of interest rate fluctuations.

Fair Value Sensitivity to Interest Rate Changes. The fair value of securities classified as available-for-sale, derivative financial instruments and fixed-rate debt is sensitive to changes in interest rates. A 10 percent proportionate increase in interest rates would result in an estimated decrease in the fair value of securities classified as available-for-sale of approximately $84.5 million (along with an after-tax decrease in accumulated other comprehensive income of approximately $51.5 million), an estimated increase in the fair value of Viad's swap agreements of approximately $43.1 million (along with an after-tax increase in accumulated other comprehensive income of $26.3 million) and an estimated off-balance-sheet decrease in the fair value of Viad's fixed-rate debt of approximately $1.1 million. A 10 percent proportionate decrease in interest rates would result in an estimated increase in the fair value of securities classified as available-for-sale of approximately $78.1 million (along with an after-tax increase in accumulated other comprehensive income of approximately $47.7 million), an estimated decrease in the fair value of Viad's swap agreements of approximately $43.1 million (along with an after-tax decrease in accumulated other comprehensive income of $26.3 million) and an estimated off-balance-sheet increase in the fair value of Viad's fixed-rate debt of approximately $1.1 million. These amounts are estimated based on a certain set of assumptions about interest rates and portfolio balance growth.

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

PART II. OTHER INFORMATION

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The annual meeting of stockholders of Viad Corp was held May 14, 2002.

(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:

Judith K. Hofer Affirmative Vote	72,255,749
Withheld Authority	1,811,504
Jack F. Reichert Affirmative Vote	72,235,526
Withheld Authority	1,831,727

2. The appointment of Deloitte & Touche LLP to audit the accounts of Viad and its subsidiaries for the fiscal year 2002.

Affirmative Vote	71,439,414
Against	2,523,178
Abstentions	104,661

3. Approve material terms of the performance goals of the 1997 Viad Corp Omnibus Incentive Plan.

Affirmative Vote	65,527,517
Against	7,902,540
Abstentions	637,196

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit No. 10.A – Copy of Viad Corp Omnibus Incentive Plan as amended through May 14, 2002.

(b) No reports on Form 8-K were filed by the registrant during the quarter for which this report is filed.

Table of Contents

SIGNATURES

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

VIAD CORP
(Registrant)

August 1, 2002

By /s/ Ellen M. Ingersoll

Ellen M. Ingersoll
Chief Financial Officer
(Principle Financial Officer
and Authorized Officer)

Table of Contents

CERTIFICATION

Pursuant to 18 U.S.C. § 1350 (Sarbanes-Oxley Act of 2002, § 906), we hereby certify that this report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934 and that information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Viad Corp.

	VIAD CORP	**VIAD CORP**
August 1, 2002	By /s/ Robert H. Bohannon	By /s/ Ellen M. Ingersoll
	Robert H. Bohannon Chairman of the Board, President and Chief Executive Officer	Ellen M. Ingersoll Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
10.A	Copy of Viad Corp Omnibus Incentive Plan as amended through May 14, 2002.

EXHIBIT 10.A

1997 VIAD CORP OMNIBUS INCENTIVE PLAN, AS AMENDED THROUGH MAY 14, 2002

SECTION 1. PURPOSE; DEFINITIONS.

The purpose of the Plan is to give the Company a significant advantage in attracting, retaining and motivating officers, employees and directors and to provide the Company and its subsidiaries with the ability to provide incentives more directly linked to the profitability of the Company's businesses and increases in stockholder value. It is the current intent of the Committee that the Plan shall replace the 1992 Stock Incentive Plan for purposes of new Awards and that the Viad Corp Management Incentive Plan, the Viad Corp Performance Unit Incentive Plan, and the Viad Corp Performance-Based Stock Plan continue under the auspices of Sections 7 and 8 hereof subject to the discretion of the Committee under the terms and conditions of this Plan.

For purposes of the Plan, the following terms are defined as set forth below:

(a) "AFFILIATE" means a corporation or other entity controlled by the Company and designated by the Committee as such.

(b) "AWARD" means an award of Stock Appreciation Rights, Stock Options, Restricted Stock or Performance-Based Awards.

(c) "AWARD CYCLE" will mean a period of consecutive fiscal years or portions thereof designated by the Committee over which Awards of Restricted Stock or Performance-Based Awards are to be earned.

(d) "BOARD" means the Board of Directors of the Company.

(e) "CAUSE" means (1) the conviction of a participant for committing a felony under federal law or the law of the state in which such action occurred,
(2) dishonesty in the course of fulfilling a participant's employment duties or
(3) willful and deliberate failure on the part of a participant to perform his employment duties in any material respect, or such other events as will be determined by the Committee. The Committee will have the sole discretion to determine whether "Cause" exists, and its determination will be final.

(f) "CHANGE IN CONTROL" and "CHANGE IN CONTROL PRICE" have the meanings set forth in Sections 9(b) and (c), respectively.

(g) "CODE" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

(h) "COMMISSION" means the Securities and Exchange Commission or any successor agency.

(i) "COMMITTEE" means the Committee referred to in Section 2.

(j) "COMMON STOCK" means common stock, par value $1.50 per share, of the Company.

(k) "COMPANY" means Viad Corp, a Delaware corporation.

(l) "COMPANY UNIT" means any subsidiary, group of subsidiaries, line of business or division of the Company, as designated by the Committee.

(m) "DISABILITY" means permanent and total disability as determined under procedures established by the Committee for purposes of the Plan.

(n) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

(o) "FAIR MARKET VALUE" means, as of any given date, the mean between the highest and lowest reported sales prices of the Stock on the New York Stock Exchange Composite Tape or, if not listed on such exchange, on any other national exchange on which the Stock is listed or on the Nasdaq Stock Market. If there is no regular public trading market for such Stock, the Fair Market Value of the Stock will be determined by the Committee in good faith. In connection with the administration of specific sections of the Plan, and in connection with the grant of particular Awards, the Committee may adopt alternative definitions of "Fair Market Value" as appropriate.

(p) "INCENTIVE STOCK OPTION" means any Stock Option intended to be and designated as an "incentive stock option" within the meaning of Section 422 of the Code.

(q) "MIP" means the Company's Management Incentive Plan providing annual cash bonus awards to participating employees based upon predetermined goals and objectives.

(r) "NET INCOME" means the consolidated net income of the Company determined in accordance with GAAP before extraordinary, unusual and other non-recurring items.

(s) "NON-EMPLOYEE DIRECTOR" means a member of the Board who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3), as promulgated by the Commission under the Exchange Act, or any successor definition adopted by the Commission.

(t) "NON-QUALIFIED STOCK OPTION" means any Stock Option that is not an Incentive Stock Option.

(u) "PERFORMANCE GOALS" means the performance goals established by the Committee in connection with the grant of Restricted Stock or Performance-Based Awards. In the case of Qualified Performance-Based Awards, such goals (1) will be based on the attainment of specified levels of one or more of the following measures with respect to the Company or any Company Unit, as applicable:
economic value added, sales or revenues, costs or expenses, net profit after tax, gross profit, operating profit, base earnings, return on actual or pro forma equity or net assets or capital, net capital employed, earnings per share, earnings per share from continuing operations, operating income, pre-tax income, operating income margin, net income, stockholder return including performance (total stockholder return) relative to the S&P 500, MidCap 400 or similar index or performance (total stockholder return) relative to the proxy comparator group, in both cases as determined pursuant to Rule 402(l) of Regulation S-K promulgated under the Exchange Act, cash generation, cash flow, unit volume and change in working capital and (2) will be set by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations.

(v) "PERFORMANCE-BASED AWARD" means an Award made pursuant to Section 8.

(w) "PERFORMANCE-BASED RESTRICTED STOCK AWARD" has the meaning set forth in Section 7(c)(1) hereof.

(x) "PLAN" means the 1997 Viad Corp Omnibus Incentive Plan, As Amended, as set forth herein and as hereafter amended from time to time.

(y) "PREFERRED STOCK" means preferred stock, par value $0.01, of the Company.

(z) "QUALIFIED PERFORMANCE-BASED AWARDS" means an Award of Restricted Stock or a Performance-Based Award designated as such by the Committee at the time of grant, based upon a determination that (1) the recipient is or may be a "covered employee" within the meaning of Section 162(m)(3) of the Code in the year in which the Company would expect to be able to claim a tax deduction with respect to such Restricted Stock or Performance-Based Award and (2) the Committee wishes such Award to qualify for the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section
162(m)(4)(C).

(aa) "RESTRICTED STOCK" means an award granted under Section 7.

(bb) "RETIREMENT," except as otherwise determined by the Committee, means voluntary separation of employment, voluntary termination of employment or voluntary resignation from employment (a) at or after attaining age 55 on pension or vested to receive pension under a pension plan of the Corporation upon election, or (b) upon or after attaining age 55 and not less than five years' continuous service with the Corporation or an affiliate of the Corporation, whether or not vested for pension. Retirement shall be deemed to occur at the close of business on the last day of the employee's participation on the payroll of the Corporation whether receiving compensation for active employment, accrued vacation, salary continuation (regular way or lump sum) or like employment programs.

(cc) "RULE 16b-3" means Rule 16b-3, as promulgated by the Commission under Section 16(b) of the Exchange Act, as amended from time to time.

(dd) "STOCK" means the Common Stock or Preferred Stock.

(ee) "STOCK APPRECIATION RIGHT" means a right granted under Section 6.

(ff) "STOCK OPTION" means an option granted under Section 5.

(gg) "TERMINATION OF EMPLOYMENT" means the termination of the participant's employment with the Company and any subsidiary or Affiliate. A participant employed by a subsidiary or an Affiliate will also be deemed to incur a Termination of Employment if the subsidiary or Affiliate ceases to be such a subsidiary or Affiliate, as the case may be, and the participant does not immediately thereafter become an employee of the Company or another subsidiary or Affiliate. Transfers among the Company and its subsidiaries and Affiliates, as well as temporary absences from employment because of illness, vacation or leave of absence, will not be considered a Termination of Employment.

In addition, certain other terms used herein have definitions given to them in the first place in which they are used.

SECTION 2. ADMINISTRATION.

The Plan will be administered by the Human Resources Committee of the Board pursuant to authority delegated by the Board in accordance with the Company's By-Laws. If at any time there is no such Human Resources Committee or such Human Resources Committee shall fail to be composed of at least two directors each of whom is a Non-Employee Director and is an "outside director" under Section 162(m)(4) of the Code, the Plan will be administered by a Committee selected by the Board and composed of not less than two individuals, each of whom is such a Non-Employee Director and such an "outside director."

The Committee will have plenary authority to grant Awards pursuant to the terms of the Plan to officers, employees and directors of the Company and its subsidiaries and Affiliates, but the Committee may not grant MIP Awards larger than the limits provided in Section 3.

Among other things, the Committee will have the authority, subject to the terms of the Plan:

(a) to select the officers, employees and directors to whom Awards may from time to time be granted;

(b) to determine whether and to what extent Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock and Performance-Based Awards or any combination thereof are to be granted hereunder;

(c) to determine the number of shares of Stock or the amount of cash to be covered by each Award granted hereunder;

(d) to determine the terms and conditions of any Award granted hereunder (including, but not limited to, the option price (subject to Section 5(a)), any vesting condition, restriction or limitation (which may be related to the performance of the participant, the Company or any subsidiary, Affiliate or Company Unit) and any rule concerning vesting acceleration or waiver of forfeiture regarding any Award and any shares of Stock relating thereto, based on such factors as the Committee will determine) provided, however, that the Committee will have no power to accelerate the vesting, or waive the forfeiture, regarding any Award and any shares of Stock relating thereto, except in connection with a "change of control" of the Company, the sale of a subsidiary or majority-owned affiliate of the Company (and then only with respect to participants employed by each such subsidiary or affiliate), the death or disability of a participant or termination of employment of a participant, and, further provided, however, that the Committee will have no power to accelerate the vesting, or waive the forfeiture, of any Qualified Performance-Based Awards;

(e) to modify, amend or adjust the terms and conditions, at any time or from time to time, of any Award, including but not limited to Performance Goals; provided, however, that the Committee may not adjust upwards the amount payable with respect to any Qualified Performance-Based Award or waive or alter the Performance Goals associated therewith and provided, further, however, that the Committee may not reprice Stock Options except for an amount of Stock Options representing not more than 10% of then outstanding Stock Options;

(f) to determine to what extent and under what circumstances Stock and other amounts payable with respect to an Award will be deferred; and

(g) to determine under what circumstances a Stock Option may be settled in cash or Stock under Section 5(j).

The Committee will have the authority to adopt, alter or repeal such administrative rules, guidelines and practices governing the Plan as it from time to time deems advisable, to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreement relating thereto) and to otherwise supervise the administration of the Plan.

The Committee may act only by a majority of its members then in office, except that the members thereof may (1) delegate to designated officers or employees of the Company such of its powers and authorities under the Plan as it deems appropriate (provided that no such delegation may be made that would cause Awards or other transactions under the Plan to fail to be exempt from Section 16(b) of the Exchange Act or that would cause Qualified Performance-Based Awards to cease to so qualify) and (2) authorize any one or more members or any designated officer or employee of the Company to execute and deliver documents on behalf of the Committee.

Any determination made by the Committee or pursuant to delegated authority pursuant to the provisions of the Plan with respect to any Award will be made in the sole discretion of the Committee or such delegates at the time of the grant of the Award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer(s) or employee(s) pursuant to the provision of the Plan will be final and binding on all persons, including the Company and Plan participants.

Notwithstanding anything to the contrary in the Plan, the Committee will have the authority to modify, amend or adjust the terms and conditions of any Award as appropriate in the event of or in connection with any reorganization, recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation or any change in the capital structure of the Company.

SECTION 3. STOCK SUBJECT TO PLAN AND LIMITS ON AWARDS.

(a) Subject to adjustment as provided herein, the number of shares of Common Stock of the Company available for grant under the Plan in each calendar year (including partial calendar years) during which the Plan is in effect shall be equal to two percent (2.0%) of the total number of shares of Common Stock of the Company outstanding as of the first day of each such year for which the Plan is in effect; provided that any shares available for grant in a particular calendar year (or partial calendar year) which are not, in fact, granted in such year shall be added to the shares available for grant in any subsequent calendar year.

(b) Subject to adjustment as provided herein, the number of shares of Stock covered by Awards granted to any one participant will not exceed 500,000 shares for any consecutive twelve-month period and the aggregate dollar amount for Awards denominated solely in cash will not exceed $5.0 million for any such period.

(c) In addition, and subject to adjustment as provided herein, no more than 7.5 million shares of Common Stock will be cumulatively available for the grant of Incentive Stock Options over the life of the Plan.

(d) Shares subject to an option or award under the Plan may be authorized and unissued shares or may be "treasury shares." In the event of any merger, reorganization, consolidation, recapitalization, spin-off, stock dividend, stock split, extraordinary distribution with respect to the Stock or other change in corporate structure affecting the Stock, such substitution or adjustments will be made in the aggregate number and kind of shares reserved for issuance under the Plan, in the aggregate limit on grants to individuals, in the number, kind, and option price of shares subject to outstanding Stock Options and Stock Appreciation Rights, in the number and kind of shares subject to other outstanding Awards granted under the Plan and/or such other equitable substitutions or adjustments as may be determined to be appropriate by the Committee or the Board, in its sole discretion; provided, however, that the number of shares subject to any Award will always be a whole number.

(e) Awards under the MIP may not exceed in the case of (i) the Company's Chief Executive Officer, one and one-half percent (1.5%) of net income as defined; (ii) a president of any of the Company's operating companies, whether or not incorporated, six-tenths of one percent (0.6%) of net income as defined; and (iii) all other executive officers of the Company individually, one-half of one percent (0.5%) of net income as defined.

SECTION 4. ELIGIBILITY.

Officers, employees and directors of the Company, its subsidiaries and Affiliates who are responsible for or contribute to the management, growth and profitability of the business of the Company, its subsidiaries and Affiliates are eligible to be granted Awards under the Plan.

SECTION 5. STOCK OPTIONS.

Stock Options may be granted alone or in addition to other Awards granted under the Plan and may be of two types: Incentive Stock Options and Non-Qualified Stock Options. Any Stock Option granted under the Plan will be in such form as the Committee may from time to time approve.

The Committee will have the authority to grant any optionee Incentive Stock Options, Non-Qualified Stock Options or both types of Stock Options (in each case with or without Stock Appreciation Rights). Incentive Stock Options may be granted only to employees of the Company and its subsidiaries (within the meaning of Section 424(f) of the Code). To the extent that any Stock Option is not designated as an Incentive Stock Option or even if so designated does not qualify as an Incentive Stock Option, it will be deemed to be a Non-Qualified Stock Option.

Stock Options will be evidenced by option agreements, the terms and provisions of which may differ. An option agreement will indicate on its face whether it is an agreement for an Incentive Stock Option or a Non-Qualified Stock Option. The grant of a Stock Option will occur on the date the Committee by resolution selects an individual to be a participant in any grant of a Stock Option, determines the number of shares of Stock to be subject to such Stock Option to be granted to such individual and specifies the terms and provisions of the Stock Option. The Company will notify a participant of any grant of a Stock Option, and a written option agreement or agreements will be duly executed and delivered by the Company to the participant.

Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to Incentive Stock Options will be interpreted, amended or altered nor will any discretion or authority granted under the Plan be exercised so as to disqualify the Plan under Section 422 of the Code or, without the consent of the optionee affected, to disqualify any Incentive Stock Option under such Section 422.

Stock Options granted under the Plan will be subject to the following terms and conditions and will contain such additional terms and conditions as the Committee will deem desirable:

(a) OPTION PRICE. The option price per share of Stock purchasable under a Stock Option will be determined by the Committee and set forth in the option agreement, and will not be less than the Fair Market Value of the Stock subject to the Stock Option on the date of grant.

(b) OPTION TERM. The term of each Stock Option will be fixed by the Committee, but no Incentive Stock Option may be exercisable more than 10 years after the date the Incentive Stock Option is granted.

(c) EXERCISABILITY. Except as otherwise provided herein, Stock Options will be exercisable at such time or times and subject to such terms and conditions as will be determined by the Committee. If the Committee provides that any Stock Option is exercisable only in installments, the Committee may, subject to the provisions of Section 2(d) hereof, at any time waive such installment exercise provisions, in whole or in part, based on such factors as the Committee may determine. In addition, the Committee may, subject to the provisions of Section 2(d) hereof, at any time accelerate the exercisability of any Stock Option.

(d) METHOD OF EXERCISE. Subject to the provisions of this Section 5, Stock Options may be exercised, in whole or in part, at any time during the option term by giving written notice of exercise to the Company specifying the number of shares of Stock subject to the Stock Option to be purchased.

Such notice must be accompanied by payment in full of the purchase price by certified or bank check or such other instrument as the Company may accept. An option agreement may provide that, if approved by the Committee, payment in full or in part or payment of tax liability, if any, relating to such exercise may also be made in the form of unrestricted Stock already owned by the optionee of the same class as the Stock subject to the Stock Option and, in the case of the exercise of a Non-Qualified Stock Option, Restricted Stock subject to an Award hereunder which is of the same class as the Stock subject to the Stock Option (in both cases based on the Fair Market Value of the Stock on the date the Stock Option is exercised); provided, however, that, in the case of an Incentive Stock Option, the right to make a payment in the form of already owned shares of Stock of the same class as the Stock subject to the Stock Option may be authorized only at the time the Stock Option is granted. In addition, an option agreement may provide that, in the discretion of the Committee, payment for any shares subject to a Stock Option or tax liability associated therewith may also be made by instruction to the Committee to withhold a number of such shares having a Fair Market Value on the date of exercise equal to the aggregate exercise price of such Stock Option.

If payment of the option exercise price of a Non-Qualified Stock Option is made in whole or in part in the form of Restricted Stock, the number of shares of Stock to be received upon such exercise equal to the number of shares of Restricted Stock used for payment of the option exercise price will be subject to the same forfeiture restrictions to which such Restricted Stock was subject, unless otherwise determined by the Committee.

No shares of Stock will be issued until full payment therefor has been made. Subject to any forfeiture restrictions that may apply if a Stock Option is exercised using Restricted Stock, an optionee will have all of the rights of a stockholder of the Company holding the class or series of Stock that is subject to such Stock Option (including, if applicable, the right to vote the shares and the right to receive dividends), when the optionee has given written notice of exercise, has paid in full for such shares and, if requested, has given the representation described in Section 12(a).

(e) NONTRANSFERABILITY OF STOCK OPTIONS. (1) No Stock Option will be transferable by the optionee other than (A) by will or by the laws of descent and distribution or (B) in the case of a Non-Qualified Stock Option, pursuant to a qualified domestic relations order (as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder). All Stock Options will be exercisable, during the optionee's lifetime, only by the optionee or by the guardian or legal representative of the optionee, it being understood that the terms "holder" and "optionee" include the guardian and legal representative of the optionee named in the option agreement and any person to whom a Stock Option is transferred by will or the laws of descent and distribution or pursuant to a qualified domestic relations order.

(2) Notwithstanding Section 5(e)(1) above, the Committee may grant Stock Options that are transferable, or amend outstanding Stock Options to make them transferable, by the optionee (any such Stock Option so granted or amended a "Transferable Option") to one or more members of the optionee's immediate family, to partnerships of which the only partners are members of the optionee's immediate family, or to trusts established by the optionee for the benefit of one or more members of the optionee's immediate family. For this purpose the term "immediate family" means the optionee's spouse, children or grandchildren. Consideration may not be paid for the transfer of a Transferable Option. A transferee described in this Section 5(e)(2) shall be subject to all terms and conditions applicable to the Transferable Option prior to its transfer. The option agreement with respect to a Transferable Option shall set forth its transfer restrictions, such option agreement shall be approved by the Committee, and only Stock Options granted pursuant to a stock option agreement expressly permitting transfer pursuant to this Section 5(e)(2) shall be so transferable.

(f) TERMINATION BY DEATH. If an optionee's employment terminates by reason of death, any Stock Option held by such optionee may thereafter be exercised, to the extent then exercisable, or on such accelerated basis as the Committee may determine, for a period of one year (or such other period as the Committee may specify in the option agreement) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(g) TERMINATION BY REASON OF DISABILITY. If an optionee's employment terminates by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of termination, or on such accelerated basis as the Committee may determine, for a period of three years (or such shorter period as the Committee may specify in the option agreement) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that if the optionee dies within such three-year period (or such shorter period), any unexercised Stock Option held by such optionee will, notwithstanding the expiration of such three-year (or such shorter) period, continue to be exercisable to the extent to which it was exercisable at the time of death for a period of 12 months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of termination of employment by reason of Disability, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock Option.

(h) TERMINATION BY REASON OF RETIREMENT. If an optionee's employment terminates by reason of Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of termination, or on such accelerated basis as the Committee may determine, for a period of five years (or such shorter period as the Committee may specify in the option agreement) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that if the optionee dies within such five-year period (or such shorter period), any unexercised Stock Option held by such optionee will, notwithstanding such five-year (or such shorter) period, continue to be exercisable to the extent to which it was exercisable at the time of death for a period of 12 months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of termination of employment by reason of Retirement, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock Option.

(i) OTHER TERMINATION. Unless otherwise determined by the Committee, if an optionee incurs a Termination of Employment for any reason other than death, Disability or Retirement or Cause, any Stock Option held by such optionee will thereupon terminate, except that such Stock Option, to the extent then exercisable, or subject to the provisions of Section 2(d) hereof, on such accelerated basis as the Committee may determine, may be exercised for the lesser of three months from the date of such Termination of Employment or the balance of such Stock Option's term; provided, however, that if the optionee dies within such three-month period, any unexercised Stock Option held by such optionee will, notwithstanding the expiration of such three-month period, continue to be exercisable to the extent to which it was exercisable at the time of death for a period of 12 months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of Termination of Employment, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock Option.

(j) CASHING OUT OF STOCK OPTION. On receipt of written notice of exercise, the Committee may elect to cash out all or part of the shares of Stock for which a Stock Option is being exercised by paying the optionee an amount, in cash or Stock, equal to the excess of the Fair Market Value of the Stock over the option price times the number of shares of Stock for which the Option is being exercised on the effective date of such cash-out.

(k) CHANGE IN CONTROL CASH-OUT. Subject to Section 12(h), but notwithstanding any other provision of the Plan, during the 60-day period from and after a Change in Control (the "Exercise Period"), unless the Committee determines otherwise at the time of grant, an optionee will have the right, whether or not the Stock Option is fully exercisable and in lieu of the payment of the exercise price for the shares of Stock being purchased under the Stock Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Company and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change in Control Price per share of Stock on the date of such election will exceed the exercise price per share of Stock under the Stock Option (the "Spread") multiplied by the number of shares of Stock granted under the Stock Option as to which the right granted under this Section 5(k) will have been exercised.

SECTION 6. STOCK APPRECIATION RIGHTS.

(a) GRANT AND EXERCISE. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of grant of such Stock Option. A Stock Appreciation Right will terminate and no longer be exercisable upon the termination or exercise of the related Stock Option.

A Stock Appreciation Right may be exercised by an optionee in accordance with Section 6(b) by surrendering the applicable portion of the related Stock Option in accordance with procedures established by the Committee. Upon such exercise and surrender, the optionee will be entitled to receive an amount determined in the manner prescribed in Section 6(b). Stock Options which have been so surrendered will no longer be exercisable to the extent the related Stock Appreciation Rights have been exercised.

(b) TERMS AND CONDITIONS. Stock Appreciation Rights will be subject to such terms and conditions as will be determined by the Committee, including the following:

(1) Stock Appreciation Rights will be exercisable only at such time or times and to the extent that the Stock Options to which they relate are exercisable in accordance with the provisions of Section 5 and this Section 6;

(2) Upon the exercise of a Stock Appreciation Right, an optionee will be entitled to receive an amount in cash, shares of Stock or both equal in value to the excess of the Fair Market Value of one share of Stock as of the date of exercise over the option price per share specified in the related Stock Option multiplied by the number of shares in respect of which the Stock Appreciation Right has been exercised, with the Committee having the right to determine the form of payment;

(3) Stock Appreciation Rights will be transferable only to permitted transferees of the underlying Stock Option in accordance with Section 5(e).

SECTION 7. RESTRICTED STOCK.

(a) ADMINISTRATION. Shares of Restricted Stock may be awarded either alone or in addition to other Awards granted under the Plan. The Committee will determine the individuals to whom and the time or times at which grants of Restricted Stock will be awarded, the number of shares to be awarded to any participant, the conditions for vesting, the time or times within which such Awards may be subject to forfeiture and any other terms and conditions of the Awards, in addition to those contained in Section 7(c).

(b) AWARDS AND CERTIFICATES. Shares of Restricted Stock will be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Except as otherwise set forth in a Restricted Stock Agreement, any certificate issued in respect of shares of Restricted Stock will be registered in the name of such participant and will bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the 1997 Incentive Plan and a Restricted Stock Agreement. Copies of such Plan and Agreement are on file at the offices of Viad Corp, Viad Tower, Phoenix, Arizona."

The Committee may require that the certificates evidencing such shares be held in custody by the Company until the restrictions thereon have lapsed and that, as a condition of any Award of Restricted Stock, the participant has delivered a stock power, endorsed in blank, relating to the Stock covered by such Award.

(c) TERMS AND CONDITIONS. Shares of Restricted Stock will be subject to the following terms and conditions:

(1) The Committee may, prior to or at the time of grant, designate an Award of Restricted Stock as a Qualified Performance-Based Award, in which event it will condition the grant or vesting, as applicable, of such Restricted Stock upon the attainment of Performance Goals. If the Committee does not designate an Award of Restricted Stock as a Qualified Performance-Based Award, it may also condition the grant or vesting thereof upon the attainment of Performance Goals or such other performance-based criteria as the Committee shall establish (such an Award, a "Performance-Based Restricted Stock Award"). Regardless of whether an Award of Restricted Stock is a Qualified Performance-Based Award or a Performance-Based Restricted Stock Award, the Committee may also condition the grant or vesting upon the continued service of the participant. The provisions of Restricted Stock Awards (including the conditions for grant or vesting and any applicable Performance Goals) need not be the same with respect to each recipient. The Committee may at any time, in its sole discretion, subject to the provisions of Section 7(c)(10), accelerate or waive, in whole or in part, any of the foregoing restrictions; provided, however, that in the case of Restricted Stock that is a Qualified Performance-Based Award, the applicable Performance Goals have been satisfied.

(2) Subject to the provisions of the Plan and the Restricted Stock Agreement referred to in Section 7(c)(8), during the period set by the Committee, commencing with the date of such Award for which such participant's continued service is required (the "Restriction Period") and until the later of (A) the expiration of the Restriction Period and (B) the date the applicable Performance Goals (if any) are satisfied, the participant will not be permitted to sell, assign, transfer, pledge or otherwise encumber shares of Restricted Stock.

(3) Except as provided in this paragraph (3) and Sections 7(c)(1) and (2) and the Restricted Stock Agreement, the participant will have, with respect to the shares of Restricted Stock, all of the rights of a stockholder of the Company holding the class or series of Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right to receive any dividends. If so determined by the Committee in the applicable Restricted Stock Agreement and subject to Section 12(f) of the Plan, (A) dividends consisting of cash, stock or other property (other than Stock) on the class or series of Stock

that is the subject of the Restricted Stock shall be automatically deferred and reinvested in additional Restricted Stock (in the case of stock or other property, based on the fair market value thereof, and the Fair Market Value of the Stock, in each case as of the record date for the dividend) held subject to the vesting of the underlying Restricted Stock, or held subject to meeting any Performance Goals applicable to the underlying Restricted Stock, and (B) dividends payable in Stock shall be paid in the form of Restricted Stock of the same class as the Stock with which such dividend was paid and shall be held subject to the vesting of the underlying Restricted Stock, or held subject to meeting any Performance Goals applicable to the underlying Restricted Stock.

(4) Except to the extent otherwise provided in the applicable Restricted Stock Agreement, Section 7(c)(1), 7(c)(2), 7(c)(5) or 9(a)(2), upon a participant's Termination of Employment for any reason during the Restriction Period or before any applicable Performance Goals are met, all shares still subject to restriction will be forfeited by the participant.

(5) Except to the extent otherwise provided in Section 9(a)(2) and Sections 7(c)(9) and (10), in the event that a participant retires or such participant's employment is involuntarily terminated (other than for Cause), the Committee will have the discretion to waive in whole or in part any or all remaining restrictions (other than, in the case of Restricted Stock which is a Qualified Performance-Based Award, satisfaction of the applicable Performance Goals unless the participant's employment is terminated by reason of death or Disability) with respect to any or all of such participant's shares of Restricted Stock.

(6) Except as otherwise provided herein or as required by law, if and when any applicable Performance Goals are satisfied and the Restriction Period expires without a prior forfeiture of the Restricted Stock, unlegended certificates for such shares will be delivered to the participant upon surrender of legended certificates.

(7) Awards of Restricted Stock, the vesting of which is not conditioned upon the attainment of Performance Goals or other performance-based criteria, is limited to twenty percent (20%) of the number of shares of Common Stock of the Corporation available for grant under the Plan in each calendar year.

(8) Each Award will be confirmed by, and be subject to the terms of, a Restricted Stock Agreement.

(9) Performance-Based Restricted Stock will be subject to a minimum one-year performance period and Restricted Stock which is not performance-based will be subject to a minimum three-year vesting period.

(10) There will be no vesting acceleration, or waiver of forfeiture regarding any Award and any shares of Stock relating thereto, except in connection with a "change of control" of the Company, the sale of a subsidiary or majority-owned affiliate of the Company (and then only with respect to participants employed by each subsidiary or affiliate), the death or disability of a participant, or termination of employment of a participant.

SECTION 8. PERFORMANCE-BASED AWARDS.

(a) ADMINISTRATION. Performance-Based Awards may be awarded either alone or in addition to other Awards granted under the Plan. Subject to the terms and conditions of the Plan, the Committee shall determine the officers and employees to whom and the time or times at which Performance-Based Awards will be awarded, the number or amount of Performance-Based Awards to be awarded to any participant, whether such Performance-Based Award shall be denominated in a number of shares of Stock, an amount of cash, or some combination thereof, the duration of the Award Cycle and any other terms and conditions of the Award, in addition to those contained in Section 8(b).

(b) TERMS AND CONDITIONS. Performance-Based Awards will be subject to the following terms and conditions:

(1) The Committee may, prior to or at the time of the grant, designate Performance-Based Awards as Qualified Performance-Based Awards, in which event it will condition the settlement thereof upon the attainment of Performance Goals. If the Committee does not designate Performance-Based Awards as Qualified Performance-Based Awards, it may also condition the settlement thereof upon the attainment of Performance Goals or such other performance-based criteria as the Committee shall establish. Regardless of whether Performance-Based Awards are Qualified Performance-Based Awards, the Committee may also condition the settlement thereof upon the continued service of the participant. The provisions of such Performance-Based Awards (including without limitation any applicable Performance Goals) need not be the same with respect to each recipient. Subject to the provisions of the Plan and the Performance-Based Award Agreement referred to in Section 8(b)(5), Performance-Based Awards may not be sold, assigned, transferred, pledged or otherwise encumbered during the Award Cycle.

(2) Unless otherwise provided by the Committee (A) from time to time pursuant to the administration of particular Award programs under this Section 8, such as the Viad Corp Management Incentive Plan, the Viad Corp Performance Unit Incentive Plan or the Viad Corp Performance-Based Stock Plan or (B) in any agreement relating to an Award, and except as provided in Section 8(b)(3), upon a participant's Termination of Employment for any reason prior to the payment of an Award under this Section 8, all rights to receive cash or Stock in settlement of the Award shall be forfeited by the participant.

(3) In the event that a participant's employment is terminated (other than for Cause), or in the event a participant retires, the Committee shall have the discretion to waive, in whole or in part, any or all remaining payment limitations (other than, in the case of Awards that are Qualified Performance-Based Awards, satisfaction of the applicable Performance Goals unless the participant's employment is terminated by reason of death or Disability) with respect to any or all of such participant's Awards.

(4) At the expiration of the Award Cycle, the Committee will evaluate the Company's performance in light of any Performance Goals for such Award, and will determine the extent to which a Performance-Based Award granted to the participant has been earned, and the Committee will then cause to be delivered to the participant, as specified in the grant of such Award: (A) a number of shares of Stock equal to the number of shares determined by the Committee to have been earned or (B) cash equal to the amount determined by the Committee to have been earned or (C) a combination of shares of Stock and cash if so specified in the Award.

(5) No Performance-Based Award may be assigned, transferred, or otherwise encumbered except, in the event of the death of a participant, by will or the laws of descent and distribution.

(6) Each Award will be confirmed by, and be subject to, the terms of a Performance-Based Award Agreement.

(7) Performance-Based Awards will be subject to a minimum one-year performance period.

SECTION 9. CHANGE IN CONTROL PROVISIONS.

(a) IMPACT OF EVENT. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control:

(1) Any Stock Options and Stock Appreciation Rights outstanding as of the date such Change in Control is determined to have occurred and not then exercisable and vested will become fully exercisable and vested to the full extent of the original grant;

(2) The restrictions and conditions to vesting applicable to any Restricted Stock will lapse, and such Restricted Stock will become free of all restrictions and become fully vested and transferable to the full extent of the original grant;

(3) Performance-Based Awards will be considered to be earned and payable to the extent, if any, and in an amount, if any, and otherwise, in accordance with the provisions of the agreement relating to such Awards.

(b) DEFINITION OF CHANGE IN CONTROL. For purposes of the Plan, a "Change in Control" will mean the happening of any of the following events:

(1) An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); excluding, however, the following: (i) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (3) of this Section 9(b); or

(2) A change in the composition of the Board such that the individuals who, as of February 20, 1997, constitute the Board (such Board will be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 9(b), that any individual who becomes a member of the Board subsequent to February 20, 1997, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) will be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office

occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board will not be so considered as a member of the Incumbent Board; or

(3) The approval by the stockholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company ("Corporate Transaction") (or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the earlier of the obtaining of such consent or the consummation of the Corporate Transaction); excluding, however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than sixty percent (60%) of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) will beneficially own, directly or indirectly, twenty percent (20%) or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Corporate Transaction and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(4) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(c) CHANGE IN CONTROL PRICE. For purposes of the Plan, "Change in Control Price" means the higher of (1) the highest reported sales price, regular way, of a share of Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which such shares are listed or on The Nasdaq Stock Market during the 60-day period prior to and including the date of a Change in Control or (2) if the Change in Control is the result of a tender or exchange offer or a Corporate Transaction, the highest price per share of Stock paid in such tender or exchange offer or Corporate Transaction; provided, however, that in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, the Change in Control Price will be in all cases the Fair Market Value of the Stock on the date such Incentive Stock Option or Stock Appreciation Right is exercised. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration will be determined in the sole discretion of the Board.

SECTION 10. TERM, AMENDMENT AND TERMINATION.

The Plan will terminate May 31, 2007, but may be terminated sooner at any time by the Board, provided that no Incentive Stock Options shall be granted under the Plan after February 19, 2007. Awards outstanding as of the date of any such termination will not be affected or impaired by the termination of the Plan.

The Board may amend, alter, or discontinue the Plan, but no amendment, alteration or discontinuation will be made which would (a) impair the rights of an optionee under a Stock Option or a recipient of a Stock Appreciation Right, Restricted Stock Award or Performance-Based Award theretofore granted without the optionee's or recipient's consent, except such an amendment which is necessary to cause any Award or transaction under the Plan to qualify, or to continue to qualify, for the exemption provided by Rule 16b-3, or (b) disqualify any Award or transaction under the Plan from the exemption provided by Rule 16b-3. In addition, no such amendment may be made without the approval of the Company's stockholders to the extent such approval is required by law or agreement.

The Committee may amend the terms of any Stock Option or other Award theretofore granted, prospectively or retroactively, but no such amendment will

(1) impair the rights of any holder without the holder's consent except such an amendment which is necessary to cause any Award or transaction under the Plan to qualify, or to continue to qualify, for the exemption provided by Rule 16b-3 or

(2) amend any

Qualified Performance-Based Award in such a way as to cause it to cease to qualify for the exemption set forth in Section 162(m)(4)(C). The Committee may also substitute new Stock Options for previously granted Stock Options, including previously granted Stock Options having higher option prices; provided, however, that the Committee may take such action only with respect to Stock Options representing not more than 10% of then outstanding Stock Options.

Subject to the above provisions, the Board will have authority to amend the Plan to take into account changes in law and tax and accounting rules, as well as other developments and to grant Awards which qualify for beneficial treatment under such rules without stockholder approval.

SECTION 11. UNFUNDED STATUS OF PLAN.

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 12. GENERAL PROVISIONS.

(a) The Committee may require each person purchasing or receiving shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring any shares without a view to the distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Stock or other securities delivered under the Plan will be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Commission, any stock exchange upon which the Stock is then listed and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

Notwithstanding any other provision of the Plan or agreements made pursuant thereto, the Company shall not be required to issue or deliver any certificate or certificates for shares of Stock under the Plan prior to fulfillment of all of the following conditions:

(1) Listing or approval for listing upon notice of issuance, of such shares on the New York Stock Exchange, Inc., or such other securities exchange as may at the time be the principal market for the Stock;

(2) Any registration or other qualification of such shares of the Company under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification which the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable; and

(3) Obtaining any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

(b) Nothing contained in the Plan will prevent the Company or any subsidiary or Affiliate from adopting other or additional compensation arrangements for its employees.

(c) The adoption of the Plan will not confer upon any employee any right to continued employment nor will it interfere in any way with the right of the Company or any subsidiary or Affiliate to terminate the employment of any employee at any time.

(d) No later than the date as of which an amount first becomes includible in the gross income of the participant for Federal income tax purposes with respect to any Award under the Plan, the participant will pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Company, withholding obligations may be settled with Stock, including Stock that is part of the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan will be conditional on such payment or arrangements, and the Company and its Affiliates will, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the participant. The Committee may establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settlement of withholding obligations with Stock.

(e) At the time of grant, the Committee may provide in connection with any grant made under the Plan that the shares of Stock received as a result of such grant will be subject to a right of first refusal pursuant to which the participant will be required to offer to the Company any shares that the participant wishes to sell at the then Fair Market Value of the Stock, subject to such other terms and conditions as the Committee may specify at the time of grant.

(f) The reinvestment of dividends in additional Restricted Stock at the time of any dividend payment will only be permissible if sufficient shares of Stock are available under Section 3 for such reinvestment (taking into account then outstanding Stock Options and other Awards).

(g) The Committee will establish such procedures as it deems appropriate for a participant to designate a beneficiary to whom any amounts payable in the event of the participant's death are to be paid or by whom any rights of the participant, after the participant's death, may be exercised.

(h) Notwithstanding any other provision of the Plan or any agreement relating to any Award hereunder, if any right granted pursuant to this Plan would make a Change in Control transaction ineligible for pooling-of-interests-accounting under APB No. 16 that, but for the nature of such grant, would otherwise be eligible for such accounting treatment, the Committee will have the ability, in its sole discretion, to substitute for the cash payable pursuant to such grant Common Stock with a Fair Market Value equal to the cash that would otherwise be payable hereunder.

(i) The Plan and all Awards made and actions taken thereunder will be governed by and construed in accordance with the laws of the State of Delaware.

SECTION 13. EFFECTIVE DATE OF PLAN.

The Plan will be effective on the later of (a) the time it is approved by the Board and (b) the time certain provisions of the Plan are approved by stockholders for tax purposes.

SECTION 14. DIRECTOR STOCK OPTIONS.

a) Each director of the Company who is not otherwise an employee of the Company or any of its subsidiaries or Affiliates, will (1) on the date of his or her first election as a director of the Company (such initial grant being an "Initial Grant"), and (2) annually on the third Thursday of February, during such director's term (the "Annual Grant"), automatically be granted Non-Qualified Stock Options to purchase Common Stock having an exercise price per share of Common Stock equal to 100% of Fair Market Value per share of Common Stock at the date of grant of such Non-Qualified Stock Option. The number of shares subject to each such Initial Grant, and each such Annual Grant, will be 5,000 shares. A non-employee director who is first elected as a director of the Company during the course of a year (i.e., on a date other than the date of the Annual Grant) will, in addition to the Initial Grant, receive upon election a grant of

Non-Qualified Stock Options prorated to reflect the number of months served in the initial year of service, with the number of shares of Common Stock subject to such Stock Option being equal to (1) the number of shares subject to the Initial Grant multiplied by (2) a fraction the numerator of which will be the number of months from the date of such election through the date of the next Annual Grant and the denominator of which will be twelve (12).

(b) An automatic director Stock Option will be granted hereunder only if as of each date of grant the director (1) is not otherwise an employee of the Company or any of its subsidiaries or Affiliates, (2) has not been an employee of the Company or any of its subsidiaries or Affiliates for any part of the preceding fiscal year, and (3) has served on the Board continuously since the commencement of his term.

(c) Except as expressly provided in this Section 14, any Stock Option granted hereunder will be subject to the terms and conditions of the Plan as if the grant were made pursuant to Section 5 hereof including, without limitation, the rights set forth in Section 5(j) hereof.

End of Filing

Powered By EDGAR Online

© 2005 | EDGAR Online, Inc.