VIAD CORP
Form 10-Q
August 09, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2011

or

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

For the transition period from __________ to __________

Commission File Number: 001-11015

VIAD CORP

(Exact name of registrant as specified in its charter)

Delaware	**36-1169950**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1850 North Central Avenue, Suite 1900 Phoenix, Arizona	**85004-4545**
(Address of principal executive offices)	(Zip Code)

(602) 207-4000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Small reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of July 31, 2011, there were 20,373,132 shares of common stock ($1.50 par value) outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

VIAD CORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2011	December 31, 2010
	(in thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 107,348	$ 145,841
Accounts receivable, net of allowance for doubtful accounts of $1,332 and $1,172, respectively	89,889	47,187
Inventories	30,946	38,670
Deferred income taxes	20,901	22,057
Other current assets	22,777	17,160
Total current assets	271,861	270,915
Property and equipment, net	170,651	149,346
Other investments and assets	32,576	31,363
Deferred income taxes	35,158	35,875
Goodwill	133,827	127,441
Other intangible assets, net	1,650	1,563
Total Assets	$ 645,723	$ 616,503
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 60,183	$ 47,933
Other current liabilities	96,158	96,749
Current portion of long-term debt and capital lease obligations	2,299	6,639
Total current liabilities	158,640	151,321
Long-term debt and capital lease obligations	1,950	2,438
Pension and postretirement benefits	33,186	33,008
Other deferred items and liabilities	45,390	43,025
Total liabilities	239,166	229,792
Commitments and contingencies (Note 15)		
Stockholders equity:		
Viad Corp stockholders equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 24,934,981 shares issued	37,402	37,402
Additional capital	598,638	606,902
Retained deficit	(6,583)	(19,229)
Unearned employee benefits and other	(3,813)	(4,433)

Accumulated other comprehensive income (loss):				
Unrealized gains on investments		343		282
Cumulative foreign currency translation adjustments		44,591		38,979
Unrecognized net actuarial loss and prior service credit		(10,397)		(10,410)
Common stock in treasury, at cost, 4,561,649 and 4,710,988 shares, respectively		(261,013)		(270,534)
Total Viad Corp stockholders equity		399,168		378,959
Noncontrolling interest		7,389		7,752
Total stockholders equity		406,557		386,711
Total Liabilities and Stockholders Equity	$	645,723	$	616,503

See Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(in thousands, except per share data)			
Revenues:				
Convention and event services	$ 174,319	$ 155,097	$ 408,806	$ 333,856
Exhibits and environments	40,416	40,813	90,267	78,994
Travel and recreation services	23,957	22,389	29,717	29,802
Total revenues	238,692	218,299	528,790	442,652
Costs and expenses:				
Costs of services	190,238	166,712	415,037	347,551
Costs of products sold	38,592	43,862	86,632	87,177
Corporate activities	1,576	2,058	2,847	2,702
Interest income	(176)	(88)	(390)	(184)
Interest expense	380	473	792	966
Restructuring charges	1,206	559	1,475	2,612
Total costs and expenses	231,816	213,576	506,393	440,824
Income before income taxes	6,876	4,723	22,397	1,828
Income tax expense	2,588	1,790	8,488	1,998
Net income (loss)	4,288	2,933	13,909	(170)
Net loss attributable to noncontrolling interest	197	95	363	216
Net income attributable to Viad	$ 4,485	$ 3,028	$ 14,272	$ 46
Diluted income per common share				
Net income attributable to Viad common stockholders	$ 0.22	$ 0.15	$ 0.70	$
Weighted-average outstanding and potentially dilutive common shares	20,121	20,375	20,102	20,338
Basic income per common share				
Net income attributable to Viad common stockholders	$ 0.22	$ 0.15	$ 0.70	$

Weighted-average outstanding common shares		19,816		20,059		19,797		20,055
Dividends declared per common share	$	0.04	$	0.04	$	0.08	$	0.08

See Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
	(in thousands)			
Net income (loss)	$ 4,288	$ 2,933	$ 13,909	$ (170)
Other comprehensive income (loss):				
Holding gains (losses) arising during the period, net of tax	3	(78)	61	(19)
Unrealized foreign currency translation adjustments, net of tax	2,059	(7,956)	5,612	(3,910)
Net actuarial loss, net of tax	204	183	408	(1,371)
Prior service credit, net of tax	(197)	(175)	(395)	(295)
Total other comprehensive income (loss)	2,069	(8,026)	5,686	(5,595)
Comprehensive income (loss)	6,357	(5,093)	19,595	(5,765)
Comprehensive loss attributable to noncontrolling interest	197	95	363	216
Comprehensive income (loss) attributable to Viad	$ 6,554	$ (4,998)	$ 19,958	$ (5,549)

See Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30, 2011	Six months ended June 30, 2010
	(in thousands)	
Cash flows from operating activities:		
Net income (loss)	$ 13,909	$ (170)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	14,293	14,004
Deferred income taxes	1,808	4,295
Restructuring charges	1,475	2,612
Losses (gains) on dispositions of property and other assets	(8)	37
Share-based compensation expense	2,293	1,800
Excess tax benefit from share-based compensation arrangements	(54)	
Other non-cash items, net	2,411	1,852
Change in operating assets and liabilities:		
Receivables	(43,590)	(23,444)
Inventories	8,538	6,902
Accounts payable	14,334	14,415
Restructuring liabilities	(2,377)	(5,016)
Accrued compensation	7,267	9,342
Customer deposits	(7,390)	(1,856)
Income taxes payable	3,141	(130)
Other assets and liabilities, net	(10,083)	(6,359)
Net cash provided by operating activities	5,967	18,284
Cash flows from investing activities:		
Capital expenditures	(12,795)	(8,404)
Acquisition of businesses, net of cash acquired	(25,800)	
Proceeds from dispositions of property and other assets	264	14,541
Net cash provided by (used in) investing activities	(38,331)	6,137
Cash flows from financing activities:		
Payments on debt and capital lease obligations	(5,631)	(2,869)
Dividends paid on common stock	(1,630)	(1,644)
Common stock purchased for treasury	(679)	(573)
Debt issuance costs	(1,001)	
Excess tax benefit from share-based compensation arrangements	54	
Proceeds from exercise of stock options	163	38
Net cash used in financing activities	(8,724)	(5,048)
Effect of exchange rate changes on cash and cash equivalents	2,595	(1,744)

Net increase (decrease) in cash and cash equivalents	(38,493)	17,629
Cash and cash equivalents, beginning of year	145,841	116,342
Cash and cash equivalents, end of period	$ 107,348	$ 133,971
Supplemental disclosure of cash flow information		
Cash paid for income taxes	$ 5,541	$ 3,855
Cash paid for interest	$ 490	$ 511
Equipment acquired under capital leases	$ 897	$ 390

See Notes to Condensed Consolidated Financial Statements.

VIAD CORP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Preparation and Principles of Consolidation

The accompanying unaudited, condensed consolidated financial statements of Viad Corp (Viad or the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

For further information, refer to the consolidated financial statements and related footnotes for the year ended December 31, 2010, included in the Company s Form 10-K (File No. 001-11015), filed with the Securities and Exchange Commission on March 4, 2011.

The condensed consolidated financial statements include the accounts of Viad and all of its subsidiaries. All significant intercompany account balances and transactions between Viad and its subsidiaries have been eliminated in consolidation. Viad s reporting segments consist of Marketing & Events U.S., Marketing & Events International and the Travel & Recreation Group.

The Marketing & Events Group, comprised of Global Experience Specialists, Inc. and affiliates (GES), specializes in all aspects of the design, planning and production of face-to-face events, immersive environments and brand-based experiences for clients, including show organizers, corporate brand marketers and retail shopping centers. In addition, the Marketing & Events Group provides a variety of immersive, entertaining attractions and brand-based experiences, sponsored events, mobile marketing and other branded entertainment and face-to-face marketing solutions for clients and venues, including shopping malls, movie studios, museums, leading consumer brands and casinos.

The Travel & Recreation Group segment consists of Brewster Inc. (Brewster) and Glacier Park, Inc. (Glacier Park). Brewster provides tourism services in the Canadian Rockies in Alberta and in other parts of Western Canada. Brewster s operations include the Banff Gondola, Columbia Icefield Glacier Adventure, motorcoach services, charter and sightseeing services, tour boat operations, inbound package tour operations and hotel operations. Glacier Park operates five lodges, three motor inns and one four-season resort hotel and provides food and beverage operations, retail operations and tour and transportation services in and around Glacier National Park in Montana and Waterton Lakes National Park in Alberta, Canada. Glacier Park is an 80 percent owned subsidiary of Viad.

Note 2. Share-Based Compensation

The following table summarizes share-based compensation expense for the three and six months ended June 30:

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
	(in thousands)			
Stock options	$ 183	$ 150	$ 330	$ 263
Restricted stock/performance-based restricted stock (PBRS)	937	804	1,615	1,479
Restricted stock units/PBRS units	46	26	89	61
Performance unit incentive plan (PUP)	194		259	(3)
Total share-based compensation before income tax benefit	1,360	980	2,293	1,800
Income tax benefit	(480)	(347)	(801)	(661)

Total share-based compensation, net of income tax benefit	$ 880	$ 633	$ 1,492	$ 1,139

In addition, $124,000 and $509,000 of costs associated with share-based compensation (including $43,000 for the six months ended June 30, 2010 of restricted stock units and PBRS units presented below) were included in restructuring charges during the six months ended June 30, 2011 and 2010, respectively.

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The following table summarizes restricted stock and PBRS activity during the six months ended June 30, 2011:

	Restricted Stock			PBRS		
	Shares		Weighted-Average Grant Date Fair Value	Shares		Weighted-Average Grant Date Fair Value
Balance at January 1, 2011	478,499	$	21.51	18,830	$	33.02
Granted	172,200		23.01			
Vested	(91,212)		31.31	(18,414)		33.42
Forfeited	(2,200)		20.64			
Balance at June 30, 2011	557,287		20.37	416		15.36

The unamortized cost of all outstanding restricted stock and PBRS awards as of June 30, 2011 was $5.2 million, which Viad expects to recognize in its consolidated financial statements over a weighted-average period of approximately 2.4 years. During the six months ended June 30, 2011 and 2010, the Company repurchased 28,627 shares for $679,000 and 28,407 shares for $573,000, respectively, related to tax withholding requirements on vested share-based awards. As of June 30, 2011, there were 1,000,853 total shares available for future grant.

The following table summarizes the liability-based award activity during the six months ended June 30, 2011:

	Restricted Stock Units			PBRS Units			PUP Awards		
	Units		Weighted-Average Grant Date Fair Value	Units		Weighted-Average Grant Date Fair Value	Units		Weighted-Average Grant Date Fair Value
Balance at January 1, 2011	26,050	$	17.18	3,914	$	15.36	102,960	$	33.81
Granted	12,550		23.01				95,500		23.02
Vested				(1,958)		15.36			
Cancelled							(102,960)		33.81
Balance at June 30, 2011	38,600		19.07	1,956		15.36	95,500		23.02

As of June 30, 2011 and December 31, 2010, Viad had liabilities recorded of $444,000 and $407,000, respectively, related to restricted stock unit and PBRS unit liability awards. A portion of the 2009 PBRS unit award vested effective December 31, 2009 and cash payouts of $52,000 and $37,000 were distributed in January 2011 and March 2010, respectively.

As of June 30, 2011, Viad had a liability recorded of $259,000 related to PUP awards. The PUP awards for the 2007-2009 period vested effective December 31, 2009 and a cash payout of $19,000 was distributed in March 2010. No cash payouts of PUP awards were made during the six months ended June 30, 2011. In March 2011, 102,960 PUP awards were cancelled as the performance conditions related to those awards for the 2008-2010 period were not achieved.

The following table summarizes stock option activity during the six months ended June 30, 2011:

	Shares		Weighted-Average Exercise Price	Options Exercisable
Options outstanding at January 1, 2011	763,794	$	23.38	451,194

Exercised	(7,866)	20.56	
Forfeited or expired	(132,231)	24.17	
Options outstanding at June 30, 2011	623,697	23.25	417,118

The total unrecognized cost related to non-vested stock option awards was $957,000 as of June 30, 2011, which Viad expects to recognize in the consolidated financial statements over a weighted-average period of approximately 1.9 years. No stock options were granted during the six months ended June 30, 2011.

In addition to the above, Viad had stock options outstanding which were granted to employees of MoneyGram International, Inc. (MoneyGram) prior to the spin-off of that company in 2004. As of June 30, 2011, there were 10,864 of such options outstanding and exercisable, both with exercise prices ranging from $19.57 to $26.31. The weighted-average remaining contractual life of these options outstanding was less than one year. During the six months ended June 30, 2011, 100 options were exercised by MoneyGram participants at an exercise price of $19.57.

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Note 3. Acquisition of Businesses

On June 29, 2011, Viad acquired St. Mary Lodge & Resort (St. Mary) for $15.3 million in cash. St. Mary is a 115-room hotel located outside of Glacier National Park s east entrance. It is now operated by Glacier Park within the Travel & Recreation Group. The following information represents the preliminary amounts assigned to the assets and liabilities of St. Mary as of the date of acquisition:

	(in thousands)
Cash and cash equivalents	$ 21
Other current assets	715
Property and equipment	13,058
Goodwill	2,583
Other intangible assets	60
Total assets acquired	16,437
Customer deposits	(684)
Other current liabilities	(46)
Other long-term liabilities	(382)
Total liabilities acquired	(1,112)
Purchase price	$ 15,325

The Company recorded $2.6 million of goodwill in connection with the transaction, which is included in the Travel & Recreation Group. The primary factor that contributed to a purchase price resulting in the recognition of goodwill relates to future growth opportunities. The entire amount of the goodwill is expected to be deductible for tax purposes over a period of 15 years. The amount assigned to other intangible assets includes $60,000 related to a non-amortized business license. Transaction costs related to the acquisition were insignificant. The results of operations of St. Mary have been included in Viad s consolidated financial statements from the date of acquisition. Supplemental pro forma information for St. Mary was not material to Viad s financial results for the three and six months ended June 30, 2011 and 2010.

On January 5, 2011, Viad acquired Grouse Mountain Lodge for $10.5 million in cash. Grouse Mountain Lodge is a 145-room hotel located in Whitefish, Montana, and is operated by Glacier Park within the Travel & Recreation Group. The following information represents the preliminary amounts assigned to the assets and liabilities of Grouse Mountain Lodge as of the date of acquisition:

	(in thousands)
Cash and cash equivalents	$ 9
Other current assets	126
Property and equipment	8,750
Goodwill	1,331
Other intangible assets	400
Total assets acquired	10,616
Customer deposits	(99)
Other current liabilities	(12)

Total liabilities acquired		(111)
Purchase price	$	10,505

The Company recorded $1.3 million of goodwill in connection with the transaction, which is included in the Travel & Recreation Group. The primary factor that contributed to a purchase price resulting in the recognition of goodwill relates to future growth opportunities. The entire amount of the goodwill is expected to be deductible for tax purposes over a period of 15 years. The amount assigned to other intangible assets includes $400,000 related to a non-amortized business license. Transaction costs related to the acquisition were insignificant. The results of operations of Grouse Mountain Lodge have been included in Viad s consolidated financial statements from the date of acquisition. Supplemental pro forma information for Grouse Mountain Lodge was not material to Viad s financial results for the three and six months ended June 30, 2010.

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Note 4. Inventories
The components of inventories were as follows:

	June 30, 2011	December 31, 2010
	(in thousands)	
Raw materials	$ 19,617	$ 18,488
Work in process	11,329	20,182
Inventories	$ 30,946	$ 38,670

Note 5. Property and Equipment
Property and equipment consisted of the following:

	June 30, 2011	December 31, 2010
	(in thousands)	
Land	$ 15,022	$ 9,139
Buildings and leasehold improvements	107,733	89,945
Equipment and other	311,781	299,558
	434,536	398,642
Accumulated depreciation	(263,885)	(249,296)
Property and equipment, net	$ 170,651	$ 149,346

Depreciation expense for the three months ended June 30, 2011 and 2010 was $7.1 million and $7.0 million, respectively, and for the six months ended June 30, 2011 and 2010 was $13.9 million and $13.5 million, respectively. In March 2010, Viad completed the sale of a non-strategic real estate asset within the Travel & Recreation Group consisting of land, building and related improvements for $14.3 million (net of selling costs).

Note 6. Goodwill and Other Intangible Assets
The changes in the carrying amount of goodwill for the six months ended June 30, 2011 were as follows:

	Marketing & Events U.S.	Marketing & Events International	Travel & Recreation Group	Total
		(in thousands)		
Balance at January 1, 2011	$ 62,686	$ 22,455	$ 42,300	$ 127,441
Business acquisitions			3,914	3,914
Foreign currency translation adjustments		711	1,761	2,472
Balance at June 30, 2011	$ 62,686	$ 23,166	$ 47,975	$ 133,827

A summary of other intangible assets as of June 30, 2011 is presented below:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
		(in thousands)	
Amortized intangible assets:			
Customer contracts and relationships	$ 2,535	$ (1,443)	$ 1,092
Proprietary technology	524	(495)	29
Design libraries	175	(153)	22
Other	71	(24)	47
	3,305	(2,115)	1,190
Unamortized intangible assets:			
Business licenses	460		460
Total	$ 3,765	$ (2,115)	$ 1,650

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A summary of amortized other intangible assets as of December 31, 2010 is presented below:

	Gross Carrying Value	Accumulated Amortization (in thousands)	Net Carrying Value
Customer contracts and relationships	$ 2,506	$ (1,135)	$ 1,371
Proprietary technology	517	(448)	69
Design libraries	175	(110)	65
Other	166	(108)	58
	$ 3,364	$ (1,801)	$ 1,563

Intangible asset amortization expense for the three months ended June 30, 2011 and 2010 was $188,000 and $240,000, respectively, and $383,000 and $483,000 for the six months ended June 30, 2011 and 2010, respectively. Estimated amortization expense related to amortized intangible assets for future periods is expected to be as follows:

	(in thousands)
2011	$ 344
2012	$ 360
2013	$ 350
2014	$ 119
2015	$ 17

Note 7. Accrued Liabilities and Other

Other current liabilities consisted of the following:

	June 30, 2011	December 31, 2010
	(in thousands)	
Continuing operations:		
Customer deposits	$ 36,804	$ 43,411
Accrued compensation	25,451	17,599
Self-insured liability accrual	8,113	8,278
Accrued income taxes	3,289	
Accrued employee benefit costs	3,025	3,127
Accrued foreign income taxes	2,892	2,852
Accrued restructuring	2,000	4,272
Accrued sales and use taxes	1,185	2,990
Accrued dividends	835	827
Other	10,553	11,084
	94,147	94,440
Discontinued operations:		
Environmental remediation liabilities	1,025	1,124
Self-insured liability accrual	469	552
Other	517	633
	2,011	2,309

Total other current liabilities	$	96,158	$	96,749

Other deferred items and liabilities consisted of the following:

	June 30, 2011	December 31, 2010
	(in thousands)	
Continuing operations:		
Self-insured liability accrual	$ 14,581	$ 14,330
Accrued compensation	4,892	5,129
Accrued restructuring	4,816	3,724
Foreign deferred tax liability	1,459	1,582
Accrued income taxes	64	146
Other	5,544	3,945
	31,356	28,856
Discontinued operations:		
Self-insured liability accrual	6,826	6,898
Environmental remediation liabilities	4,925	4,953
Accrued income taxes	1,004	987
Other	1,279	1,331
	14,034	14,169
Total other deferred items and liabilities	$ 45,390	$ 43,025

Note 8. Debt

On May 18, 2011, Viad entered into an amended and restated revolving credit agreement (the Credit Facility). The Credit Facility provides for a $130 million revolving line of credit, which may be increased up to an additional $50 million under certain circumstances. The term of the Credit Facility is five years (expiring on May 18, 2016) and borrowings are to be used for general corporate purposes (including permitted acquisitions) and to support up to $50 million of letters of credit. The lenders have a first perfected security interest in all of the personal property of Viad and GES, including 65 percent of the capital stock of top-tier foreign subsidiaries. On April 28, 2011, Viad paid off its outstanding borrowing under the previous credit facility of $4.2 million and as of June 30, 2011, Viad s total debt of $4.2 million consisted entirely of capital lease obligations. As of June 30, 2011, Viad had $125.4 million of capacity remaining under its Credit Facility reflecting the outstanding letters of credit of $4.6 million.

Borrowings under the Credit Facility (of which GES is a guarantor) are indexed to the London Interbank Offered Rate, plus appropriate spreads tied to Viad s leverage ratio. Commitment fees and letters of credit fees are also tied to Viad s leverage ratio. The fees on the unused portion of the Credit Facility are currently 0.35 percent annually. Financial covenants include a fixed-charge coverage ratio of not less than 2.25 to 1 (and a ratio of not less than 2.50 to 1 after the fiscal quarter ending September 30, 2012) and a leverage ratio of not greater than 2.50 to 1. Additionally, Viad must maintain a consolidated minimum cash and cash equivalents balance of $50 million. As of June 30, 2011, the fixed-charge coverage and leverage ratios were 3.16 to 1 and 0.25 to 1, respectively. The terms of the Credit Facility allow Viad to pay up to $10 million in dividends in the aggregate in any calendar year and also allow the Company to purchase up to $10 million in any calendar year of the Company s common stock. Significant other covenants include limitations on: investments, additional indebtedness, sales/leases of assets, acquisitions, consolidations or mergers and liens on property. As of June 30, 2011, Viad was in compliance with all covenants.

The estimated fair value of total debt was $4.2 million and $9.2 million as of June 30, 2011 and December 31, 2010, respectively. The fair value of debt was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity.

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Note 9. Stockholders Equity

The following represents a reconciliation of the carrying amounts of stockholders equity attributable to Viad and the noncontrolling interest for the six months ended June 30, 2011:

	Total Viad Stockholders Equity	Noncontrolling Interest (in thousands)	Total Stockholders Equity
Balance at January 1, 2011	$ 378,959	$ 7,752	$ 386,711
Net income (loss)	14,272	(363)	13,909
Dividends on common stock	(1,630)		(1,630)
Common stock purchased for treasury	(679)		(679)
Employee benefit plans	1,931		1,931
Unrealized foreign currency translation adjustment	5,612		5,612
Unrealized gain on investments	61		61
Prior service credit and net actuarial loss	13		13
ESOP allocation adjustment	620		620
Other	9		9
Balance at June 30, 2011	$ 399,168	$ 7,389	$ 406,557

The following represents a reconciliation of the carrying amounts of stockholders equity attributable to Viad and the noncontrolling interest for the six months ended June 30, 2010:

	Total Viad Stockholders Equity	Noncontrolling Interest (in thousands)	Total Stockholders Equity
Balance at January 1, 2010	$ 377,515	$ 7,116	$ 384,631
Net income (loss)	46	(216)	(170)
Dividends on common stock	(1,644)		(1,644)
Common stock purchased for treasury	(573)		(573)
Employee benefit plans	1,708		1,708
Unrealized foreign currency translation adjustment	(3,910)		(3,910)
Unrealized loss on investments	(19)		(19)
Prior service credit and net actuarial loss	(1,666)		(1,666)
ESOP allocation adjustment	750		750
Other	6		6
Balance at June 30, 2010	$ 372,213	$ 6,900	$ 379,113

Viad has announced its intent to repurchase shares of the Company s common stock from time to time at prevailing market prices. No shares were repurchased during the six months ended June 30, 2011 or 2010. As of June 30, 2011, 304,381 shares remain available for repurchase. Subsequent to June 30, 2011 and prior to the filing of this quarterly report, during the period from August 5, 2011 through August 8, 2011, Viad repurchased an additional 28,900 shares for $528,000. Additionally, during the six months ended June 30, 2011 and 2010, the Company repurchased 28,627 shares for $679,000 and 28,407 shares for $573,000, respectively, related to tax withholding requirements on share-based awards.

Note 10. Fair Value Measurements

The fair value of an asset or liability is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value guidance requires an entity to maximize the use of quoted prices and other observable inputs and minimize the use of unobservable inputs when measuring fair value, and also establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1	Quoted prices in active markets for identical assets or liabilities.
Level 2	Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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Level 3 Unobservable inputs to the valuation methodology that are significant to the measurement of fair value.
Viad measures its money market mutual funds and certain other mutual fund investments at fair value on a recurring basis using Level 1 inputs. The fair value information related to these assets is summarized in the following table:

	June 30, 2011	Fair Value Measurements at June 30, 2011 Using Significant Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobserved Inputs (Level 3)
		(in thousands)		
Assets:				
Money market funds	$ 1,245	$ 1,245	$	$
Other mutual funds	1,670	1,670		
Total	$ 2,915	$ 2,915	$	$

As of June 30, 2011 and December 31, 2010, Viad had investments in money market mutual funds of $1.2 million and $31.3 million, respectively, which were included in the consolidated balance sheets under the caption Cash and cash equivalents. These investments were classified as available-for-sale and were recorded at fair value. There have been no realized or unrealized gains or losses related to these investments and the Company has not experienced any redemption restrictions with respect to any of the money market mutual funds.

As of both June 30, 2011 and December 31, 2010, Viad had investments in other mutual funds of $1.7 million which were classified in the consolidated balance sheets under the caption Other investments and assets. These investments were classified as available-for-sale and were recorded at fair value. As of June 30, 2011 and December 31, 2010, there were unrealized gains on the investments of $562,000 ($343,000 after-tax) and $462,000 ($282,000 after-tax), respectively, which were included in the consolidated balance sheets under the caption Accumulated other comprehensive income (loss).

The carrying values of cash and cash equivalents, receivables and accounts payable approximate fair value due to the short-term maturities of these instruments. The estimated fair value of debt obligations is disclosed in Note 8.

Note 11. Income Per Share

The following is a reconciliation of the numerators and denominators of basic and diluted per share computations for net income attributable to Viad:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(in thousands, except per share data)			
Basic net income per share				
Numerator:				
Net income attributable to Viad	$ 4,485	$ 3,028	$ 14,272	$ 46
Less: Allocation to non-vested shares	(111)	(71)	(370)	(1)
Net income allocated to Viad common stockholders	$ 4,374	$ 2,957	$ 13,902	$ 45
Denominator:				
Weighted-average outstanding common shares	19,816	20,059	19,797	20,055
Net income attributable to Viad common stockholders	$ 0.22	$ 0.15	$ 0.70	$
Diluted net income per share				
Numerator:				
Net income attributable to Viad	$ 4,485	$ 3,028	$ 14,272	$ 46
Denominator:				
Weighted-average outstanding shares	19,816	20,059	19,797	20,055
Additional dilutive shares related to share-based compensation	305	316	305	283
Weighted-average outstanding and potentially dilutive shares	20,121	20,375	20,102	20,338
Net income attributable to Viad common stockholders [1]	$ 0.22	$ 0.15	$ 0.70	$

(1) Diluted income per share cannot exceed basic income per share.

Options to purchase 330,000 and 480,000 shares of common stock were outstanding during the six months ended June 30, 2011 and 2010, respectively, but were not included in the computation of dilutive shares outstanding because the effect would be anti-dilutive. Additionally, 305,000 and 316,000 share-based compensation awards were considered dilutive and included in the computation of diluted income per share during the three months ended June 30, 2011 and 2010, respectively. During the six months ended June 30, 2011 and 2010, 305,000 and 283,000 share-based compensation awards were considered dilutive and included in the computation of diluted income per share, respectively.

Note 12. Income Taxes

The following represents a reconciliation of income tax expense and the amount that would be computed using the statutory federal income tax rates for the six months ended June 30:

	2011		2010	
	(in thousands)			
Computed income tax expense at statutory federal income tax rate of 35%	$ 7,839	35.0%	$ 640	35.0%
State income tax expense (benefit), net of federal benefit or provision	563	2.5%	(34)	(1.9%)
Change in enacted tax law		0.0%	1,279	70.0%
Other, net	86	0.4%	113	6.2%
Income tax expense	$ 8,488	37.9%	$ 1,998	109.3%

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In March 2010, the Patient Protection and Affordable Care Act and a related measure, the Health Care and Education Affordability Reconciliation Act of 2010, were both enacted into law. As a result of this legislation, the tax deductions for the portion of the prescription drug costs for which Viad receives a Medicare Part D subsidy have been eliminated for tax years beginning after December 31, 2012. Accordingly, during the three months ended March 31, 2010, Viad reduced its deferred tax asset related to its postretirement benefit plan liability to reflect the change in the tax law. The reduction in the deferred tax asset resulted in an increase to income tax expense of $1.3 million during the three months ended March 31, 2010.

As of June 30, 2011 and December 31, 2010, Viad had gross deferred tax assets of $63.5 million and $67.1 million, respectively. These deferred tax assets reflect the expected future tax benefits to be realized upon reversal of deductible temporary differences, and the utilization of net operating loss and tax credit carryforwards.

During 2010 and 2009, Viad recorded pre-tax losses from its operations in the United States. The Company considered the negative evidence of these domestic pre-tax operating losses on the future recoverability of its deferred tax assets. Viad also considered positive evidence regarding the realization of deferred tax assets including the Company s historical and forecasted taxable income, taxpaying history and future reversals of deferred tax liabilities. Furthermore, Viad also considered the fact that goodwill impairment losses were not tax deductible and thus did not contribute to tax losses in 2009. As of both June 30, 2011 and December 31, 2010, Viad had a valuation allowance of $411,000 related to certain state deferred tax assets. With respect to all other deferred tax assets, management believes that recovery from future taxable income is more-likely-than-not.

Viad uses considerable judgment in forming a conclusion regarding the recoverability of its deferred tax assets. As a result, there are inherent uncertainties regarding the ultimate realization of these assets, which are primarily dependent on Viad s ability to generate sufficient taxable income in future periods. In light of the Company s domestic operating losses in 2010 and 2009, and the continued uncertainties in the current economic environment, it is possible that the relative weight of positive and negative evidence regarding the recoverability of Viad s deferred tax assets may change, which could result in a material increase in the Company s valuation allowance. If such an increase in the valuation allowance were to occur, it would result in increased income tax expense in the period the assessment was made.

As of June 30, 2011 and December 31, 2010, Viad did not have any accrued gross liabilities associated with uncertain tax positions for continuing operations. However, as of June 30, 2011 and December 31, 2010, Viad had accrued interest and penalties related to uncertain tax positions for continuing operations of $64,000 and $146,000, respectively. Viad classifies interest and penalties related to income tax liabilities as a component of income tax expense. During the three months ended June 30, 2011 and 2010, Viad recorded a tax-related interest expense credit of $47,000 and expense of $4,000, respectively. During the six months ended June 30, 2011 and 2010, Viad recorded a tax-related interest expense credit of $82,000 and expense of $16,000, respectively.

In addition to the above, Viad had accrued gross liabilities associated with uncertain tax positions for discontinued operations of $636,000 as of both June 30, 2011 and December 31, 2010. In addition, as of June 30, 2011 and December 31, 2010, Viad had accrued interest and penalties related to uncertain tax positions for discontinued operations of $369,000 and $351,000, respectively. Future tax resolutions or settlements that may occur related to these uncertain tax positions would be recorded through discontinued operations (net of federal tax effects, if applicable).

As of both June 30, 2011 and December 31, 2010, liabilities associated with uncertain tax positions (including interest and penalties) of $1.1 million were classified as non-current liabilities, respectively.

Note 13. Pension and Postretirement Benefits

The net periodic benefit cost of Viad s pension and postretirement benefit plans for the three months ended June 30 included the following components:

	Domestic Plans					
			Postretirement		Foreign	
	Pension Plans		Benefit Plans		Pension Plans	
	2011	2010	2011	2010	2011	2010

	(in thousands)					
Service cost	$ 37	$ 53	$ 37	$ 27	$ 94	$ 76
Interest cost	300	311	232	265	186	195
Expected return on plan assets	(141)	(149)	(33)	(41)	(171)	(151)
Amortization of prior service cost (credit)		10	(319)	(293)		
Recognized net actuarial loss	171	138	160	156		
Net periodic benefit cost	$ 367	$ 363	$ 77	$ 114	$ 109	$ 120

The net periodic benefit cost of Viad s pension and postretirement benefit plans for the six months ended June 30 included the following components:

	Domestic Plans					
	Pension Plans		Postretirement Benefit Plans		Foreign Pension Plans	
	2011	2010	2011	2010	2011	2010
	(in thousands)					
Service cost	$ 74	$ 106	$ 74	$ 54	$ 185	$ 151
Interest cost	600	622	464	530	369	387
Expected return on plan assets	(282)	(298)	(66)	(82)	(337)	(299)
Amortization of prior service cost (credit)		20	(638)	(586)		
Recognized net actuarial loss	341	277	320	313		
Net periodic benefit cost	$ 733	$ 727	$ 154	$ 229	$ 217	$ 239

Viad expects to contribute $1.7 million to its funded pension plans, $959,000 to its unfunded pension plans and $500,000 to its postretirement benefit plans in 2011. As of June 30, 2011, Viad had contributed $524,000 to its funded pension plans, $476,000 to its unfunded pension plans and $71,000 to its postretirement benefit plans.

Note 14. Restructuring Charges

During the six months ended June 30, 2011, Viad recorded aggregate restructuring charges of $1.5 million primarily related to reorganization activities in the Marketing & Events Group, comprised of the elimination of certain positions as well as facility consolidations. The restructuring liabilities at June 30, 2011 related to future lease payment obligations will be made over the remaining lease terms and severance and employee benefits are expected to be paid by the end of 2011.

The table below represents a reconciliation of beginning and ending liability balances by major restructuring activity for the six months ended June 30, 2011:

	Marketing & Events Group Consolidation		Other Restructurings		
	Severance & Employee Benefits	Facilities	Severance & Employee Benefits	Facilities	Total
			(in thousands)		
Balance at January 1, 2011	$ 1,106	$ 5,051	$ 197	$ 1,642	$ 7,996
Restructuring charges	439	1,036			1,475
Cash payments	(1,190)	(849)	(197)	(141)	(2,377)
Adjustment to liability	(128)			(192)	(320)
Foreign currency translation adjustment	33	9			42
Balance at June 30, 2011	$ 260	$ 5,247	$	$ 1,309	$ 6,816

Note 15. Litigation, Claims, Contingencies and Other

Viad and certain of its subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims, some of which involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many

uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against Viad. Although the amount of liability as of June 30, 2011, with respect to certain of these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, including insurance coverage, will not have a material impact on the Company s business, financial position or results of operations.
Viad is subject to various U.S. federal, state and foreign laws and regulations governing the prevention of pollution and the protection of the environment in the jurisdictions in which Viad has or had operations. If the Company has failed to comply with these environmental laws and regulations, civil and criminal penalties could be imposed and Viad could become subject to regulatory enforcement actions in the form of injunctions and cease and desist orders. As is the case with many companies, Viad also faces exposure to actual or potential claims and lawsuits involving environmental matters relating to its past operations. Although it is a party to certain environmental disputes, Viad believes that any resulting liabilities, after taking into consideration amounts already provided for, including insurance coverage, will not have a material effect on the Company s financial position or results of operations. As of June 30, 2011, there was a remaining environmental remediation liability of $6.0 million related to previously sold operations of which $1.1 million was included in the consolidated balance sheets under the caption Other current liabilities and $4.9 million under the caption Other deferred items and liabilities.

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As of June 30, 2011, Viad had certain obligations under guarantees to third parties on behalf of its subsidiaries. These guarantees are not subject to liability recognition in the consolidated financial statements and relate to leased facilities entered into by Viad s subsidiary operations. The Company would generally be required to make payments to the respective third parties under these guarantees in the event that the related subsidiary could not meet its own payment obligations. The maximum potential amount of future payments that Viad would be required to make under all guarantees existing as of June 30, 2011 would be $32.4 million. These guarantees relate to leased facilities expiring through October 2017. There are no recourse provisions that would enable Viad to recover from third parties any payments made under the guarantees. Furthermore, there are no collateral or similar arrangements whereby Viad could recover payments.

Viad s businesses contribute to various multi-employer pension plans based on obligations arising under collective bargaining agreements covering its union-represented employees. Based upon the information available to Viad from plan administrators, management believes that several of these multi-employer plans are underfunded. The Pension Protection Act of 2006 requires pension plans underfunded at certain levels to reduce, over defined time periods, the underfunded status. In addition, under current laws, the termination of a plan, or a voluntary withdrawal from a plan by Viad, or a shrinking contribution base to a plan as a result of the insolvency or withdrawal of other contributing employers to such plan, would require Viad to make payments to such plan for its proportionate share of the plan s unfunded vested liabilities. As of June 30, 2011, the amount of additional funding, if any, that Viad would be required to make related to multi-employer pension plans is not ascertainable.

Glacier Park operates the concession portion of its business under a concession contract with the U.S. National Park Service (the Park Service) for Glacier National Park. Glacier Park s original 25-year concession contract with the Park Service that was to expire on December 31, 2005, has been extended for six one-year periods and now expires on December 31, 2011. The Park Service, in its sole discretion, may continue extending Glacier Park s concession contract in one-year increments. When this contract ultimately expires, Glacier Park will have the opportunity to bid on a new concession contract. If Glacier Park does secure a new contract, possible terms would be for 10, 15 or 20 years. Glacier Park generated approximately 70 percent of its 2010 revenue through its concession contract for services provided within Glacier National Park. If a new concessionaire is selected by the Park Service, Glacier Park s remaining business would consist of its operations at Waterton Lakes National Park, Alberta, Canada; East Glacier, Montana; Whitefish, Montana and St. Mary, Montana. In such a circumstance, Glacier Park would be entitled to an amount equal to its possessory interest, which generally means the value of the structures acquired or constructed, fixtures installed and improvements made to the concession property at Glacier National Park during the term of the concession contract. Glacier Park owns its Glacier Park Lodge operations in East Glacier, Montana, Grouse Mountain Lodge in Whitefish, Montana and St. Mary Lodge & Resort in St. Mary, Montana. Glacier Park also owns the Prince of Wales Hotel in Waterton Lakes National Park, which is operated under a 42-year ground lease with the Canadian government running through January 31, 2052. Glacier Park generated 25 percent of Travel & Recreation Group s full year 2010 segment operating income.

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Note 16. Segment Information

Viad measures profit and performance of its operations on the basis of segment operating income which excludes restructuring charges and recoveries and impairment losses and recoveries. Intersegment sales are eliminated in consolidation and intersegment transfers are not significant. Corporate activities include expenses not allocated to operations. Depreciation and amortization and share-based compensation expense are the only significant non-cash items for the reportable segments. Disclosures regarding Viad s reportable segments with reconciliations to consolidated totals are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Revenues:				
Marketing & Events Group:				
U.S.	$ 150,170	$ 144,460	$ 381,865	$ 313,869
International	66,973	56,059	120,927	106,426
Intersegment eliminations	(2,408)	(4,609)	(3,719)	(7,445)
	214,735	195,910	499,073	412,850
Travel & Recreation Group	23,957	22,389	29,717	29,802
	$ 238,692	$ 218,299	$ 528,790	$ 442,652
Segment operating income (loss):				
Marketing & Events Group:				
U.S.	$ 205	$ (2,297)	$ 18,139	$ (2,346)
International	6,650	6,532	10,435	9,169
	6,855	4,235	28,574	6,823
Travel & Recreation Group	3,007	3,490	(1,453)	1,101
	9,862	7,725	27,121	7,924
Corporate activities	(1,576)	(2,058)	(2,847)	(2,702)
	8,286	5,667	24,274	5,222
Interest income	176	88	390	184
Interest expense	(380)	(473)	(792)	(966)
Restructuring charges:				
Marketing & Events U.S.	(1,206)	(272)	(1,475)	(2,325)
Travel & Recreation Group		(235)		(235)
Corporate		(52)		(52)
Income before income taxes	$ 6,876	$ 4,723	$ 22,397	$ 1,828

	June 30, 2011	December 31, 2010
	(in thousands)	
Assets:		

Marketing & Events U.S.	$ 256,626	$ 235,965
Marketing & Events International	83,823	83,441
Travel & Recreation Group	202,314	157,562
Corporate and other	102,960	139,535
	$ 645,723	$ 616,503

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Note 17. Impact of Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued new guidance related to fair value measurement and disclosure requirements, which is codified in Accounting Standards Codification (ASC) Topic 820. The new guidance is intended to clarify the application of existing fair value measurement and disclosure requirements, and also changes certain principles and disclosures. The guidance is effective for fiscal years and interim periods beginning after December 15, 2011, and Viad is currently evaluating whether or not the new guidance will have a material impact on its financial condition and results of operations.

In June 2011, the FASB issued new guidance related to the presentation of comprehensive income, which is codified in ASC Topic 220. The new guidance requires entities to present the total of comprehensive income, the components of net income and the components of other comprehensive income in one of two formats: 1) in a single continuous statement, or 2) in two separate but consecutive statements. The guidance also requires the presentation of reclassification adjustments from other comprehensive income to net income on the face of the financial statements. The guidance is effective for fiscal years and interim periods beginning after December 15, 2011, and will not have an impact of Viad s financial condition or results of operations.

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

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

Overview:

Viad Corp (Viad or the Company) operates in three reportable business segments: Marketing & Events U.S., Marketing & Events International and Travel & Recreation Group.

The Marketing & Events Group, comprised of Global Experience Specialists, Inc. and affiliates (GES), specializes in all aspects of the design, planning and production of face-to-face events, immersive environments and brand-based experiences for clients, including show organizers, corporate brand marketers and retail shopping centers. In addition, the Marketing & Events Group provides a variety of immersive, entertaining attractions and brand-based experiences, sponsored events, mobile marketing and other branded entertainment and face-to-face marketing solutions for clients and venues, including shopping malls, movie studios, museums, leading consumer brands and casinos.

The Travel & Recreation Group segment consists of Brewster Inc. (Brewster) and Glacier Park, Inc. (Glacier Park). Brewster provides tourism services in the Canadian Rockies in Alberta and in other parts of Western Canada. Brewster s operations include the Banff Gondola, Columbia Icefield Glacier Adventure, motorcoach services, charter and sightseeing services, tour boat operations, inbound package tour operations and hotel operations. Glacier Park operates five lodges, three motor inns and one four-season resort hotel and provides food and beverage operations, retail operations and tour and transportation services in and around Glacier National Park in Montana and Waterton Lakes National Park in Alberta, Canada. Glacier Park is an 80 percent owned subsidiary of Viad.

The following are financial highlights of the second quarter of 2011 presented in accordance with accounting principles generally accepted in the United States of America (GAAP):

Viad Corp (Consolidated)

- Total revenues of $238.7 million compared to $218.3 million in the second quarter of 2010
- Net income attributable to Viad of $4.5 million compared to $3.0 million in the second quarter of 2010
- Diluted income per share of $0.22 compared to $0.15 in the second quarter of 2010
- Purchase of St. Mary Lodge & Resort for $15.3 million
- Restructuring charges of $1.2 million primarily related to reorganization activities in the Marketing & Events Group, comprised of the elimination of certain positions as well as facility consolidations
- Cash and cash equivalents totaled $107.3 million as of June 30, 2011
- Debt was $4.2 million as of June 30, 2011

Marketing & Events U.S.

- Revenues of $150.2 million, an increase of 4.0 percent from the second quarter of 2010
- Segment operating income of $205,000, as compared to a loss of $2.3 million in the second quarter of 2010

Marketing & Events International

- Revenues of $67.0 million, an increase of 19.5 percent from the second quarter of 2010
- Segment operating income of $6.7 million, an increase of 1.8 percent from the second quarter of 2010

Travel & Recreation Group

- Revenues of $24.0 million, an increase of 7.0 percent from the second quarter of 2010
- Segment operating income of $3.0 million, a decrease of 13.8 percent from the second quarter of 2010

Non-GAAP Measure:

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

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

A reconciliation of Adjusted EBITDA to net income attributable to Viad is as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2011	**2010**	**2011**	**2010**
	(in thousands)			
Adjusted EBITDA	$ 14,775	$ 12,491	$ 37,845	$ 17,014
Interest expense	(380)	(473)	(792)	(966)
Income tax expense	(2,588)	(1,790)	(8,488)	(1,998)
Depreciation and amortization	(7,322)	(7,200)	(14,293)	(14,004)
Net income attributable to Viad	$ 4,485	$ 3,028	$ 14,272	$ 46

The increase in Adjusted EBITDA of $2.3 million for the second quarter of 2011 compared to the second quarter of 2010 was primarily driven by higher segment operating results at the Marketing & Events U.S. segment. The increase in Adjusted EBITDA of $20.8 million for the first six months of 2011 compared to 2010 was primarily due to higher segment operating results at the Marketing & Events U.S. segment and lower restructuring charges, partially offset by lower segment operating results at the Travel & Recreation Group. See Results of Operations below for a discussion of fluctuations.

Results of Operations:

Comparison of Second Quarter of 2011 to the Second Quarter of 2010

Revenues for the second quarter of 2011 increased 9.3 percent to $238.7 million compared to $218.3 million in the second quarter of 2010. Viad s income before income taxes was $6.9 million for the second quarter of 2011 compared to $4.7 million in the second quarter of 2010. Net income attributable to Viad for the second quarter of 2011 was $4.5 million, or $0.22 per diluted share, compared to $3.0 million, or $0.15 per diluted share, in the second quarter of 2010. The improved results were primarily due to higher revenues from the Marketing & Events Group. Restructuring charges in the second quarter of 2011 were $1.2 million compared to $559,000 in the 2010 second quarter, both primarily related to reorganization activities in the Marketing & Events Group, including the elimination of certain positions as well as facility consolidations.

During the second quarter of 2011, foreign exchange rate variances resulted in increases of $7.2 million in revenues and $916,000 in segment operating income as compared to the second quarter of 2010. Viad conducts its foreign operations primarily in Canada and the United Kingdom and to a lesser extent in certain other countries. The following table summarizes the effect of foreign exchange rate variances on revenues and segment operating results from Viad s significant international operations for the second quarter:

	Revenues			Segment Operating Results		
	Weighted-Average Exchange Rates 2011	Weighted-Average Exchange Rates 2010	Effect of Rate Variance (thousands)	Weighted-Average Exchange Rates 2011	Weighted-Average Exchange Rates 2010	Effect of Rate Variance (thousands)
Marketing & Events Group:						
Canada	$ 1.04	$ 0.97	$ 1,355	$ 1.05	$ 0.97	$ 102
United Kingdom	$ 1.64	$ 1.50	$ 3,831	$ 1.64	$ 1.50	$ 467
Travel & Recreation Group:						
Canada	$ 1.04	$ 0.96	$ 1,448	$ 1.04	$ 0.95	$ 377

Accordingly, Viad s second quarter results were impacted by the strengthening of the Canadian dollar and British pound relative to the U.S. dollar. Future changes in the exchange rates may impact overall expected profitability and historical period-to-period comparisons when operating results are translated into U.S. dollars.

Marketing & Events Group. Revenues for the Marketing & Events U.S. segment were $150.2 million for the second quarter of 2011, up 4.0 percent compared to $144.5 million in the second quarter of 2010. The increase was primarily due to base same-show revenue increases of 5.8 percent and increased exhibitor spending, partially offset by negative show rotation revenue of approximately $2 million. Management defines base same-show revenue as revenue from exhibitions and events that occur in the same quarter and same city every year. Base same-shows represented 29.4 percent of 2011 second quarter Marketing & Events U.S. revenues. Segment operating income was $205,000 in the second quarter of 2011, compared to a loss of $2.3 million in the second quarter of 2010. The improved operating results were primarily due to increases in revenues and continued cost control.

Revenues for the Marketing & Events International segment were $67.0 million for the second quarter of 2011, up 19.5 percent compared to $56.1 million in the second quarter of 2010. Segment operating income was $6.7 million in the second quarter of 2011, compared to $6.5 million in the second quarter of 2010. As discussed above, period-to-period comparisons for this segment were affected by exchange rate variances, which resulted in increases of $5.7 million in revenue and $540,000 in segment operating income, as compared to the second quarter of 2010. Excluding exchange rate variances, 2011 second quarter revenues increased by $5.2 million, or 9.2 percent, due to positive show rotation revenue of about $8 million, and operating income decreased by $422,000 primarily due to a less favorable mix of revenues and higher compensation expenses, including merit increases and the reinstatement of temporary wage reductions.

Although the Marketing & Events Group has a diversified revenue base and long-term contracts for future shows, its revenues are affected by general economic and industry-specific conditions. The prospects for individual shows tend to be driven by the success of the industry related to those shows. In general, the exhibition and event industry is experiencing modest improvement. Following quarterly declines from the third quarter of 2008 through the first quarter of 2010, Marketing & Events U.S. base same-show revenues were essentially flat in the 2010 second quarter and increased in each of the following four quarters.

For the 2011 full year, management expects U.S. same-show revenues to increase at a mid to high single-digit rate and that show rotation will positively impact revenues by approximately $15 million as revenue from non-annual shows during 2011 is expected to exceed revenues from non-annual shows that took place during 2010. Additionally, management anticipates that foreign currency exchange rate variances versus 2010 will have a favorable impact on Marketing & Events Group 2011 full year revenues and operating income of approximately $12 million and $700,000, respectively. Management remains focused on improving the profitability of the U.S. segment through continued integration and consolidation of operations to increase capacity utilization and reduce costs. Additional restructuring charges may be incurred as further cost structure improvements are made.

The Marketing & Events Group is subject to multiple collective bargaining agreements that affect labor costs, about one-fourth of which expire each year. Although labor relations between the Company and labor are currently stable, disruptions during future contract negotiations could occur, with the possibility of an adverse impact on the operating results of the Marketing & Events Group.

Travel & Recreation Group. Revenues for the Travel & Recreation Group segment were $24.0 million for the second quarter of 2011, up 7.0 percent compared to second quarter 2010 revenues of $22.4 million. Segment operating income was $3.0 million, as compared to $3.5 million in the second quarter of 2010. As discussed above, foreign exchange rate variances had a favorable impact on segment revenues and operating income of $1.4 million and $377,000, respectively, as compared to the 2010 second quarter. Excluding exchange rate variances, 2011 second quarter revenues increased by $120,000, or 0.5 percent, and operating income decreased by $860,000. The revenue growth was primarily due to the addition of Grouse Mountain Lodge and stronger demand for Brewster s packaged tours and attractions. These improvements were largely offset by lower revenues from Many Glacier Hotel, a property operated by Glacier Park, resulting from planned construction that reduced the number of rooms available during 2011 as compared to 2010, as well as poor weather conditions in Glacier National Park. The decrease in segment operating income versus the 2010 second quarter was primarily due to lower revenues at Many Glacier Hotel (which has a high flow through to operating income) and a seasonal operating loss at Grouse Mountain Lodge.

The Travel & Recreation Group segment is affected by consumer discretionary spending on tourism activities. Management expects 2011 results from the Travel & Recreation Group segment to benefit from improved tourism demand versus 2010. Management anticipates lower revenues at Many Glacier Hotel due to the planned construction discussed above. However, management expects the acquisitions of Grouse Mountain Lodge and St. Mary Lodge & Resort (St. Mary), which are located near Glacier National Park, to more than offset the revenue decline at Many Glacier Hotel. The Company acquired the 145-room Grouse Mountain Lodge on January 5, 2011 for $10.5 million in cash and the 115-room St. Mary Lodge & Resort on June 29, 2011 for $15.3 million in cash. Additionally, management anticipates that foreign currency exchange rate variances versus 2010 will have a favorable impact on Travel & Recreation Group segment 2011 full year revenues and operating income of approximately $4.7 million and $1.3 million, respectively.

During 2010, approximately 73 percent of revenue and 79 percent of segment operating income generated in the Travel & Recreation Group segment was derived through its Canadian operations. These operations are largely affected by foreign customer visitation, and, accordingly, increases in the value of the Canadian dollar compared to other currencies could adversely affect customer volumes, revenue and segment operating income for the Travel & Recreation Group.

Glacier Park operates the concession portion of its business under a concession contract with the U.S. National Park Service (the Park Service) for Glacier National Park. Glacier Park s original 25-year concession contract with the Park Service that was to expire on December 31, 2005, has been extended for six one-year periods and now expires on December 31, 2011. The Park Service, in its sole discretion, may continue extending Glacier Park s concession contract in one-year increments. When this contract ultimately expires, Glacier Park will have the opportunity to bid on a new concession contract. If Glacier Park does secure a new contract, possible terms would be for 10, 15 or 20 years. Glacier Park generated approximately 70 percent of its 2010 revenue through its concession contract for services provided within Glacier National Park. If a new concessionaire is selected by the Park Service, Glacier Park s remaining business would consist of its operations at Waterton Lakes National Park, Alberta, Canada; East Glacier, Montana; Whitefish, Montana and St. Mary, Montana. In such a circumstance, Glacier Park would be entitled to an amount equal to its possessory interest, which generally means the value of the structures acquired or constructed, fixtures installed and improvements made to the concession property at Glacier National Park during the term of the concession contract. Glacier Park owns its Glacier Park Lodge operations in East Glacier, Montana, Grouse Mountain Lodge in Whitefish, Montana and St. Mary Lodge & Resort in St. Mary, Montana. Glacier Park also owns the Prince of Wales Hotel in Waterton Lakes National Park, which is operated under a 42-year ground lease with the Canadian government running through January 31, 2052. Glacier Park generated 25 percent of Travel & Recreation Group s full year 2010 segment operating income.

Restructuring Charges. Viad recorded restructuring charges of $1.2 million in the second quarter of 2011, compared to $559,000 in the second quarter of 2010. Both charges primarily related to reorganization activities, comprised of the elimination of certain positions as well as facility consolidations.

Income Taxes. The effective tax rate in the second quarter of 2011 was 37.6 percent, compared to 37.9 percent in the second quarter of 2010.

Comparison of First Six Months of 2011 to the First Six Months of 2010

Revenues for the first six months of 2011 increased 19.5 percent to $528.8 million from $442.7 million during the first six months of 2010. Viad s income before income taxes was $22.4 million compared to $1.8 million in 2010. Net income attributable to Viad for the first six months of 2011 was $14.3 million, or $0.70 per diluted share, compared to $46,000 during the first six months of 2010. These increases were primarily due to higher revenues from the Marketing & Events Group. Net restructuring charges in the first six months of 2011 were $1.5 million compared to $2.6 million in the first six months of 2010, both primarily related to reorganization activities in the Marketing & Events Group, including the elimination of certain positions as well as facility consolidations. During the first six months of 2011, foreign exchange rate variances resulted in increases of $9.7 million and $929,000 in revenues and segment operating income, respectively, as compared to the first six months of 2010.

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Viad conducts its foreign operations primarily in Canada and the United Kingdom and to a lesser extent in certain other countries. The following table summarizes the effect of foreign exchange rate variances on revenues and segment operating results from Viad s significant international operations for the first six months of the year:

	Revenues			Segment Operating Results		
	Weighted-Average Exchange Rates		Effect of Rate Variance	Weighted-Average Exchange Rates		Effect of Rate Variance
	2011	2010	(thousands)	2011	2010	(thousands)
Marketing & Events Group:						
Canada	$ 1.03	$ 0.96	$ 2,476	$ 1.06	$ 0.97	$ 125
United Kingdom	$ 1.62	$ 1.52	$ 4,882	$ 1.63	$ 1.51	$ 621
Travel & Recreation Group:						
Canada	$ 1.03	$ 0.96	$ 1,777	$ 1.09	$ 0.95	$ 193

Accordingly, Viad s six-month results were impacted by the strengthening of the Canadian dollar and the British pound relative to the U.S. dollar. Future decreases in the exchange rates may adversely impact overall expected profitability and historical period to period comparisons when operating results are translated into U.S. dollars.

Marketing & Events Group. Revenues for the Marketing & Events U.S. segment were $381.9 million for the first six months of 2011, up 21.7 percent from $313.9 million in 2010. Segment operating income was $18.1 million in the first six months of 2011, compared to an operating loss of $2.3 million in 2010. These increases were primarily due to positive show rotation of about $38 million, base same-show revenue increases of 11.1 percent and increased exhibitor spending. Management defines base same-show revenue as revenue from exhibitions and events that occur in the same quarter and same city every year. Base same-shows represented approximately 38 percent of revenues for the first six months of 2011 for the Marketing & Events U.S. segment.

Revenues for the Marketing & Events International segment were $120.9 million for the first six months of 2011, up 13.6 percent from $106.4 million in 2010. Segment operating income was $10.4 million in the first six months of 2011 compared to $9.2 million in 2010. As discussed above, results in this segment were impacted by exchange rates during the first six months of 2011 resulting in increases of $8.0 million and $736,000 in revenues and segment operating income, respectively, as compared to 2010. Excluding exchange rate variances, revenues for the first six months of 2011 increased by $6.5 million, or 6.1 percent, and segment operating income increased by $530,000. These increases were primarily due to positive show rotation revenue of about $10 million and new show wins, which more than offset 2010 first quarter revenues from a major project for the 2010 Winter Olympic Games in Canada. Operating results for the first six months of 2011 also reflect higher compensation expenses, including merit increases and the reinstatement of temporary wage reductions, as compared to the first six months of 2010.

Travel & Recreation Group. Revenues from the Travel & Recreation Group segment were $29.7 million for the first six months of 2011, down 0.3 percent compared to 2010 revenues of $29.8 million. Segment operating loss was $1.5 million compared to operating income of $1.1 million in 2010. As discussed above, results in this segment were impacted by exchange rate variances during the first six months of 2011 resulting in increases of $1.8 million and $193,000 in revenues and segment operating income, respectively, as compared to 2010. Excluding exchange rate variances, revenues for the first six months of 2011 decreased by $1.9 million, or 6.2 percent, and operating results decreased by $2.7 million. Results for the first six months of 2010 included higher revenue from transportation business related to the 2010 Winter Olympic and Paralympic Games and higher revenues from Many Glacier Hotel, which had fewer rooms available during the 2011 period due to planned construction. Results for the first six months of 2011 included the year-round Grouse Mountain Lodge, acquired on January 5, 2011, which provided incremental revenues with a seasonal operating loss.

Restructuring Charges. Viad recorded restructuring charges of $1.5 million in the first six months of 2011, compared to $2.6 million in the 2010 period. The charges both primarily related to reorganization activities in the Marketing & Events Group, comprised of the elimination of certain positions as well as facility consolidations.

Income Taxes. The effective tax rate in the first six months of 2011 on income before income taxes was 37.9 percent, compared to 109.3 percent in the comparable period in 2010. The high rate in 2010 was primarily due to the charge in 2010 of $1.3 million related to healthcare legislation. Excluding this item, the effective tax rate in the first six months of 2010 would have been 39.3 percent.

Liquidity and Capital Resources:

Cash and cash equivalents were $107.3 million as of June 30, 2011 as compared to $145.8 million as of December 31, 2010, with the decrease primarily due to business acquisitions and capital expenditures. During the six months ended June 30, 2011, the Company generated net cash flows from operating activities of $6.0 million primarily driven by operating results, mostly offset by changes in working capital (primarily an increase in accounts receivable of $43.6 million). Management believes that Viad s existing sources of liquidity will be sufficient to fund operations and capital commitments for at least the next 12 months.

Viad s total debt as of June 30, 2011 was $4.2 million compared to $9.1 million as of December 31, 2010. The debt-to-capital ratio was 0.010 to 1 as of June 30, 2011 compared with 0.023 to 1 as of December 31, 2010. Capital is defined as total debt and capital lease obligations plus total stockholders equity.

On May 18, 2011, Viad entered into an amended and restated secured revolving credit agreement (the Credit Facility). The Credit Facility provides for a $130 million revolving line of credit and may be increased up to an additional $50 million under certain circumstances. The Credit Facility expires on May 18, 2016 and borrowings are to be used for general corporate purposes (including permitted acquisitions) and to support up to $50 million of letters of credit. The lenders have a first perfected security interest in all of the personal property of Viad and GES, including 65 percent of the capital stock of top-tier foreign subsidiaries. On April 28, 2011, Viad paid off its outstanding borrowing under the previous credit facility of $4.2 million. As of June 30, 2011, Viad had $125.4 million of capacity remaining under its Credit Facility reflecting issued letters of credit of $4.6 million.

Borrowings under the Credit Facility (of which GES is a guarantor) are indexed to the London Interbank Offered Rate (LIBOR), plus appropriate spreads tied to Viad s leverage ratio. Commitment fees and letters of credit fees are also tied to Viad s leverage ratio. The fees on the unused portion of the Credit Facility are currently 0.35 percent annually. Viad s financial covenants include a fixed-charge coverage ratio of not less than 2.25 to 1 (and a ratio of not less than 2.50 to 1 after the fiscal quarter ending September 30, 2012) and a leverage ratio (defined as total debt to Adjusted EBITDA) of not greater than 2.50 to 1. Additionally, Viad must maintain a consolidated minimum cash and cash equivalents balance of $50 million. As of June 30, 2011, the fixed-charge coverage and leverage ratios were 3.16 to 1 and 0.25 to 1, respectively. The terms of the Credit Facility allow Viad to pay up to $10 million in dividends in the aggregate in any calendar year and also allow the Company to purchase up to $10 million in any calendar year of the Company s common stock. Significant other covenants include limitations on: investments, additional indebtedness, sales/leases of assets, acquisitions, consolidations or mergers and liens on property. As of June 30, 2011, Viad was in compliance with all covenants.

As of June 30, 2011, Viad had certain obligations under guarantees to third parties on behalf of its subsidiaries. These guarantees are not subject to liability recognition in the consolidated financial statements and relate to leased facilities entered into by Viad s subsidiary operations. The Company would generally be required to make payments to the respective third parties under these guarantees in the event that the related subsidiary could not meet its own payment obligations. The maximum potential amount of future payments that Viad would be required to make under all guarantees existing as of June 30, 2011 would be $32.4 million. These guarantees relate to leased facilities expiring through October 2017. There are no recourse provisions that would enable Viad to recover from third parties any payments made under the guarantees. Furthermore, there are no collateral or similar arrangements whereby Viad could recover payments.

Capital expenditures for the first six months of 2011 totaled $12.8 million and primarily related to the purchase of rental inventory, equipment and computer hardware primarily at the Marketing & Events U.S. segment. For the first six months of 2010, capital expenditures totaled $8.4 million and primarily related to the purchase of rental inventory, equipment and computer hardware primarily at the Marketing & Events U.S. segment and building improvements and equipment at the Travel & Recreation Group.

On January 5, 2011, Viad completed the acquisition of Grouse Mountain Lodge for $10.5 million in cash. On June 29, 2011, Viad completed the acquisition of St. Mary for $15.3 million in cash.
In March 2010, Viad completed the sale of a non-strategic real estate asset for $14.3 million (net of selling costs). The asset was previously held for sale at the Travel & Recreation Group.

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Viad has announced its intent to repurchase shares of the Company s common stock from time to time at prevailing market prices. No shares were repurchased during the first six months of 2011 or 2010. As of June 30, 2011, 304,381 shares remain available for repurchase. Subsequent to June 30, 2011 and prior to the filing of this quarterly report, during the period from August 5, 2011 through August 8, 2011, Viad repurchased an additional 28,900 shares for $528,000. Additionally, during the first six months of 2011 and 2010, the Company repurchased 28,627 shares for $679,000 and 28,407 shares for $573,000, respectively, related to tax withholding requirements on share-based awards.

Viad and certain of its subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims, some of which involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against Viad. Although the amount of liability as of June 30, 2011 with respect to certain of these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, including insurance coverage, will not have a material impact on Viad s business, financial position or results of operations.

Viad is subject to various U.S. federal, state and foreign laws and regulations governing the prevention of pollution and the protection of the environment in the jurisdictions in which Viad has or had operations. If the Company has failed to comply with these environmental laws and regulations, civil and criminal penalties could be imposed and Viad could become subject to regulatory enforcement actions in the form of injunctions and cease and desist orders. As is the case with many companies, Viad also faces exposure to actual or potential claims and lawsuits involving environmental matters relating to its past operations. Although it is a party to certain environmental disputes, Viad believes that any resulting liabilities, after taking into consideration amounts already provided for, including insurance coverage, will not have a material effect on the Company s financial position, results of operations or liquidity. As of June 30, 2011, there was a remaining environmental remediation liability of $6.0 million related to previously sold operations of which $1.1 million was included in the consolidated balance sheets under the caption Other current liabilities and $4.9 million under the caption Other deferred items and liabilities.

Viad s businesses contribute to various multi-employer pension plans based on obligations arising under collective bargaining agreements covering its union-represented employees. Based upon the information available to Viad from plan administrators, management believes that several of these multi-employer plans are underfunded. The Pension Protection Act of 2006 requires pension plans underfunded at certain levels to reduce, over defined time periods, the underfunded status. In addition, under current laws, the termination of a plan, or a voluntary withdrawal from a plan by Viad, or a shrinking contribution base to a plan as a result of the insolvency or withdrawal of other contributing employers to such plan, would require Viad to make payments to such plan for its proportionate share of the plan s unfunded vested liabilities. As of June 30, 2011, the amount of additional funding, if any, that Viad would be required to make related to multi-employer pension plans is not ascertainable.

Off-Balance Sheet Arrangements:

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

Critical Accounting Policies and Estimates:

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

Goodwill Goodwill is not amortized, but tested for impairment at the reporting unit level on an annual basis on October 31 of each year. Goodwill is also tested for impairment between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. Viad s reporting units are defined, and goodwill is tested, at either an operating segment level, or at the component level of an operating segment, depending on various factors including the internal reporting structure of the operating segment, the level of integration among components, the sharing of assets among components, and the benefits and likely recoverability of goodwill by the component s operations.

As of June 30, 2011, Viad had total goodwill of $133.8 million consisting of $85.8 million related to the Marketing & Events Group and $48.0 million related to the Travel & Recreation Group. Within the Marketing & Events Group, goodwill of $62.7 million relates to the Marketing & Events U.S. segment and $23.1 million relates to the Marketing & Events International segment. For impairment testing purposes, the goodwill related to the Marketing & Events U.S. segment is assigned to and tested at the operating segment level, which represents all domestic operations of GES. Furthermore, the goodwill related to the Marketing & Events International segment is assigned to and tested at the component level within the segment s geographical operations. As of June 30, 2011, the amount of goodwill assigned to the reporting units in the United Kingdom (Melville) and Canada was $13.7 million and $9.4 million, respectively. Also, as of June 30, 2011, the Brewster and Glacier Park operating segments (within the Travel & Recreation Group) had goodwill of $44.1 million and $3.9 million (acquired in the first six months of 2011), respectively. Brewster and Glacier Park are considered reporting units for goodwill impairment testing purposes.

Viad uses a discounted expected future cash flow methodology (income approach) in order to estimate the fair value of its reporting units for purposes of goodwill impairment testing. The estimates and assumptions regarding expected future cash flows, discount rates and terminal values require considerable judgment and are based on market conditions, financial forecasts, industry trends and historical experience.

The most critical assumptions and estimates in determining the estimated fair value of its reporting units relate to the amounts and timing of expected future cash flows for each reporting unit and the reporting unit cost of capital (discount rate) applied to those cash flows. Furthermore, the assumed reporting unit cost of capital rates (discount rates) are estimated using a build-up method based on the perceived risk associated with the cash flows pertaining to the specific reporting unit. In order to assess the reasonableness of its fair value estimates, the Company performs a reconciliation of the aggregate fair values of its reporting units to Viad s market capitalization.

As noted above, the estimates and assumptions regarding expected future cash flows, discount rates and terminal values require considerable judgment and are based on market conditions, financial forecasts, industry trends and historical experience. These estimates, however, have inherent uncertainties and different assumptions could lead to materially different results. As of June 30, 2011, Viad had aggregate goodwill of $133.8 million recorded in the consolidated balance sheets. Furthermore, as a result of the Company s most recent impairment analysis performed in the fourth quarter of 2010, the excess of the estimated fair values over the carrying values (expressed as a percentage of the carrying amounts) under step one of the impairment test were 80 percent, 69 percent and 69 percent, respectively, for each of the Marketing & Events Group reporting units in the United States, the United Kingdom (Melville) and Canada. For the Brewster reporting unit, the excess of the estimated fair value over the carrying value was 50 percent as of the most recent impairment test. Due to continued uncertainties in the current economic environment, reductions in the Company s expected future revenue, operating income or cash flow forecasts and projections, or an increase in reporting unit cost of capital, could trigger additional goodwill impairment testing, which may result in impairment losses. Furthermore, management continues to monitor the market capitalization of the Company as ongoing declines in market capitalization could be indicative of possible goodwill impairment.

Income taxes As of June 30, 2011 and December 31, 2010, Viad had gross deferred tax assets of $63.5 million and $67.1 million, respectively. These deferred tax assets reflect the expected future tax benefits to be realized upon reversal of deductible temporary differences, and the utilization of net operating loss and tax credit carryforwards.

During 2010 and 2009, Viad recorded pre-tax losses from its operations in the United States. The Company considered the negative evidence of these domestic pre-tax operating losses on the future recoverability of its deferred tax assets. Viad also considered positive evidence regarding the realization of deferred tax assets including the Company s historical and forecasted taxable income, taxpaying history and future reversals of deferred tax liabilities. Furthermore, Viad also considered the fact that goodwill impairment losses were not tax deductible and thus did not contribute to tax losses in 2009. As of both June 30, 2011 and December 31, 2010, Viad had a valuation allowance of $411,000 related to certain state deferred tax assets. With respect to all other deferred tax assets, management believes that recovery from future taxable income is more-likely-than-not.

Viad uses considerable judgment in forming a conclusion regarding the recoverability of its deferred tax assets. As a result, there are inherent uncertainties regarding the ultimate realization of these assets, which is primarily dependent on Viad s ability to generate sufficient taxable income in future periods. In light of the Company s domestic operating losses in 2010 and 2009, and the continued uncertainties in the current economic environment, it is possible that the relative weight of positive and negative evidence regarding the recoverability of Viad s deferred tax assets may change, which could result in a material increase in the Company s valuation allowance. If such an increase in the valuation allowance were to occur, it would result in increased income tax expense in the period the assessment was made.

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Viad exercises judgment in determining its income tax provision due to transactions, credits and calculations where the ultimate tax determination is uncertain. As of June 30, 2011 and December 31, 2010, Viad did not have any accrued gross liabilities associated with uncertain tax positions for continuing operations. However, as of June 30, 2011 and December 31, 2010, Viad had accrued interest and penalties related to uncertain tax positions for continuing operations of $64,000 and $146,000, respectively.

In addition to the above, Viad had accrued gross liabilities associated with uncertain tax positions for discontinued operations of $636,000 as of both June 30, 2011 and December 31, 2010. In addition, as of June 30, 2011 and December 31, 2010, Viad had accrued interest and penalties related to uncertain tax positions for discontinued operations of $369,000 and $351,000, respectively. Future tax resolutions or settlements that may occur related to these uncertain tax positions would be recorded through discontinued operations (net of federal tax effects, if applicable).

Insurance liabilities Viad is self-insured up to certain limits for workers compensation, automobile, product and general liability and property loss claims. The aggregate amount of insurance liabilities related to Viad s continuing operations was $22.7 million as of June 30, 2011. Of this total, $15.4 million related to workers compensation liabilities and the remaining $7.3 million related to general/auto liability claims. Viad has also retained and provided for certain insurance liabilities in conjunction with previously sold businesses totaling $7.3 million as of June 30, 2011, primarily related to workers compensation liabilities. Provisions for losses for claims incurred, including estimated claims incurred but not yet reported, are made based on Viad s historical experience, claims frequency and other factors. A change in the assumptions used could result in an adjustment to recorded liabilities. Viad has purchased insurance for amounts in excess of the self-insured levels, which generally range from $200,000 to $500,000 on a per claim basis. Viad does not maintain a self-insured retention pool fund as claims are paid from current cash resources at the time of settlement. Viad s net cash payments in connection with these insurance liabilities were $3.4 million and $2.7 million for the first six months of 2011 and 2010, respectively.

Pension and postretirement benefits Viad s pension plans use traditional defined benefit formulas based on years of service and final average compensation. Funding policies provide that payments to defined benefit pension trusts shall be at least equal to the minimum funding required by applicable regulations. The Company presently anticipates contributing $1.7 million to its funded pension plans and $959,000 to its unfunded pension plans in 2011, of which the Company has contributed $524,000 and $476,000 as of June 30, 2011, respectively.

Viad and certain of its subsidiaries have defined benefit postretirement plans that provide medical and life insurance for certain eligible employees, retirees and dependents. The related postretirement benefit liabilities are recognized over the period that services are provided by employees. In addition, Viad retained the obligations for these benefits for retirees of certain sold businesses. While the plans have no funding requirements, Viad expects to contribute $500,000 to the plans in 2011, of which $71,000 has been contributed as of June 30, 2011.

The assumed health care cost trend rate used in measuring the December 31, 2010 accumulated postretirement benefit obligation was nine and one-half percent, declining one-half percent each year to the ultimate rate of five percent by the year 2019 and remaining at that level thereafter.

A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of December 31, 2010 by approximately $1.6 million and the total of service and interest cost components by approximately $124,000. A one-percentage-point decrease in the assumed health care cost trend rate for each year would decrease the accumulated postretirement benefit obligation as of December 31, 2010 by approximately $1.4 million and the total of service and interest cost components by approximately $104,000.

The weighted-average assumptions used to determine the postretirement benefit obligation as of December 31, 2010 were as follows:

	Domestic Plans			
	Funded Plans	Unfunded Plans	Postretirement Benefit Plans	Foreign Plans

Discount rate	5.45%	5.10%	5.10%	5.10%

The weighted-average assumptions used to determine the 2010 net periodic benefit cost were as follows:

	Domestic Plans			
	Funded Plans	**Unfunded Plans**	**Postretirement Benefit Plans**	**Foreign Plans**
Discount rate	5.90%	5.70%	5.60%	5.60%
Expected return on plan assets	6.35%	N/A	6.10%	5.75%

The discount rates used in determining future pension and postretirement benefit obligations are based on rates determined by actuarial analysis and management review, and reflect the estimated rates of return on a high-quality, hypothetical bond portfolio whose cash flows match the timing and amounts of expected benefit payments.

Share-based compensation The fair values of restricted stock and performance-based restricted stock awards are based on Viad s stock price on the date of grant. Liability-based awards are recorded at estimated fair value, based on the number of units expected to vest and the level of achievement of predefined performance goals (where applicable) and are remeasured on each balance sheet date based on Viad s stock price until the time of settlement. Viad uses the Black-Scholes option pricing model for purposes of determining the fair value of each stock option grant for which key assumptions are necessary. These assumptions include Viad s expected stock price volatility; the expected period of time the stock option will remain outstanding; the expected dividend yield on Viad common stock, and the risk-free interest rate. Changes in the assumptions could result in different estimates of the fair value of stock option grants, and consequently impact Viad s results of operations.

Impact of Recent Accounting Pronouncements:

For a description of recently issued accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on Viad s consolidated financial statements, see Note 17 of notes to consolidated financial statements.

Forward-Looking Statements:

As provided by the safe harbor provision under the Private Securities Litigation Reform Act of 1995, Viad cautions readers that, in addition to historical information contained herein, this quarterly report includes certain information, assumptions and discussions that may constitute forward-looking statements. These forward-looking statements are not historical facts, but reflect current estimates, projections, expectations, or trends concerning future growth, operating cash flows, availability of short-term borrowings, consumer demand, new business, investment policies, productivity improvements, ongoing cost reduction efforts, efficiency, competitiveness, legal expenses, tax rates and other tax matters, foreign exchange rates and the realization of restructuring cost savings. Actual results could differ materially from those discussed in the forward-looking statements. Viad s businesses can be affected by a host of risks and uncertainties. Among other things, natural disasters, gains and losses of customers, consumer demand patterns, labor relations, purchasing decisions related to customer demand for exhibition and event services, existing and new competition, industry alliances, consolidation and growth patterns within the industries in which Viad competes, acquisitions, adverse developments in liabilities associated with discontinued operations, and any deterioration in the economy, may individually or in combination impact future results. In addition to factors mentioned elsewhere, economic, competitive, governmental, technological, capital marketplace and other factors, including terrorist activities or war, a pandemic health crisis and international conditions, could affect the forward-looking statements in this quarterly report. Additional information concerning business and other risk factors that could cause actual results to materially differ from those in the forward looking statements are discussed in Risk Factors in the risk factors sections included in Viad s 2010 Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Viad s market risk exposures relate to fluctuations in foreign exchange rates, interest rates and certain commodity prices. Foreign exchange risk is the risk that fluctuating exchange rates will adversely affect Viad s financial condition or results of operations. Interest rate risk is the risk that changing interest rates will adversely affect the earnings of Viad. Commodity risk is the risk that changing prices will adversely affect results of operations.

Viad conducts its foreign operations primarily in Canada and the United Kingdom and to a lesser extent in certain other countries. The functional currency of Viad s foreign subsidiaries is their local currency. Accordingly, for purposes of consolidation, Viad translates the assets and liabilities of its foreign subsidiaries into U.S. dollars at the foreign exchange rates in effect at the balance sheet date. The unrealized gains or losses resulting from the translation of these foreign denominated assets and liabilities are included as a component of accumulated other comprehensive income in Viad s consolidated balance sheets. As a result, significant fluctuations in foreign exchange rates relative to the U.S. dollar may result in material changes to Viad s net equity position reported in its consolidated balance sheets. Viad does not currently hedge its equity risk arising from the translation of foreign denominated assets and liabilities. Viad had cumulative unrealized foreign currency translation gains recorded in equity of $44.6 million and

$39.0 million as of June 30, 2011 and December 31, 2010, respectively. During the three and six months ended June 30, 2011, unrealized foreign currency translation gains of $2.1 million and $5.6 million, respectively, were recorded in other comprehensive income.

In addition, for purposes of consolidation, the revenues, expenses, gains and losses related to Viad s foreign operations are translated into U.S. dollars at the average foreign exchange rates for the period. As a result, Viad s consolidated results of operations are exposed to fluctuations in foreign exchange rates as the operating results of its foreign operations, when translated, may vary from period-to-period, even when the functional currency amounts have not changed. Such fluctuations may adversely impact overall expected profitability and historical period-to-period comparisons. Viad does not currently hedge its net earnings exposure arising from the translation of its foreign operating results. As noted above, Viad primarily conducts its foreign operations in Canada and the United Kingdom.

The following table summarizes the effect of foreign exchange rate variances on segment operating income from Viad s Canadian and United Kingdom operations for the three months ended June 30:

	Weighted-Average Exchange Rates		Effect of Rate Variance (thousands)
	2011	2010	
Canadian Operations:			
Marketing & Events Group	$ 1.05	$ 0.97	$ 102
Travel & Recreation Group	$ 1.04	$ 0.95	$ 377
United Kingdom Operations:			
Marketing & Events Group	$ 1.64	$ 1.50	$ 467

The following table summarizes the effect of foreign exchange rate variances on segment operating income from Viad s Canadian and United Kingdom operations for the six months ended June 30:

	Weighted Average Exchange Rates		Effect of Rate Variance (thousands)
	2011	2010	
Canadian Operations:			
Marketing & Events Group	$ 1.06	$ 0.97	$ 125
Travel & Recreation Group	$ 1.09	$ 0.95	$ 193
United Kingdom Operations:			
Marketing & Events Group	$ 1.63	$ 1.51	$ 621

As the Canadian operations generated aggregate operating income for the second quarter of 2011, Viad s segment operating income has been favorably impacted by $479,000 from the strengthening of the Canadian dollar relative to the U.S. dollar. As the United Kingdom operations generated aggregate operating income in the second quarter of 2011, Viad s segment operating income has been favorably impacted by $467,000 from the strengthening of the British pound relative to the U.S. dollar. As the Canadian operations generated aggregate operating income for the first six months of 2011, Viad s segment operating income has been favorably impacted by $318,000 from the strengthening of the Canadian dollar relative to the U.S. dollar. As the United Kingdom operations generated aggregate operating income in the first six months of 2011, Viad s segment operating income has been favorably impacted by $621,000 from the strengthening of the British pound relative to the U.S. dollar.

Viad is exposed to short-term interest rate risk on certain of its debt obligations. Viad currently does not use derivative financial instruments to hedge cash flows for such obligations. On April 28, 2011, Viad paid off its outstanding borrowing under the previous credit facility of $4.2 million. As of June 30, 2011, Viad did not have any variable rate debt outstanding under the Credit Facility.

Item 4. Controls and Procedures.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of Viad, the effectiveness of the design and operation of disclosure controls and procedures has been evaluated as of June 30, 2011, and, based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective as of June 30, 2011. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in such reports is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

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During the second quarter of 2011, there were changes in the Company s internal control over financial reporting that have materially affected the Company s internal control over financial reporting. In particular, for the Marketing & Events U.S. segment, the Company consolidated its Roselle, Illinois accounting office into the existing accounting operation in Las Vegas, Nevada. The consolidated accounting function continues to utilize the Oracle financial application; however, additional functionality was added to Oracle to accommodate the Marketing & Events U.S. segment s billing process for a portion of the business. The consolidation of these accounting functions was part of a planned business upgrade and was not made in response to any deficiency in the Company s internal control over financial reporting.

PART II OTHER INFORMATION

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A. Risk Factors of Part 1 and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II of Viad s Annual Report on Form 10-K for the year ended December 31, 2010, which could materially affect the Company s business, financial condition and/or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Set forth below is a table showing the total number of shares of Viad common stock repurchased during the second quarter of 2011 by Viad from certain individuals surrendering previously owned Viad common stock (outstanding shares) to pay the taxes in connection with the vesting of share-based awards. The table also reflects that no shares of Viad common stock were repurchased by Viad on the open market as part of a repurchase program.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased (#)	Average Price Paid Per Share ($)	Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)
May 2011	475	22.09		304,381
Total	475	22.09		304,381

(1) Viad has announced its intent to repurchase shares of the Company s common stock from time to time at prevailing market prices. No shares were repurchased during the second quarter of 2011. As of June 30, 2011, 304,381 shares remain available for repurchase. The authorization of the Board of Directors does not have an expiration date.

Item 6. Exhibits.

Exhibit No. 31.1	Certification of Chief Executive Officer of Viad Corp pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
Exhibit No. 31.2	Certification of Chief Financial Officer of Viad Corp pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
Exhibit No. 32.1	Certification of Chief Executive Officer of Viad Corp pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
Exhibit No. 32.2	Certification of Chief Financial Officer of Viad Corp pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

* Filed herewith.

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 9, 2011	**By /s/ G. Michael Latta**
(Date)	G. Michael Latta Chief Accounting Officer Controller (Chief Accounting Officer and Authorized Officer)

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