SUPREME COURT OF THE UNITED STATES

DELAWARE, *Plaintiff*,

v. Nos. 220145 & 220146 (Consolidated)

ARKANSAS, *et al.*, *Defendants*.

DECLARATION OF JONATHAN A. MASSIMINO

I, Jonathan A. Massimino, declare and state pursuant to 28 U.S.C. §1746, as follows:

1. I am the Assistant General Counsel and Assistant Secretary of Viad Corp. In such capacity, I have authority to certify the attached records.

2. Viad Corp was previously known as The Greyhound Corporation. Subsequently, the corporation became Greyhound Dial Corporation, The Dial Corp, before ultimately becoming Viad Corp.

3. For all periods covered by this declaration, Travelers Express Company, Inc. was a subsidiary of either The Greyhound Corporation, Greyhound Dial Corporation, The Dial Corp, or Viad Corp.

4. The following attached Annual Reports are true copies of original records maintained by Viad Corp.

- Exhibit A-1980 The Greyhound Corporation Annual Report
- Exhibit B-1981 The Greyhound Corporation Annual Report
- Exhibit C-1982 The Greyhound Corporation Annual Report
- Exhibit D-1983 The Greyhound Corporation Annual Report

- Exhibit E-1984 The Greyhound Corporation Annual Report
- Exhibit F-1985 The Greyhound Corporation Annual Report
- Exhibit G-1986 The Greyhound Corporation Annual Report
- Exhibit H-1989 The Greyhound Corporation Annual Report
- Exhibit I-1993 The Dial Corp Annual Report
- Exhibit J-1998 Viad Corp Annual Report
- Exhibit K-1999 Viad Corp Annual Report
- Exhibit L-2000 Viad Corp Annual Report
- Exhibit M-2001 Viad Corp Annual Report
- Exhibit N-2002 Viad Corp Annual Report

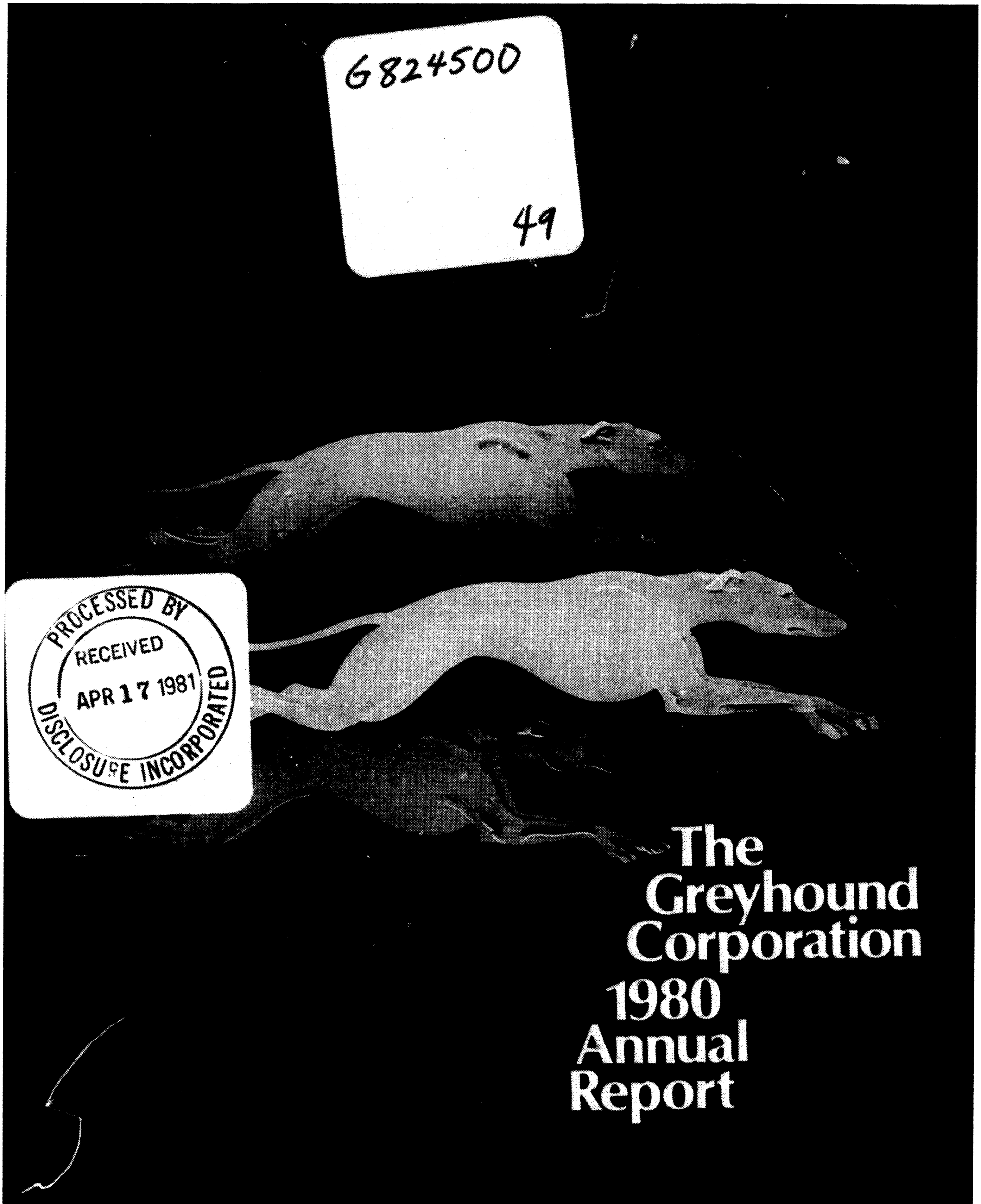
5. The attached Annual Reports were kept in the course of the regularly conducted business activity of Viad Corp and were prepared as a regular practice and custom.

6. The attached Annual Reports were prepared by the personnel of Viad Corp in the ordinary course of business at or near the time of the act, condition, or event reported thereon, and by a person or persons with knowledge of and a business duty to record or transmit those matters.

I declare under penalty of perjury that the foregoing is true and correct.

Jonathan A. Massimino

Exhibit A



The Greyhound Corporation 1980 Annual Report

Contents

Financial Briefs

	1980	1979	1978	1977	1976
REVENUES (millions):					
Greyhound and consolidated subsidiaries	$4,782	$4,709	$4,359	$3,872	$3,755
Financial Group (not consolidated)	354	308	231	170	152
INCOME (millions):					
Greyhound and consolidated subsidiaries:					
Exclusive of unusual items	$ 61.5	$ 73.6	$ 48.6	$ 53.9	$ 59.7
Unusual items			(25.4)	2.5	
Including unusual items	61.5	73.6	23.2	56.4	59.7
Net income of Financial Group	56.8	49.4	35.2	25.5	17.4
Combined income, exclusive of unusual items	118.3	123.0	83.8	79.4	77.1
NET INCOME (millions)	$118.3	$123.0	$ 58.4	$ 81.9	$ 77.1
NET INCOME PER SHARE (dollars)	$ 2.67	$ 2.80	$ 1.33	$ 1.86	$ 1.76
Average outstanding common and equivalent shares (millions)	44.3	44.0	43.9	43.9	43.7

Gerald H. Trautman Frank L. Nageotte John W. Teets Ralph C. Batastini

The Chairman Comments

It is with great pride that I report to you that 1980 net income reached over $118 million, the second highest earnings year in Greyhound's history.

To those who might be tempted to dismiss "second highest" as a disappointing "second best," however, let me say that by every measure our 1980 income represents more of an achievement than our 1979 record results.

Our 1979 earnings of $123 million were a source of enormous gratification to us. They were honestly earned and keenly merited. Without in any way disparaging them, however, they were patently not "normal growth." Stimulated by the energy situation that occurred in April of that year, 1979 earnings more than doubled the 1978 level of $58 million.

The skeptics . . . and there were many . . . looked at those results and predicted that we could in no way sustain that level of earnings in a soft economy or in a period of ordinary operating conditions.

Thus, our goal in 1980 was to demonstrate that Greyhound could take the gains made in 1979 and build on them . . . creating sound, stable growth that can endure, year after year, for the foreseeable future. And this we have done.

It is with great satisfaction then that I report to you that there is nothing unusual or aberrant behind our $118 million of 1980 net income, just consistent, steady performance in a normal, competitive business environment.

This is not to imply that we don't recognize that the times are in our favor, nor do we belittle the positive impact of outside factors on our mix of businesses. But what we *are* saying are two things:

- that in 1980, we no longer had an energy *crisis* as such. Instead, we have an energy *environment* which is a long-term condition of contemporary life, and one to which we all will be making varying degrees of adjustment for decades. In terms of our transportation operations, both passenger and bus manufacturing, we see this as favorably influencing our business for many, many years.
- that while the name Greyhound represents the best in surface transportation, it commands equal esteem in *other* industries as well, areas which in 1980 contributed over 65% to our operations.

Operations Review

It is very heartening to report that the Transportation Group built on last year's momentum and did another outstanding job in 1980, adding both new riders and good gains in passenger miles. We invested nearly $79 million in 1980 to give our employees the best of everything to work with . . . new buses, terminals, equipment and facilities. Not to belabor the point, but in 1980, there was nothing "inevitable" about our intercity bus growth, and we did not enjoy a captive ridership. If we were not delivering a first-class transportation system, nothing would have kept our new riders coming back to Greyhound. In 1980, we *earned* our bus growth, day by day, passenger by passenger.

One of the basic strengths of The Greyhound Corporation today is the policy of "diversification within diversification." The corporation itself has achieved a high degree of controlled, prudent diversity which acts as a hedge against economic buffeting. But even more significant, our group operations have lessened their *own* vulnerability to economic vagaries by expanding the array of businesses they are in.

Nowhere is this more evident than in our Financial Group, whose activities embrace such diverse areas as leasing, mortgage insurance, money transfer services and worldwide reinsurance. This has resulted not only in the dynamic growth of the Financial Group, but a zest for new enterprise that helps them mold their own future.

The Food Service Group, whose fortunes were once almost totally linked with those of the automotive industry, has spent the past five years building diversification into its operations. In 1980, it allowed the group to show a solid profit even though the automotive industry was in disarray. And our Services Group is similarly broad-based and increasingly innovative.

Bus Manufacturing, a business that five years ago netted the corporation about $6 million, just about quadrupled those results in 1980, to over $23 million. And Consumer Products, under a new management which I consider to be the most capable in the industry, is making the kind of marketing-management-new product decisions that led to a 38% jump in profit in 1980.

In 1980, it was the Armour Food Group that was of major concern to us, and where we experienced a sharp drop in results of over $21 million, primarily in the Processed Meat area. Fresh Meat profits, by contrast, were fine.

You will recall that in 1979, under the direction of the then Armour management, the Processed Meat division took on a wholly new character which oriented it away from production and toward a marketing-promotion strategy.

Almost immediately, losses of a serious magnitude began to occur in the Processed Meat segment, the specific causes of which are analyzed in the operating report on page 10. After almost 18 months of these losses . . . which rather than subsiding were worsening . . . we finally conceded the necessity to bring in a new management team from our Fresh Meat division. Installed in August of 1980, they quickly brought the situation under control, and by November had the Processed Meat division profitable again. It will be a long road back, and we have a lot of rebuilding to do, but the trend is positive again.

Under its new managers, Armour *will* be turned around, but it will be done prudently, following intelligent, long-range profit principles.

For each of our companies, the Eighties present challenges of a size, number and complexity beyond anything business has ever before encountered. But for superior companies, the Eighties also offer the promise of unprecedented growth and excitement, right along with the risks.

Financial Condition

Due to our excellent earnings, plus a strict asset management program and adherence to long-term planning, the goals we set for ourselves early in the year were essentially met. Our balance sheet at the end of 1980 was very strong.

Although we increased capital expenditures 22% to keep our equipment and facilities up to date . . . and increased dividends 15% to an annual rate of $1.20 . . . these were accomplished without an appreciable increase in debt. In addition, we kept our interest expense approximately even with last year and we added over $73 million to shareholder equity. Our total-debt-to-equity ratio was a healthy .61 to 1 at the end of 1980.

We were very pleased in January of 1981 to close out our longstanding anti-trust litigation with IBM by accepting their offer of a $17.7 million settlement with Greyhound Computer Corporation. This transaction will be reflected in 1981.

In 1981, management will continue to review the strengths, weaknesses and market positions of each of our businesses. We will be looking at the long-term value of each, whether it is a generator or a user of cash, and its return on assets employed. Our goal is to free up resources and redirect them to areas that enhance the value of our shareholders' investment in the company.

Our current strategy is based on building on our existing businesses rather than reaching far afield for growth. That premise is largely responsible for our outstanding financial results and, by and large, is a plan we will continue to follow in the decade.

We are convinced that it is not just earnings that count, but the *quality of earnings*. This is why I have stressed in this report to you that our results in 1980 represent stable, reliable, growth . . . the kind that leads to *quality of earnings*, and we are paying particular attention to improving return on total capital . . . that is, improving how productively capital is being employed.

Organization

I am pleased to report to you that in November, the Board of Directors elected Ralph C. Batastini as president of the corporation. A career Greyhound employee, Mr. Batastini is also chief financial officer of the corporation and has been a vice chairman and a director for many years.

Joining Mr. Batastini and myself in the Executive Office arrangement are Frank L. Nageotte and John W. Teets who have been elected vice chairmen and members of the board. Mr. Nageotte has been with Greyhound Lines since 1947, most recently as chairman, and is considered the foremost intercity bus executive in the nation. Mr. Teets, who recently was named the leading executive in the food service industry, was responsible for the successful rebuilding of our Greyhound Food Management operation. In addition, heartened by the progress being made by the new Armour management, I also have turned over to Mr. Teets the chairmanship and presidency of Armour and Company which I assumed last year on an interim basis to oversee Armour's rebuilding.

Following a long and distinguished career with Armour and Company and as a member of the Greyhound board, Clifton B. Cox retired in March of 1981. And at its February meeting, the board elected a new member, Dennis C. Stanfill, chairman and chief executive officer of Twentieth Century-Fox Films, Inc.

It is with great sorrow that I report the loss of our fine director, Dr. Charles F. Fogarty, who died in a tragic airplane accident in February.

I am sincerely grateful for the devotion and loyalty of our employees and the unswerving support of our shareholders. The inherent strength of our basic businesses is what has put us on a new growth curve at Greyhound, and I expect to report to you an equally outstanding 1981.

Sincerely,

Gerald H. Trautman

Gerald H. Trautman
Chairman and Chief Executive Officer

In just two years, the Transportation Group has increased its net income over 150%, from $21.5 million in 1978, to $54 million in 1980.

In the two years spanned by that 150% increase in group net income, the industry as a whole, and Greyhound Lines in

Transportation

- ✦ **Net income increased 150% in just two years**
- ✦ **Ridership growth in 1980**
- ✦ **$79 million invested in new buses and facilities**
- ✦ **New telephone information center opened**

particular, has experienced the most significant period of growth and opportunity in its history.

Millions more people climbed on board Greyhound's intercity buses in those years, and it is of no small interest and concern to examine "Why," and, more to the point, "Will they stay?" and "For how long?"

The influx of new riders came, of course, impelled by the energy crisis that occurred in April of 1979.

Despite the overnight demands put on our facilities and equipment, we handled this traffic without faltering, having just completed a massive overhaul of our terminals and rolling stock. Our service . . . after some years of neglect and decline . . . was a matter of pride to us again and allowed us to respond to the energy crunch with a first-class ground transportation system.

By contrast, 1980 saw none of that frenetic activity . . . just a steady, stable

Greyhound's Silent Information Service, scheduled for installation in selected terminals during 1981, makes it possible for persons with speech or hearing impairment to "talk" directly to company's new telephone center in Allentown, Pennsylvania.

growth in ridership and a 37% gain in net income to $54 million. The people who came to Greyhound on the crest of the energy crisis have stayed. And we see this reliable growth trend continuing unabated for at least a decade, more likely for two.

We are continuing to deliver a quality transportation service evident in the fact that in 1980 we spent some $79 million for new buses and facilities. In addition, in every category from driver to baggage handler, we have hired more people than at any time in our history, because the *right* to serve more riders embodies the *responsibility* to serve them well!

In 1980, we met that responsibility over a broad range of areas:

In January we opened our new Telephone Information Center in Allentown, Pa. which is handling over 5 million reservations and inquiries a year for a 19-city region of the Northeast. A few months later, we returned to Allentown to unveil an extraordinary information service for the speech and hearing impaired . . . The Silent Information Service. Greyhound Lines is the only bus line in America to fill this need for the handicapped. The system utilizes telecommunications devices which have a keyboard and a display screen. The handicapped person simply "talks" to our special Allentown operators via messages that flash across the screen.

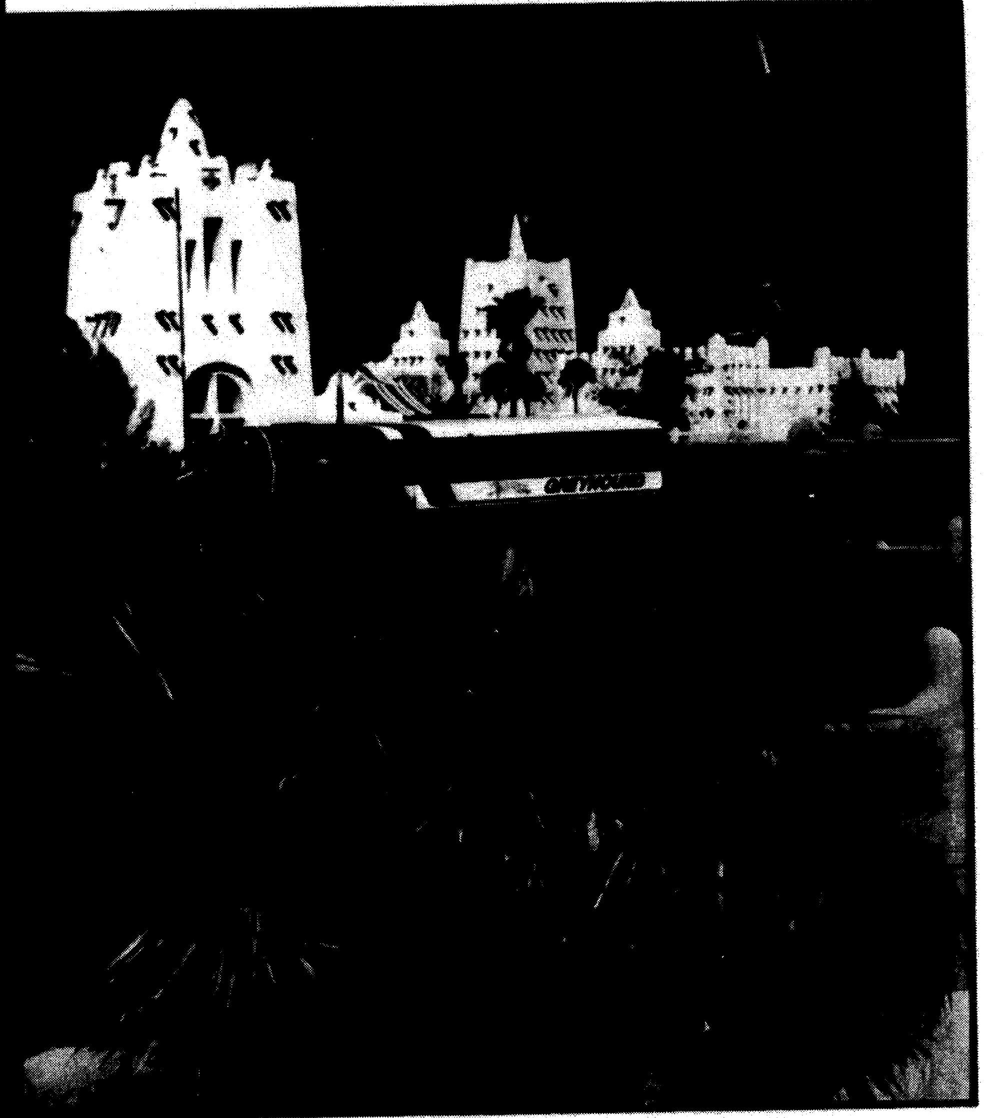
- In April, we added door-to-door pickup and delivery service to our nationwide Package Express service. While package express customers can continue to take their shipments directly to the terminal, other customers prefer the convenience of door-to-door service, particularly small businesses shipping auto parts, photographic equipment, hospital supplies, and the like.
- In September we opened a comprehensive new complex in the New York Port Authority Annex. This two-level facility handles 200 daily departures and includes [illegible]cket plaza, facilities for the handicapp[illegible]d, and multiple departure-arrival gates. In addition, through mechanical hookups to the terminal's heating and cooling systems, buses waiting to depart no longer have to idle their engines for the comfort of passengers, resulting in impressive fuel savings.

Another highlight of 1980 was our rescue of the transportation operation at the Lake Placid Olympics. Within 24 hours of receiving an emergency call from New York State officials, Greyhound moved in the buses, supervisors and communications required to undo a massive transportation snafu that had left thousands of Olympic visitors stranded. That expertise in moving masses of people quickly and efficiently influenced the officials of the 1982 World's Fair in Knoxville in designating Greyhound Lines as the official ground carrier.

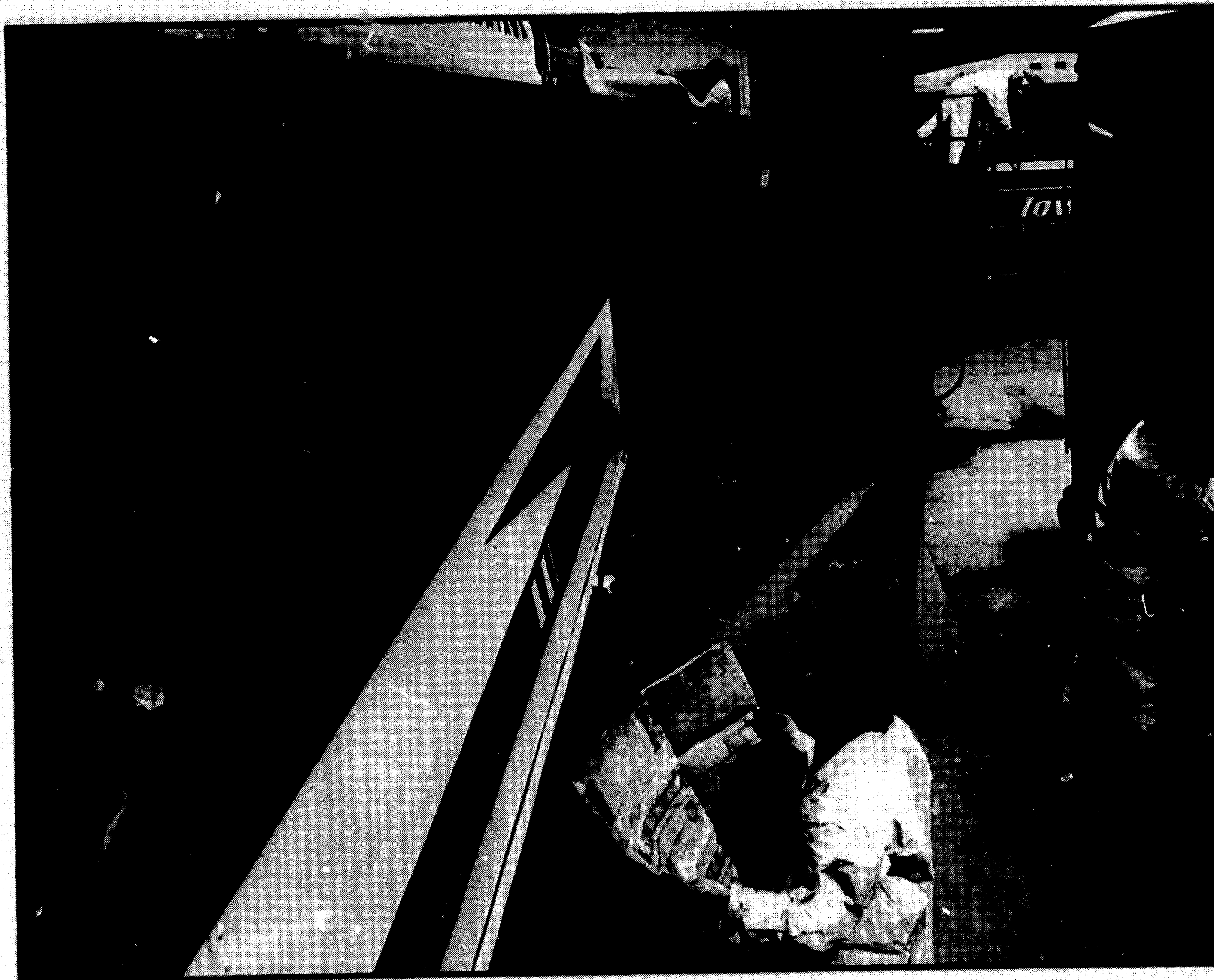
Other facets of Transportation Group operations which were up solidly in 1980 include package express and charter revenues which surpassed last year; our Saudi Arabia operations for Aramco which turned in impressive profits; and Greyhound Lines of Canada which reported excellent income gains.

Deregulation of the intercity bus industry at last seems within reach. The American Bus Association and the ICC both have authored bills which are a major step in the right direction and one we can support, with only one footnote . . . that we wish they were even more extensive. Competition — where it is fair and even-handed to all participants — is never to be feared. Deregulation isn't something we're advocating just because we think it will be good for Greyhound, but because we believe it will benefit the entire industry.

Greyhound is "America's bus company" . . . a niche we've filled for over 65 years by virtue of being very good at what we do. We're proud that our company is genuinely an American institution, and our employees, who are the finest and highest paid in the industry, are pledged to deserve the confidence America has in us.



An MC-9 Americruiser glides past recently completed Timbuktu area at The Dark Continent, Busch Gardens, Tampa, Florida, a popular destination for many Greyhound charter groups.



Building on the momentum generated by the continued upswing in the intercity bus industry, the net income of Greyhound's bus manufacturing operations reached a record $23 million in 1980, a

Bus Manufacturing

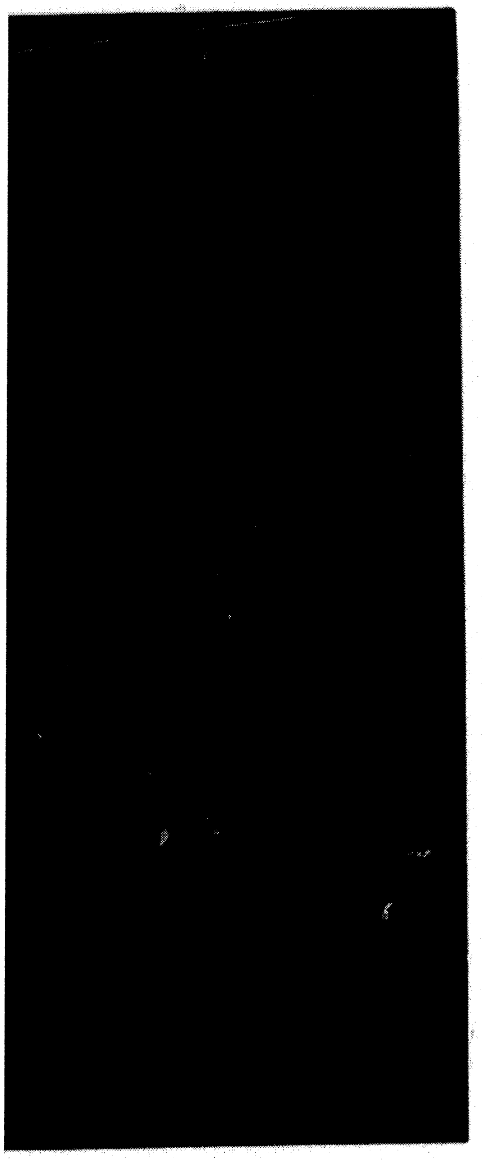
- **Net income reaches $23 million**
- **Entire MC-9 intercity bus production again presold as year began**
- **Manufacturing facilities in U.S. and Canada being expanded**

19% increase over 1979. This also represents a doubling of the group's earnings over the last two years, from the $11.6 million recorded in 1978.

For 1980, the entire 1400-unit production of our model MC-9 intercity bus was presold before the year even began. Nearly 500 of these buses . . . almost the entire output of our Roswell, New Mexico plant . . . went into the fleets of Greyhound carriers, both intercity passenger and sightseeing operations.

The balance, however, approximately 65%, was purchased by many of the nation's other intercity carriers, strong evidence of the high regard in which they hold Greyhound-built buses, the finest on the road today. These latter buses, for sale to non-Greyhound carriers, are produced at our bus-building facilities in Pembina, North Dakota.

In 1981, our MC-9 production is anticipated to be close to 1,600 units and again, as in 1979 and 1980, the full production run was pre-sold well in advance. As in previous years, we are being asked to accept orders on our 1982 production, which we are unable to do since



Personnel at Pembina, North Dakota, plant put finishing touches on several of the nearly 900 MC-9 buses manufactured in 1980 by Motor Coach Industries for other intercity carriers.

inflationary factors make it impossible to set prices so far ahead.

Since the rebound in the intercity bus industry in early 1979, our inability to keep pace with demand for new buses has been based not so much on the limitations of our assembly lines, as on our inability to manufacture parts and sub-assemblies fast enough. The production rate of our Roswell plant, for instance, is determined by the Winnipeg, Canada plant which supplies it with component parts. In turn, of course, if these same components were not shipped to the Roswell plant, they could be used to boost production at Pembina.

To relieve the situation, a major expansion program is underway involving a capital investment of nearly $18 million which will materially increase our productive capacity.

A new 157,000 square foot building for the manufacture of parts and sub-assemblies at Roswell should be ready by the end of April, 1981. All machinery is expected to be in place by late September, with the manufacture of components scheduled to begin during the last quarter. At that point, Roswell will begin to be self-sufficient and gradually reduce dependence on the Canadian operation for sub-assembly kits. By the end of 1982 the Roswell plant will be completely self-sufficient in bus manufacturing.

This expansion will boost Roswell's annual production to approximately 540 units in 1982, with a further increase to 700 buses scheduled for 1983.

In anticipation of the time when it no longer has to divert components to Roswell, the Winnipeg plant also is being expanded, as is the final assembly plant in Pembina.

By the end of 1981, MC-9 production at Pembina is expected to be approximately 1,050 buses, and jump to more than 1,600 buses by the end of 1983. At that time, the combined annual productive capacity of our U.S. and Canadian plants will be nearly 2,400 buses.

The popularity of our heavy-duty transit bus, the Citycruiser, which first rolled off the Roswell assembly line in 1979, is growing steadily, as its reputation for rugged, trouble-free dependability becomes firmly established. New customers are being added to our roster almost daily, and many municipalities, airport shuttle operators, rent-a-car licensees and the like, who were among the first customers, have come back with new orders to add still more Citycruisers to their fleets.

With a steady increase in the number of buses traveling the nation's highways, the demand for bus parts also is growing. As a result, the operation of Universal Coach Part's new branch warehouse in Edison, New Jersey, which got off to a slow start in 1980, should begin to show substantial improvement. This operation is being monitored closely to determine the practicality of opening a similar parts warehouse in the West. A new distribution center also was opened in Newcastle, Ontario, to accommodate the increased demand for parts from a growing list of carriers in Eastern Canada.

Every reliable forecast predicts continued growth of the intercity bus industry, which in turn translates into a parallel increase in the demand for new buses. With our expanded facilities scheduled to go on-stream later this year, we will be able to accommodate not only the growing new-bus requirements of our own transportation companies, but also those of all the other intercity carriers who know that with Greyhound-built buses they are providing their passengers with the very best.

Final assembly of MC-9 buses takes place at Motor Coach Industries' Pembina, North Dakota, plant.

The Financial Group moved into the Eighties with tremendous momentum and impressive earnings of $59 million, an increase of 15% over the prior year, making the group the largest contributor to corporate earnings again last year.

In 1980, Greyhound Leasing & Financial Corporation posted good earnings gains, reflecting growth both in conventional leasing of capital equipment, and in the creating of innovative financing packages for clients.

Financial

- **Net income up 15% to $59 million**
- **$255 million in new business booked by GL&FC**
- **Verex earnings up 19%**

For several years now, soaring interest rates and inflationary pressures have tended to tip the scales in favor of the leasing or financing of capital equipment rather than outright purchase. The attractions are obvious: the preservation of working capital and cash flow, the use of equipment without a hefty down-payment, and . . . in the case of leasing . . . retention of many of the benefits of ownership which can be passed on by the lessor to the lessee.

In 1980 GL&FC booked new business amounting to $255 million, of which $116 million was in the leasing area, including $11 million of commercial aircraft and $28 million of trucks and trailers. The balance of $139 million represents a variety of other financing arrangements, including loans on over $38 million of shipping vessels, many of them to service the offshore oil drilling industry in which we have a significant involvement.

Among the major transactions concluded by GL&FC last year were the financing for Air Florida of two 737's valued at $13.4 million, and the financing of a 29,000 ton, $5.6 million ship carrying grain between the U.S. and Taiwan.

GL&FC has expanded its activities in the area of the financing of real estate receivables, including major recreational and retirement developments worldwide, and also manages a portfolio of preferred stock.

In order to free its operations from economic fluctuation, GL&FC continues to expand its organization worldwide and has recently established a new subsidiary in Panama to service the Latin American market. International activities in Europe, Canada, Latin America and the Far East continued to contribute significantly to overall profits.

Greyhound Computer Corporation increased its income by nearly 50% in 1980, due in large measure to favorable foreign exchange rates, and judicious investment and diversification. In terms of GCC's basic computer leasing activities, however, these were negatively affected by the continued decline in rental revenues for equipment coming off lease, and continuing high interest rates.

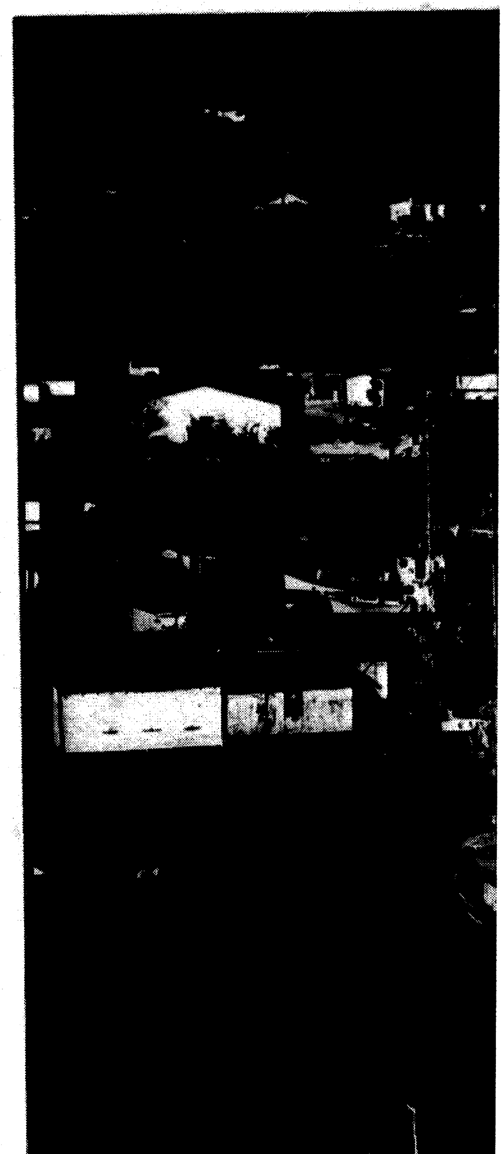
We were very pleased in January of 1981 to announce the settlement of Greyhound Computer's antitrust suit against IBM and the payment by IBM to Greyhound of $17.7 million, which will be recorded as a 1981 transaction.

In response to difficult operating conditions in 1980, GCC increased its brokerage activity . . . the buying and selling of computers as opposed to buying and leasing them. In addition, it is gradually moving into the leasing of a wide variety of high technology equipment which tends to be less vulnerable to obsolescence than IBM and compatible equipment, and in which no single company dominates the market to the detriment of the industry.

The Pine Top Insurance Group, which specializes in worldwide property, casualty and other coverage of special risks and reinsurance, reported a 12% increase in net income in 1980, despite a decrease in premiums written. The writing of fewer policies was a deliberate decision made in light of the highly competitive pricing conditions which currently exist in the international reinsurance market. Those competitive conditions are not expected to ease much in 1981, but expansion of other facets of Pine Top operations will enable the company to continue to grow profitably.

The same ability to innovate and diversify marked Verex' operations last year. Despite high interest rates and scarcity of mortgage money, which depressed both new housing starts and sales of existing homes, Verex, which is the nation's second largest insurer of home mortgages, posted a 19% increase in earnings.

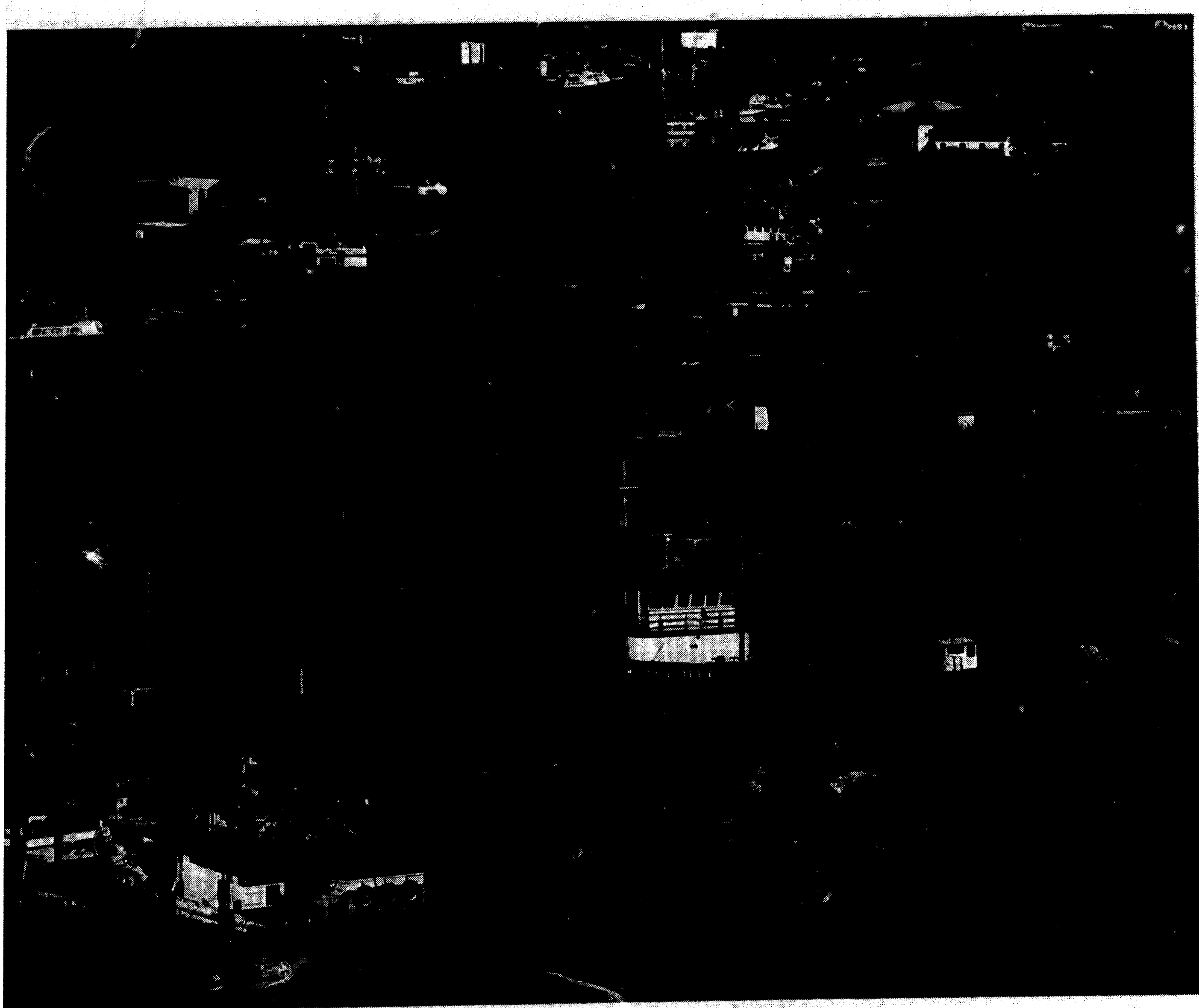
Alternatives to the traditional mortgage — including variable rate, renegotiable



rate, pledged account, graduated payment and equity sharing mortgages — helped both borrowers and lenders to cope with rising home costs and fluctuating interest rates. And Verex was involved in all of these new mortgage instruments.

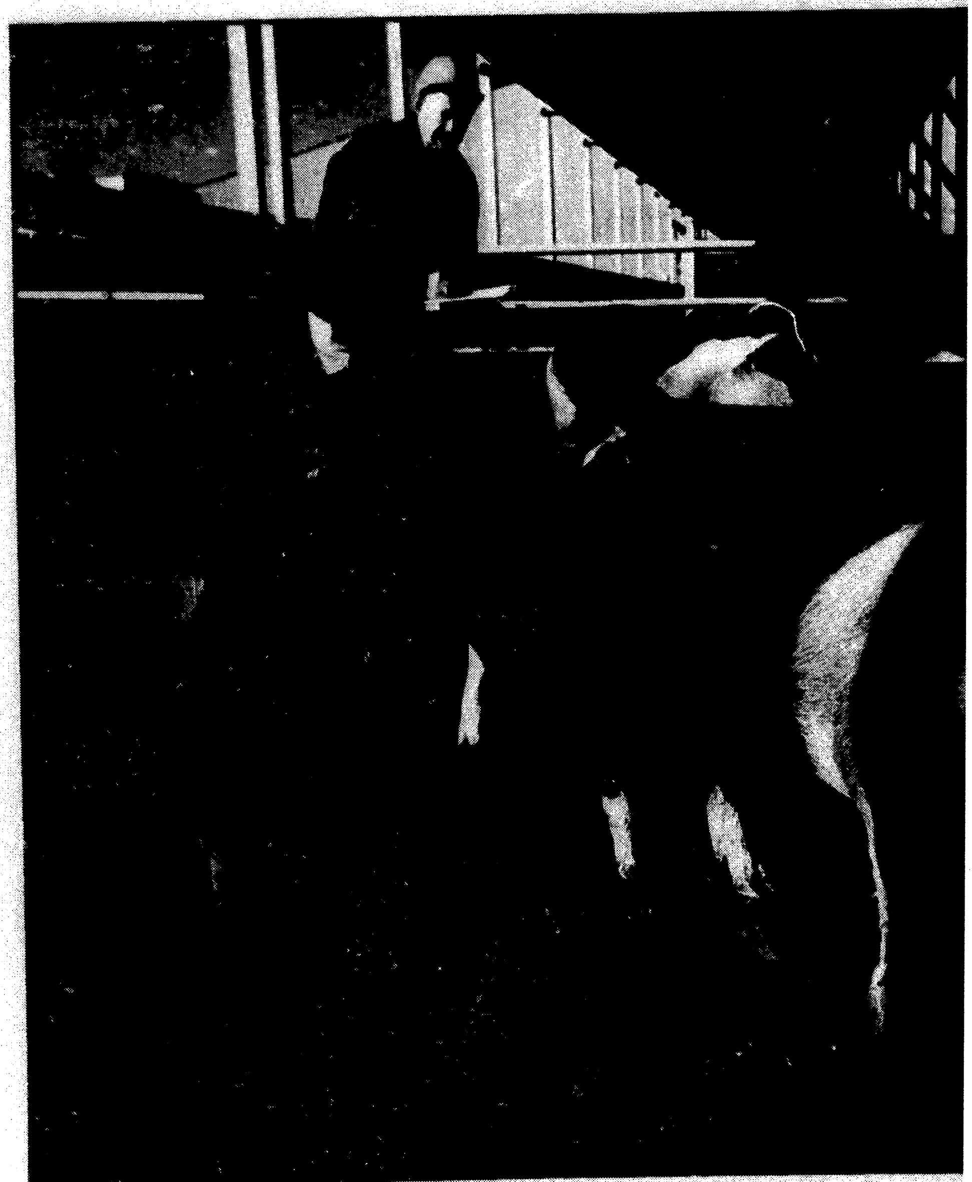
Verex also increased its activity in the area of insuring mortgage-backed securities, providing coverage for the pools of loans that serve as collateral for these bond issues.

Traveler's Express posted record net income for 1980 and continued the diversification of its money transfer and payment services activities. Money orders are still the primary contributor to income, but 1980 saw tremendous expansion of the company's share draft processing operations. In 1980, Traveler's Express processed 83 million share drafts, nearly double the prior year's volume.



The Misty Briley, negotiating an inland waterway off the Louisiana coast, is typical of the many supply boats GL&FC has on lease to companies servicing the offshore oil drilling industry.

The Olga Company, Van Nuys, California, uses computer equipment leased from Greyhound Computer for inventory and production control of its prestige line of women's intimate apparel.



Armour Food Group results were not good in 1980. More to the point, they were bad in a year which should have been an excellent one since Armour is essentially a pork operation, and the pork cycle was strong in 1980.

To analyze what occurred, it is necessary to look at Armour Food in its separate parts:

Armour's fresh meat operations did extremely well and turned in solid profits. Hogs were readily available in 1980 and priced reasonably well, even though the live hog market was more competitive than in 1979. The American consumer bought more pork, recognizing it to be an excellent buy compared to beef, and sales of Armour's Veribest Pork, a branded commodity product, were up 18% over 1979.

Food

- ✦ **Fresh Meat operations solidly profitable**
- ✦ **New management team for Processed Meat**
- ✦ **Boneless turkey introduced nationwide**

Our beef and lamb operations also were profitable last year. We shipped more boxed beef than ever before and expect that trend to continue. Faced with rising shipping costs, our customers realize that the cost of hauling whole carcasses . . . bone, gristle and other inedibles . . . is not economical.

Armour processed meat operations, by contrast, suffered steep losses. Two years ago, following extensive study and outside consultation, we accepted a marketing strategy premised on the emphasizing of our Armour Star branded products with their higher profit margins and heightened consumer awareness.

Almost immediately, this highly profitable segment of our business . . . one which had never previously lost money . . . began sustaining losses which went on for most of the next 18 months, growing alarmingly in magnitude, resulting in a cumulative loss of nearly $14 million.

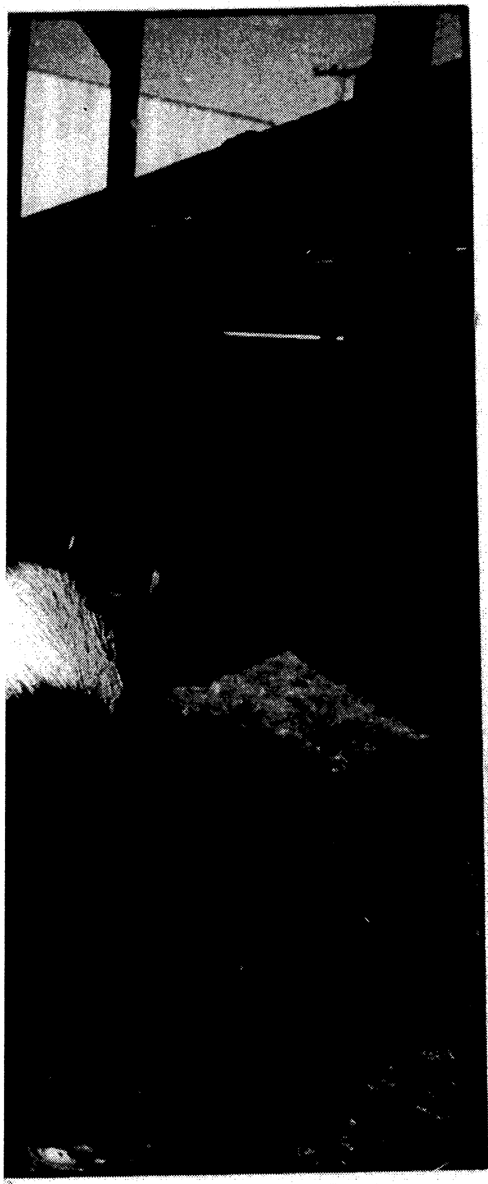
The fault for this situation lies both in the marketing concept, and in the execution.

Armour has always done a highly successful business in private label packing for other people, and in marketing a number of "second-line" brands for ourselves which fill special regional preferences. In the execution of this new marketing concept, all of our private label and second-line business . . . which absorbed overhead, allowed us to operate our plants at productive capacity, and permitted competitive pricing of our branded products . . . was summarily repudiated. The consequences for processed meat's volume and profitability were inevitable and negative.

In August, we had no alternative but to bring in a new management team which has taken a number of effective steps. The first of these was to impose stricter controls on administrative expenses, accounting, and production. The second was to reinstate with our regional vice presidents the authority for pricing and other crucial matters which, in our business, must be made day-to-day, market-by-market, decision-by-decision.

In addition, the new management has reinstated much of the second line and private label business that had been abandoned.

In October, Armour Food Company achieved the first month of profitable operations in many months and ended 1980 with a profitable fourth quarter. That is not to say its profitability is back



Head hog buyer at Armour's St. Joseph, Missouri, plant checks out several prime hogs selected for Armour's Veribest brand of pork.

where we want it, but we have every confidence in the new management team and what it is accomplishing.

Armour Poultry and Dairy results also were down from the prior year, due essentially to lower profits in our turkey operations.

The wholesalers who are our customers came into 1980 with abnormally high cold storage inventories of turkeys and this depressed volume and sales in the first half. By mid-year, however, this reversed sharply and the second half witnessed good profits, aided by the extended drought in the west and southwest which allowed the industry to command higher prices for turkeys.

In 1980, we made outstanding gains in the marketing of our boneless turkey, the only such product on the market and we are forecasting more than doubling our boneless turkey sales in 1981.

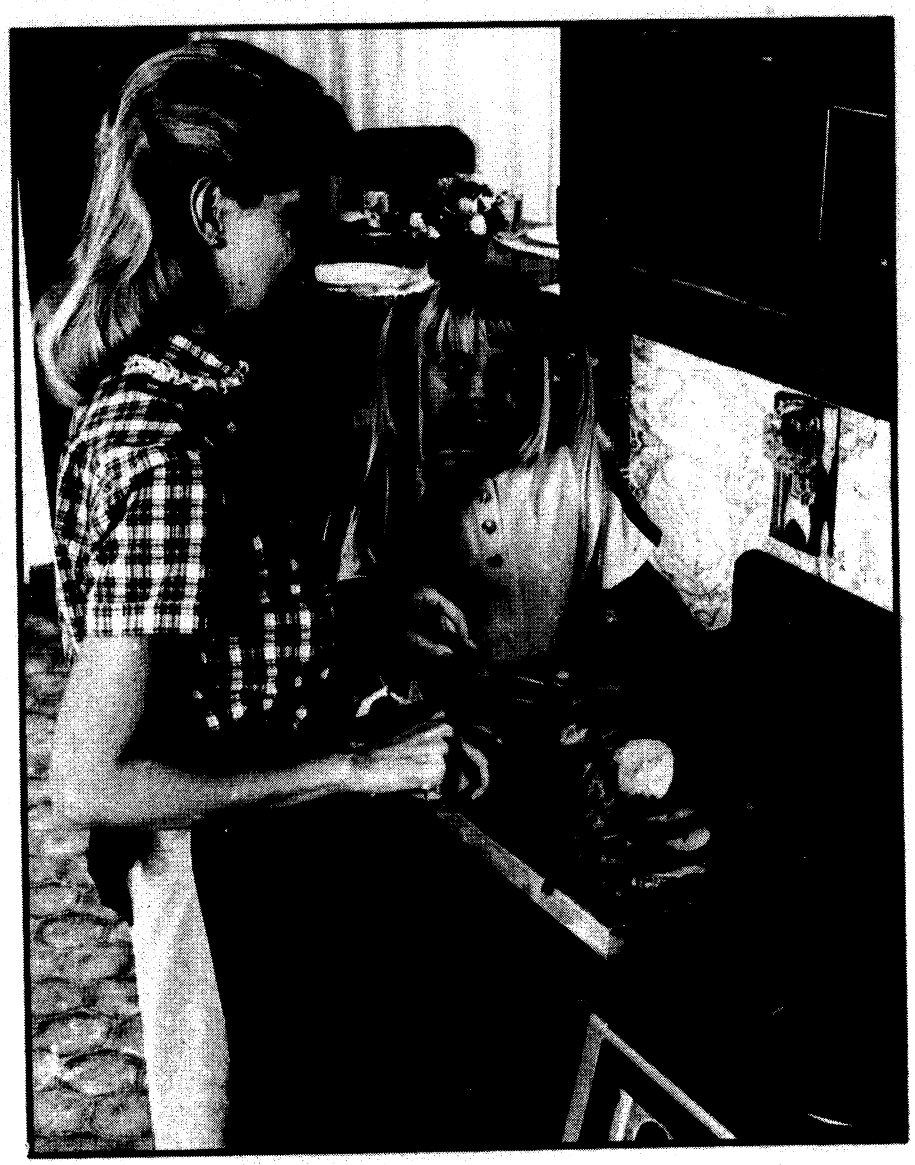
The drought also was a factor in Armour's fine earnings in its chicken operations. The supply of broilers dropped sharply in the summer when much of the breeding stock was killed or set back. Higher prices ensued and this should continue to affect business favorably in the first half of 1981.

As Armour Food Company looks to 1981, we anticipate reporting substantial improvement in results:

The Fresh Meat area will continue to be profitable even though the industry is, unfortunately, coming off the excellent pork cycle. Pork will be higher priced in 1981, but it will still be significantly cheaper than beef and the consumer recognizes this.

Armour Processed Meat has by no means discarded the strategy of stressing its branded hot dog, ham, bacon and other lines, but it is doing it in a prudent and responsible context. We also are introducing a variety of new products which have demonstrated good profit potential. These include International Deli cold cuts, Dinner Classics frozen entrees, and a line of "boil in the bag" entrees.

Breaking even in Armour Food Company isn't our goal . . . making a respectable profit *is*. Achieving that goal is our pledge to shareholders in the months ahead.



Armour's boneless turkey, introduced into national distribution during 1980, is proving a popular year 'round alternative to beef and pork.

Gymnastic clinics conducted by Kathy Rigby were part of Dial-sponsored athletic program for youth that also includes football, basketball, skiing and jogging.

Armour's Consumer Products Group reported good earnings gains in 1980. Net income rose to $15.9 million from $11.6 million the prior year, an increase of over 38%.

Armour-Dial Company

In 1980, Armour-Dial achieved a 44% earnings increase due primarily to two factors: favorable raw material prices in both soap and canned meats; and a turnaround in unit sales volume during the last half of the year which resulted in record second half performance.

Consumer Products

- **Net income up 38% to $15.9 million**
- **Armour-Dial earnings up 44%**
- **New "Spirit" soap in test market**
- **R & D investment to increase 17%**

During the year, management completed a significant change in marketing strategy away from short-term, trade-oriented marketing programs into direct consumer advertising and promotion. This did not necessarily entail spending *more* dollars, but rather reallocating funds for better impact and higher payback in the long term. The move reflects our conviction that a short-term strategy which simply fills the pipeline with product . . . but fails to provide the advertising support needed to move it into the hands of the consumer . . . is merely mortgaging the future of any brand.

Our Dial Soap is the leading deodorant bar soap in America with over 14% share of market. In the highly competitive toilet soap industry, that kind of preeminence represents a hard-won niche which requires unrelenting marketing and research effort to maintain. During 1980, a "new, improved" Dial was introduced combining glycerine additive and new colors to meet changing consumer demands.

Along with conventional deodorant soaps and luxury beauty bars, we are now seeing the emergence of so-called

refreshment bars . . . soaps which rely upon a strong fragrance and bracing lather. Our entry in this new refreshment bar soap market segment is Spirit — a crisp blue and white bar which utilizes micro capsules to maintain perfume level from beginning to end of use. It was introduced into test market last spring.

Despite a soft economy and the impact of inflation, Armour Star canned meats enjoyed good profits in 1980, and market shares remained strong.

The economic pinch is being felt very keenly by our canned meat customers, however, and because consumers were very selective in their buying habits, the overall market for canned meats softened during 1980.

For our part, we were able to hold price increases to a minimum in the canned meat area because of favorable raw material costs, particularly for pork products, and by intensifying our efforts to improve productivity within our plants.

Other Armour-Dial businesses contributed to improved earnings in 1980 including Dial anti-perspirants and our household products such as Parsons' Ammonia, Bruce floor care products and Magic Sizing.

Future growth through internal development of new products, and the extension of existing product lines, is a primary objective of Armour-Dial management. In addition to new Dial and Spirit soaps, the La Sauce line of chicken baking sauces moved from test market into regional distribution in 1980. To maintain the flow of new ideas, our investment in research and development will increase by 17% in 1981.

Looking ahead, Armour-Dial expects modest growth in all its established product lines, but substantial investments in the launching of new products and in research and development will hold down profits.

Our principal effort in 1981 will involve a combination of actions which are designed to ease the economic pressure on retail prices:

- Improved productivity in our manufacturing facilities.
- Direct appeal to the consumer through attractive price incentives
- New and improved products in all areas, with emphasis on products such as La Sauce which materially benefit the consumer by extending food dollars.

Armour Handcrafts

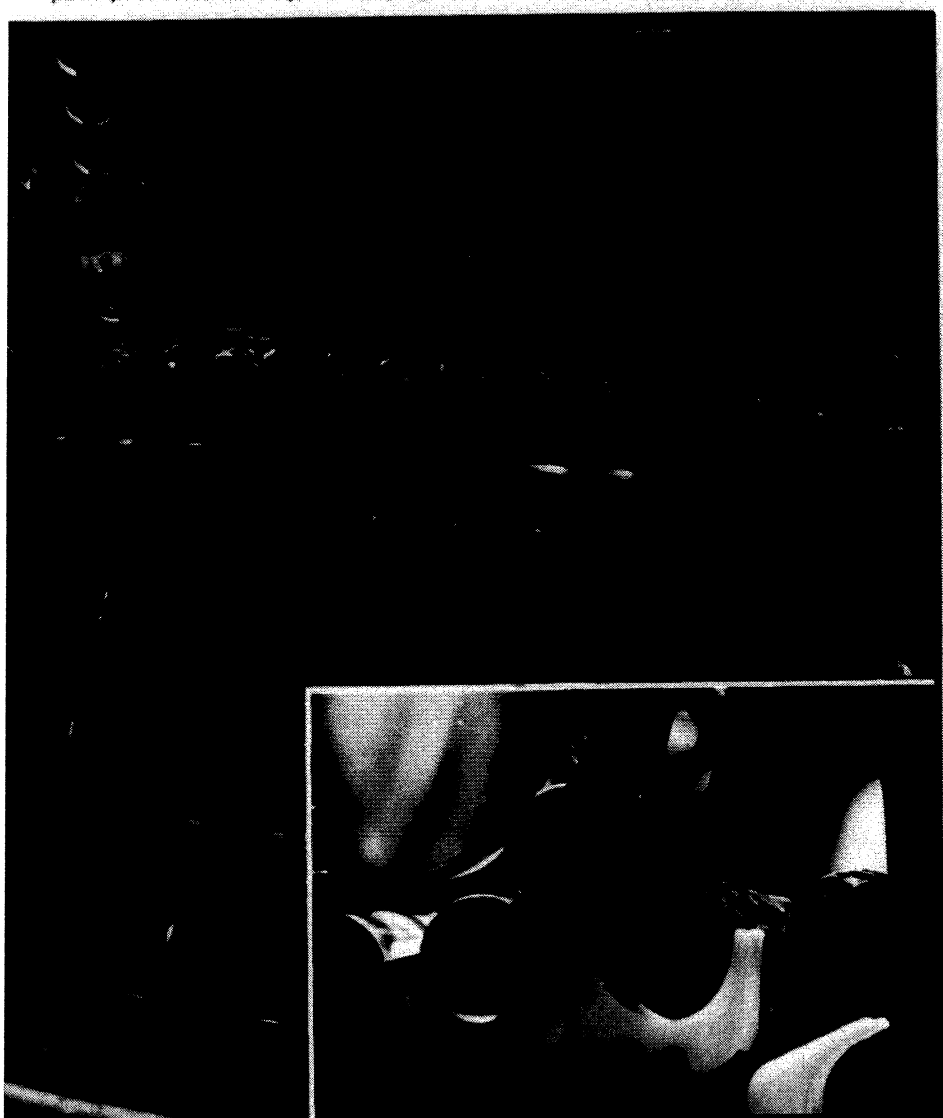
Armour Handcrafts, Inc., posted improved earnings for 1980 compared to 1979.

However, soaring raw material and interest costs, coupled with consumer caution, created a difficult market for the needlecraft products manufactured by Armour Handcrafts. Caught in an inflationary-recessionary bind, the consumer frequently had to make difficult choices as to where she spent her dollars.

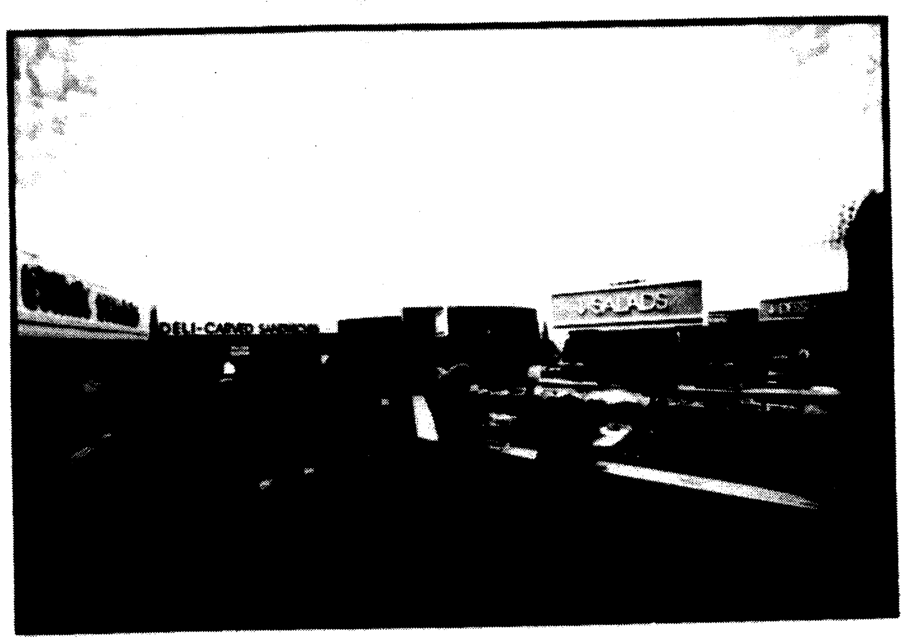
Also caught in the economic pinch were the retail stores which market our Bucilla and Malina products. As a result, investment in inventory was reduced, as were promotional efforts that in more normal times stimulate consumer activity.

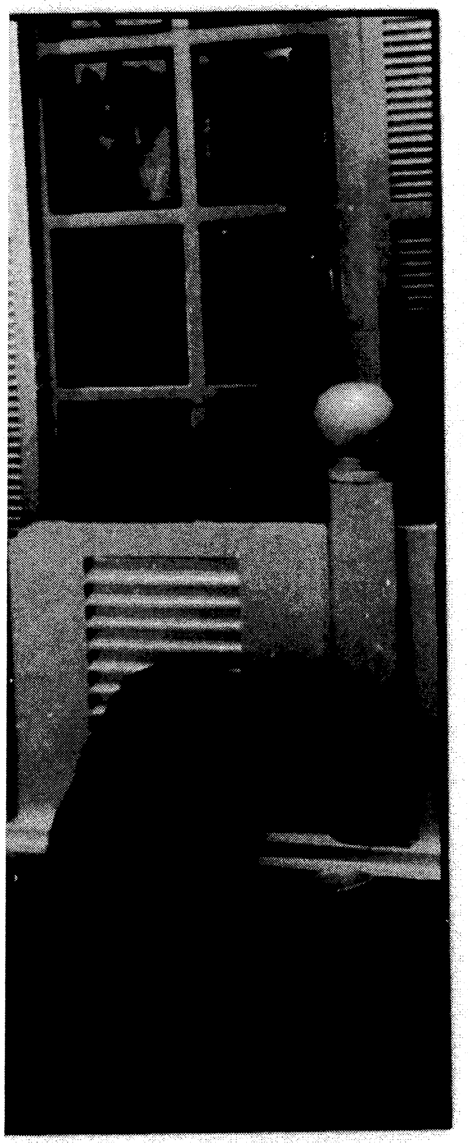
Thanks to our diversified product line, however, this same consumer who was buffeted by inflation was an excellent customer for our more traditional needlecraft products which offer greater "utilitarian" value. She made afghans, quilts, sweaters and other items to compensate for a lower thermostat setting. And she concentrated on handmade items both for family and gift-giving, whereas in a more exuberant economy, she might well have bought the same products ready-made.

A major factor in improved results for Armour Handcrafts was the strict internal cost control practiced by management. With the exception of record high interest expense, all other costs were materially reduced in 1980.



New automatic canning system developed by Armour-Dial engineers has boosted efficiency in the production of the company's popular Vienna sausage at its Ft. Madison, Iowa, plant.


DELI-CARVED
SALADS



In a matter of just five years, the Food Service Group has been revitalized in every aspect of its operations. Four of those were back-to-back years of strong earnings performance. The fifth . . . 1980 . . . was in some ways the most success-

Food Service

- **Solid profits despite auto industry decline**
- **$19 million in new accounts added**
- **40 Post Houses now converted to Burger Kings and theme restaurants**

ful year; it demonstrated that the group has mastered that most elusive of management lessons . . . how to endure and weather a lean year.

In 1980, the Food Service Group earned $4.3 million under conditions which not too long ago would have spawned substantial losses.

The automotive industry, where many of Greyhound Food Management's feeding accounts are concentrated, was in total disarray in 1980, with well over a quarter of a million auto workers laid off. This triggered almost overnight cutbacks in many of GFM's food service contracts and a consequent abrupt falloff in income.

Late in 1979, however, GFM had anticipated this occurrence and devised a number of contingency plans aimed at minimizing the adverse impact. For one thing, the moment an automotive feeding contract was reduced, GFM simultaneously cut back a broad range of predetermined areas of internal costs.

In addition, rather than simply walk away from the auto industry, GFM devised new ways to feed automotive workers that reduced expense and fed them more efficiently.

One such innovative program was the introduction at two General Motors plants of the Eatin's Easy concept . . . a highly creative way of combining the benefits of fast food feeding with a limited hot entree line. Not only does the Eatin's Easy concept move workers through the feeding line faster, but for GFM the setup is less labor intensive, allowing improved profit margins.

Finally, and most significantly, GFM added over $19 million of new accounts in 1980, almost $14 million of which are in non-automotive areas so as to lessen GFM's dependence on that one industry.

Abroad, our Restaura operation in Belgium reported the best year in its history, adding eight major new industrial feeding accounts, and for the first time, an account in the health care field.

GFM's Post House subsidiary, which operates restaurants and fast-food facilities in our own bus terminals, as well as some non-transportation allied restaurants, also reported a drop in earnings in 1980 . . . again for reasons generated by the general economy.

In the last five years, some 40 Post House restaurants have been converted either to Burger King restaurants, or to theme restaurants reflecting the character and personality of the cities in which they are located.

Twenty-three of these facilities are Burger Kings, each of them averaging over a million dollars in sales annually, and bringing in up to 95% of their traffic from adjacent business and shopping areas rather than solely bus passengers.

GFM's Burger Kings attract this following because they are like no other fast food establishments in existence. The Savannah Burger King is antebellum decor; the Chicago Burger King's motif is white gazebos and stained glass windows; the Santa Barbara Burger King has a Mexican decor of tiled fountains and terra cotta floors.

Within two years, all of GFM's Post Houses will be either theme restaurants or fast food operations, all with elegant, high-style interiors. GFM believes that if American families continue the eating-out trend, they will demand more for their dining dollar than just what is on their plate . . . specifically, elegant surroundings and a total dining experience.

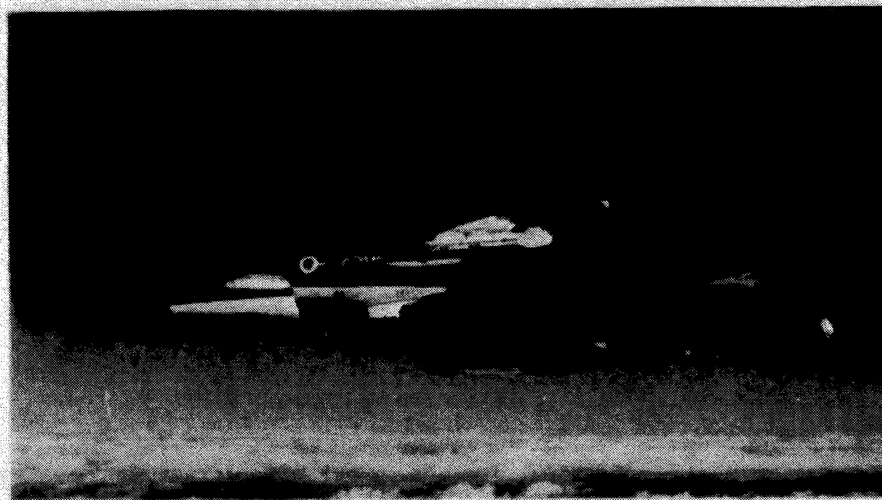
In the same vein, GFM has introduced to both its contract feeding operations and its Post House facilities a number of innovations which serve as incentives to eat out . . . and to eat better. The Belly-Buster Program, for instance, is a group of daily "specials" priced as low as $1.89 and featuring seven simple, satisfying meals including chicken and dumplings, ham and beans and baked lasagna. The Belly-Buster has proven a successful remedy to the "recession syndrome," the malaise that causes people to think that when they eat out, all they can afford is a sandwich or a snack.

GFM's international operation, Greyhound Support Services, Inc., continued to expand in 1980. GSSI now provides total feeding and housekeeping services to some 14,000 workers at major construction projects in Saudi Arabia.

In addition, GSSI has just renewed its contract to provide food and housekeeping services on the Trans Alaska Pipeline. This involves seven pump stations with a total population of about 300 resident technical and maintenance personnel.

Faber Enterprises, which operates a prestigious group of gift shops, restaurants and drug stores in the Chicago area, enjoyed another fine year in 1980. Faber opened three new facilities last year: an elegant mahogany-paneled restaurant in the Brunswick Building; a 400-seat restaurant and patio bar in the Merchandise Mart; and a tobacco and gift shop in the new Hyatt Regency annex.

Consultants & Designers in UK provided hardware and software engineering services to British Aerospace, Kingston, designers and builders of the Sea Harrier aircraft.



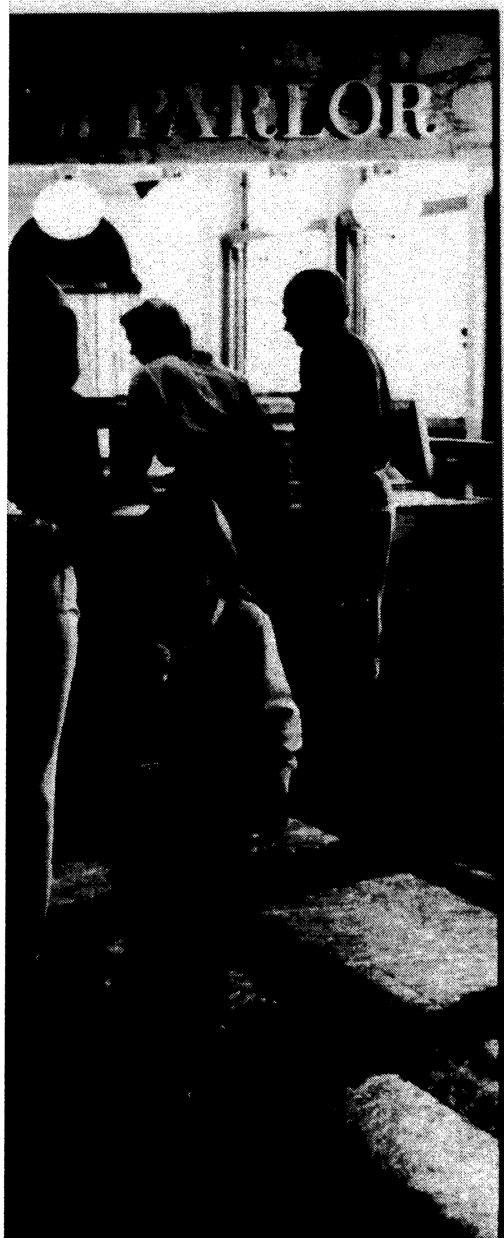
Sven's Ice Cream Parlor on board S/S Norway is one of 27 elegant shops and other facilities operated by Florida Export on this luxury cruise ship operating out of Miami.

Net income of the Services Group was $13.3 million in 1980, essentially the same as 1979, despite widespread softness in the economy.

Services

- **Net income of $13.3 million**
- **Duty-free operations report 31% profit gain**
- **Market research firm installs computerized interviewing system**

The Services Group embraces a number of small, highly specialized companies with top reputations in their fields, all of which can be loosely grouped in just a few basic industries:



Airport Services

A number of the Service Group companies are involved with airlines and airports in some capacity, much of this activity in the Florida area.

Florida Export, which operates duty-free gift shops in Miami Airport and on luxury cruise vessels, enjoyed a 31% increase in net income in 1980. Much of this increase came from our newest operations on board the 69,000 ton S/S Norway.

The duty-free shops we operate in Miami International Airport were similarly booming in 1980, much of it due to anticipatory buying by foreign travelers who know they cannot begin to duplicate the price for those same goods at home.

Aircraft Service International and Dispatch Services, provide ground handling operations for major airlines, including baggage transfer, refueling, cleaning and the like. In 1980, their earnings were down somewhat as a result of the large number of airline mergers that occurred following deregulation and generally depressed conditions in the airline industry. These factors led to reduced flight schedules with a parallel decrease in the need for ground services. As a result, both companies have trimmed their marginal accounts and are concentrating on their largest carriers and major cities.

Greyhound Rent-A-Car operations were essentially flat in 1980 reflecting the soft economy in the U.S. and the cutbacks Americans made in their travel plans. A major advance was made by our car rental operations, however, with the establishment of the first Greyhound "on airport" facility in Miami Airport.

Personnel Services

Greyhound companies cover virtually every aspect of the personnel field . . . professional, clerical, skilled and semi-skilled; temporary or permanent; and we are one of the foremost names in the industry.

Greyhound Temporary Personnel, which has traditionally shown a strong annual growth pattern, this year reported a decrease in net income as a result of the lackluster domestic economy. To lessen its cyclicality, GTP is diversifying its operations into four distinct market areas: office services, medical personnel, light industrial assembly, and permanent placement.

Consultants & Designers operates in the U.S. and the U.K. providing topnotch scientists, engineers and technologists for temporary assignment in the aerospace, telecommunications, petrochemical, and other industries around the world. In 1980, C&D on both continents enjoyed excellent results thanks to accelerated activity in areas such as petroleum exploration, the development of new fuel forms, and defense spending.

Market Research

In just seven years, Greyhound's Research Information Center has become one of the most respected names in the industry based on an unequalled track record for excellence, integrity and accuracy. RICI also is acknowledged as being a leader in the development of sophisticated computer applications in market research.

In 1980, RICI installed some 60 computer terminals which render their telephone research techniques incredibly more accurate and flexible. Market research questions appear on a TV-like screen and as the interviewee answers each, the researcher uses an electronic stylus . . . touched to the screen . . . to record, analyze and process each answer.

Convention Services

The Convention Services division, which combines Greyhound Exhibitgroup and Greyhound Exposition Services, posted increased earnings for 1980. A stepped-up sales effort, plus better cost controls underscored the improvement.

Exhibitgroup participated in the design and installation of the multiple shops, boutiques and bars operated on board the S/S Norway by Florida Export . . . a good example of the synergy between the Convention Services Group and a number of other Greyhound companies.

Greyhound Exposition Services participated in America's quadrennial spectacular, the presidential nominations, handling all of the staging and electrical logistics to service the Republican National Convention in Detroit. In addition, they designed the decorations for three of the inaugural balls held in Washington in January, 1981.

In September we sold Border Brokers, our customs brokerage and freight forwarding operations in Canada. Changes in Canadian law clearly limited the extent to which we could expand this operation in the years ahead, and the decision was made to divest the company and invest the proceeds in other, more profitable areas.

Board of Directors

RALPH C. BATASTINI** *Phoenix, Arizona*
President, The Greyhound Corporation

HOWARD BOYD* *Houston, Texas*
Partner in the law firm of Liddell, Sapp, Zivley, Brown & LaBoon

ROBERT MINGE BROWN* *San Francisco, California*
Of Counsel, the law firm of McCutchen, Doyle, Brown & Enersen
Chairman, California Water Service Company

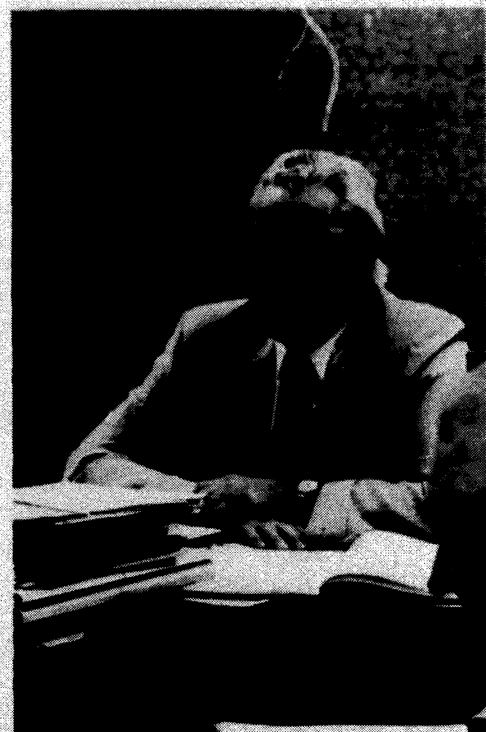
SAMUEL A. CASEY *Port Edwards, Wisconsin*
Chairman of the Executive Committee, Great Northern Nekoosa Corporation, a paper manufacturer and distributor

MARTHA W. GRIFFITHS *Romeo, Michigan*
Partner in the law firm of Griffiths & Griffiths

FRANK R. D. HOLLAND *London, England*
Chairman & Chief Executive, C. E. Heath & Co. Limited, an international insurance broker and managing agent for an underwriting syndicate of Lloyd's of London

JOHN H. JOHNSON* *Chicago, Illinois*
President, Johnson Publishing Company, Inc., and
Chairman and President, Supreme Life Insurance Company

JOHN M. MARTIN *Wilmington, Delaware*
Retired Chairman, Hercules Incorporated, manufacturer of chemical products and related industrial systems



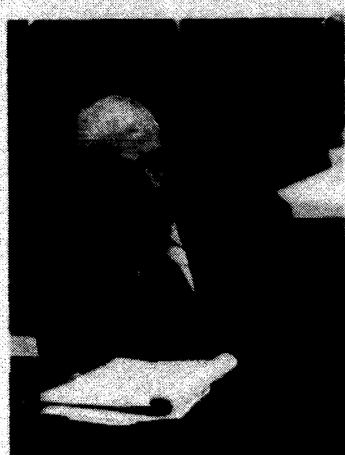
Gerald H. Trautman

Ralph C. Batastini

Frank L. Nageotte

John W. Teets

Frank R. D. Holland



Harold C. Stuart

FRANK L. NAGEOTTE** *Phoenix, Arizona*
Vice Chairman, The Greyhound Corporation

DENNIS C. STANFILL *Los Angeles, California*
Chairman and Chief Executive Officer,
Twentieth Century-Fox Film Corporation

HAROLD C. STUART *Tulsa, Oklahoma*
Partner in the law firm of Doerner, Stuart, Saunders, Daniel & Anderson and Chairman & Chief Executive Officer, Southwestern Sales Corporation, investor in oil, real estate and broadcasting

DONN B. TATUM *Los Angeles, California*
Chairman of the Executive Committee, Walt Disney Productions

JOHN W. TEETS** *Phoenix, Arizona*
Vice Chairman, The Greyhound Corporation

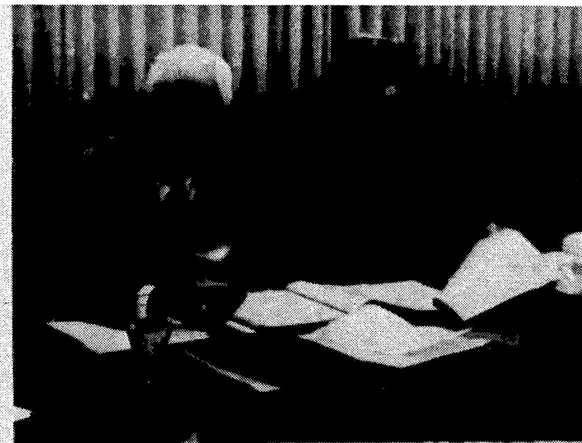
GERALD H. TRAUTMAN* *Phoenix, Arizona*
Chairman & Chief Executive Officer, The Greyhound Corporation

Emeritus Directors

JAMES W. WALKER *New York, New York*

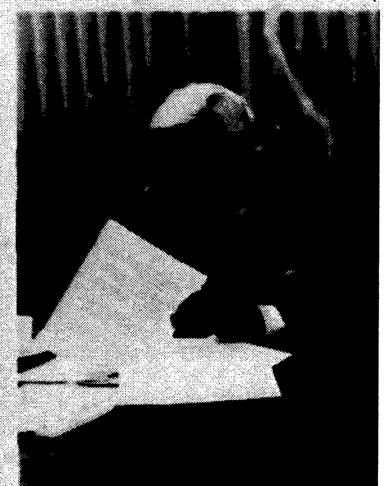
LESLIE B. WORTHINGTON *Pittsburgh, Pennsylvania*

*Member Executive Committee
**Rotating Member Executive Committee



Robert Minge Brown Donn B. Tatum

John H. Johnson



Samuel A. Casey

Martha W. Griffiths

John M. Martin Howard Boyd

Dennis C. Stanfill

Charles F. Fogarty
1921-1981

Key Operations

TRANSPORTATION

Greyhound Lines, Inc. — world's largest intercity passenger carrier serving all 48 continental states, to Mexico and Canada. Intercity bus service in Canada and to Alaska provided by *Greyhound Lines of Canada*. Other intercity bus subsidiaries include *New Mexico Transportation; Texas, New Mexico & Oklahoma Coaches* and *Vermont Transit*

Greyhound Package Express — small package express service for individual and commercial shippers

Greyhound Group Travel — centralized sales and coordination of all Greyhound charter operations

Carey Transportation — Ground transportation between Manhattan and New York area airports

Red Top Sedan Service — limousine service at Miami International Airport

American Sightseeing Tours — charter and sightseeing bus service in Miami area and throughout Florida

Brewster Transportation — sightseeing and tours in Canadian Rockies

California Parlor Car Tours Company — deluxe motor coach tours of California

Gray Line Companies — sightseeing tours in New York

BUS MANUFACTURING

Motor Coach Industries and **Transportation Manufacturing** — bus manufacturing in Winnipeg, Canada; Pembina, North Dakota; and Roswell, New Mexico

FOOD AND CONSUMER PRODUCTS

Armour Food Company and **Armour Poultry and Dairy Products Company** — manufacture and distribute a broad range of fresh, processed and portion-controlled meats, poultry and other food products for consumer and institutional use

Armour-Dial Company — manufactures and markets a wide variety of grocery, personal care and household products for the consumer

Armour Handcrafts Company — designs, manufactures and distributes a wide variety of yarns, handcraft needlepoint, crewel and rug and wall hanging kits

Armour International Company — responsible for overseas marketing of all Armour and Armour-Dial consumer products

FOOD SERVICE

Faber Enterprises — restaurants and gift shops in major office buildings and transportation terminals in Chicago area

Greyhound Food Management — coordinator of Greyhound food service operations: *Post House* restaurants and fast food operations; *Prophet Foods*, offering food service for industry, military installations and other commercial establishments; and *Restaura*, restaurant design and engineering and food service management throughout Belgium

Greyhound Support Services — provides housekeeping, food service and other support services for large construction projects for industry and government agencies throughout the world

FINANCIAL

Greyhound Computer Corporation — computer leasing and sales in the U.S., Canada, Mexico and Europe

Greyhound Leasing and Financial Corporation — worldwide industrial equipment leasing and financing

Pine Top Insurance — engaged in re-insurance operations and in commercial property and excess casualty insurance fields

Travelers Express Company — provides money order services to retail establishments and the financial industry, draft clearing services for depository institutions, and other consumer-oriented payments services

Verex Corporation — a leading company in residential mortgage insurance and other financial activities

SERVICES

Aircraft Service International — ground-handling services for major airlines in the U.S. and the Caribbean. Also designs, installs and operates hydrant fueling systems for airports

Greyhound C & D — technical and design services to business and industry by *Consultants & Designers;* temporary and permanent office and blue collar help to business and industry by *Greyhound Temporary Personnel*

Dispatch Services — ground handling services for major airlines at Miami International Airport and Freeport in the Bahamas

Florida Export Group — duty-free retail shops at Miami International Airport, a wholesale duty-free business for export and duty-free shops on cruise ships operating out of Miami

Greyhound Rent-a-Car — car leasing with unlimited free mileage on a daily, weekly or monthly basis in major Florida cities and in Las Vegas, Los Angeles, Mobile, New Orleans, Phoenix, San Diego, San Francisco, Tucson and Honolulu

Research Information Center — full service marketing research

CONVENTION SERVICES

Greyhound Convention Services — complete convention and exhibitors services nationwide including such key cities as Atlanta, Chicago, Cincinnati, Dallas/Ft. Worth, Houston, Las Vegas, Los Angeles, Miami, New Orleans, New York and San Francisco

Officers

THE GREYHOUND CORPORATION

CORPORATE EXECUTIVE OFFICE

GERALD H. TRAUTMAN
Chairman & Chief Executive Officer

RALPH C. BATASTINI
President

FRANK L. NAGEOTTE
Vice Chairman

JOHN W. TEETS
Vice Chairman

GROUP VICE PRESIDENTS

W. CARROLL BUMPERS
Group Vice President — Financial

LEO S. McDONALD, JR.
Group Vice President — Convention Services

CORPORATE STAFF OFFICERS

ALFRED ARAGONA
Vice President — Strategic Planning

GERALD J. BENFORD
Vice President — Minority Affairs

JOE BLACK
Vice President — Special Markets

JAMES T. CORCORAN
Vice President — Government Affairs

HERBERT J. DeGRAFF
Vice President — Australasia

ARMEN ERVANIAN
Vice President — Real Estate

STEPHEN P. FINN
Vice President — Information Systems

F. EDWARD LAKE
Vice President — Treasurer

L. GENE LEMON
Vice President & General Counsel

DOROTHY A. LORANT
Vice President — Public Relations & Advertising

ROBERT O. LOWE
Vice President — Assistant Controller

PETER B. McMANUS
Vice President — Planning

GEORGE B. MICHELSON
Vice President — Internal Auditing

ARTHUR F. MITCHELL
Vice President — Purchasing

HARRY S. OAKES
Vice President — Office Systems

JAMES W. O'BRIEN
Vice President — Employee Relations

HAROLD D. ROSOFF
Vice President — Environment & Energy

STANLEY L. SEGAL
Vice President — Florida

DANIEL J. SIELICKI
Vice President — Insurance

RICHARD C. STEPHAN
Vice President — Controller

BRUCE THOMAS
Vice President & Assistant to the Chairman

RALPH J. WEHLING
Vice President — Taxes

RICHARD B. ZOLLER
Vice President — Investments

FREDERICK G. EMERSON
Secretary

OTHER EXECUTIVES
THE GREYHOUND CORPORATION

KEITH A. JENKINS
General Solicitor

ROBERT E. WILMOTH
Associate General Counsel

HERBERT R. NELSON
Assistant General Counsel

PETER J. NOVAK
Assistant General Solicitor

JOHN T. NYGREN
Assistant General Counsel

WILLIAM J. HALLINAN
Assistant Secretary

CAROL KOTEK
Assistant Secretary

RONALD G. NELSON
Assistant Treasurer

GEORGE J. OLINGER
Assistant Treasurer

DONALD E. PETERSEN
Assistant Controller

OFFICERS
ARMOUR AND COMPANY

JOHN W. TEETS
Chairman & President

WILLIAM T. BENNETT
Vice President — Management Decision Services

REEDER P. JONES
Vice President — Accounting

JAMES W. O'BRIEN
Vice President — Personnel & Employee Relations

DONALD E. PETERSEN
Vice President — Controller & Assistant Secretary

HAROLD D. ROSOFF
Vice President — Corporate Operations

OFFICERS
ARMOUR GROUP

Armour Food Company
Phoenix, Arizona

WALLACE L. TUNNELL
President

ROBERT W. ALSTRIN
Vice President — Frozen Convenience Foods

JOSEPH M. BAILEY
Vice President — Region Manager, Southeast

C. DAVID BONE
Vice President — Region Manager, Central

CHARLES R. BROOKS
Vice President — National Sales Manager, Frozen Convenience Foods

H. DOUGLAS CHURCHILL
Vice President — Region Manager, Western

THOMAS J. FLEMING
Vice President — National Sales

THOMAS J. HAMLETT
Vice President — Fresh Meat Division

REEDER P. JONES
Vice President — Controller

JOHN W. MEREDITH
Vice President — Controller, Processed Meats

EDWARD C. NORBUT
Vice President — Region Manager, Eastern

NICHOLAS A. RAGO
Vice President — Marketing

K. DON REED
Vice President — Region Manager, Midwest

JACK E. SCOTT
Vice President — Manufacturing, Fresh Meats

FRED F. SHAW
Vice President — Manufacturing, Processed Meats

RODNEY E. STEPHENS
Vice President — Region Manager, Decker

FRANK X. TOBIN
Vice President — National Account Sales

Armour-Dial Company
Phoenix, Arizona

DAVID L. DUENSING
President

RUSSELL C. BAYNE
Vice President — Employee Relations

WILLIAM T. BENNETT
Vice President — Finance & Administration

JAMES N. BRYANT
Vice President — Sales, Southwest Region

BERNARD F. CARPENTER
Vice President — Transportation & Distribution

ALLAN R. DeBOLT
Vice President — Special Markets

CHARLES H. FERRY
Vice President — Customer Development

GLENN E. FORNEY
Vice President — Sales, Western Region

RICHARD E. GARABEDIAN
Vice President — Product Marketing

HAROLD GOLDBERG
Vice President — Group Marketing Director, Foods

WILLIAM C. GOULDING
Vice President — Trade Relations

WESLEY W. HARRIS
Vice President — Controller

NEILL C. MARSH
Vice President — National Field Sales, West

DONALD E. McADAMS
Vice President — Sales, Eastern Region

ROBERT A. MURPHY
Vice President — Sales, West Central Region

ANDREW S. PATTI
Vice President — Operations

JAMES E. RINKEL
Vice President — Sales, Southeast Region

JAMES R. WEBB
Vice President — National Field Sales, East

WILLIAM R. WILSON
Vice President — Sales, East Central Region

WILLIAM H. WINDHAM
Vice President — Sales

WILLIAM G. ZARUBA
Vice President — Technical Director

Armour Poultry and Dairy Products Company
Phoenix, Arizona

NORBERT A. HACKETT
President

EARL E. TOOKER
Vice President — Operations

WILLIAM R. HAGEL
Vice President — Controller

Armour Handcrafts, Inc.
Secaucus, New Jersey

PHILIP J. DION
President & Chief Executive Officer

DAVID S. SKAFF
Senior Vice President — Marketing

ROBERT E. CALAHAN
Vice President — Bucilla Sales

PHILEMON FRISCH
Vice President — Malina Sales

List of officers compiled as of March 31, 1981

J. TREVOR GOODALL
Vice President — Operations

PAUL T. HARLEY
Vice President — Financial Planning & Controls & Assistant Secretary

WESLEY W. HARRIS
Vice President

GERALD LEVY
Vice President — International

DANIEL LOWE
Vice President — Rucilla Product Manager

STEVEN ROSSKAMM
Vice President — Product Development & Design

CHARLES K. SEID, JR.
Vice President — Filament Yarn

NATHAN VAIMAN
Vice President

Armour International Company
Phoenix, Arizona

EDWARD J. WALSH
President

HERBERT G. COOPER
Vice President

ULRICH G. HARLOW
Vice President

FREDERICK O. NEWMAN
Vice President — Controller

OFFICERS
TRANSPORTATION GROUP
Greyhound Lines, Inc.
Phoenix, Arizona

FRANK L. NAGEOTTE
Chairman & Chief Executive Officer

FREDERICK DUNIKOSKI
President & Chief Operating Officer

EARL E. SHEW
Executive Vice President

GEORGE W. CAWMAN
Senior Vice President — Marketing

WILLIAM L. McCRACKEN
Senior Vice President & Assistant to the Chairman

DAVID M. PARSONS
Senior Vice President — Transportation Group

ELAINE E. BECKER
Vice President — Administration

FREDERICK E. BOWMAN
Vice President — Group Travel

GEORGE Q. GREEN
Vice President — Industrial Relations & Personnel

GEORGES A. HUNT
Vice President — Engineering

WARREN G. MARGGRAF
Vice President — Architectural Engineering & Property

RALPH W. MAHONEY
Vice President — Transportation

ALBERT W. SUE
Vice President — Regulatory Relations

ALVIN E. PENDLETON
Vice President

WILLIAM F. TRICTON
Vice President — Controller

KENNETH A. WHITE
Vice President & Assistant to the President

ROBERT L. WILSON
Vice President — Traffic

EDWARD F. DeMARTINI
Vice President — Accounting, West

LAKIE L. PETRIE
Vice President — Accounting, East

JAMES C. DAFFIN
Vice President — Maintenance, West

JOHN W. SCOTT
Vice President — Maintenance, East

JAMES W. CABLE
Regional Vice President

EVERETT C. CROES
Regional Vice President

LEROY LOGSDON
Regional Vice President

ALBERT L. McLAUGHLIN
Regional Vice President

JAMES NENOW
Regional Vice President

BALLARD L. PEYTON
Regional Vice President

VERNON D. KINGSLAND
Regional Vice President

Greyhound Lines of Canada Ltd.
Calgary, Alberta, Canada

JAMES A. KNIGHT
President & Chief Executive Officer

ROBERT N. PARKE
Vice President — Marketing & Traffic

BRUCE B. TYSON
Vice President — Transportation & Labour Relations

CLIVE L. COX
Vice President — Controller & Secretary

Greyhound de Mexico, S.A. de C.V.
Mexico City, Mexico

GERALD H. TRAUTMAN
President

FRANK L. NAGEOTTE
Vice President

JORGE GUERRERO
General Manager

Greyhound Taseco Saudi Arabia Ltd.
Al Khobar, Saudi Arabia

FRANK L. NAGEOTTE
Chairman

SHEIKH ALI ABDULLA AL TAMIMI
Vice Chairman

RALPH B. GIBSON
General Manager

New Mexico Transportation Company, Inc.
Roswell, New Mexico

ALFRED M. SMITH
President, Chief Executive Officer & Treasurer

PAT L. FUQUA
Controller & Assistant Secretary

JAMES L. FOSTER
Assistant Secretary

Texas, New Mexico & Oklahoma Coaches, Inc., Lubbock, Texas

ROBERT D. GREENHILL
President, Chief Executive Officer & Treasurer

RONNIE E. HARSTON
Secretary & Controller

Vermont Transit Co., Inc.
Burlington, Vermont

CHARLES E. IRISH
President & Chief Executive Officer

ROBERT F. THOMPSON
Chairman

JOHN J. DWYER
Vice President

ROBERT N. BERGESEN
Controller

American Sightseeing Tours Inc.
Miami, Florida

STANLEY L. SEGAL
Chairman

NORTON M. SEGAL
President

JEROME H. NUDELMAN
Executive Vice President

LOUIS R. CICERONE
Vice President

HELMER T. ANDERSON
Controller

Brewster Transport Company, Limited
Banff, Alberta, Canada

JAMES A. KNIGHT
Chairman

DAVID G. MORRISON
President & Chief Executive Officer

California Parlor Car Tours Company
San Francisco, California

FRANK L. NAGEOTTE
President

BIPIN RAMAIYA
Vice President & General Manager

Carey Transportation, Inc.
New York, New York

WILLIAM A. SANDERS
President

JEROME FISHER
Vice President — Controller

Gray Line New York Tours Corp.
New York, New York

KENNETH ENGELHARDT
President

JEROME FISHER
Vice President — Controller

Red Top Sedan Service, Inc.
Miami, Florida

STANLEY L. SEGAL
Chairman

NORTON M. SEGAL
President

JEROME NUDELMAN
Executive Vice President

LOUIS R. CICERONE
Vice President

HELMER T. ANDERSON
Controller

Walters Transit Corp.
New York, New York

KENNETH ENGELHARDT
President

JEROME FISHER
Vice President — Controller

OFFICERS
FOOD SERVICE GROUP

Greyhound Food Management, Inc.
Phoenix, Arizona

JOHN W. TEETS
Chairman & Chief Executive Officer

ROBERT J. NAGLE
President & Chief Operating Officer

ERMO S. BARTOLETTI
Senior Vice President, Controller, Assistant Secretary & Assistant Treasurer

EUGENE W. BRONSKI
Senior Vice President — Administration & Assistant Secretary

PAUL A. WEBER
Senior Vice President — Human Resources & Industrial Relations

GREG E. EBERLE
Executive Vice President — Fast Food Division

JEROME M. DOBYNS
Vice President — Engineering

RONALD A. DUFF
Vice President — Purchasing

JANICE GARR
Vice President — Quality Assurance

RICHARD E. HARTMAN
Vice President — Vending & Games

J. PETER LAURSEN
Vice President — Business Relations & Assistant to the President

ROBERT D. MEYER
Vice President — Marketing & Sales

Prophet Foods Co., A Division of Greyhound Food Management, Inc.
Phoenix, Arizona

JOSEPH K. FASSLER
Executive Vice President

LINDA B. KWALIK
Vice President — General Manager, Western Division

MARTIN SCHULTZ
Vice President — Convention Food Service

RICHARD S. WALTERS
Vice President — General Manager, Central Division

JESS D. WATSON
Vice President — Special Markets & Sales

JOSEPH L. WHORIC
Vice President — General Manager, Northern Division

Post Houses, Inc.
Phoenix, Arizona

JOHN W. TEETS
Chairman & Chief Executive Officer

ROBERT J. NAGLE
President & Chief Operating Officer

RONALD G. GREGG
Executive Vice President

JOHN K. MONK
Executive Vice President — Truck Stop Division

EUGENE W. BRONSKI
Vice President & Assistant Secretary

THOMAS W. HELBLING
Vice President — General Manager, Eastern Division

EDWARD C. STEINER
Vice President — General Manager, Western Division

ERMO S. BARTOLETTI
Controller, Assistant Secretary & Assistant Treasurer

RICHARD T. CUENY
Assistant Secretary

Greyhound Services Saudi Arabia, Ltd.
Dammam, Saudi Arabia

SHEIKH ABDULLA KANOO
Chairman

EDWARD H. WILLIAMS
Vice Chairman

THOMAS R. URBAN
Director

JOHN W. TEETS
Director

SHEIKH ABDUL AZIZ KANOO
Director

MUNIB MASRI
Director

Greyhound Support Services, Inc.
Phoenix, Arizona

JOHN W. TEETS
Chairman

EDWARD H. WILLIAMS
President

ERMO S. BARTOLETTI
Vice President — Controller

EUGENE W. BRONSKI
Vice President — Corporate Counsel

JOHN J. KEANE
Vice President

FRANZ A. JOST
Vice President — Corporate Development

THOMAS R. URBAN
Vice President — Operations

Faber Enterprises, Inc.
Chicago, Illinois

MILTON D. FABER
Chairman & Treasurer

DONALD R. MURPHY
President

JEROME H. WILNEFF
Vice President — Administration

WILLIAM W. STALLS
Controller

Restaura, S.A.
Brussels, Belgium

JEAN PIERRE MIQUEL
President & Managing Director

MICHEL CHAPEAUX
Director of Technical Services

EMILE LE RYCKE
Director of Purchasing & Analysis

PIERRE PLASMAN
Administration & Financial Director

Restaura GmbH
Frankfurt/Main, West Germany

JEAN PIERRE MIQUEL
President

OFFICERS
FINANCIAL GROUP

Greyhound Leasing & Financial Corporation, Phoenix, Arizona

RALPH C. BATASTINI
Chairman

ROBERT W. BERTRAND
President & Chief Executive Officer

ROBERT E. DELL'ARTINO
Executive Vice President — Marketing

BERNARD A. ROTH
Executive Vice President — Finance

ROBERT H. DAMM
Senior Vice President

RICHARD S. GRIM
Senior Vice President

MARTIN G. ROTH
Senior Vice President

ROBERT J. FITZSIMMONS
Vice President — Treasurer

JAMES T. FOLEY
Vice President

KENNETH B. GIDDES, JR.
Vice President

FRED J. KLEIN
Vice President

BRUNO A. MARSZOWSKI
Vice President — Controller

RONALD A. MERINGER
Vice President — Latin America

DAVID A. NIELSEN
Vice President

FRED G. PINK
Vice President

WILLIAM H. VALLAR, JR.
Vice President

Greyhound Leasing & Financial of Canada, Ltd.
Toronto, Ontario, Canada

W. CARROLL BUMPERS
Chairman

ROBERT W. BERTRAND
President

HANNE LANG
Vice President — Finance

WILLIAM G. SPARLING
Vice President — Marketing

Greyhound Financial & Leasing Corporation AG
Zug, Switzerland

GERALD H. TRAUTMAN
Chairman

JAN CEES van LANSCHOT
Vice Chairman

BRIAN E. McHUGO
Managing Director

LAWRENCE J. TROYNA
Manager

Century Greyhound Leasing & Financial Corporation, Tokyo, Japan

YOSHIO FUJITA
President

TOSHITAKE SAKAMOTO
Senior Managing Director

MASAO ICHIDA
Managing Director

RONALD E. MacDONALD
Managing Director

Greyhound Computer Corporation
Phoenix, Arizona

RALPH C. BATASTINI
Chairman

OLIE E. SWANKY
President & Chief Executive Officer

WILLIAM J. BRESNAHAN
Executive Vice President

GORDON B. CLARKE
Senior Vice President

PAUL D. SNYDER
Vice President & Controller

DONALD R. HAWORTH
Vice President — International

LEVON KASARJIAN, JR.
Vice President & Corporate Counsel

ROBERT C. KIBLER
Vice President & Treasurer

E. ALLEN HENSON
Vice President & General Manager — Business Investment Division

JAMES A. TRESS
Vice President & General Manager — Leasing Division

Greyhound Computer Overseas Corporation, Phoenix, Arizona

OLIE E. SWANKY
Chairman

DONALD R. HAWORTH
President

JOHN M. HALLMARK
Vice President

Greyhound Computer of Canada Ltd. Toronto, Ontario, Canada

W. DONALD MAUNDER
President & Chief Executive Officer

Greyhound Computer France S.A. Paris, France

JEAN-PAUL HENET
Directeur General

Greyhound Computer Deutschland GmbH Graefelfing, West Germany

WILLIAM WELSCH
Managing Director

Greyhound Computer S.A. Nyon, Switzerland

DONALD R. HAWORTH
Director

Greyhound Computer (U.K.) Limited Twickenham, Middlesex, England

DONALD R. HAWORTH
Director

DEREK J. N. LAMB
Sales Director

Greyhound Computer de Mexico, S.A. de C.V. Mexico City, Mexico

DONALD R. HAWORTH
President

FERNANDO AVILA
Director General

JOHN M. HALLMARK
Vice President

MCI Acceptance Corp. Phoenix, Arizona

F. EDWARD LAKE
President & Treasurer

EARL T. CUMMINGS
Vice President

ROBERT O. LOWE
Vice President — Controller

RONALD G. NELSON
Vice President

GEORGE J. OLINGER
Vice President

DAVID P. KURRASCH
Assistant Treasurer

Pine Top Insurance Company of Illinois Phoenix, Arizona

RALPH C. BATASTINI
Chairman

KENNETH H. HANSON
President

JAMES A. OLIVER
Senior Vice President — Reinsurance

M. BERRI BALKA
Vice President—Corporate Counsel & Assistant Secretary

JAMES J. VAUGHAN
Vice President — Direct & Facultative

PAUL WATTS
Vice President — Controller

RICHARD B. ZOLLER
Vice President — Investments

Pine Top Life Company Phoenix, Arizona

RALPH C. BATASTINI
Chairman

KENNETH H. HANSON
President

M. BERRI BALKA
Vice President — Corporate Counsel & Assistant Secretary

PAUL WATTS
Vice President — Controller

Pine Top (Bermuda) Ltd. Hamilton, Bermuda

RALPH C. BATASTINI
Chairman

KENNETH H. HANSON
President

CLIVE W. HIMSWORTH
Vice President & General Manager

JAMES A. OLIVER
Senior Vice President — Reinsurance

RICHARD B. ZOLLER
Vice President — Investments

PAUL WATTS
Vice President — Controller

Pine Top Insurance Company Limited (UK) London, England

RALPH C. BATASTINI
Chairman

KENNETH H. HANSON
Managing Director

JAMES A. OLIVER
Deputy Managing Director

BRUCE TOLLIS
Director — Finance & Secretary

Shorrock Developments Ltd. Blackburn, Lancashire, England

STANLEY SHORROCK
Managing Director

Shorrock, Inc. Phoenix, Arizona

ROBERT M. BRISCOE
Vice President & General Manager

Travelers Express Company, Inc. Minneapolis, Minnesota

ARTHUR S. MOORE
Chairman

CLARENCE A. E. ANDERSON, JR.
President & Chief Executive Officer

WILLIAM G. ENNIS
Executive Vice President

JOHN S. CABOT
Vice President — Corporate Development

NORMAN A. CARLSON
Vice President — Sales

DONALD D. DIX
Vice President — Region Administration

CHARLES L. HICKEY
Vice President — Security/Control

WILLIAM S. HOWARD
Vice President — Administration

DALE W. JOHNSON
Vice President — Finance, Assistant Secretary & Assistant Treasurer

WALLACE H. MERTENSOTTO
Vice President — Operations

KENNETH W. ROYER
Vice President — Research & Planning

HENRY P. ZETLIN
Vice President — Region Business Development

Verex Corporation Madison, Wisconsin

BRUCE THOMAS
Chairman & Chief Executive Officer

ROBERT L. WALDO
President

FERDINAND H. REICHELT
Executive Vice President

THOMAS E. ANDERSON
Vice President & Corporate Counsel

STANLEY C. KIEFER
Vice President & Controller

F. EDWARD LAKE
Vice President & Treasurer

OFFICERS
BUS MANUFACTURING GROUP

Frank Fair Industries Ltd. Winnipeg, Manitoba, Canada

EARL T. CUMMINGS
President

WERNER W. MARTIN
Executive Vice President & General Manager

RONALD S. MATTHEWS
Vice President — Controller

FRANK M. MARTIN
Assistant Controller & Assistant Secretary

Motor Coach Industries Limited Winnipeg, Manitoba, Canada

Motor Coach Industries, Inc. Pembina, North Dakota

EARL T. CUMMINGS
President

WERNER W. MARTIN
Executive Vice President — General Manager

RONALD S. MATTHEWS
Vice President — Controller

FRANK M. MARTIN
Assistant Controller & Assistant Secretary

Romex, Inc. Roswell, New Mexico

EARL T. CUMMINGS
President

FREDERICK A. SLEEP
Vice President & General Manager

FRANK R. DILL
Controller

Transportation Manufacturing Corporation Roswell, New Mexico

EARL T. CUMMINGS
President

FRANK R. DILL
Vice President — Controller

RICHARD L. GARRINGER
Vice President — Production

EDWARD J. WICKENDEN
Vice President — Manufacturing

LYLE BECHTEL
Assistant Controller

Universal Coach Parts, Inc.
Northlake, Illinois

JOSEPH H. RAZOOK
President

PATRICK C. SWOPE
Vice President — Controller

GRETA A. MARKOWICZ
Assistant Controller & Assistant Secretary

OFFICERS
SERVICES GROUP

Group Headquarters
Phoenix, Arizona

ERMO S. BARTOLETTI
Senior Vice President — Controller

EUGENE W. BRONSKI
Senior Vice President — Administration

PAUL A. WEBER
Senior Vice President — Human Relations & Industrial Relations

CHARLES A. McKENNA
Vice President — Controller

KENNETH S. VANOSKY
Vice President — Administration

GERALD G. ZWICK
Assistant Controller

Aircraft Service International Group
Miami, Florida

HOWARD J. BELL
Chairman

WILLIAM H. YATES, JR.
President & Chief Executive Officer

LLOYD M. STAUFFER, JR.
Senior Vice President

E. GARRY LESLIE
Senior Vice President

MIGUEL ABDO
Vice President — Controller

J. RUDGE LONES
Vice President — Planning

DAVID R. PETTIT, JR.
Vice President — Property & Industrial Relations

PAUL H. WYMAN
Treasurer

SAMUEL E. CHILDS
Regional Vice President

WILLIAM A. RESTITUTO
Regional Vice President

HENRY PAREDES
President — International Air Service of Puerto Rico, Inc.

Consultants & Designers Inc.
New York, New York

EDWARD J. BILOTTI
Chairman & President

EDWARD J. BRENNAN, JR.
Vice President

FLOYD CANTLON, JR.
Vice President

SHERMAN DAVIDOWITZ
Vice President

EDWARD T. DOBBYN, JR.
Vice President

LAWRENCE J. FEINBERG
Vice President — Controller

RAYMOND J. SLINGERMAN, JR.
Vice President — Administration

HARRY R. WILDING
Vice President

Consultants & Designers (UK) Ltd.
London, England

RICHARD M. AVERY
Chairman & Chief Executive Officer

MICHAEL G. DOUBLEDAY
General Manager

ROGER S. COX
Financial Controller

JOSEPH M. FORBES
Manager, Scottish Division

COLIN A. CHASE
Manager

Greyhound Temporary Personnel, Inc.
Greyhound Permanent Personnel Inc.
New York, New York

HARRIS I. COHEN
Chairman & President

HARLAN L. HASSBERG
Executive Vice President

CATHERINE A. BENZIN
Vice President — Administration

EDITH R. DOMROE
Vice President

FRANCINE M. HAUXWELL
Vice President

BARBARA S. SCOTT
Vice President

DAVID G. STING
Vice President — Controller

Dispatch Services Group
Miami, Florida

ROBERT H. HUBSCH
President & Chief Executive Officer

WESLEY R. VEDO
Vice President

MARLENE WALTERS
Vice President — Insurance & Payroll

DANILO J. PERTUZ
Vice President — Controller & Vice President — Finance, Florida Aviation Fueling Co., Inc.

RALPH C. MILLER
President — Aircraft Service, Inc.

CHRIS T. RADEMAKER
President & General Manager Freeport Flight Services Limited

ALLAN W. SCHWARTZ
Vice President & General Manager Florida Aviation Fueling Co., Inc.
General Manager Air Agency, Inc.

ROQUE E. PEREZ
Vice President — Controller Florida Aviation Fueling Co., Inc.
Vice President Freeport Flight Services Limited

Florida Export Group
Miami, Florida

A. EDWARD MERHIGE
President & Chief Executive Officer

MICHAEL G. MERHIGE
Vice President — Administration & Assistant Secretary

RICHARD C. WEBSTER
Vice President — Operations International Cruise Shops, Inc.

SONIA JENSEN
Vice President — Purchasing & Merchandising International Cruise Shops, Inc.

ROBERT L. JOHNSON
Vice President — Information Systems

Greyhound Rent-A-Car
Miami, Florida

WILLIAM W. SEGAL
Chairman & Chief Executive Officer

STANLEY L. SEGAL
President

MARTIN SAMSON
Senior Vice President

ALBERT A. CAREY
Vice President & Controller

MEL EDER
Vice President

NORTON M. SEGAL
Vice President

Research Information Center, Inc.
Phoenix, Arizona

HILDA N. BARNES
President

JOHN F. UHLES
Executive Vice President

OFFICERS
CONVENTION SERVICES GROUP

Greyhound Exhibitgroup Inc.
Chicago, Illinois

LEO S. McDONALD, JR.
President

ANTHONY G. VASTARDIS
Vice President — Controller

CARL BOKELUND
President — Exhibitgroup San Francisco

HARRY B. BURR
President — Exhibitgroup Dallas/Fort Worth

E. EARL HEINTZELMAN
President — Exhibitgroup Cincinnati

GERALD S. HOWARD
President — Exhibitgroup Chicago

CHARLES V. LaROCCO
President — Exhibitgroup Los Angeles

LEO P. McCARTHY
President — Exhibitgroup Las Vegas

MARK C. ROBERTS
President — Exhibitgroup Houston

VITO RUGGIERO
President — Exhibitgroup New York

JEROME J. LAWTON
President — Designgroup

Greyhound Exposition Services
Las Vegas, Nevada

DAVID I. JAMISON
Chairman & Chief Executive Officer

WILLIAM A. MUELLER
President & Chief Operating Officer

HOWARD BAILEY
Executive Vice President

WAYNE A. WIGHT
Executive Vice President

LARRY ARNAUDET
Regional Vice President

RONALD G. CHAN
Regional Vice President

WILLIS B. JONES
Regional Vice President

CARL F. MITCHELL
Regional Vice President

NORTON D. RITTMASTER
Regional Vice President

BETTY J. NEIGHBORS
Vice President

THOMAS C. PERRITT
Vice President — National Sales

MARK SWAIN
Vice President — National Sales

JOHN VINCENT
Vice President — National Sales

ROBERT D. KNEESEL
Vice President — Controller

Description of Business

The Greyhound Corporation is a diversified holding company owning stock and other securities of subsidiary and affiliated corporations. For management purposes, the subsidiaries are arranged in four cohesive groups, each conducting two or more lines of business. The subsidiary groups (i) provide bus transportation and manufacture buses, (ii) process and distribute food and manufacture and market consumer products, (iii) engage in equipment leasing and other financial services, and (iv) provide various services, including food service, to business and consumers. Through its subsidiaries, the Company operates 58 production facilities in three countries, maintains sales, service and other facilities in 14 countries and has approximately 52,000 employees. The Company provides capital and corporate staff services to its subsidiaries and affiliates and to the overall enterprise.

The Company's transportation operations consist primarily of United States and Canada regular route, charter and tour intercity bus transportation, carrying passengers, baggage, packages and mail. Bus manufacturing subsidiaries operate from six U.S. facilities and facilities in Canada and build bus shells, assemble intercity buses for sale to the Company's transportation companies and to unaffiliated customers, and fabricate, warehouse and sell bus parts.

Through Armour and Company divisions and subsidiaries, the Company slaughters livestock and poultry and processes, purchases and sells meats and animal products and their by-products, and manufactures, processes and sells other food products, including poultry, eggs, butter, cheese, vegetable oils, margarine and shortening. Armour is a major producer of bacon, hot dogs and other processed meats, marketing its products under its own trademarks and private labels of its customers. Armour subsidiaries also manufacture and sell a wide variety of personal care products, shelf-stable canned meats, and household and handcraft products. The Company believes it is an industry leader in canned meats and art needlecraft, and its *Dial* soap is believed to be the industry leader in dollar sales of bar soap for personal care in the U.S.

The Company's financial operations consist of companies engaged primarily in equipment financing, computer leasing and money order and insurance services in the U.S. and abroad. The companies finance thousands of separate items of equipment such as aircraft, railroad cars and locomotives, oceangoing vessels, automotive vehicles and trailers, and oil field and general manufacturing equipment, and they own and lease IBM and other computer systems for business, education and public uses. Through its insurance subsidiaries, the Company is a major private mortgage insurer and engages in reinsurance services in national and international markets.

Services subsidiaries provide a broad range of services directed to business markets, including aircraft ground handling services, temporary help services, convention and exhibition services, design and fabrication of exhibits and telephone market research. Consumer services include automobile rentals, operation of duty-free shops on board ships and in customs zones, and food service in Greyhound bus terminals, airports, office buildings, industrial plants, schools, hospitals, military bases and other facilities. In addition, the Company provides food and housekeeping support services to government and industry construction projects, conducts vending machine operations and has gift shops, drug stores and newsstands.

1980 Financial Information

RESPONSIBILITY FOR FINANCIAL REPORTING

To the Stockholders of The Greyhound Corporation

The Company has prepared the financial statements and related notes, and other financial data, appearing in this Annual Report. The statements were developed using generally accepted accounting principles and policies considered appropriate in the circumstances. The statements reflect, where applicable, management's best estimates and judgments.

To meet management's responsibility for financial reporting, internal control systems and procedures are designed to provide reasonable assurance as to the reliability of the financial records and compliance with corporate policy throughout the organization. These controls are augmented by an internal audit staff which monitors compliance with the corporate policies and the internal control systems and procedures.

Touche Ross & Co. has independently examined the financial statements. To express their opinion thereon they review and evaluate Greyhound's internal accounting controls and conduct such tests and other procedures as they deem necessary. The Board of Directors oversees the Company's financial reporting through its Audit Committee which regularly meets with management representatives and, jointly and separately, with internal audit management and the independent accountants to review accounting, auditing and financial reporting matters.

Richard C. Stephan

Richard C. Stephan
Vice President-Controller

AUDITORS' REPORT

To the Stockholders and Board of Directors of The Greyhound Corporation

We have examined the statements of consolidated financial condition of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1980 and 1979, and the related statements of income, stockholders' equity, and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Greyhound Corporation and consolidated subsidiaries at December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Touche Ross & Co.

Phoenix, Arizona
February 23, 1981

Selected Financial and Statistical Data

	1980	1979	1978	1977	1976
Operations (000 omitted)					
Sales and Revenues:					
Greyhound and Consolidated Subsidiaries	$4,782,010	$4,708,594	$4,358,848	$3,871,666	$3,755,413
Financial Group (not consolidated)	354,114	307,900	230,917	169,663	151,714
Income of Greyhound and Consolidated Subsidiaries (1)	$ 61,532	$ 73,610	$ 23,136	$ 56,428	$ 59,731
Net Income of Financial Group	56,788	49,420	35,217	25,508	17,366
Net Income (1)	$ 118,320	$ 123,030	$ 58,353	$ 81,936	$ 77,097
Net Income Per Share:					
Common and equivalents	$2.67	$2.80	$1.33	$1.86	$1.76
Assuming full dilution	2.50	2.60	1.27	1.75	1.66
Dividends Declared Per Common Share	$1.20	$1.04	$1.04	$1.04	$1.09
Average Outstanding Shares (000 omitted):					
Common and equivalents	44,338	43,979	43,931	43,936	43,727
Assuming full dilution	48,513	48,475	48,225	48,454	48,099
Financial Position (000 omitted)					
Working Capital	$ 215,259	$ 204,362	$ 221,856	$ 194,100	$ 209,717
Investments in Financial Group Subsidiaries	369,832	333,529	297,541	164,270	147,047
Total Assets	1,905,098	1,818,769	1,725,162	1,553,247	1,479,971
Long-term Debt	439,908	422,594	499,944	366,425	377,601
Armour Redeemable Preferred Stock	23,578	23,578	23,578	23,578	43,898
Other Liabilities, Deferred Items and Minority Interests	160,556	168,887	155,757	137,616	127,329
Stockholders' Equity	849,131	776,092	693,376	681,041	636,618
People					
Stockholders of Record	137,360	146,038	150,760	155,151	160,941
Employees (average)	52,278	52,315	50,912	51,695	51,976

(1) Includes unusual charge of $25,392,000 in 1978 and unusual credit of $2,558,000 in 1977.

Revenues and Income of Principal Business Segments (000 omitted)

	1980	1979	1978	1977	1976
SALES AND REVENUES:					
Transportation	$ 989,931	$ 847,803	$ 727,965	$ 694,009	$ 660,853
Bus Manufacturing	227,135	167,413	118,488	100,213	107,209
Food	2,464,414	2,642,954	2,572,271	2,212,944	2,267,011
Consumer Products [1]	621,069	598,429	562,160	540,634	449,915
Services	328,135	288,868	243,723	196,145	173,574
Food Service	240,450	250,816	222,873	206,431	181,504
Intersegment eliminations	(89,124)	(87,689)	(88,632)	(78,710)	(84,653)
Consolidated segments	4,782,010	4,708,594	4,358,848	3,871,666	3,755,413
Financial Group	354,114	307,900	230,917	169,663	151,714
Combined	$5,136,124	$5,016,494	$4,589,765	$4,041,329	$3,907,127
OPERATING INCOME:					
Transportation	$ 71,546	$ 62,525	$ 36,726	$ 42,736	$ 37,750
Bus Manufacturing	44,489	34,807	22,983	19,532	17,144
Food	(1,770)	41,713	31,231	20,299	30,749
Consumer Products [1]	32,168	24,806	26,233	49,890	42,065
Services	28,659	28,749	24,306	15,493	19,856
Food Service	7,302	14,980	12,842	12,881	12,200
Unusual items, net			(51,400)	5,083	
Intersegment eliminations	(8,238)	(8,258)	(7,878)	(6,666)	(4,902)
Consolidated segments	174,356	199,322	95,043	159,248	154,862
Financial Group	75,343	73,188	52,173	31,285	22,719
Combined	$ 249,699	$ 272,510	$ 147,216	$ 190,533	$ 177,581
NET INCOME:					
Transportation	$ 53,996	$ 39,482	$ 21,543	$ 26,493	$ 25,299
Bus Manufacturing	23,002	19,364	11,552	9,885	8,523
Food	(5,714)	15,433	12,258	7,056	12,940
Consumer Products [1]	15,921	11,576	12,529	25,419	21,705
Services	13,287	13,408	10,654	6,844	9,196
Food Service	4,293	9,081	6,930	6,964	6,222
Unusual items, net			(25,392)	2,558	
Intersegment eliminations	(3,316)	(4,367)	(4,023)	(3,371)	(2,546)
Minority interests	(8,977)	(7,177)	(4,849)	(6,238)	(6,196)
Corporate interest and other costs	(30,960)	(23,190)	(18,066)	(19,182)	(15,412)
Income of Greyhound and consolidated subsidiaries	61,532	73,610	23,136	58,428	59,731
Financial Group	59,081	51,518	37,151	27,275	19,371
Minority interests - Financial Group	(2,293)	(2,098)	(1,934)	(1,767)	(2,005)
Net Income	$ 118,320	$ 123,030	$ 58,353	$ 81,936	$ 77,097

(1) Consumer Products amounts for 1977 and 1976 include sales, operating income and net income of its pharmaceutical operations sold late in 1977.

Other Principal Business Segment Information (000 omitted)

	Assets at Year-End			Capital Expenditures			Depreciation		
	1980	1979	1978	1980	1979	1978	1980	1979	1978
Transportation	$ 516,590	$ 481,320	$ 453,439	$ 78,946	$ 60,064	$ 51,140	$ 39,821	$ 32,694	$ 29,327
Bus Manufacturing	110,276	83,008	56,664	10,036	1,761	2,096	1,501	1,222	992
Food	325,427	339,371	347,508	12,941	16,534	22,587	15,064	14,502	15,566
Consumer Products	427,435	428,254	404,305	8,825	12,036	16,600	9,240	7,955	6,768
Services	107,788	114,522	116,479	9,532	7,576	9,553	6,417	8,444	9,139
Food Service	56,807	62,571	53,103	8,859	10,670	8,430	5,730	5,451	4,714
Intersegment eliminations	(46,898)	(40,838)	(32,250)	(12,069)	(12,889)	(11,361)	(5,293)	(4,302)	(3,200)
Identifiable to segments	1,497,425	1,468,208	1,399,248	117,070	95,752	99,045	72,480	65,966	63,306
Corporate and other	37,841	17,032	28,373	1,233	1,206	3,663	2,181	2,075	1,710
Investment in Financial Group	369,832	333,529	297,541						
Consolidated	$1,905,098	$1,818,769	$1,725,162	$118,303	$ 96,958	$102,708	$ 74,661	$ 68,041	$ 65,016

The Greyhound Corporation is a holding company with numerous subsidiaries whose principal business activities are categorized into seven segments for reporting purposes. The business activities included in each segment are described earlier in this Annual Report under "Description of Business."

Intersegment sales are priced generally on the same basis as sales to outside customers and include the following amounts:

	1980	1979	1978
	(000 omitted)		
Bus Manufacturing	$70,023	$60,850	$54,548
Food	13,567	22,249	29,816
Other	5,534	4,590	4,268
	$89,124	$87,689	$88,632

Operating income by segment for consolidated operations represents sales and revenues less operating costs before deductions for interest, corporate administrative expenses, minority interests and other items, and income taxes. Operating income for the Financial Group represents revenues less operating costs including interest and before deductions for minority interests and other items and income taxes.

Net income by segment represents operating income after deductions for related interest, other items and income taxes and accordingly excludes intersegment eliminations and minority interests. Income taxes are provided for the results of each segment based on its income before income taxes and its tax credits. Corporate interest and other costs not allocated to individual segments represent expenses of an overall holding company nature and are deducted separately in determining net income.

Additional information pertaining to the unconsolidated Financial Group segment is included in the accompanying Summary Combined Statements of Financial Group Subsidiaries of Greyhound.

Condensed Quarterly Results (000 omitted)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	1980	1979	1980	1979	1980	1979	1980	1979
Consolidated Sales and Revenues	$1,101,752	$1,102,124	$1,153,322	$1,209,269	$1,256,505	$1,189,418	$1,270,431	$1,207,783
Consolidated Operating Income	25,091	15,387	37,151	53,902	69,612	70,660	42,502	59,373
Net Income of Financial Group	14,667	9,557	12,370	16,100	14,013	11,330	15,738	12,433
Consolidated Net Income	18,225	9,516	23,481	35,076	43,448	40,713	33,166	37,725
Net Income Per Share:								
Common and equivalents	41¢	22¢	53¢	79¢	98¢	93¢	75¢	86¢
Assuming full dilution	39	21	50	74	91	86	70	79

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results:

Greyhound is a diversified company which sells products and supplies services for many markets. Because of this diversity, components of its net income are generally affected, some favorably, others unfavorably, by general economic conditions and other fluctuations which occur in the various markets each year. Inflationary pressures have resulted in generally higher cost levels and, in instances where appropriate increases in prices for products and services could not be obtained or were delayed, reductions in income. Conversely, gains on sales of property and equipment have generally been favorably affected by economic inflation.

All segments except Food and Food Service recorded revenue gains in 1980 over the last two years. Improved volumes and higher selling prices caused by inflationary pressures were the primary reasons for the revenue gains. The largest volume increases were reported in intercity bus operations, bus manufacturing, and certain financial and services companies. Food revenues in 1980 were lower than the last two years due primarily to lower volumes, while Food Service 1980 revenues were less than last year but up from 1978. The primary reason for the decrease in Food Service revenue was the decline in its contract feeding services due to the sluggishness of the automotive industry, a major customer of this operation.

Net income for 1980 was within 4% of 1979's record earnings and both were well above 1978 results. Net income in 1978 was depressed by an unusual charge of $25.4 million after tax in connection with the closing of certain Armour facilities, but even exclusive of this item net income was 41% better in 1980 than in 1978. All segments except Food and Food Service contributed to the improvement in earnings since 1978, with the largest increases being registered by Transportation, Bus Manufacturing and Financial.

The gain in Transportation earnings was due primarily to increases in passengers on Greyhound's intercity routes commencing with the fuel crisis in 1979 and augmented by improvements in the quality of service. Transportation results also benefited in 1980 from the 10% energy tax credit provided by the Crude Oil Windfall Profits Tax Act of 1980. This energy conservation incentive applies to investment in new intercity buses representing additional U.S. operating capacity, and is in addition to the 10% investment tax credit. Bus Manufacturing's substantial improvement over the past two years was due primarily to increased sales of both Greyhound's intercity and transit buses.

The Financial Group's increase in earnings was substantial and broadly based as its 1980 earnings were up 15% over 1979 and 59% over 1978. All of the businesses comprising the Group (equipment financing, computer leasing and marketing, residential mortgage insurance, money orders and payment services, and reinsurance and special risk insurance in the United States and abroad) reported increases in earnings over last year and all except computer leasing and marketing reported substantial increases over 1978 earning levels.

The Food segment operated at a loss for the year due primarily to losses sustained in processed meat operations which could not be wholly offset by earnings of fresh meat operations. In 1979 the segment was profitable due primarily to its fresh meat and poultry and dairy products operations.

Consumer Products earnings were up due to increased profits from soap products and, to a lesser extent, increased profits from canned meats. Also contributing was the improvement in the results of the handcrafts business where a substantial decline in 1979 had been the primary reason for the decrease in the segment's 1979 earnings from 1978.

The Services segment earnings were about even with last year as the record results of some companies were substantially offset by declines in others due in large part to the softness of the economy. The Food Service segment's decline in earnings was due primarily to the negative impact of the recession on certain operations. Its contract feeding services were the most severely affected because of the automotive industry sluggishness previously mentioned. In 1979 this segment reported higher earnings than in 1978 due primarily to increased volumes.

Liquidity and Capital Resources:

Financing requirements have generally increased in recent years due primarily to increased levels of business activity and the impact of inflation on inventories, receivables and capital expenditures, but management believes that Greyhound has sufficient short-term and long-term liquidity and capital resources available to it to satisfy corporate requirements.

With respect to short-term liquidity (working capital), in order to minimize the effects of borrowing costs on earnings, especially at current high interest rates, Greyhound strives to keep non-earning current assets, principally cash, inventories and receivables, at a minimum level while at the same time taking advantage of the payment terms offered by trade creditors. Those efforts notwithstanding, working capital requirements can fluctuate significantly as a result of changes in levels and costs of inventories and receivables caused primarily by market and seasonal factors.

Greyhound satisfies its short-term financing requirements by borrowings under bank lines of credit, informal bank advances and by the issuance of commercial paper. The following information pertains to such short-term debt:

	1980	1979	1978
	(000 omitted)		
Maximum amount of short-term debt outstanding during year	$179,755	$147,006	$122,039
Average daily short-term debt outstanding during year	$144,265	$109,909	$ 90,714
Average short-term interest rate at end of year*	18.9%	14.1%	10.3%
Weighted average interest rate on short-term debt outstanding during year*	13.7%	11.5%	8.3%

*Exclusive of the cost of maintaining compensating balances and, for commercial paper when outstanding, the cost of supporting bank credits.

At December 31, 1980 (in addition to the unused short-term bank credit arrangements available to Greyhound's consolidated foreign subsidiaries, and in addition to other banking arrangements under which Greyhound is reasonably assured of credit availability) Greyhound and its consolidated subsidiaries had the following formal bank credit facilities available:

	(in millions)
Total bank credit (all unused at December 31, 1980):	
Short-term	$ 59.0
Long-term	140.0
	199.0
Less amounts required to support certain short-term borrowings	129.8
Available unused bank credit	$ 69.2

In recent years, Greyhound's capital expenditures have been financed substantially with internally generated funds (primarily income retained plus depreciation) and to a lesser extent with debt. Capital spending has been reduced to some extent by obtaining, where appropriate, equipment and other property under operating leases. Future capital expenditures and any additional working capital requirements are expected to be financed primarily with internally generated funds derived principally from retention of earnings plus depreciation, tax deferrals and sales of assets that do not meet rate-of-return goals. To the extent requirements exceed internal sources, Greyhound's available external financing sources will be used.

Greyhound purchased Verex Corporation in 1978 for approximately $110 million. This transaction contributed to the large increase in long-term debt in 1978. As a result of improved earnings and other cash flows from operations in the past two years, Greyhound has reduced its debt to equity ratio from .79 to 1 at December 31, 1978 to .61 to 1 at December 31, 1980.

The Financial Group of companies, which are not consolidated for financial reporting purposes, are financed essentially by each respective subsidiary within the Group. By their nature, the leasing companies seek to invest substantial amounts of borrowed funds and accordingly obtain financing through long-term and short-term borrowings, funds generated from operations and tax deferrals. Other companies in the Group, primarily the insurance companies, are financed principally with funds generated from operations and do not generally borrow substantial amounts. From time to time, the Financial Group subsidiaries make advances to or borrow from Greyhound depending upon the short-term cash requirements of the individual entities. With few exceptions, Greyhound does not guarantee debt obligations of the Financial companies.

Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. Described below are those accounting policies which are particularly significant to The Greyhound Corporation ("Greyhound"), including those selected from acceptable alternatives.

Principles of Consolidation:
The consolidated financial statements include the accounts of Greyhound and its subsidiaries, except for its Financial Group subsidiaries. Investments in Financial Group subsidiaries and in affiliates in which Greyhound owns 20 to 50 per cent are reflected in the accounts on the equity basis. All material intercompany transactions and accounts are eliminated in consolidation.

Summary financial information for the Financial Group, including significant accounting policies and footnotes, is presented elsewhere in these financial statements. This Group encompasses subsidiaries engaged primarily in leasing and financing of general industrial and commercial equipment and computers, money order sales and payment services, and insurance operations, principally residential mortgage, special risks and reinsurance.

Inventories:
Inventories of fresh and processed meat products (except pork products) are stated at market less allowance for selling expenses. Certain raw materials used in the manufacture of soap and substantially all raw materials of pork products are stated at cost on the "last-in, first-out" method. All remaining inventories, including all processing costs included in the carrying values of soap and pork products, are stated at the lower of cost (on the "first-in, first-out" or average cost methods) or market.

Property and Equipment:
Owned property and equipment are stated at cost and capital lease assets are stated at the present value of future rentals.

Depreciation is provided principally by use of the straight-line method at annual rates as follows:

Buildings	2% to 5%
Buses (15% and 10% residual)	8% to 10%
Machinery and other equipment	5% to 33%
Capital leases and leasehold improvements	Term of lease

Gain or loss on Transportation companies' depreciable assets sold or otherwise disposed of is reflected as an adjustment of depreciation expense.

Intangibles:
Intangibles are carried at cost less applicable amortization. Those which arose prior to October 31, 1970 will not be amortized unless there is deemed to be a permanent diminution in value of the related investments. Intangibles arising after October 31, 1970 are amortized on the straight-line method over the periods of expected benefit, but not in excess of forty years.

Pension Plans and Other Employee Benefits:
Pensions are generally funded on the basis of annual actuarial determinations of current service costs plus amortization in level annual amounts of unfunded prior service costs, including interest, over periods of thirty to forty years. The cost of medical and life insurance benefits under employee group plans, including similar benefits for qualified retirees, is charged to expense as incurred.

Investment Tax Credits:
Investment tax credits, and additional energy tax credits, are included in income in the year the credits are available as a reduction of federal income taxes.

Net Income Per Share:
Net income per common and equivalent share is computed on the weighted average number of common shares outstanding during each year after giving effect to stock options and warrants considered to be dilutive common stock equivalents. Net income per share assuming full dilution is based upon the average number of common and equivalent shares, determined as set forth above, and the equivalent number of common shares issuable upon conversion of convertible debt.

Other Information:
Revenues and income of principal business segments and other principal business segment information concerning Greyhound's business segments for the three years ended December 31, 1980 is presented in a previous section of this Annual Report.

Certain reclassifications of prior year amounts have been made to conform to 1980 presentation.

Statement of Consolidated Financial Condition (000 omitted)

ASSETS	December 31, 1980	1979
CURRENT ASSETS:		
Cash and short-term investments	$ 32,358	$ 30,482
Receivables	266,926	286,004
Inventories (Note A)	319,715	300,274
Prepaid expenses and other current assets	17,732	15,220
Deferred income taxes	10,453	
TOTAL CURRENT ASSETS	647,184	631,980
PROPERTY AND EQUIPMENT (Note H):		
Land	56,673	51,284
Buildings and leasehold improvements	313,117	304,481
Buses	391,824	351,280
Machinery and other equipment	373,117	353,337
	1,134,731	1,060,382
Less accumulated depreciation	493,187	448,486
	641,544	611,896
INVESTMENTS AND OTHER ASSETS:		
Investments in Financial Group subsidiaries	369,832	333,529
Other investments and assets	36,614	25,129
	406,446	358,658
INTANGIBLES, including $198,296 and $201,471 not subject to amortization	209,924	216,235
	$1,905,098	$1,818,769

See notes to consolidated financial statements and summary of significant accounting policies.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1980	1979
CURRENT LIABILITIES:		
Short-term bank loans	$ 42,937	$ 42,933
Accounts payable	179,599	186,180
Accrued compensation	70,230	62,572
Income and other taxes	32,704	15,760
Due Financial Group subsidiaries, net	29,110	24,019
Other current liabilities	67,999	82,753
Current portion of long-term debt	9,346	13,401
TOTAL CURRENT LIABILITIES	431,925	427,618
LONG-TERM DEBT, including subordinated debt of $89,594 and $98,118 (Note C)	439,908	422,594
OTHER LIABILITIES AND DEFERRED ITEMS:		
Pension and other benefits (Note J)	63,516	64,208
Deferred income taxes	44,113	51,717
Other	25,378	29,712
	133,007	145,637
MINORITY INTERESTS:		
Armour $4.75 redeemable preferred stock	23,578	23,578
Greyhound Lines of Canada	27,549	23,250
	51,127	46,828
COMMITMENTS AND CONTINGENT LIABILITIES (Notes H, I and J)		
STOCKHOLDERS' EQUITY (Note D):		
Common stock	66,528	66,206
Additional capital	263,290	259,880
Retained income	519,316	452,782
Common stock in treasury, at cost	(3)	(2,776)
	849,131	776,092
	$1,905,098	$1,818,769

The Greyhound Corporation

Consolidated Income Statement (000 omitted)

	Year Ended December 31, 1980	1979	1978
SALES AND REVENUES:			
Food processing and consumer products	$3,071,260	$3,218,421	$3,104,565
Transportation, services and other	1,694,890	1,481,630	1,246,599
Other income	15,860	8,543	7,684
	4,782,010	4,708,594	4,358,848
OPERATING COSTS:			
Food processing and consumer products:			
Cost of materials	2,173,813	2,337,902	2,274,529
Wages, supplies and other expenses	868,447	816,360	774,277
Transportation, services and other	1,565,394	1,355,010	1,163,599
	4,607,654	4,509,272	4,212,405
OPERATING INCOME BEFORE UNUSUAL ITEM	174,356	199,322	146,443
PROVISION FOR FOOD PLANT CLOSING AND RELOCATION COSTS (Note J)			51,400
OPERATING INCOME	174,356	199,322	95,043
OTHER COSTS:			
Interest	56,834	53,068	45,264
Corporate administrative	14,264	11,637	10,371
Minority interests and other, net	6,171	8,807	4,926
	77,269	73,512	60,561
INCOME BEFORE INCOME TAXES	97,087	125,810	34,482
INCOME TAXES (Note F)	35,555	52,200	11,346
INCOME OF GREYHOUND AND CONSOLIDATED SUBSIDIARIES	61,532	73,610	23,136
NET INCOME OF FINANCIAL GROUP	56,788	49,420	35,217
NET INCOME	$ 118,320	$ 123,030	$ 58,353
NET INCOME PER SHARE:			
Common and equivalents	$2.67	$2.80	$1.33
Assuming full dilution	2.50	2.60	1.27
DIVIDENDS DECLARED PER COMMON SHARE	$1.20	$1.04	$1.04
AVERAGE OUTSTANDING SHARES (000 omitted):			
Common and equivalents	44,338	43,979	43,931
Assuming full dilution	48,513	48,475	48,225

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Changes in Consolidated Financial Position (000 omitted)

	Year Ended December 31, 1980	1979	1978
SOURCE OF FUNDS:			
From operations:			
Net income	$118,320	$123,030	$ 58,353
Depreciation	74,661	68,041	65,016
Deferred income taxes	10,030	11,683	(16,507)
Undistributed net income of Financial Group	(32,606)	(27,500)	(22,519)
Food plant closing and relocation costs			51,400
Other items, net	(88)	5,730	1,658
Total from operations	170,317	180,984	137,401
Additional long-term debt and capital leases	10,757	12,150	107,075
Increase in short-term bank loans and commercial paper	25,081	21,394	61,855
Proceeds from disposals of property and equipment	22,329	26,537	22,546
Proceeds from businesses sold	11,303		
Other transactions with Financial Group, net	5,091	21,665	1,441
Increase in current accrued liabilities		41,792	
Other items, net		265	1,904
	244,878	304,787	332,222
USE OF FUNDS:			
Capital expenditures and leases capitalized	118,303	96,958	102,708
Dividends	53,171	45,704	45,673
Reductions of long-term debt	20,914	101,619	26,130
Increase in receivables and inventories	13,837	58,353	53,415
Acquisition of and additional investment in businesses	2,476	3,721	109,997
Investment credit carryforward attributable to Financial Group	8,087		
Decrease in current accrued liabilities	16,121		12,915
Other items, net	10,093		
	243,002	306,355	350,838
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	$ 1,876	$ (1,568)	$(18,616)

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Stockholders' Equity (000 omitted)

	Year Ended December 31, 1980	1979	1978
COMMON STOCK, $1.50 par value, 70,000,000 shares authorized:			
Balance, beginning of year	$ 66,206	$ 66,206	$ 66,206
Shares issued	322		
Balance, end of year	$ 66,528	$ 66,206	$ 66,206
ADDITIONAL CAPITAL:			
Balance, beginning of year:			
Capital surplus	$259,636	$259,816	$259,972
3% Cumulative preference stock	244	251	253
Combined balance	259,880	260,067	260,225
Amounts relating to conversion or exercise of preference stock, debentures, warrants and stock options:			
Common shares issued	3,336		
Treasury common shares reissued	59	(202)	(162)
Other, net	15	15	4
Balance, end of year (including $237 at December 31, 1980 of 3% cumulative preference stock)	$263,290	$259,880	$260,067
RETAINED INCOME:			
Balance, beginning of year	$452,782	$370,686	$358,616
Net income	118,320	123,030	58,353
Dividends on common stock	(53,164)	(45,696)	(45,664)
Unrealized gains (losses) on marketable equity securities of Financial Group	1,379	4,752	(628)
Other, net	(1)	10	9
Balance, end of year	$519,316	$452,782	$370,686
COMMON STOCK IN TREASURY, at cost:			
Balance, beginning of year	$ (2,776)	$ (3,583)	$ (4,006)
Shares reissued, net of shares acquired, relating to conversion or exercise of preference stock, debentures and stock options	2,773	807	423
Balance, end of year	$ (3)	$ (2,776)	$ (3,583)

See notes to consolidated financial statements and summary of significant accounting policies.

Notes to Consolidated Financial Statements

Three Years Ended December 31, 1980

Note A — Inventories:
Year-end inventories consisted of the following:

	1980	1979
	(000 omitted)	
Food processing	$ 88,665	$ 92,861
Consumer products	107,553	107,254
Bus manufacturing	78,901	62,279
Transportation and other	44,596	37,880
	$319,715	$300,274

Inventories of certain raw materials, aggregating $9,245,000 in 1980 and $8,362,000 in 1979, are stated at cost on the "last-in, first-out" method. If these inventories were stated on the bases used for pricing other inventories, inventory valuations would have been increased $14,891,000 at the end of 1980 and $13,655,000 at the end of 1979.

Note B — Short-term Debt and Compensating Balances:
Greyhound satisfies its short-term financing requirements by borrowings under bank lines of credit, informal bank advances and by the issuance of commercial paper.

Informal bank advances, used from time to time to supplement Greyhound's other short-term financing arrangements, are borrowed at money market interest rates for specific short maturities. At December 31, 1980, Greyhound had $10,000,000 of such advances outstanding.

Greyhound's short-term bank lines aggregating $119,668,000 at December 31, 1980 are subject to annual renewal and in most instances can be withdrawn at any time at the option of the banks. On $54,000,000 of these lines, compensating balances are required in an amount equal to the sum of 5 per cent of the commitments plus 10 per cent of the credit in use. During 1980, funds utilized as compensating balances under these bank lines averaged approximately $3,440,000. In addition, Greyhound funds averaging $4,148,000 during 1980 were utilized to satisfy compensating balance requirements of the Financial Group and Greyhound received interest for the use of these funds. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

It is Greyhound's policy to support commercial paper outstanding with unused portions of bank credit. In addition, Greyhound maintained unused portions of bank credits of $35,000,000 in 1980 under an agreement with a Financial Group subsidiary to support its demand advances to Greyhound.

Note C — Long-term Debt:
Long-term debt at year-end was as follows:

	1980	1979
	(000 omitted)	
Senior debt:		
Commercial paper supported by unused revolving credit	$ 94,765	$ 71,348
Sinking fund debentures, net of unamortized discount:		
9⅜%, due 1987 to 2001	99,459	99,417
9⅞%, due 1986 to 2000	74,625	74,594
Real estate mortgages, due to 2006, 4½% to 9½%, property of $40,290 pledged as collateral	24,159	26,053
Other obligations, due to 1993, 5% to 8¾%	21,060	29,123
Less current portion	(6,356)	(9,973)
	307,712	290,562
Subordinated debt:		
Convertible subordinated debentures (conversion price):		
6½%, due 1983 to 1990 ($18.375)	64,095	68,117
5%, due to 1984 ($26.40)	7,910	9,888
4½%, due 1983 ($15.74)	1,305	1,705
5% Cumulative income subordinated debentures, due to 1984	17,866	20,385
Less current portion	(1,582)	(1,977)
	89,594	98,118
Capital lease obligations, 8.3% weighted average imputed interest	44,010	35,365
Less current portion	(1,408)	(1,451)
	42,602	33,914
	$439,908	$422,594

Revolving credit loans are available from participating banks under a Domestic/Eurodollar Credit Agreement which provides for a total credit of $140,000,000. The entire commitment is available until June 30, 1984 on a revolving credit basis, with borrowings then converting into a term loan repayable in fifteen equal quarterly installments. Interest is based upon the following rates: (i) for domestic dollar advances, the bank prime rate or (ii) for Eurodollar advances, ½ of 1 per cent above the London interbank offered rate. The Agreement also provides for a commitment fee of ½ of 1 per cent on the unused portion of the first 75 per cent of the commitment and ¼ of 1 per cent on the unused portion of the remaining 25 per cent of the commitment. Commencing in 1982 and annually thereafter, at Greyhound's request and with the participating banks' consent, the term of the Agreement may be extended for one year periods. If not extended the banks will receive additional interest at varying amounts not to exceed ½ of 1 per cent.

Annual maturities of long-term debt, including capital lease obligations, in the four years after 1981 will approximate $10,495,000 (1982), $12,571,000 (1983), $29,884,000 (1984) and $8,052,000 (1985). Excluded from 1984 and 1985 maturities are $12,635,000 and $25,271,000, respectively, which would become payable if the Agreement supporting commercial paper referred to above is not extended.

Note D — Stockholders' Equity:
Common stock issued and outstanding at December 31, 1980 was 44,352,043 and 44,351,820 shares, respectively. Shares reserved for issuance at December 31, 1980 are as follows:

	Shares	Conversion or Exercise Prices
Convertible debentures and preference stock	4,102,427	$15.74 to $46.00
Warrants, expiring to 1984	7,307,256	23.50 to 30.00
Stock options (price range on options outstanding)	2,438,429	11.13 to 18.00
	13,848,112	

With the approval of the Interstate Commerce Commission, warrants originally expiring in 1980 have been extended to expire in 1983. The conversion prices and warrant exercise prices are subject to adjustment under certain circumstances.

Greyhound has 5,000,000 shares of Serial Preference Stock authorized, of which no shares have been issued.

Greyhound's retained income includes undistributed net income of unconsolidated affiliates and Financial Group subsidiaries aggregating $127,001,000 at December 31, 1980.

Undistributed net income of certain consolidated and Financial Group subsidiaries included in Greyhound's retained income is subject to dividend restrictions pursuant to long-term debt agreements of the subsidiaries, or restrictions applicable to certain regulated subsidiaries. Under such restrictions $154,322,000 and $45,733,000 were available at December 31, 1980 for payment of dividends to Greyhound by consolidated and Financial Group subsidiaries, respectively.

Greyhound's long-term debt agreements also contain various restrictive covenants and require the maintenance of certain defined financial ratios with which Greyhound has complied. At December 31, 1980, under the most restrictive of the agreements, retained income of $177,682,000 was unrestricted as to the payment of dividends by Greyhound.

Note E — Stock Options:
Greyhound has granted to officers and certain key employees non-qualified options, under its 1973 Stock Option Plan, to purchase common stock at the market price at the date of grant. The options expire 10 years after date of grant.

Information with respect to options granted and exercised for the three years ended December 31, 1980 is as follows:

	Granted		Exercised	
	Shares	Average Price Per Share	Shares	Average Price Per Share
1978	1,161,950	$13.37	25,356	$ 9.93
1979	19,850	13.21	47,678	11.75
1980	333,850	15.54	141,393	13.04

Stock options on common shares cancelled during 1978, 1979 and 1980 at average exercise prices indicated were 252,042 ($13.27), 110,650 ($13.19) and 88,650 ($13.19), respectively.

At December 31, 1980, stock options with respect to 1,415,735 common shares were outstanding and exercisable at an average price of $13.76 per share.

Note F — Income Taxes:
The consolidated provision for income taxes for the three years ended December 31, 1980 consists of the following:

	1980	1979	1978
	(000 omitted)		
Currently payable:			
United States:			
Federal	$ 7,843	$ 23,748	$ 12,228
State	3,491	4,476	5,084
Foreign	14,191	12,293	10,541
	25,525	40,517	27,853
Deferred:			
United States	8,649	11,377	(17,482)
Foreign	1,381	306	975
	10,030	11,683	(16,507)
Provision for income taxes	$35,555	$ 52,200	$ 11,346

Deferred income taxes relate to the following principal timing differences:

	1980	1979	1978
	(000 omitted)		
Plant closing and relocation costs	$ 1,153	$ 6,181	$(23,674)
Depreciation	10,230	8,664	10,592
Payment of litigation accrual	9,240		
Uninsured loss accruals	(359)	(3,359)	(4,290)
Investment and energy tax credit carryforwards	(10,660)		
All other	426	197	865
Total deferred income taxes	$10,030	$ 11,683	$(16,507)

The Financial Group domestic subsidiaries, as well as eligible consolidated domestic subsidiaries of Greyhound, are included in the consolidated federal income tax returns of Greyhound. As a result, certain amounts of tax losses and credits have been utilized by Greyhound which would not have been currently available to Financial Group subsidiaries on a separate return basis. These amounts plus unutilized 1980 Financial Group investment tax credits are credited to the Financial Group and included in the determination of its income taxes. Accordingly, consolidated currently payable and deferred provisions for income taxes do not reflect such amounts. Investment and energy tax credits of $18,747,000 generated in 1980 by Greyhound and Financial Group subsidiaries, which will be utilized before similar credits arising in subsequent years, represented consolidated tax return carryforwards at year-end.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1980	1979	1978
		(000 omitted)	
Computed income taxes at statutory federal income tax rates	$44,660	$57,873	$16,551
Investment tax credits	(7,541)	(7,595)	(8,116)
Energy tax credits on bus fleet expansion	(4,303)		
Minority interests	4,129	3,302	2,328
State income taxes	1,854	2,765	1,392
Foreign income taxes at rates different than statutory federal rates	(3,298)	(307)	1,610
Adjustment or refund of prior years' taxes	(1,000)	(992)	(1,454)
Other, including effects of capital gains and foreign tax credits	1,054	(2,846)	(965)
Provision for income taxes	$35,555	$52,200	$11,346

United States and foreign income before income taxes is as follows:

	1980	1979	1978
		(000 omitted)	
United States	$62,274	$101,716	$16,066
Foreign	34,813	24,094	18,416
Income before income taxes	$97,087	$125,810	$34,482

At December 31, 1980, retained income includes $31,200,000 of undistributed net income of foreign subsidiaries and DISC companies on which no federal taxes have been provided because management considers such amounts permanently invested.

Note G — Pension Plans:

Greyhound and its subsidiaries have pension plans covering substantially all of their employees. The cost of all pension plans was $82,938,000 in 1980, $74,982,000 in 1979 and $71,918,000 in 1978, including $1,415,000, $1,269,000 and $911,000, respectively, attributable to unconsolidated Financial Group subsidiaries.

At January 1, 1980 (the date of the most recent actuarial valuations) accumulated pension plan benefits and market value of plan net assets available for benefits for all plans, and balance sheet accruals for pension liabilities attributable to former employees of certain closed plants, were as follows:

	(000 omitted)
Actuarial present value of accumulated pension plan benefits:	
Vested	$863,514
Nonvested	39,460
Total accumulated benefits	$902,974
Market value of pension trust fund net assets	$818,657
Balance sheet accruals	51,838
Total plan assets and accruals	$870,495

The assumed rate of return generally used in determining the actuarial present value of accumulated plan benefits was 9 per cent.

Note H — Lease Obligations:

Certain bus terminals, plants, offices and equipment are held under lease. These leases expire in periods ranging from one to 42 years, in some instances provide for renewal options ranging from one to 40 years and in certain instances contain purchase options. Leases which expire are generally renewed or replaced by similar leases.

Capital leases included in the cost of property and equipment aggregated $42,461,000 and $40,446,000 at December 31, 1980 and 1979, respectively, with related accumulated depreciation of $20,416,000 and $18,072,000. A capital lease construction program started in 1980 has a present value of $10,000,000 included in capital lease obligations at December 31, 1980, of which $2,550,000 is included in property and equipment and $7,450,000 held for completion of construction is included in other investments and assets. At December 31, 1980, future minimum payments under capital leases and noncancellable operating leases with terms in excess of one year are as follows:

	Capital Leases	Operating Leases
	(000 omitted)	
1981	$ 5,800	$ 17,857
1982	5,655	15,219
1983	5,536	13,066
1984	5,285	11,048
1985	4,737	9,120
Thereafter	72,579	57,278
Total future minimum lease payments	99,592	$123,588
Less:		
Executory costs	(3,443)	
Imputed interest	(52,139)	
Present value of future minimum capital lease payments	$44,010	

Additional information regarding operating lease rentals is as follows:

	1980	1979	1978
		(000 omitted)	
Minimum rentals	$43,570	$35,762	$31,504
Contingent rentals	25,771	23,181	19,437
Total	$69,341	$58,943	$50,941

Contingent rentals on operating leases are based primarily on sales and revenues for buildings and leasehold improvements and usage for other equipment. Capital lease contingent rentals and sublease rental income were not material in any year.

Note I — Litigation:
An action against Greyhound Leasing & Financial Corporation ("Greyhound Leasing"), a Financial Group subsidiary, in the U.S. District Court in Puerto Rico by certain lessees, and affiliates thereof, of Boothe Leasing Corporation of Puerto Rico, a small subsidiary of Greyhound Leasing, claims damages in the aggregate amount of $34,150,000 for alleged wrongful attachment of equipment, property and assets of the plaintiffs arising from the lessees' alleged failure to pay rentals due under the leases. Trial of the case commenced before a jury in February, 1979. The jury last heard testimony in June, 1980. Jury instructions have been submitted by both sides, but the Court has not yet instructed the jury or decided numerous pending motions, including motions to dismiss or direct a verdict for defendants. Management believes, upon advice of counsel, that the damages claimed are not well founded or are grossly exaggerated and that the ultimate liability, if any, resulting from this action will not have a material effect upon the consolidated financial condition of Greyhound Leasing.

The antitrust suit concerning competitive relations between Mt. Hood Stages, Inc. and Greyhound Lines, Inc. was terminated in 1980 by the payment of $22,600,000 encompassing the trial court judgment plus settlement of all remaining disputes over costs, attorneys' fees and interest, substantially all of which had been previously provided for in the consolidated financial statements. On January 26, 1981, the long-standing antitrust litigation brought against IBM by Greyhound Computer Corporation, a Financial Group subsidiary, was settled upon receipt of a $17,700,000 payment from IBM. This settlement will be recorded as a 1981 transaction.

Greyhound and certain subsidiaries are parties to various other legal actions, the outcome of which is not expected to have a material effect upon the consolidated financial condition of Greyhound, but in which the ultimate liability, if any, cannot be reasonably estimated. Several of the suits, which are being contested by pretrial proceedings, are brought on behalf of classes or alleged classes of plaintiffs for alleged discriminatory employment practices.

Note J — Other Matters:
Armour and Company provided $51,400,000 in 1978 and $19,700,000 in 1977 for the estimated costs of closing certain livestock slaughtering and processing plants and for the relocation of certain related operations. Of these amounts, $48,815,000 was provided for pension and insurance benefits of employees terminated and has been included in the liability for pensions and other benefits. Charges against the remaining amounts provided in 1978 and 1977, consisting principally of separation pay and relocation costs, were $5,778,000 in 1980, $12,296,000 in 1979 and $2,851,000 in 1978.

Under the terms of credit agreements with certain financial institutions, Greyhound has guaranteed borrowings of a Financial Group affiliate aggregating $15,000,000 at December 31, 1980. In addition, Greyhound has guaranteed borrowings of other companies aggregating $10,003,000 at December 31, 1980.

Financial Group Subsidiaries of Greyhound

Summary of Combined Financial Condition (000 omitted)

ASSETS	December 31, 1980	1979
INVESTMENTS IN EARNING ASSETS:		
Finance lease and contract receivables, net of unearned income (Note 2)	$1,006,411	$ 860,098
Bonds and other fixed maturity investments, at amortized cost (market $286,427 and $263,660)	315,692	275,837
Equity securities, at quoted market	31,537	34,436
Demand loan receivable from Greyhound	35,000	35,000
Computer rental equipment, net (Note 3)	120,338	133,944
Investments in Earning Assets	1,508,978	1,339,315
Cash	72,436	56,770
Other Receivables	72,196	54,272
Tax Benefits due from Greyhound	7,246	7,585
Other Assets	58,074	52,464
Deferred Policy Acquisition Costs	13,128	11,744
Intangibles, at cost less amortization	42,148	41,254
	$1,774,206	$1,563,404
LIABILITIES AND GREYHOUND EQUITY		
LIABILITIES:		
Long-term debt (Note 4)	$ 777,656	$ 658,208
Commercial paper and short-term bank loans	54,549	102,604
Money orders and advances for payment service items	123,020	86,617
Unearned premiums	44,401	41,991
Insurance reserves and claims	73,333	58,633
Due to Greyhound	5,890	10,981
Other short-term liabilities	101,316	70,382
	1,180,165	1,029,416
DEFERRED TAX ITEMS (Note 5)	206,960	184,939
MINORITY INTERESTS	17,249	15,520
GREYHOUND EQUITY:		
Capital	244,123	241,701
Net unrealized investment gains	3,937	2,558
Retained income	121,772	89,270
	369,832	333,529
	$1,774,206	$1,563,404

See notes to summary combined statements.

Financial Group Subsidiaries of Greyhound

Summary of Combined Income (000 omitted)

	Year Ended December 31, 1980	1979	1978
REVENUES:			
Leasing and other:			
Finance lease and other income	$176,729	$132,496	$ 90,776
Operating lease rentals	64,728	62,229	52,701
Gain on sale of equipment	11,634	16,804	7,212
Insurance:			
Earned premiums	80,646	80,777	70,554
Investment income, net of expenses	20,377	15,594	9,674
	354,114	307,900	230,917
OPERATING COSTS:			
Leasing and other:			
Interest	93,813	69,476	47,290
Depreciation	34,558	32,915	30,454
Other	74,414	61,667	37,336
Insurance:			
Losses and loss adjustment expenses	41,432	38,871	37,359
Policy acquisition expenses	25,899	25,071	20,886
Other	8,655	6,712	5,419
	278,771	234,712	178,744
OPERATING INCOME	75,343	73,188	52,173
NET REALIZED INVESTMENT GAINS (LOSSES)	2,259	(108)	(67)
MINORITY INTERESTS AND OTHER, NET	(1,313)	(2,053)	(1,571)
INCOME BEFORE INCOME TAXES	76,289	71,027	50,535
INCOME TAXES (Note 5)	19,501	21,607	15,318
NET INCOME:			
Leasing and other	35,810	31,489	25,208
Insurance	20,978	17,931	10,009
Total Financial Group	$ 56,788	$ 49,420	$ 35,217

Summary of Combined Greyhound Equity (000 omitted)

	1980	1979	1978
Balance, beginning of year	$333,529	$297,541	$164,270
Net income	56,788	49,420	35,217
Dividends to Greyhound	(24,182)	(21,920)	(12,698)
Additional investment by Greyhound	2,476	3,721	111,423
Unrealized gains (losses) on marketable equity securities	1,379	4,752	(628)
Other	(158)	15	(43)
Balance, end of year	$369,832	$333,529	$297,541

See notes to summary combined statements.

Summary of Changes in Combined Financial Position (000 omitted)

	Year Ended December 31, 1980	1979	1978
SOURCE OF FUNDS:			
From operations	$131,602	$110,357	$103,982
Collections on finance receivables, less income amortization	165,325	133,983	111,117
Carrying amount of equipment sold	19,222	35,248	23,903
Total from operations, collections and equipment disposals	316,149	279,588	239,002
Additional long-term debt	355,866	234,083	99,603
Increase in commercial paper and short-term bank loans		12,562	
Other sources of funds	74,438	34,898	23,441
	746,453	561,111	362,046
USE OF FUNDS:			
Investment in earning assets:			
Finance lease and other contracts	325,680	281,876	153,103
Computer rental equipment	27,712	67,317	53,257
Fixed maturity and equity securities, net	35,414	64,009	71,256
Total investments, net	388,806	413,202	277,616
Reductions of long-term debt	234,244	71,641	46,587
Dividends paid to Greyhound	24,182	21,920	12,098
Other transactions with Greyhound, net	5,091	21,665	1,441
Decrease in commercial paper and short-term bank loans	48,055		3,083
Other uses of funds	30,409	24,839	25,517
	730,787	553,267	366,942
INCREASE (DECREASE) IN CASH	$ 15,666	$ 7,844	$ (4,896)

See notes to summary combined statements.

Notes to Summary Combined Statements
Three Years Ended December 31, 1980

Note 1 — Summary of Significant Accounting Policies:
The accompanying financial information for the Financial Group is prepared on the Greyhound cost basis, which is the basis for recording investments in and net income of Financial Group subsidiaries in Greyhound's consolidated financial statements. This information has been prepared in accordance with generally accepted accounting principles, which in the case of insurance subsidiaries differ from statutory accounting requirements.

Financial Group domestic subsidiaries are included in the consolidated federal income tax returns of Greyhound. These subsidiaries pay to Greyhound amounts which are no greater than, but may be less than, the taxes they would pay on a separate return basis. If no taxes are payable on such basis, Greyhound credits to Financial Group subsidiaries amounts equal to the tax benefits (from tax losses and credits) currently utilizable by Greyhound which arise from inclusion in Greyhound's consolidated returns, whether or not such benefits would have been currently available to the subsidiaries on a separate return basis.

Intangibles are amortized primarily over forty years.

Leasing Subsidiaries:
Leases on commercial and industrial equipment are generally direct financing leases. Computer leases are principally operating leases. Computer rental equipment is generally depreciated on the declining balance method at annual rates ranging from 20 to 30 per cent.

Investment tax credits arising from direct financing leases are deferred and amortized to finance lease revenues over the initial terms of related leases on the sum-of-the-months' digits method. Investment tax credits relating to computer operating leases are deferred and amortized on the straight-line method over seven years as a reduction of income taxes.

Insurance Subsidiaries:
Earned premiums are calculated generally on the straight-line basis over the term of the coverage.

Costs associated with the acquisition of new business are deferred and amortized over the term of the policies in the same manner as earned premiums are calculated.

Provisions for losses on mortgage insurance contracts are determined principally by a formula based on reported delinquencies. Provisions for losses applicable to other operations are determined on the basis of management's estimate of the anticipated ultimate loss ratio.

Certain insurance accounts, primarily premiums earned, losses incurred and the liability for insurance reserves and claims of the special risk and reinsurance business, are stated net of amounts ceded under reinsurance policies.

Equity securities owned by insurance subsidiaries are carried at quoted market and changes in valuation allowances are recorded in Greyhound equity.

Note 2 — Finance Receivables:
Direct finance lease and contract receivables due in the next five years approximate $262,580,000 (1981), $201,015,000 (1982), $181,153,000 (1983), $155,908,000 (1984) and $135,421,000 (1985).

Note 3 — Computer Rental Equipment:
At December 31, 1980 and 1979, computer rental equipment includes the following:

Type of Equipment	Cost or Stated Amount 1980	1979	Carrying Amount 1980	1979
	(000 omitted)			
IBM System/370 and compatible	$161,334	$163,703	$109,508	$117,569
IBM System/360 and other	46,103	64,158	9,200	14,427
Equipment in process	1,630	1,948	1,630	1,948
	$209,067	$229,809	$120,338	$133,944

Noncancellable rentals due under computer equipment leases approximate $73,064,000 at December 31, 1980 and are less than the aggregate carrying amount of such equipment. Accordingly, recovery of the carrying amount of computer equipment at December 31, 1980 is dependent upon renewal of existing leases or sale or lease of the equipment at satisfactory prices. Continuing achievements in computer technology, pricing and delivery of advanced computer equipment by manufacturers and changes in rental rates and sales prices by other lessors and dealers could significantly influence estimates of useful lives and future rental or sales values of computer equipment. Management believes that it will be successful in recovering the remaining carrying amount of computer equipment.

Note 4 — Long-term Debt:
Long-term debt at year-end was as follows:

	1980	1979
	(000 omitted)	
Senior debt:		
Revolving credit loans, payable to banks	$212,538	$277,387
Term loans, 4½% to 15⅛%, due to 1989	218,177	106,657
9.70% Notes, due 1984	60,000	60,000
Sinking fund debentures:		
12½%, due 1991 to 2000	92,320	
9¼%, due 1983 to 1992	50,000	50,000
Limited recourse installment notes, due to 1991, 5¼% to 9⅞%	26,864	31,659
Other, 6% to 15%, due to 1998	68,603	79,783
Subordinated debt, 6% to 9¾%, due to 1992	49,154	52,722
Total long-term debt	**$777,656**	**$658,208**

Revolving credit loans are borrowed under credit agreements aggregating $419,427,000 with an average interest rate at December 31, 1980 of 17½ per cent. The agreements generally require payment of a fee on the unused commitments and are renewable annually. However, if loans with any or all participating banks are not renewed, the subsidiaries may, at their option, repay the nonrenewing banks' participation immediately or over thirty-month to eight-year periods following the date of termination. So long as the agreements are renewed and the subsidiaries comply with specified tests of financial condition, no repayments of principal are required, and as long as there is no material adverse change in their financial condition, additional advances may be obtained up to the amount of the unused credits.

Compensating balances under certain of the revolving credit agreements averaged $7,094,000 in 1980, of which $4,148,000 was provided by Greyhound. The Financial Group paid interest to Greyhound for the use of these funds at 90 per cent of the banks' prime interest rates for Greyhound's short-term borrowings. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

Annual maturities of long-term debt (other than amounts due under revolving credit agreements expected to be renewed) due in the next five years will approximate $27,369,000 (1981), $23,285,000 (1982), $47,538,000 (1983), $92,732,000 (1984) and $60,015,000 (1985).

Note 5 — Income Taxes:
The provision for income taxes for the three years ended December 31, 1980 consists of the following:

	1980	1979	1978
	(000 omitted)		
United States:			
Federal:			
Currently payable	$ 8,744	$10,470	$ 9,755
Benefits from inclusion in Greyhound's consolidated tax return	(11,123)	(5,189)	(5,758)
Investment tax credits and amortization	(1,145)	(931)	(688)
Deferred, principally depreciation on equipment held for lease	19,789	14,663	8,807
State	547	100	688
Foreign	2,689	2,494	2,514
Provision for income taxes	$19,501	$21,607	$15,318

Investment tax credits of $9,562,000 arising in 1980, $9,357,000 in 1979 and $6,174,000 in 1978 from leasing operations have been deferred. Deferred investment tax credit amortization applicable to direct financing leases, and included in finance lease revenues, was $6,606,000 in 1980, $5,769,000 in 1979 and $5,237,000 in 1978.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1980	1979	1978
	(000 omitted)		
Computed income taxes at statutory federal income tax rates	$35,093	$32,672	$24,256
Investment tax credits and amortization	(1,145)	(931)	(688)
Effects of investment tax credits in lease revenues	(3,039)	(2,654)	(2,511)
Credits arising from acquired companies	(383)	(917)	(3,772)
Statutory rate differences and tax exempt income	(8,452)	(5,948)	(2,333)
Minority interests	1,105	966	929
Other, principally state and foreign tax differences	(3,678)	(1,581)	(563)
Provision for income taxes	$19,501	$21,607	$15,318

United States and foreign income before income taxes is as follows:

	1980	1979	1978
	(000 omitted)		
United States	$64,533	$60,129	$46,805
Foreign	11,756	10,898	3,730
Income before income taxes	$76,289	$71,027	$50,535

Deferred tax items include $30,320,000 and $28,439,000 at December 31, 1980 and 1979, respectively, of deferred investment tax credits of leasing operations.

Note 6 — Relations with Greyhound and Other Matters:
The executive, financial, legal, tax and other corporate staff departments of Greyhound perform services for the Financial Group, and in some cases Greyhound also furnishes office space, data processing and office services at charges which are intended to provide no profit to Greyhound. The Financial Group domestic subsidiaries are included in the consolidated federal income tax returns filed by Greyhound and have compensating balance arrangements with Greyhound. In addition, the Financial Group subsidiaries have net advances due to or from Greyhound depending upon cash requirements of the entities and Greyhound has guaranteed $15,000,000 of debt of one subsidiary.

The property and casualty insurance subsidiaries cede insurance to other insurers in order to limit maximum losses through risk diversification. Insurance ceded by the subsidiaries does not relieve liability in the event of a failure by a reinsurance company to pay claims. At December 31, 1980 and 1979, the contingent liability for insurance reserves and claims applicable to reinsurance ceded is $28,982,000 and $18,780,000, respectively.

Financial Reporting and Changing Prices

Background:

Statement No. 33 of the Financial Accounting Standards Board requires the reporting of supplemental information about the effects of specific price changes (current costs) and general inflation (constant dollars) on financial statements.

Greyhound cautions against the use of this information for estimating the inflationary effect on future costs. As required, the 1980 amounts reported in the primary financial statements have been adjusted only for depreciation expense and the inventory components of costs in arriving at net income as adjusted. Amounts for 1979 have been similarly adjusted and are further restated in average 1980 dollars. Net income amounts as initially adjusted each year are exclusive of any income tax provision adjustments.

The Standards Board expressed a need for experimentation in reporting the effects of changing prices and mandated only general guidelines. Therefore, this data may not be comparable with that of other companies.

The information which follows provides the required disclosure of the effects of inflation on Greyhound's operations, certain assets and its purchasing power.

Current Cost Information:

The objective of this method is to reflect the effects of changes in specific prices (current costs) of the resources actually used in Greyhound's operations, so that measures of these resources and their consumption reflect the current cost of replacing these resources, rather than the historical cost amounts actually expended to acquire them.

This method of reporting restates inventories and property and equipment in terms of what it would cost Greyhound to replace these items in specific current year costs. Accordingly, cost of sales was calculated on the basis of current production or acquisition costs. Property and equipment and depreciation were restated utilizing various appropriate external price indices.

Constant Dollar Information:

The objective of this method is to provide financial information in dollars of equivalent value or purchasing power.

The adjusted net income under this method was determined by: (1) aging inventories and property and equipment; (2) translating these agings by using the required Consumer Price Index for All Urban Consumers (calculated by the U.S. Department of Labor); and (3) calculating what the 1980 and 1979 cost of sales and depreciation expense would have been if these were expressed in average 1980 dollars.

Effects of Changing Prices on Financial Statements (000 omitted)

	Current Costs 1980	Current Costs 1979	Constant Dollars 1980	Constant Dollars 1979
Net income, as reported (1980) and in average 1980 dollars (1979)	$ 118,320	$ 139,639	$ 118,320	$ 139,639
Less adjustments to restate costs for the effects of inflation on:				
Operating costs (cost of revenue items)	(3,239)	(6,098)	(34,794)	(40,687)
Depreciation	(37,443)	(51,608)	(42,746)	(43,792)
Net income, as adjusted	$ 77,638	$ 81,933	$ 40,780	$ 55,160
Per common share	$1.75	$1.86	$0.92	$1.25
Net assets at year-end	$1,354,926	$1,391,905	$1,251,537	$1,265,052
Gain from decline in purchasing power of net monetary amounts owed (not included in adjusted income above)	$ 80,192	$ 95,530	$ 80,192	$ 95,530
Per common share	$1.81	$2.17	$1.81	$2.17
Increase in specific prices of inventories and property and equipment (1)	$ 121,681	$ 117,641		
Effect of increase in the general price level	171,357	193,489		
Excess of increase in the general price level over increase in specific prices	$ 49,676	$ 75,848		

(1) At December 31, 1980, current cost of inventories was $334 million and current cost of property and equipment, net of accumulated depreciation, was $1,170 million.

Selected Financial Data Adjusted for the Effects of General Inflation — Stated in Average 1980 Dollars (Constant Dollars)

	1980	1979	1978	1977	1976
Sales and revenues (in millions)	$4,782	$5,344	$5,505	$5,265	$5,438
Dividends per common share	$1.20	$1.18	$1.31	$1.41	$1.58
Year-end market price per share	$13.25	$15.44	$13.38	$16.91	$21.24
Consumer price index, average for the year	246.8	217.4	195.4	181.5	170.5

Transfer Agents*

Common Stock certificates may be mailed to the following address for transfer:

First National Bank of Boston
P.O. Box 644
Boston, Massachusetts 02102

Common Stock certificates may be delivered to the following offices for transfer:

First National Bank of Boston
Stock Transfer Department
100 Federal Street
Boston, Massachusetts

First National Boston
Clearance Corporation
61 Broadway
7th Floor
New York, New York

FNB Financial Company
1 Wilshire Boulevard
8th Floor
Los Angeles, California

Transfer of warrant certificates representing New York Stock Exchange listed warrants can only be made at the following agent's office:

Citibank, N.A.
111 Wall Street
New York, New York 10015

**Change of address and inquiries regarding dividend payments or related to common stock accounts or warrant accounts should be sent directly to:*
The Greyhound Corporation
P.O. Box 21688
Phoenix, Arizona 85036

Stock Exchanges

The principal market on which the common stock of The Greyhound Corporation is traded is the New York Stock Exchange. It also is traded on the Pacific, Midwest, Philadelphia and Cincinnati exchanges.

Sales Price Range of Common Stock

	1980		1979	
Calendar Quarters:	High	Low	High	Low
First	18⅝	13½	12⅞	11
Second	17⅜	14¾	15¼	11[illegible]
Third	17½	14⅛	16⅝	13¾
Fourth	15½	12½	15⅝	11⅞

Dividends Paid on Common Stock

	1980	1979
January	$ .26	$ .26
April	.30	.26
July	.30	.26
October	.30	.26
	$1.16	$1.04

Corporate Headquarters

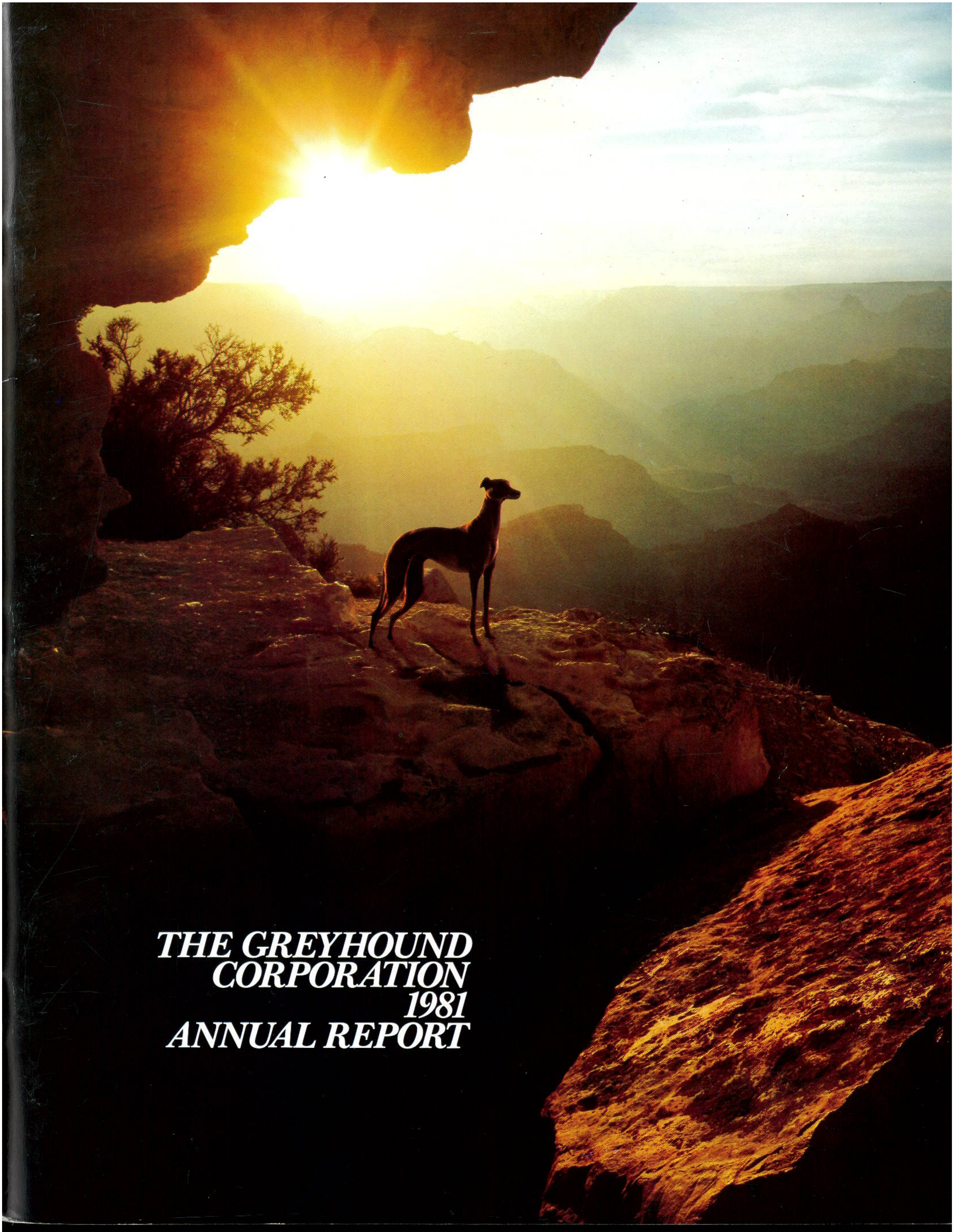
The Greyhound Corporation
Greyhound Tower
Phoenix, Arizona 85077
(602) 248-4000

Annual Meeting

You are cordially invited to attend the annual meeting of shareholders to be held May 12, 1981, starting at 9:00 a.m., in the Coronado Room at Del Webb's TowneHouse 100 West Clarendon Avenue Phoenix, Arizona

END

Exhibit B



THE GREYHOUND CORPORATION 1981 ANNUAL REPORT

CONTENTS

FINANCIAL BRIEFS

	1981	1980	1979	1978	1977
REVENUES (millions):					
Greyhound and consolidated subsidiaries	$4,720	$4,782	$4,709	$4,359	$3,872
Financial Group (not consolidated)	444	354	308	231	170
Combined	$5,164	$5,136	$5,017	$4,590	$4,042
INCOME (millions):					
Exclusive of unusual items:					
Greyhound and consolidated subsidiaries	$ 70.5	$ 61.5	$ 73.6	$ 48.6	$ 53.9
Financial Group	59.6	56.8	49.4	35.2	25.5
Combined income, exclusive of unusual items	130.1	118.3	123.0	83.8	79.4
Unusual items	8.1			(25.4)	2.5
NET INCOME (millions)	$138.2	$118.3	$123.0	$ 58.4	$ 81.9
NET INCOME PER SHARE (dollars)	$ 3.06	$ 2.67	$ 2.80	$ 1.33	$ 1.86
Average outstanding common and equivalent shares (millions)	45.1	44.3	44.0	43.9	43.9

Gerald H. Trautman

THE CHAIRMAN COMMENTS

In this, my last report to you as Chairman of the Board of The Greyhound Corporation, I am departing from the usual practice of covering the operations of our various businesses. You will find detailed reports on our operations beginning on page four. Rather, I am devoting my report to three 1981 developments which will have a major impact on Greyhound's future:

- the improved financial condition
- the selection of new management, and
- the rejuvenation of Armour.

These three developments will ensure that our current advertising slogan, "Greyhound is really going places in the 80's" will be fulfilled.

Greyhound's Improved Financial Condition

At this time last year, I expressed to you my belief that 1981 would see outstanding results for Greyhound.

I am pleased, therefore, to report that 1981 was the most successful year in the company's history. Combined revenues and net income were at record levels. Net income reached $138 million, or $3.06 per share, an increase of 17%. This compares with earnings of $118 million, or $2.67 per share in 1980.

As previously announced, in January of 1981, we closed out our long-standing antitrust litigation with IBM, accepting a $17.7 million settlement which netted to $8.1 million, after tax and related expenses.

It should be noted, however, that even excluding this unusual gain, 1981 was still a record year for Greyhound, with net income of $130 million, or $2.88 per share.

In 1981, our objectives were: to grow in earnings, to improve the return on investment, and to increase our shareholders' equity. We were able to achieve these goals and still reduce debt.

At year end, long-term debt, including the current portion, had been reduced by $80 million, and short-term borrowings were lower than a year ago by $25 million. Our debt-to-equity ratio at the end of 1981 was a healthy .44 to 1.

I am pleased to report that shareholder equity reached $942 million by the end of 1981, and the total assets of Greyhound and its consolidated subsidiaries amounted to nearly $2 billion. In addition, the assets of the Financial Group totalled $2.2 billion.

In short, it was an excellent year for *Greyhound*, in a disastrous year for the *economy*.

What this means for the future is that Greyhound has the financial ability to support the expansion of its existing operations and, if deemed desirable, to acquire other businesses.

In December of 1981, we began purchasing common stock of The Greyhound Corporation on the open market, and by early 1982 had acquired a million shares. The purchase of shares was made because we believe that our stock was undervalued at the time of purchase and did not reflect the quality of our businesses and our prospects. In addition, it enhances the per share earnings for our stockholders. From time to time in 1982, we may make additional purchases of our common stock to cover reserved share requirements or for other corporate purposes, when market prices make such investment attractive.

The Selection of New Management

There is something more than just net income that influences a company's present and future. For some years now, my primary concern has been to assemble the kind of key management team that could be entrusted with the job of moving Greyhound into the future. I have worked too long beside the fine men and women of Greyhound to leave their aspirations and their well-being in uncaring hands.

For that reason, it is our top management group that I want to stress in this last report to you...who they are, what they have accomplished and why I am content that the future of Greyhound clearly rests in good hands.

It is with considerable satisfaction that I report to you that upon my recommendation, our board of directors selected John W. Teets to be the new chief executive officer. I have known John Teets for some 20 years and have watched him progress through the Greyhound organization, rebuilding the food service operations of Greyhound Food Management and helping in the revitalization of Armour which I shall cover later. He handles matters expeditiously and with good judgment. In my opinion, he has the attributes to move Greyhound ahead in the 80's and beyond.

At the same time, upon my recommendation, our board selected Frank Nageotte to be chief operating officer. I have also known Frank Nageotte for about 20 years and have watched his progress in the Greyhound organization. In 1978, when it became necessary to change management of the transportation group because of its deterioration, Frank Nageotte was moved into the post of president of Greyhound Lines and head of the transportation group, and later advanced to chairman. Mr. Nageotte then promoted into key posts a diverse group of talented people keenly interested in again making the Greyhound name synonymous with the finest ground transportation in the world.

Between 1978, the year we installed our new transportation management, and 1981, the group's net income went from $21.5 million to over $50 million. Some of that improvement accrues, of course, to the fuel situation and I do not minimize that impact. But such gains as a 33% reduction in "out-of-service" time for our buses, millions spent on new buses and facilities, innovative marketing programs, and a leap in employee morale...those are all results of the new management team put in charge.

Frank Nageotte's accomplishments confirm his administrative ability and his value as a back-up for Mr. Teets.

The new management team also includes Ralph Batastini, president and chief financial officer. Mr. Batastini is a veteran Greyhound employee with some 24 years of service.

I have no doubt that this new team, with the help of our other able executives, can and will move Greyhound to greater accomplishments.

The Rejuvenation of Armour

The third 1981 development which will have a major impact on Greyhound's future was the rejuvenation of Armour. Late in 1979, Armour's business and profits began to decline and this accelerated in 1980. Faced with dire predictions of Armour's demise, we made a complete change in the Armour management. We moved into the presidency of Armour Foods, Walt Tunnell, a career employee whose knowledge of the meat industry is encyclopedic and whose down-to-earth common sense got the food operation on track again.

To infuse new direction and vitality into the consumer, products side of Armour, we brought back Dave Duensing as president, a man whom I consider to be the best executive in the business. New marketing strategy, vigorous new product development, and the capacity to make sound, incisive decisions, mark Armour-Dial operations today under Dave Duensing's leadership.

The overall control of Armour was entrusted to John Teets as chairman of Armour and Company. In just one year, this team has achieved an increase of over $11.7 million in Armour's net income, which attests to the basic soundness of the company and the markets it serves. Mr. Teets' strategies have demonstrated that with the appropriate combination of will, talent, ability and drive, a company can dramatically renew itself. The climate at Armour and Company today is one in which intelligent risk, innovation and excitement are flourishing again.

Along with the earnings turnaround, the major development affecting Armour was the announcement by Mr. Teets late in 1981 of a new labor contract, jointly forged with the United Food and Commercial Workers International Union, which provides an almost four-year wage and cost-of-living freeze.

In effect, the new contract buys time—time in which those large segments of the processed meat industry currently paying wages *barely half* our wage rate, will move much closer to the top wages paid by Armour and the other major meat packers. When that single goal is achieved, we will again have industry-wide competition on an equitable basis.

This contract represents a truly remarkable chapter in union-management relations. Its provisions provide a "win-win" situation in which our employees preserve the gains of the past and enhance their job security for the future, and the company gains new competitive life and vitality.

Directors

I am pleased to report another important development—the election of Jess Hay of Dallas, Texas, as a Greyhound director. Mr. Hay is chairman and chief executive officer of Lomas & Nettleton Financial Corporation, the nation's largest mortgage banking firm, with assets of more than $600 million. Mr. Hay is also a director of Exxon Corporation, and of Verex Corporation, a Greyhound subsidiary. We are fortunate to have such an able replacement for Howard Boyd, who will reach mandatory retirement age in May. Mr. Boyd, a director for 15 years, has served with distinction as a member of the executive committee and member of the Greyhound and Armour boards. We shall miss his astute counsel.

On a personal note, I want to say I have thoroughly enjoyed the opportunity to participate as chief executive officer in Greyhound's growth over the last 16 years. What has been achieved has been done through the work and integrity of thousands of Greyhound people. That continuity of excellence...that passing on of pride from one generation to another... is why this company is such an enduring part of the American scene.

I am grateful to the board and the shareholders who have given me their unfailing support, but most of all, I thank the men and women of Greyhound who have made my association with the company a joy.

Sincerely,

Gerald H. Trautman

Gerald H. Trautman
Chairman of the Board
The Greyhound Corporation

John W. Teets

In August of 1982, Gerald H. Trautman will retire as chairman of the board of The Greyhound Corporation, a position he has filled with distinction.

During his years at the head of Greyhound, his was the vision that took the company from a basically single industry entity—bus transportation—to the vibrant, diversified corporation it is today. It was his resolve that shaped a company that looks quite different today from what it was in the mid-Sixties when he assumed the helm.

A private man, one who does not talk easily of his own accomplishments, Jerry Trautman is probably the most reticent executive of a Fortune 100 company. For that reason, it is necessary to chronicle precisely what his stewardship of Greyhound has wrought, because if left to him, it would go unsaid.

The record is this: He leaves The Greyhound Corporation in the best and strongest financial position in its history. In a scant decade-and-a-half, he has taken the company from assets of $385 million to nearly $4 billion, and shareholders' equity from $210 million to $942 million. In the 16 years he has served as chairman, revenues went from $500 million to over $5 billion, and net income has more than tripled, from $43 million to $138 million.

In 1966, the bus company, which had been the work horse of the corporation for over half a century, had its detractors all too eager to write it off as an obsolete business. Jerry Trautman was not one of them. He built it back into a company to be proud of, and moved the company into bus-building as well, making Greyhound the most respected name in intercity bus manufacturing in the world.

He was also the architect of Greyhound's diversification, starting with the expansion of the Financial Group, which in the early Sixties consisted primarily of just a small leasing company, and which today is the largest contributor to corporate net income.

Under his aegis, Greyhound also entered the food and consumer products businesses; expanded food service operations to embrace fast-food facilities and hotel management; and broadened financial services to include mortgage insurance and electronic funds transfer. And in each of our businesses, we are not just *in* them, but are a preeminent name in them!

For many of us at Greyhound, we are what we are today as a consequence of Jerry Trautman's talent for bringing out the best in people. His way always has been to give a long tether and something more...his trust, patience and approval. Rarely was the trust misplaced, and when it was, no one felt it more keenly than he did, but it didn't sour him from readily giving trust and approval again. Greyhound today is filled with people whose talent and self-confidence, whose executive skills and ability, were nurtured under this man's support and encouragement.

Those of us who know him as a friend and colleague recognize the deep personal concern he has shown over the years in building a company that would survive the discontinuities of time. He has done that well; and in the doing he has carried responsibility with integrity and worn authority with grace and lightness.

It is with both tremendous respect and affection that we cite the record of these 16 years. The respect is based on the accomplishments of the *executive*; the affection is for the warmth and humor of the *man*.

For those of us who will lead the corporation in the 80's, we inherit a corporation that is poised for even more growth, and no one is more excited by the prospects than I am. We will be working from an enviable base...strong financial condition, strong consumer franchises, strong management. My objectives for the 80's are very ambitious; not just growth, but *quality* growth, not just profitability, but *enduring* profitability.

The concept of change, as we have witnessed it over these 16 years and benefited by it, is more than just desirable. It is absolutely essential. Because no matter how good things are today, we nevertheless cannot be content with a continuation of things as they are. We have in our grasp the ability to shape our own destiny; but more than that, we have the will to make it happen.

Sincerely,

John W. Teets
Chief Executive Officer

TRANSPORTATION

In 1981, the Transportation Group earned nearly $50 million compared with $54 million the prior year, despite some formidable problems, chief among them a 10% decline in passenger miles that occurred in the second half.

In mid-summer, as the economy worsened and unemployment grew, Americans simply began traveling less by all modes. For Greyhound Lines and our other intercity operations, we felt this slump *not* as a shrinking in our rider base, but as a decline in the *number of trips* taken by those riders for purely economic reasons.

This is a very important distinction, since it represents not disenchantment with the bus as a travel mode, but simple economic belt-tightening.

To counter this, we paid strict attention to cost control, including a tight watch on bus miles operated and overhead costs. We also became more creative in our marketing...adding new areas of service such as our intermodal programs with the airlines and cruise ships. And we improved our "reaction time", that is, the rapidity with which we filed rate adjustments in areas where warranted.

This approach allowed us to hold intercity bus earnings at a sound level, and it is one we will continue to implement while the nation works its way out of the present economic slump.

The economy aside, it was an exciting year for Greyhound Lines and one filled with a sense of movement and vitality.

Early in the year we installed in our Los Angeles terminal a pilot computer system which, as far as our customers are concerned, simply speeds up the ticketing procedure. Actually, the benefits go far beyond productivity, since the system has a memory bank for instant retrieval of information such as which routes carry over 80% of our

More than 560 Greyhound Americruisers carried 24,000 union members to Washington, D.C. to participate in Solidarity Day.

Already in 280 cities, Greyhound's new Package Express pickup and delivery service network is being steadily expanded to new cities daily.

riders? at what hours of the day? one-way or round trip? This allows us to instantly tailor our service to the needs of the marketplace, and a $3 million, nation-wide expansion of this program will take place throughout the Greyhound Lines system over the next 18 months.

While that kind of computerization has been a simple matter for the airline industry, which serves only 500 points on an advance reservation basis, it is a remarkable breakthrough for Greyhound Lines, which serves over 14,000 locations without seat reservations.

In 1981, Greyhound Package Express, which holds tremendous growth potential, was strengthened with the addition of a vice president and field sales organization, and was given the mandate to make this service a major profit center. Enhancing the convenience of Greyhound's Package Express Service is the door-to-door package pick up and delivery service we pioneered in 1980, which grew to encompass some 280 cities in 1981.

Adding to almost five decades of World's Fair activity, Greyhound Lines has been chosen official ground carrier for the 1982 World's Fair being held in Knoxville, Tennessee, May 1 through October 31. Already, we have some 3,600 buses committed to this project accommodating commercial tours, charter groups and special "To The Fair" service from principal cities located in surrounding eastern, southern and mid-Atlantic states.

In September of 1981, Greyhound Lines experienced the largest charter movement in the history of the intercity bus industry... over 560 of our Americruisers carried 24,000 Union members from 23 states to Washington, D.C. to participate in Solidarity Day. It was Greyhound at its best, involving precision parking, no breakdowns, no confusion. Just professional handling of transportation, beautifully coordinated and executed.

Abroad, our operations in Saudi Arabia continued to expand in 1981, with the addition of 30 new MC-9's to the fleet of Greyhound buses we operate on behalf of Aramco, within and between their various oil field compounds.

Greyhound Lines of Canada also enjoyed an excellent year despite a 12-day strike in April.

Probably the most significant event of 1981 for Greyhound occurred in October with the passage... by an overwhelming majority of the House... of Bill H.R. 3663 dealing with deregulation of the intercity bus industry. Assuming its subsequent passage by the Senate, which held hearings in March of 1982, what the bill means is this:

Even though deregulation is by no means total, it establishes nationwide guidelines for the operation of the intercity bus industry. It eradicates the arbitrary changes of policy that accompanied the appointment of each new Federal ICC commissioner, and it restricts the overlapping... and often quixotic... jurisdiction of each individual state regulatory body. It gives the industry the opportunity to reshape its service to meet the *actual needs of riders* without fear that the price of innovation is decades of economic bondage.

The climate of Congress—its willingness to consider deregulation and act on it—gives us tremendous optimism as we enter 1982. Although the economy probably still will be soft through the first half and our passengers still will make fewer trips, we nevertheless expect to do at least as well as 1981, and our confidence is evidenced by our capital investment plans. New terminals in Richmond, Va., Harrisburg, Pa., Washington, D.C. and San Francisco, Ca., and a new regional telephone information center in Charlotte, North Carolina, will be part of some $108 million in planned capital expenditures, including the addition of another 450 new buses to our fleet at a cost of $69 million.

BUS MANUFACTURING

The net income of Greyhound's bus manufacturing operations reached a new record in 1981 of $33.7 million versus $23 million the prior year. This reflects a total 1981 production of approximately 1,600 buses, about 530 of them from our Roswell, New Mexico facility, and the balance from our Pembina, North Dakota plant, both of which are supplied with component parts from our Winnipeg, Canada facility.

As was the case for the last several years, all of our 1981 bus production was sold out well in advance, and 1982 production also is pre-sold. The inability to determine precisely the price for buses beyond that point means that we are presently giving customers a "position" slot on our 1983 production run.

As reported in last year's annual report, we are doubling the productive capacity of our bus-building facilities. This expansion program is now substantially completed, and by the last quarter of 1982, that expanded capacity will start manifesting itself in more buses.

To explain the operation, it is necessary to describe precisely how our manufacturing operation works at present:

Our Roswell and Pembina plants are essentially assembly plants, putting together the various component parts that make up a finished bus and giving it its distinctive custom paint job.

The production rate at both plants depends on the shipment of component parts from our Winnipeg, Canada manufacturing operations. In the case of Pembina, it is a matter of simply shipping completed shells a few miles across the border. Roswell, by contrast, where buses for Greyhound's U.S. fleet are produced, represents more of a logistics problem. Obviously, it has long been a matter of concern to us that should an interruption in the manufacturing of component parts occur in Canada, it would effectively stop all bus assembly work at both U.S. plants.

With the $15 million expansion now completed, Roswell soon will become self-sufficient in the manufacture of buses, and all of the components made by our Canadian operation will go exclusively to the Pembina assembly plant.

In 1982, we expect to produce slightly over 1,700 buses. Only a few of those buses will be the result of our expanded facilities, however. Our Roswell and Canadian plants will be busy through September of 1982 just *building up the required inventory of component parts* before the first vehicle representative of the expansion program ever rolls off our assembly lines.

What exactly does this expanded capacity mean to Greyhound?

- The ability to fill our *present* market demand, approximately 2,500 buses, just on a straight one-shift basis.
- The productive capacity to meet an *augmented* market demand without increased fixed overhead, simply by adding a second or third shift.
- The ability to actively pursue foreign bus sales, which we presently discourage since it makes scant sense to promote overseas sales when we have been unable, heretofore, to satisfy the demands of the domestic market. Yet we know this overseas market has tremendous potential based on the Greyhound MC-9's worldwide reputation. Soon, with our new ability to produce more buses, it will behoove us to encourage foreign sales and to establish the kind of "presence" abroad—via a sales force and replacement parts operation—that allows us to develop this aspect of our business.

The question has come up, a reasonable one, largely from financial analysts following our company, as to why we are engaging in this significant expansion of our bus manufacturing facilities at a time when intercity carriers are experiencing a decline in passenger miles.

The answer is that the vast majority of our customers for MC-9 buses are charter and tour operators. They buy well over 1,000 buses from our current annual production and that segment of the bus industry is thriving.

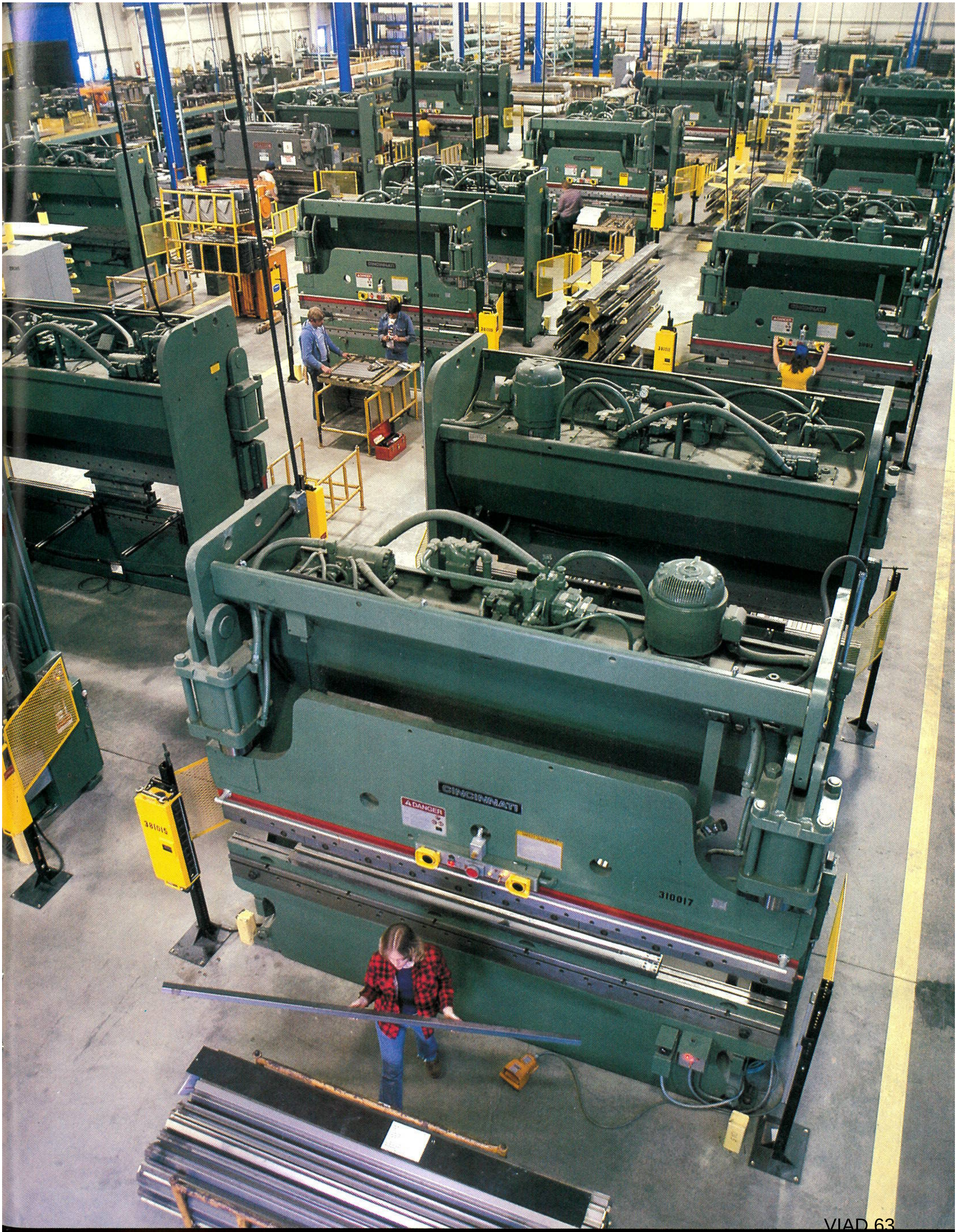
The balance of buses go into our own fleet and the fleets of other regular route intercity carriers, all of whom are astute enough not to mortgage the future by allowing their fleets to decline. Neither will they lose the investment tax credits on new bus purchases, or risk the inevitable increase in maintenance cost that results from an older fleet.

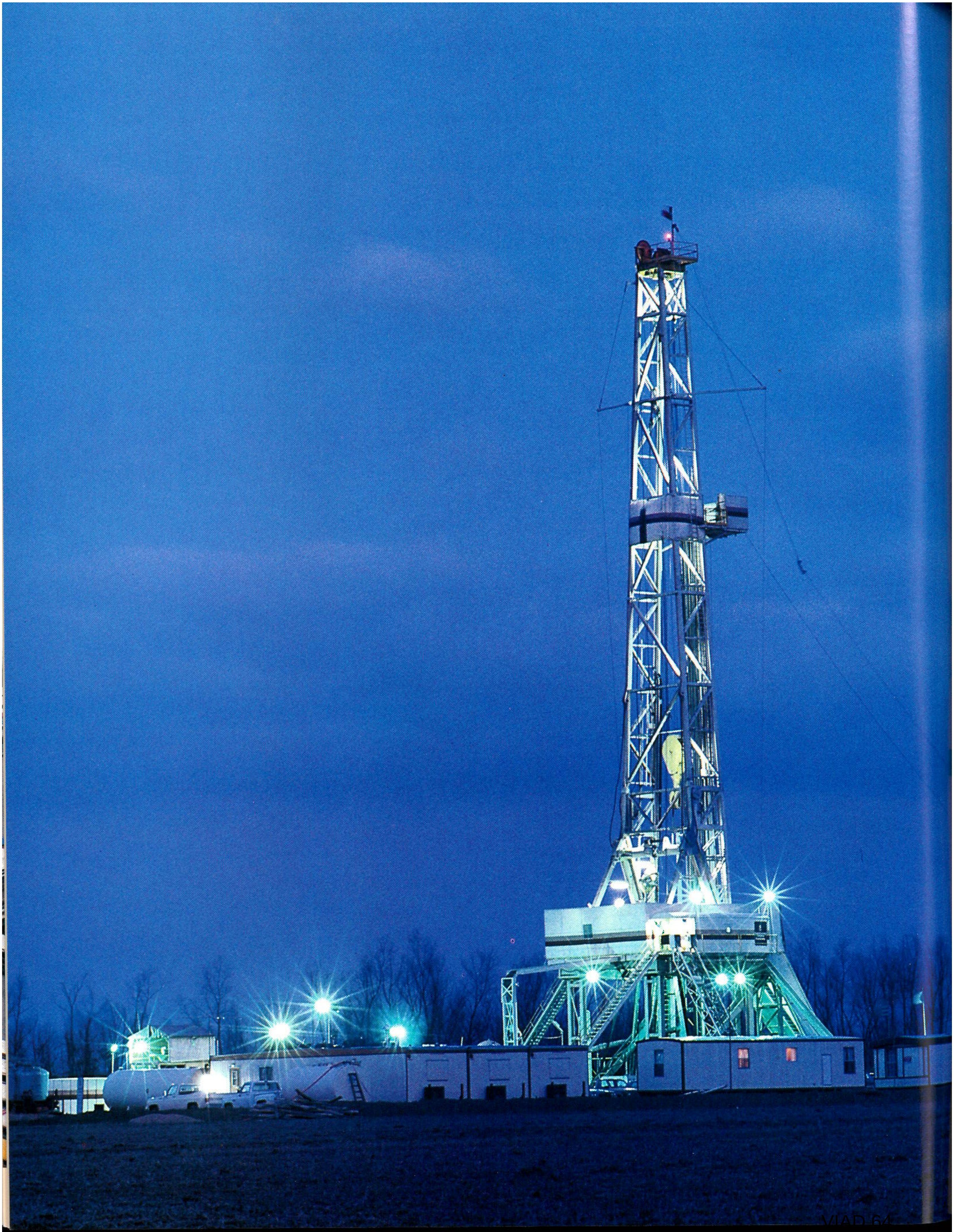
Every reliable indicator then, points to the bus manufacturing aspect of our business continuing to be an important growth sector. With our expanded facilities we are ideally positioned to take advantage of that growth.

More than anything else, perhaps, what "sells" a Greyhound bus is the fact that throughout the world the Greyhound MC-9 is considered to be the finest, safest, most reliable and best engineered vehicle on the highway. And in the end, that is the biggest plus we have to offer.

Right: A portion of expanded TMC plant facilities at Roswell, New Mexico, where all parts are now being manufactured for assembly of MC-9 Americruiser buses.

Below: New facilities house these highly-efficient, numerically-controlled machines which ready large metal panels used in the manufacture of intercity buses.


CINCINNATI
DANGER
310017
381015



The Financial Group turned in an impressive 1981 performance, with net income up 18.5% to $70 million versus $59 million the prior year. This includes an $8.1 million after-tax gain resulting from the 1981 settlement of Greyhound Computer Corporation's litigation against IBM. Even exclusive of this extraordinary gain, Group results were up over 1980.

A major contributor to this performance was Greyhound Leasing & Financial Corporation. Judged even by the most *conservative* yardstick...that is, before gains on sale of equipment coming off lease...GL&FC's earnings were up 29%, and on a net income basis, the increase reached 35%.

By any measure, then, GL&FC enjoyed a remarkable year. The volume of business was at an all-time high, with some $427 million of new business booked in 1981. This covered everything from land and off-shore oil drilling equipment to ocean-going cargo vessels, jet aircraft, fishing fleets, railroad locomotives, coal mining equipment, machine tools and telecommunications equipment.

GL&FC's results tend, however, to obscure the fact that they were achieved in a very complex, very difficult environment and one which deserves comment, specifically as it relates to the new tax law...

Several years ago, when 85% of our activity was in the leasing area, we recognized the need to reach out not only geographically, but in our mix of business as well. Thus, by 1981, we achieved a balance in which only about half our new business was leasing; the rest represents loans and other forms of financing. The wisdom of this became apparent with enactment of the new tax law in 1981, the ramifications of which are still unclear, and made more so by rumors of possible repeal or amendment in 1982.

GL&FC currently has a $1.2 billion portfolio of assets, with significant potential gain on residuals anticipated over at least the next decade. We are pleased with the fact that future growth will be developed from a broad range of profitable business, and will be even less dependent on tax oriented leasing activities. This includes our activities in real estate where we purchase time-sharing receivables from resort developers; straight construction loans in which we provide a developer with up-front cash repaid out of long-term financing; mortgage financing; investor note financing; and film financing which has fine growth potential resulting from the tremendous increase in cable TV.

government agencies are considering withdrawing from the private, single family dwelling sector of the market, a move that would increase the private mortgage insurance industry's market by an estimated 35% to 40%.

Another of the major contributors to Group results in 1981 was Travelers Express, with an earnings gain of 34%. While money orders are still the core of this business, the company is now processing more credit union share drafts than any other processor in the nation and has developed a substantial volume of official check processing for a variety of financial institutions.

In addition, Traveler's Express is exploring the field of electronic entries. As the nation's payments systems proliferate and require more sophistication, Traveler's Express will be there to supply those services to the financial institutions and other businesses that serve the American consumer.

As mentioned previously, in 1981 Greyhound Computer Corporation successfully closed its long-standing litigation with IBM by accepting an $8.1 million after-tax settlement. Excluding this gain, GCC's operating results were down from the prior year. While we continue to serve our broad customer base in the computer area through leasing, sale/leaseback arrangements, leveraged leasing, buying and selling used computers, and so forth, we are further diversifying our operations. Recently, we formed a new Business Investment Division whose charter is to seek out new, high technology products in areas like telecommunications, word processing, and computer-aided design. GCC has thus become a participant in these fast-growing areas through direct investment and through financing.

Pine Top Insurance Group suffered in 1981 from world-wide conditions in the industry and from errors of judgement made in risk undertaking. As a result, we had to materially increase our reserve provisions which put the Pine Top Group in a loss position for the year. We have since changed certain personnel and feel confident that the Pine Top Group will turn around in 1982.

For the entire group, 1982 will be a year of challenge. We expect to see an increase in operating results, although not at the remarkable rates achieved in recent years, and those gains will have to come from increased volume, new areas of investment and innovation, especially in light of the economic conditions predicted for much of the year.

FINANCIAL

In 1981, GL&FC raised approximately $111 million of fixed rate debt, both publicly and privately, reducing exposure to the variability of floating interest rates and contributing to record results. In early 1982, we successfully completed another public debt offering of $100 million, with the proceeds used to pay off short-term credit.

Verex, our residential mortgage insurance business, reported record net income in 1981 with earnings up 19% despite the soft housing market. This gain reflects the fact that approximately 70% of Verex' income is from investments, which provides great stability of earnings. Of the remainder, about 70% represents renewal of premiums and the balance comes from new applications. It is this latter area, new premiums, where business is soft due to new housing starts which fell to 1.1 million, their lowest point since 1946.

In 1981, Verex adopted a long-range strategy to increase its market share of the residential mortgage insurance industry. We presently enjoy nearly 15% of the market, up from 12½% in 1980. The pent-up demand for new housing means that when interest rates drop back to around the 13% level, Verex should do very well, indeed. There is also reason to believe that the FHA and other

Left: Land drilling rigs like this one leased to Continental Drilling Company, Inc., are part of GL&FC's growing portfolio of energy-related equipment.
Above, right: Ford Motor Company designers at work at one of the Computer-Aided-Design terminals leased from Greyhound Computer Corporation.

The actions taken to set the Armour Food Group on a course of year-to-year improvement are taking effect. In 1981, the Group reported a net income of $9.7 million, compared with a loss of $5.7 million the prior year.

All of our efforts have been directed at building a solid foundation for long-term growth and profitability, and the impact of those efforts will emerge gradually over the coming months.

The most dramatic element in the turn-around occurred in the Processed Meat area, which enjoyed a nearly $20 million positive swing in 1981, posting a solid profit for the year.

All of the steps taken in the last quarter of 1980 by the then new Armour management, were continued and accelerated in 1981. These included increasing Armour's "second-line" brands which are formulated to meet unique regional tastes in bacon and other products; winning back some of our private label business; and operating our plants more efficiently.

Armour increased volume on essentially all processed meat products...bacon, hot dogs, sausages, and luncheon meats...even though in many categories the rest of the industry reported a decline in unit sales. And we achieved a much better distribution of our products during the year, assuring that Armour products were available to more consumers and building the strength of the brand franchise.

For many years, the name "Armour Golden Star" has been synonomous in the mind of consumers with the finest canned ham on the market. In 1981, we built on that reputation, introducing the Armour Golden Star Boneless Ham, a superb, premium-priced filet of ham which is quite simply the best you can buy. It has been in national distribution since October and is enjoying excellent consumer acceptance.

Also introduced into four new markets during the year was Armour's new line of Dinner Classics frozen entrees. This line will be in national distribution by the end of 1982. The original eight items...Beef Burgundy, Seafood Newburg, Sirloin Tips, Teriyaki Steak, Lasagna, Chicken Fricasee, Veal Parmigiana and Salisbury Steak...proved so successful that four new items were subsequently introduced,—Sweet 'n Sour Pork, Swedish Meatballs, Cod Almondine and Stuffed Green Peppers.

Armour's Fresh Meat operations did very well in 1981, despite a pork cycle that restricted the number of hogs coming to market and consequently commanded higher prices for hogs. In addition, both beef and poultry were excellent consumer bargains throughout the year and pork margins were squeezed in order to remain competitive. Nevertheless, we sold more Veri-Best pork than ever before and expanded our customer base, selling to more supermarkets in more communities nationwide.

The excellent performance of Armour Food Company in 1981 would have been even more dramatic had it not been for the severe, industry-wide decline in poultry operations.

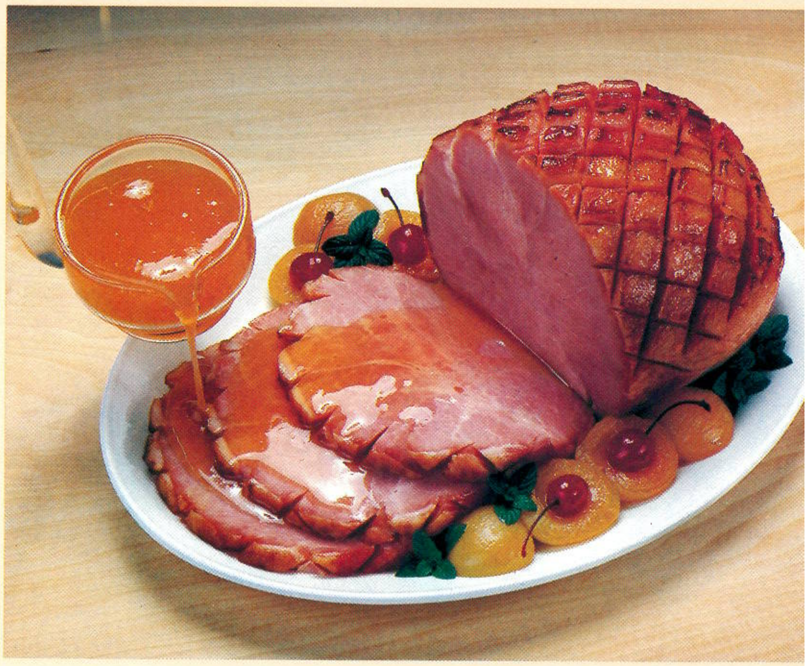
There was simply no way to breed turkey poults, raise them to market weight and then recover those costs at the wholesale level. And it was this aspect of the business...the breeding and feeding of turkeys...that limited our fine overall results in 1981.

To remedy what we believe is a chronic situation, we are selling our three turkey raising facilities in order to move out of the commodity end of the turkey business. This in no way affects the Armour line of turkey products, however. The Armour Golden Star butter-basted and boneless turkeys and our other Armour turkey items will all still be produced. We will simply purchase top quality turkeys on the open market to fill our own production requirements. In addition, we are introducing a whole new line of 12 turkey products...including turkey bologna, pastrami, hot dogs, and luncheon meats, which capitalize on the consumer's increased consumption (10¾ pounds per capita in 1981) and increased awareness of the nutritional benefits of poultry versus red meat.

Looking ahead to 1982, we are very excited about what is happening at Armour. At a time when nearly every other company in the industry is either down in earnings or losing money, we made good on our promise to turn Armour around and report profits for 1981.

In 1982, we expect to do even better. We hope to be out of the turkey raising business by late summer and to continue our momentum in the Processed Meat area. Pork production will still be down in the new year, but there will be enough to fill our product needs, and we thus expect Fresh Meat results to be at least as good as 1981. We will continue to move away from the slaughtering business and more into value-added production and we have set high standards for ourselves, including a substantial increase in return on equity over the next two years, a goal we are confident we will achieve.

Certainly the biggest impetus to our aspirations for Armour and its future was the announcement in December of a new labor contract with the United Food and Commercial Workers International Union. The ramifications of that historic pact between Armour and its workers will be felt in the coming years in such areas as improved competitive stance, job security, and a profit level appropriate to the investment level.



Left: Armour's popular new line of luncheon meats and other products made from turkey, provide customers with a nutritious alternative to red meat products. Above: Armour's new Golden Star Boneless Ham, served here with a tangy apricot sauce, is simply the best ham you can buy.

CONSUMER PRODUCTS

"Just in case Marianne lets you kiss her goodnight... you've got your Dial!" is one of several "Just in case" situations portrayed in Dial soap's new TV commercials. Right: Armour's new LaSauce chicken baking sauces are enjoying excellent consumer reception based on taste, convenience and the use of all natural ingredients.

Armour's Consumer Products Group reported net income of $16 million in 1981, compared with $15.9 million the prior year. This was despite depressed conditions in the Group's Handcraft and International divisions and a $1.3 million after-tax provision for the relocation of certain Armour Handcraft plants.

For 1981, Armour-Dial Company, Inc., the principal entity within the Group, turned in record results, with net income up 13% from 1980. This was achieved despite the substantial costs involved in the national launching of La Sauce, our new line of chicken baking sauces which are enjoying tremendous consumer acceptance, and the costs involved in development and test marketing a series of other new food and personal care products.

Throughout the year, we continued our strategy of targeting our advertising and promotion dollars directly at the consumer, both to heighten awareness of our brand franchise, and to provide the consumer with attractive price incentives to help offset inflationary pressures.

The fact that this strategy helped Armour-Dial achieve a record year should not be allowed, however, to obscure the fact that it was an extremely difficult year, and the same harsh economic conditions appear to be continuing right into 1982. For us it means unrelenting marketing and research efforts as we push to maintain and improve share of market for our established products and launch new ones.

In the year just ended, Dial soap maintained its share of market and kept its niche as the leading deodorant soap in America. This was in the face of major new competitive product introductions, both in the bar soap and liquid soap areas.

Tone soap, our skin care bar, also held its own in 1981 and late in the year we introduced a new improved Tone with even more skin softening ingredients including a higher cocoa butter content.

We are in the midst of a major $20 million expansion program at our Aurora, Illinois soap-making facility which is intended to give us far greater flexibility in soap manufacture. We believe that in this economy, when the reindustrialization of America is of such overriding concern, new appreciation of technology is emerging as the only way to get the economy moving again. Our investment in new equipment and expanded facilities is part of that economic revitalization.

We also continue to stress internal development of new products as the best way to insure future growth for Armour-Dial. Our new liquid soap, Liqua-4, is in test market and this superb formula is doing extremely well. In addition, Spirit, our high fragrance, high lather refreshment soap, was introduced into another test market where performance will be evaluated during the year.

Armour-Dial's canned meat line was solidly profitable in 1981, but the whole industry is feeling the effects of inflation and the pinch on personal budgets. In order to recover higher manufacturing and distribution costs, price increases had to be initiated across the line in canned meats. These price hikes stretched the price elasticity of this category just about to the limit.

A major growth area for this segment of our business is the new La Sauce line of chicken baking sauces in Barbecue, Chinese, Mexican, Italian and Sweet 'n Sour flavors. In 1981 we went national with this line, which has been so successful that in 1982 we will introduce a second line of La Sauce products just for beef. Now in test market, the beef La Sauce items are in Beef Burgundy, HickoryBBQ, and Chinese Pepper Steak flavors.

It has always been our goal to support the introduction of one major new product a year without sacrificing growth in profitability. In 1981 we did that with La Sauce and showed earnings growth despite an environment of tighter consumer spending.

In 1982, however, we are forecasting that net income may be down slightly. Even though raw material and other costs are expected to moderate, the costs involved in launching at least two major new products, coupled with the investment in new technology development, will be considerable.

In the needlework handcrafts area, performance was about even with last year. High interest costs, coupled with consumer caution, continued to depress sales. Various handcraft operations of the Bucilla and Malina divisions will be combined in a new plant in Hazelton, Pa. in 1982, a move that will achieve a number of economies in our manufacturing and marketing activities. This represents the final stage in a long-range plan to substantially reduce costs in the manufacture of our needlecraft products.

The Food Service Group's 1981 earnings are an indication that, even in a recessionary environment, excellence begets prosperity. Net income for the group rose to $6.5 million, a 50% increase over the prior year's $4.3 million.

Individually, there is a strong case to be made for each of the elements contributing to this performance: tight controls, the influx of new business, innovative new food service concepts, and an overall lean, highly motivated organization. The fact is, though, that it was the *collective* impact of these factors that allowed the group to resist the downward pull of the economy in 1981; and that collective impact was actually six years in the making. It was back in 1976 that the rebuilding began...the slow task of reinstating quality food standards, developing professional managers, instituting strict controls...each improvement a building block to launch the next set of improvements.

Today, within the food service industry, Greyhound Food Management is considered a competitor to be respected; one with a reputation for demanding...and delivering...the best.

In 1981, the contract food service arm of GFM added nearly $31 million in new accounts, the majority of these in non-automotive areas, so as to lessen dependence on that one industry. New business won in 1981 included employee cafeterias in St. Louis and Los Angeles feeding 6,000 employees of Anheuser-Busch; a comprehensive vending operation in Marshalltown, Iowa that serves 3,400 employees of a Monsanto Chemical subsidiary; and over $14 million in new truck stop management contracts.

One of the most innovative new feeding concepts introduced by

FOOD SERVICE

Above: The majestic Prince of Wales Hotel is one of seven hotels and other facilities owned and/or operated by Greyhound Food Management in Glacier National Park, Montana, and Waterton Lakes National Park, Canada. Below: The "Greenhouse" is the attractive Eatin's Easy dining facility installed by GFM at Johns Hopkins Medical School.

GFM in recent years is the Eatin's Easy Program, a way of feeding large numbers of employees in half the time, and with half the floor space of a traditional cafeteria arrangement.

As opposed to the cafeteria, with its long lines of people slowly shuffling toward a cash register, food growing cold even before it's paid for, the Eatin's Easy facility can assemble a complete meal in 30 to 45 seconds...anything from fast food to a hearty, hot entree. In less than two years, Eatin's Easy has become the trend-setter for in-plant feeding and is in operation for customers as diverse as Johns Hopkins Medical School in Baltimore, Maryland and Westinghouse's Beaver Valley, Pennsylvania electrical fittings plant.

GFM's Middle East operation, Greyhound Support Services Saudi Arabia Limited, enjoyed excellent results in 1981. GSSAL provides food, housekeeping, fire-fighting, security, recreation and communications services for over 15,000 workers at construction projects throughout the kingdom. In 1981, GSSAL announced some $92 million in contract renewals covering five years, testimony to our excellent performance record in Saudi.

In addition, Greyhound Support Services Inc., which provides food and housekeeping services on the Trans Alaska Pipeline, won a major new contract valued at $6.2 million for 1981 and which was renewed at $7 million for 1982.

GFM's other major entity, Post House, operates restaurants and fast-food facilities in our own terminals, as well as some non-transportation connected restaurants. The name "Post House" is swiftly becoming obsolete, however, as GFM nears the completion of a six-year conversion program.

In that period, 26 former Post Houses have become Burger Kings and 23 have become theme restaurants, all of them characterized by outstanding interior design. Although the Post House conversion program is essentially completed, we are continuing to study attractive opportunities for free-standing Burger Kings in selected downtown locations of major cities. The free-standing Burger King we presently operate in Atlanta has proven to be a sound investment, and we are contemplating similar facilities in St. Louis and Philadelphia.

The reduction in intercity passenger miles in 1981 found its counterpart in more cautious spending for food while traveling. To lessen the pinch, we reduced prices on many entrees in our restaurants, and offered simple but satisfying hot meal "specials" throughout the year.

At essentially all of our contract feeding operations and our own restaurants, we now have in place computer-registers which not only record each sale, but compute unit food costs, track inventory and log a historical record of which food items sold best. This system not only gives us better accounting control, but assures that actual customer preferences dictate our menu development.

In February of 1981, we took a first step into the hotel field with the acquisition of Glacier Park, Inc., which operates seven hotels and motels in Montana's magnificent Glacier Park. For the next year at least, we will be refurbishing the facilities, many of which date to the turn of the century and are of tremendous architectural and historical significance. Over the coming months, we will be exploring the whole hotel-motel-resort-national park area for its long-range profit potential for GFM.

Faber Enterprises, which operates a fine group of gift shops, restaurants and drug stores in the Chicago area, had another excellent year in 1981. Faber took over all of the food service facilities in Chicago's Hartford Plaza complex, including the elegant French Room, an English pub and dining room and a large cafeteria. In addition, Faber opened a unique fast-food facility in the Chicago Merchandise Mart catering exclusively to advocates of natural food.

In 1981, the Services Group reported a decline in net income of 41%, to $7.9 million from the prior year's $13.3 million. Although a portion of this decrease can be attributed to the continued softness of the leisure travel market upon which many elements of the group depend, other major factors are a $1.3 million provision made in 1981 for the costs involved in the sale or closing of certain Convention Services facilities, and the inclusion in 1980 results of $1.3 million of net income from companies sold in that year.

In 1981, Research Information Center, Inc., lost approximately $500,000, as companies cut back on their market research budgets. In February, 1982, RICI was sold at its book value.

Airport Services

A number of Services Group companies are involved with airlines and airports. Aircraft Services International and Dispatch Services both provide ground handling operations for major airlines including refueling, baggage handling and cleaning. In addition, ASI designs, constructs and operates fuel storage/distribution systems at major airports.

In 1981, ASI and Dispatch Services were able to hold net income essentially even with the prior year, despite widespread upheaval in the airline industry, including schedule changes and flight cancellations precipitated by the air traffic controllers' strike. ASI won two major long-term contracts to provide fueling at Orlando Airport and at San Francisco International Airport. The latter contract involves construction of a fuel distribution system servicing international flights.

Florida Export, which operates duty-free gift shops in Miami Airport and on board luxury cruise ships, also held its profit essentially even with 1980. The volume of tourists moving through the Port of Miami was down during the year and consumer spending was more cautious, both in the airport shops and in our cruise vessel shops. Along with its shops on board the S.S. Norway, Florida Export recently won the contract to provide luxury stores and other facilities on the MS Columbus, a 27 ton vessel cruising worldwide and was awarded a concession to operate at the Ft. Lauderdale International Airport.

Feeling the effects of a slump in tourism throughout Florida was Greyhound Rent-A-Car, which barely broke even in 1981. Price-cutting by the major car rental companies affected all segments of the industry, forcing prices to loss levels. As the economy strengthens in 1982, however, Rent-A-Car operations should rebound. Major new facilities were opened in San Francisco in 1981 and another is scheduled to open in Los Angeles in early 1982. A second "on airport" site was opened at the Orlando Airport.

SERVICES

Above: New sales demonstration room at Honeywell Corporation, Arlington Heights, Illinois, was designed, manufactured and installed by Greyhound Exhibitgroup-Chicago. Left: Florida Export's newly remodelled duty-free shop on the main concourse of Miami International Airport.

Personnel Services

Consultants & Designers, Inc. operates in the U.S. and the U.K., providing scientists, engineers, designers and technologists for temporary assignments in the aerospace, telecommunications, petrochemical and other industries around the world. In 1981, C&D's net income in the U.S. was up 21% due to higher levels of defense spending and a strong demand for highly skilled engineers. U.K. operations continued a favorable growth trend, although profits were down for the year due to translation adjustments. C&D-UK will be increasing its marketing efforts worldwide in 1982.

Greyhound Temporary Personnel had record revenues for the year, but for reasons which are solely recession-oriented, was able to report only flat earnings in 1981. During the year, GTP won a major $4.5 million contract with the City of New York, as well as national contracts with Union Oil and General Electric.

Convention Services

The Convention Services Division, comprising Greyhound Exhibitgroup and Greyhound Exposition Services, reported mixed results for 1981.

Exhibitgroup, aided by its new operation in Atlanta, had its most successful year, with both revenues and earnings substantially greater than in 1980. The group's exhibit business held up well during the year despite the growing recession, as many major companies felt that participation in trade shows and conventions is vital to the long term development of their markets, and that such shows are cost-effective in reaching large numbers of potential customers. During the last several years, Exhibitgroup has diversified into museum exhibits, display rooms and commercial interiors such as showrooms and sales rooms. Projects such as the San Antonio Art Museum, the "World Alive" exhibit at Techny, Illinois and special display rooms for The Upjohn Company, Baxter-Travenol Laboratories and Honeywell Corporation, helped offset the normal drop in trade show business during the summer months.

Greyhound Exposition Services' net income was sharply reduced by competitive factors in a number of locations. To improve the operation's overall performance, several of the unprofitable locations were closed, while others were sold outright. The remaining GES companies, all of which are located primarily in the expanding western part of the U.S., are profitable and it is anticipated that our exposition services will perform well in 1982. Among the major shows GES handled during the year were the Consumer Electronics Show, the National Home Builders Show and the huge Baking Show which moved to Las Vegas after being held in Atlantic City for many years.

Gerald H. Trautman

John W. Teets

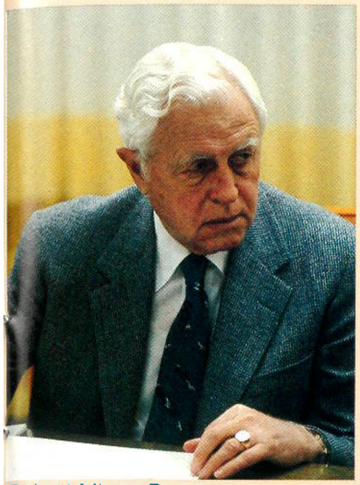
Howard Boyd Samuel A. Casey

BOARD OF DIRECTORS

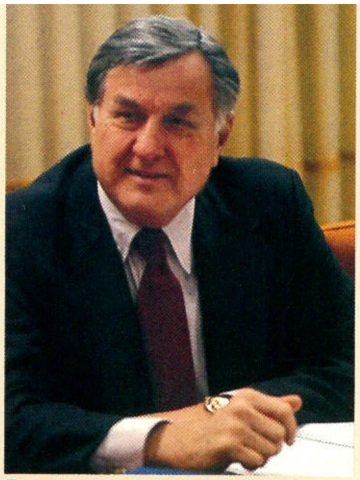
Frank L. Nageotte

John M. Martin Martha W. Griffiths

Ralph C. Batastini



Robert Minge Brown



Donn B. Tatum

John H. Johnson

Dennis C. Stanfill

RALPH C. BATASTINI *Phoenix, Arizona*
President & Chief Financial Officer, The Greyhound Corporation

HOWARD BOYD* *Houston, Texas*
Partner in the law firm of Liddell, Sapp, Zivley, Brown & LaBoon

ROBERT MINGE BROWN* *San Francisco, California*
Of Counsel, the law firm of McCutchen, Doyle, Brown & Enersen
Chairman of the Executive Committee, California Water Service Company

SAMUEL A. CASEY *Port Edwards, Wisconsin*
Chairman of the Executive Committee, Great Northern Nekoosa Corporation, a paper manufacturer and distributor

JESS HAY *Dallas, Texas*
Chairman & Chief Executive Officer
Lomas & Nettleton Financial Corporation,
a mortgage banking company

MARTHA W. GRIFFITHS *Romeo, Michigan*
Partner in the law firm of Griffiths & Griffiths

FRANK R. D. HOLLAND *London, England*
Chairman & Chief Executive, C. E. Heath & Co. Limited, an international insurance broker and managing agent for an underwriting syndicate of Lloyd's of London

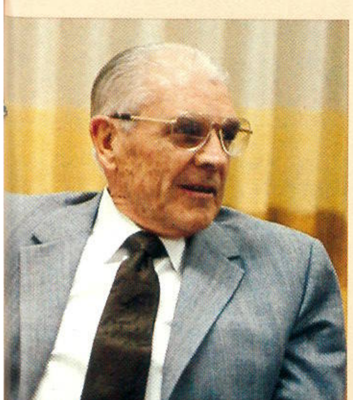
JOHN H. JOHNSON* *Chicago, Illinois*
President, Johnson Publishing Company, Inc., and
Chairman and President, Supreme Life Insurance Company

JOHN M. MARTIN *Wilmington, Delaware*
Retired Chairman, Hercules Incorporated, manufacturer of chemical products and related industrial systems

FRANK L. NAGEOTTE *Phoenix, Arizona*
Vice Chairman & Chief Operating Officer, The Greyhound Corporation

Jess Hay

Frank R.D. Holland



Harold C. Stuart

DENNIS C. STANFILL *Los Angeles, California*
Private Investments

HAROLD C. STUART *Tulsa, Oklahoma*
Partner in the law firm of Doerner, Stuart, Saunders, Daniel & Anderson and Chairman & Chief Executive Officer, Southwestern Sales Corporation, investor in oil, real estate and broadcasting

DONN B. TATUM *Los Angeles, California*
Chairman of the Executive Committee, Walt Disney Productions

JOHN W. TEETS* *Phoenix, Arizona*
Vice Chairman & Chief Executive Officer, The Greyhound Corporation

GERALD H. TRAUTMAN* *Phoenix, Arizona*
Chairman, The Greyhound Corporation

Emeritus Directors

JAMES W. WALKER *New York, New York*

LESLIE B. WORTHINGTON *Pittsburgh, Pennsylvania*

*Member Executive Committee

TRANSPORTATION

Greyhound Lines, Inc. — world's largest intercity passenger carrier serving all 48 continental states to Mexico and Canada. Also provides a nationwide small package express service for commercial and individual shippers and centralized sales and coordination of all charter operations. Intercity bus service in Canada and to Alaska provided by *Greyhound Lines of Canada.* Other intercity bus subsidiaries include *New Mexico Transportation; Texas, New Mexico & Oklahoma Coaches* and *Vermont Transit*

Carey Transportation — Ground transportation between Manhattan and New York area airports

Red Top Sedan Service — limousine service at Miami International Airport

American Sightseeing Tours — charter and sightseeing bus service in Miami area and throughout Florida

Brewster Transportation — sightseeing and tours in Canadian Rockies

California Parlor Car Tours Company — deluxe motor coach tours of California

Gray Line Companies — sightseeing tours in New York

Greyhound Food Management — coordinator of Greyhound food service operations: *Post House* restaurants and fast food operations: *Prophet Foods,* offering food service for industry, military installations and other commercial establishments; and *Restaura,* restaurant design and engineering and food service management throughout Belgium

Greyhound Support Services — provides housekeeping, food service and other support services for large construction projects for industry and government agencies throughout the world

FINANCIAL

Greyhound Computer Corporation — computer leasing and sales in the U.S., Canada, Mexico and Europe

Greyhound Leasing and Financial Corporation — worldwide industrial equipment leasing and financing

Pine Top Insurance — engaged in re-insurance operations and in commercial property and excess casualty insurance fields.

Travelers Express Company — provides money order services to retail establishments and the financial industry, draft clearing services for depository institutions, and other consumer-oriented payments services

Verex Corporation — a leading company in residential mortgage [illegible]nce and other financial activities

KEY OPERATIONS

BUS MANUFACTURING

Motor Coach Industries and **Transportation Manufacturing** — bus manufacturing in Winnipeg, Canada; Pembina, North Dakota; and Roswell, New Mexico

FOOD AND CONSUMER PRODUCTS

Armour Food Company — manufactures and distributes a broad range of fresh, processed and portion-controlled meats, poultry and other food products for consumer and institutional use

Armour-Dial Company — manufactures and markets a wide variety of grocery, personal care and household products for the consumer

Armour Handcrafts Company — designs, manufactures and distributes a wide variety of yarns, handcraft needlepoint, crewel and rug and wall hanging kits

Armour International Company — responsible for overseas marketing of all Armour and Armour-Dial consumer products

FOOD SERVICE

Faber Enterprises — restaurants and gift shops in major office buildings and transportation terminals in Chicago area

SERVICES

Aircraft Service International — ground-handling services for major airlines in the U.S. and the Caribbean. Also designs, installs and operates fuel storage and distribution systems for airports

Greyhound C & D — technical and design services to business and industry by *Consultants & Designers;* temporary and permanent office and blue collar help to business and industry by *Greyhound Temporary Personnel*

Dispatch Services — ground handling services for major airlines at Miami International Airport and Freeport in the Bahamas

Florida Export Group — duty-free retail shops at Miami International Airport, a wholesale duty-free business for export and duty-free shops on cruise ships operating out of Miami

Greyhound Rent-a-Car — car leasing with unlimited free mileage on a daily, weekly or monthly basis in major Florida cities and in Las Vegas, Los Angeles, New Orleans, Orlando, Phoenix, San Diego, San Francisco, Tucson, Washington, D.C. and Honolulu

CONVENTION SERVICES

Greyhound Convention Services — complete convention and exhibitors services nationwide including such key cities as Atlanta, Chicago, Cincinnati, Dallas/Ft. Worth, Las Vegas, Los Angeles, New York, Phoenix, San Diego and San Francisco

OFFICERS

THE GREYHOUND CORPORATION

CORPORATE EXECUTIVE OFFICE

GERALD H. TRAUTMAN
Chairman

JOHN W. TEETS
Vice Chairman & Chief Executive Officer

FRANK L. NAGEOTTE
Vice Chairman & Chief Operating Officer

RALPH C. BATASTINI
President & Chief Financial Officer

GROUP VICE PRESIDENTS

W. CARROLL BUMPERS
Group Vice President — Financial

LEO S. McDONALD, JR.
Group Vice President — Convention Services

CORPORATE STAFF OFFICERS

GERALD J. BENFORD
Vice President — Minority Affairs

JOE BLACK
Vice President — Special Markets

JAMES T. CORCORAN
Vice President — Government Affairs

ARMEN ERVANIAN
Vice President — Real Estate

STEPHEN P. FINN
Vice President — Information Systems

F. EDWARD LAKE
Vice President — Treasurer

L. GENE LEMON
Vice President & General Counsel

DOROTHY A. LORANT
Vice President — Public Relations & Advertising

ROBERT O. LOWE
Vice President — Assistant Controller

PETER B. McMANUS
Vice President — Corporate Development

GEORGE B. MICHELSON
Vice President — Internal Auditing

HARRY S. OAKES
Vice President — Office Systems

HAROLD D. ROSOFF
Vice President — Environment & Energy

STANLEY L. SEGAL
Vice President — Florida

DANIEL J. SIELICKI
Vice President — Insurance

RICHARD C. STEPHAN
Vice President — Controller

BRUCE THOMAS
Vice President & Assistant to Executive Office

PAUL A. WEBER
Vice President — Human Resources

RICHARD B. ZOLLER
Vice President — Investments

FREDERICK G. EMERSON
Secretary

List of officers compiled as of March 31, 1982

OTHER EXECUTIVES THE GREYHOUND CORPORATION

KEITH A. JENKINS
General Solicitor

ROBERT E. WILMOTH
Associate General Counsel

NORBERT E. ANDERSON
Chief Labor Counsel

FRANK T. BARBER
Patent Counsel

WILLIAM J. HALLINAN
Assistant Secretary & Executive Director — Taxes

HERBERT R. NELSON
Assistant General Counsel

PETER J. NOVAK
Assistant General Solicitor

JOHN T. NYGREN
Assistant General Counsel

CAROL KOTEK
Assistant Secretary

RONALD G. NELSON
Assistant Treasurer

GEORGE J. OLINGER
Assistant Treasurer

DONALD E. PETERSEN
Assistant Controller

OFFICERS ARMOUR AND COMPANY

JOHN W. TEETS
Chairman & President

WILLIAM T. BENNETT
Vice President — Management Decision Services

REEDER P. JONES
Vice President — Accounting

DONALD E. PETERSEN
Vice President — Controller & Assistant Secretary

HAROLD D. ROSOFF
Vice President — Corporate Operations

OFFICERS ARMOUR GROUP

Armour Food Company
Phoenix, Arizona

WALLACE L. TUNNELL
President

JOSEPH M. BAILEY
Vice President — Region Manager, Southeast

C. DAVID BONE
Vice President — Region Manager, Central

CHARLES R. BROOKS
Vice President — National Sales Manager, Food Service — Frozen Convenience Foods

H. DOUGLAS CHURCHILL
Vice President — Region Manager, Western

THOMAS J. FLEMING
Vice President — Sales and Marketing, Fresh and Processed Meats

WILLIAM R. HAGEL
Vice President — Controller, Poultry Division

TOM J. HAMLETT
Executive Vice President — Fresh Meat Division

CARL F. HERRMANN
Vice President — General Manager, Pork Division

REEDER P. JONES
Vice President — Controller

LOEL B. KNUTSON
Vice President — Controller, Processed Meats Division

GORDON L. McGIRR
Vice President — Controller, Fresh Meat Division

GARY A. MILLER
Vice President — Employee Relations

EDWARD C. NORBUT
Vice President — Region Manager, Eastern

NICHOLAS A. RAGO
Vice President — Frozen Food and Food Service

K. DON REED
Vice President — Region Manager, Midwest

JACK E. SCOTT
Vice President — Manufacturing

R. B. SLEETH
Vice President — Research and Development

GORDON H. STENSRUD
Vice President — Transportation & Distribution

RODNEY E. STEPHENS
Vice President — Region Manager, Decker

FRANK X. TOBIN
Vice President — National Account Sales

DONALD E. WHARTON
Vice President — General Manager, Poultry Division

Armour-Dial Company
Phoenix, Arizona

DAVID L. DUENSING
President

RUSSELL C. BAYNE
Vice President — Employee Relations & Personnel

WILLIAM T. BENNETT
Vice President — Finance & Administration

JAMES N. BRYANT
Vice President — Sales, Southwest Region

BERNARD F. CARPENTER
Vice President — Transportation & Distribution

ALLAN R. DeBOLT
Vice President — Special Markets

CHARLES H. FERRY
Vice President — Customer Development

GLENN E. FORNEY
Vice President — Sales, Western Region

RICHARD E. GARABEDIAN
Vice President — Product Marketing

HAROLD GOLDBERG
Vice President — Group Marketing Director, Foods

WILLIAM C. GOULDING
Vice President — Trade Relations

WESLEY W. HARRIS
Vice President — Controller

NEILL C. MARSH
Vice President — National Field Sales, West

DONALD E. McADAMS
Vice President — Sales, Eastern Region

ROBERT A. MURPHY
Vice President — Sales, East Central Region

GUS L. PAPPADEMOS
Vice President — Sales, West Central Region

ANDREW S. PATTI
Vice President — Operations

JAMES E. RINKEL
Vice President — Sales, Southeast Region

JAMES R. WEBB
Vice President — National Field Sales, East

WILLIAM H. WINDHAM
Vice President — Sales

WILLIAM G. ZARUBA
Vice President — Research & Development

Armour Handcrafts, Inc.
Secaucus, New Jersey

PHILIP J. DION
President

DAVID S. SKAFF
Senior Vice President — Marketing

WILLIAM T. BENNETT
Vice President

ROBERT E. CALAHAN
Vice President — Bucilla Sales

PHILEMON FRISCH
Vice President — Malina Sales

J. TREVOR GOODALL
Vice President — Operations

PAUL T. HAILEY
Vice President — Administration

WESLEY W. HARRIS
Vice President

GERALD LEVY
Vice President — International

JAMES L. MACKIN
Controller

STEVEN ROSSKAMM
Vice President — Product Development & Design

CHARLES K. SEID, JR.
Vice President — Filament Yarn

NATHAN VAIMAN
Vice President

Armour International Company
Phoenix, Arizona

EDWARD J. WALSH
President

HERBERT G. COOPER
Vice President

ULRICH G. HARLOW
Vice President

FREDERICK O. NEWMAN
Vice President — Controller

OFFICERS TRANSPORTATION GROUP

Greyhound Lines, Inc.
Phoenix, Arizona

FRANK L. NAGEOTTE
Chairman & Chief Executive Officer

FREDERICK DUNIKOSKI
President & Chief Operating Officer

EARL E. SHEW
Executive Vice President

GEORGE W. CAWMAN
Senior Vice President — Marketing

WILLIAM L. McCRACKEN
Senior Vice President & Assistant to the Chairman

DAVID M. PARSONS
Senior Vice President — Transportation Group

ALBERT M. ANDERER
Vice President — Package Express Sales

ELAINE E. BECKER
Vice President — Administration

FREDERICK E. BOWMAN
Vice President — Group Travel

GEORGE G. GREEN
Vice President — Industrial Relations & Personnel

GEORGES A. HUNT
Vice President — Engineering

JAMES A. MALCOMB
Vice President — Maintenance Control

WARREN C. MARGGRAF
Vice President — Architectural Engineering & Property

ALBERT W. SUE
Vice President — Regulatory Relations

WILLIAM F. TRITTON
Vice President — Controller

KENNETH A. WHITE
Vice President & Assistant to the President

ROBERT L. WILSON
Vice President — Traffic

EDWARD F. DeMARTINI
Vice President — Accounting, West

LAKIE L. PETRIE
Vice President — Accounting, East

JAMES C. DAFFIN
Vice President — Maintenance, West

JOHN W. SCOTT
Vice President — Maintenance, East

JAMES W. CABLE
Regional Vice President

VERNON D. KINGSLAND
Regional Vice President

LEROY LOGSDON
Regional Vice President

ALBERT L. McLAUGHLIN
Regional Vice President

RALPH W. MARONAY
Regional Vice President

JAMES NENOW
Regional Vice President

BALLARD L. PEYTON
Regional Vice President

Greyhound Lines of Canada Ltd.
Calgary, Alberta, Canada

JAMES A. KNIGHT
President & Chief Executive Officer

CLIVE L. COX
Vice President — Controller & Secretary

ROBERT N. PARKE
Vice President — Sales & Traffic

BRUCE B. TYSON
Vice President — Transportation & Labour Relations

Greyhound de Mexico, S.A. de C.V.
Mexico City, Mexico

FRANK L. NAGEOTTE
President

JORGE GUERRERO
General Manager

FREDERICK DUNIKOSKI
Vice President

Greyhound-Taseco Saudi Arabia Ltd.
Al Khobar, Saudi Arabia

FRANK L. NAGEOTTE
Chairman

SHEIKH ALI ABDULLA AL TAMIMI
Vice Chairman

RALPH B. GIBSON
General Manager

New Mexico Transportation Company, Inc.
Roswell, New Mexico

ALFRED M. SMITH
President, Chief Executive Officer & Treasurer

PAT L. FUQUA
Controller & Assistant Secretary

JAMES L. FOSTER
Assistant Secretary

Texas, New Mexico & Oklahoma Coaches, Inc., Lubbock, Texas

ROBERT D. GREENHILL
President, Chief Executive Officer & Treasurer

RONNIE E. HARSTON
Secretary & Controller

Vermont Transit Co., Inc.
Burlington, Vermont

CHARLES E. IRISH
President & Chief Executive Officer

ROBERT F. THOMPSON
Chairman

JOHN J. DWYER
Vice President

ROBERT N. BERGESEN
Controller

American Sightseeing Tours, Inc.
Miami, Florida

STANLEY L. SEGAL
Chairman

NORTON M. SEGAL
President

JEROME H. NUDELMAN
Executive Vice President

LOUIS R. CICERONE
Vice President

HELMER T. ANDERSON
Controller

Brewster Transport Company Limited
Banff, Alberta, Canada

JAMES A. KNIGHT
Chairman

DAVID G. MORRISON
President & Chief Executive Officer

California Parlor Car Tours Company
San Francisco, California

FRANK L. NAGEOTTE
President

BIPIN RAMAIYA
Vice President & General Manager

Carey Transportation, Inc.
New York, New York

WILLIAM A. SANDERS
President

Gray Line New York Tours Corp.
New York, New York

KENNETH ENGELHARDT
President

Red Top Sedan Service, Inc.
Miami, Florida

STANLEY L. SEGAL
Chairman

NORTON M. SEGAL
President

JEROME H. NUDELMAN
Executive Vice President

LOUIS R. CICERONE
Vice President

HELMER T. ANDERSON
Controller

Walters Transit Corp.
New York, New York

KENNETH ENGLEHARDT
President

OFFICERS FOOD SERVICE GROUP

Greyhound Food Management, Inc.
Phoenix, Arizona

JOHN W. TEETS
Chairman & Chief Executive Officer

JOSEPH K. FASSLER
President & Chief Operating Officer

ERMO S. BARTOLETTI
Senior Vice President, Controller, Assistant Secretary & Assistant Treasurer

EUGENE W. BRONSKI
Senior Vice President — Administration & Assistant Secretary

GREG E. EBERLE
Executive Vice President — Fast Food Division

JEROME M. DOBYNS
Vice President — Engineering
RONALD A. DUFF
Vice President — Purchasing
JANICE GARR
Vice President — Quality Assurance
RICHARD E. HARTMAN
Vice President — Vending & Games

Prophet Foods Co., A Division of Greyhound Food Management, Inc. Phoenix, Arizona
JOSEPH K. FASSLER
President & Chief Executive Officer
JOSEPH L. WHORIC
Executive Vice President
HAROLD J. CAHOW
Corporate Director — Sales & Marketing
LINDA B. KWALIK
Vice President — General Manager, Western Division
RICHARD S. WALTERS
Vice President — General Manager, Central Division
JESS D. WATSON
Vice President — Special Markets & Sales
EDWARD M. DONOGHUE
Vice President — General Manager, Northern Division

Glacier Park, Inc.
JOSEPH K. FASSLER
Chairman
MARTIN SCHULTZ
President & General Manager
ERMO S. BARTOLETTI
Vice President & Controller, Assistant Secretary/Assistant Treasurer

Post Houses, Inc. Phoenix, Arizona
JOHN W. TEETS
Chairman & Chief Executive Officer
JOSEPH K. FASSLER
President & Chief Operating Officer
RONALD G. GREGG
Executive Vice President
EUGENE W. BRONSKI
Senior Vice President — Administration & Assistant Secretary
THOMAS W. HELBLING
Vice President — General Manager, Eastern Division
EDWARD P. STEINER
Vice President — General Manager, Western Division
ERMO S. BARTOLETTI
Controller, Assistant Secretary & Assistant Treasurer
RICHARD T. CUENY
Assistant Secretary

Greyhound Services Saudi Arabia Ltd. Dammam, Saudi Arabia
SHEIKH ABDULLA KANOO
Chairman
EDWARD H. WILLIAMS
Vice Chairman
JOHN W. TEETS
Director
SHEIKH ABDUL AZIZ KANOO
Director
MUNIB MASRI
Director
THOMAS R. URBAN
Director

Greyhound Support Services, Inc. Phoenix, Arizona
JOHN W. TEETS
Chairman
EDWARD H. WILLIAMS
President
EUGENE W. BRONSKI
Vice President — Corporate Counsel
FRANZ A. JOST
Vice President — Corporate Development
JOHN J. KEANE
Vice President
THOMAS R. URBAN
Vice President — Operations
ERMO S. BARTOLETTI
Controller

Faber Enterprises, Inc. Chicago, Illinois
MILTON D. FABER
Chairman & Treasurer
DONALD R. MURPHY
President
WILLIAM W. STALLS
Vice President
MICHAEL KOHLSTEDT
Controller

Restaura, S.A.
JEAN PIERRE MIQUEL
President & Managing Director
MICHEL CHAPEAUX
Director of Technical Services
BENOIT HEYCHE
Director of Human Resources
PIERRE PLASMAN
Administration & Financial Director

Restauration Roger Lorent S.A.
JEAN PIERRE MIQUEL
President
ROGER LORENT
Commercial Director

OFFICERS FINANCIAL GROUP

Greyhound Leasing & Financial Corporation, Phoenix, Arizona
RALPH C. BATASTINI
Chairman
ROBERT W. BERTRAND
President & Chief Executive Officer
ROBERT E. DELL'ARTINO
Executive Vice President — Marketing
BERNARD A. ROTH
Executive Vice President — Finance
ROBERT H. DAMM
Senior Vice President
RICHARD S. GRIM
Senior Vice President — International
RONALD A. MERINGER
Senior Vice President — Latin America
MARTIN G. ROTH
Senior Vice President — Operations
ROBERT J. FITZSIMMONS
Vice President — Treasurer
JAMES T. FOLEY
Vice President
KENNETH G. GABEL
Vice President
KENNETH B. GIDDES, JR.
Vice President
IRV HYMSON
Vice President — Law
FRED J. KLEIN
Vice President
BRUNO A. MARSZOWSKI
Vice President — Controller
DAVID A. NEILSEN
Vice President
FRED G. PINK
Vice President — Administration
WILLIAM H. VALLAR, JR.
Vice President

Greyhound Leasing & Financial of Canada, Ltd. Toronto, Ontario, Canada
RALPH C. BATASTINI
Chairman
ROBERT W. BERTRAND
President
RICHARD S. GRIM
Vice President
FRED J. KLEIN
Vice President
HANNE LANG
Vice President — Controller
WILLIAM G. SPARLING
Vice President

Greyhound Financial & Leasing Corporation AG Zug, Switzerland
GERALD H. TRAUTMAN
Chairman
JAN CEES van LANSCHOT
Vice Chairman
BRIAN E. McHUGO
Managing Director
LAWRENCE J. TROYNA
Manager

Century Greyhound Leasing & Financial Corporation, Tokyo, Japan
YOSHIO FUJITA
President
TOSHITAKE SAKAMOTO
Senior Managing Director
MASAO ICHIDA
Managing Director
RONALD E. MacDONALD
Managing Director

Greyhound Computer Corporation Phoenix, Arizona
RALPH C. BATASTINI
Chairman
OLIE E. SWANKY
President & Chief Executive Officer
WILLIAM J. BRESNAHAN
Executive Vice President
GORDON B. CLARKE
Senior Vice President
LEVON KASARJIAN, JR.
Vice President & Corporate Counsel
ROBERT C. KIBLER
Vice President & Treasurer
PAUL D. SNYDER
Vice President & Controller
E. ALLEN HENSON
Vice President & General Manager — Business Investment Division
ROBERT G. DEE
Vice President — Investment Planning Business Investment Division

JAMES A. TRESS
Vice President & General Manager — Leasing Division

GERALD P. SMITH
Vice President — Leasing Division

THOMAS S. RYAN
Vice President — Eastern Region

DONALD R. HAWORTH
Vice President — International

Greyhound Computer Overseas Corporation, Phoenix, Arizona

OLIE E. SWANKY
Chairman

DONALD R. HAWORTH
President

JOHN M. HALLMARK
Vice President

Greyhound Computer of Canada Ltd. Toronto, Ontario, Canada

W. DONALD MAUNDER
President & Chief Executive Officer

Greyhound Computer France S.A. Paris, France

JEAN-PAUL HENET
Directeur General

Greyhound Computer Deutschland GmbH Graefelfing, West Germany

WILLIAM WELSCH
Managing Director

Greyhound Computer S.A. Nyon, Switzerland

DONALD R. HAWORTH
Director

Greyhound Computer (U.K.) Limited Twickenham, Middlesex, England

DONALD R. HAWORTH
Director

DEREK J. N. LAMB
Sales Director

Greyhound Computer de Mexico, S.A. de C.V. Mexico City, Mexico

DONALD R. HAWORTH
President

FERNANDO AVILA AGUIRRE
Director General

JOHN M. HALLMARK
Vice President

MCI Acceptance Corp. Phoenix, Arizona

F. EDWARD LAKE
President & Treasurer

EARL T. CUMMINGS
Vice President

ROBERT O. LOWE
Vice President — Controller

RONALD G. NELSON
Vice President

GEORGE J. OLINGER
Vice President

DAVID P. KURRASCH
Assistant Treasurer

Pine Top Insurance Company Phoenix, Arizona

RALPH C. BATASTINI
Chairman

KENNETH H. HANSON
President

GLENN G. HERBST
Senior Vice President — Financial

M. BERRI BALKA
Vice President — Corporate Counsel & Assistant Secretary

WAYNE L. MURRAY
Vice President — Systems & Data Management

JAMES J. VAUGHAN
Vice President — Direct & Facultative

PAUL WATTS
Vice President — Financial Planning & Development

RICHARD B. ZOLLER
Vice President — Investments

RICHARD A. BOVE
Controller

Pine Top Life Company Phoenix, Arizona

RALPH C. BATASTINI
Chairman

KENNETH H. HANSON
President

M. BERRI BALKA
Vice President — Corporate Counsel & Assistant Secretary

GLENN G. HERBST
Senior Vice President — Financial

Pine Top (Bermuda) Ltd. Hamilton, Bermuda

RALPH C. BATASTINI
Chairman

KENNETH H. HANSON
President

PAUL WATTS
Senior Vice President — Controller

CLIVE W. HIMSWORTH
Vice President & General Manager

RICHARD B. ZOLLER
Vice President — Investments

Pine Top Insurance Company Limited (UK) London, England

RALPH C. BATASTINI
Chairman

KENNETH H. HANSON
Deputy Chairman & Chief Executive Officer

M. BERRI BALKA
Managing Director

BRUCE TOLLIS
Director — Finance & Secretary

NEIL O'KEEFE
Director of Underwriting

Shorrock Security Systems Ltd. Blackburn, Lancashire, England

STANLEY SHORROCK
Managing Director

Shorrock Inc. Phoenix, Arizona

ROBERT M. BRISCOE
Vice President & General Manager

Travelers Express Company, Inc. Minneapolis, Minnesota

ARTHUR S. MOORE
Chairman

CLARENCE A. E. ANDERSON, JR.
President & Chief Executive Officer

WILLIAM G. ENNIS
Executive Vice President

JOHN S. CABOT
Vice President — Corporate Development

NORMAN A. CARLSON
Vice President — Sales

DONALD D. DIX
Vice President — Region Administration

CHARLES L. HICKEY
Vice President — Control/Security

WILLIAM S. HOWARD
Vice President — Administration

DALE W. JOHNSON
Vice President — Finance, Assistant Secretary & Assistant Treasurer

WALLACE H. MERTENSOTTO
Vice President — Operations

KENNETH W. ROYER
Vice President — Research & Planning

HENRY P. ZETLIN
Vice President — Region Business Development

Verex Corporation Madison, Wisconsin

BRUCE THOMAS
Chairman & Chief Executive Officer

ROBERT L. WALDO
President

FRED H. REICHELT
Executive Vice President

THOMAS E. ANDERSON
Vice President & Corporate Counsel

STANLEY C. KIEFER
Vice President & Controller

F. EDWARD LAKE
Vice President & Treasurer

OFFICERS BUS MANUFACTURING GROUP

Frank Fair Industries Ltd. Winnipeg, Manitoba, Canada

EARL T. CUMMINGS
President

WERNER W. MARTIN
Executive Vice President & General Manager

RONALD S. MATTHEWS
Vice President — Controller

RAYMOND J. HUTTON
Assistant Controller

FRANK M. MARTIN
Assistant Secretary

Motor Coach Industries Limited Winnipeg, Manitoba, Canada

Motor Coach Industries, Inc. Pembina, North Dakota

EARL T. CUMMINGS
President

WERNER W. MARTIN
Executive Vice President — General Manager

RONALD S. MATTHEWS
Vice President — Controller

RAYMOND J. HUTTON
Assistant Controller

FRANK M. MARTIN
Assistant Secretary

Romex, Inc. Roswell, New Mexico

EARL T. CUMMINGS
President

FREDERICK A. SLEEP
Vice President & General Manager

FRANK R. DILL
Controller

Transportation Manufacturing Corporation
Roswell, New Mexico

EARL T. CUMMINGS
President

FRANK R. DILL
Senior Vice President — Controller

JOHN R. NASI
Executive Vice President

RICHARD L. GARRINGER
Vice President — Production

EDWARD J. WICKENDEN
Vice President — Manufacturing

LYLE BECHTEL
Assistant Controller

Universal Coach Parts, Inc.
Northlake, Illinois

JOSEPH H. RAZOOK
President

PATRICK C. SWOPE
Vice President — Controller

GRETA A. MARKOWICZ
Assistant Controller & Assistant Secretary

OFFICERS SERVICES GROUP

Group Headquarters
Phoenix, Arizona

ERMO S. BARTOLETTI
Senior Vice President — Controller

EUGENE W. BRONSKI
Senior Vice President — Administration

PETER G. BARCLAY
Vice President — Employee Relations

CHARLES A. McKENNA
Vice President — Controller

KENNETH S. VANOSKY
Vice President — Administration

GERALD G. ZWICK
Assistant Controller

Aircraft Service International Group
Miami, Florida

HOWARD J. BELL
Chairman

WILLIAM H. YATES, JR.
President & Chief Executive Officer

LLOYD M. STAUFFER, JR.
Senior Vice President

E. GARRY LESLIE
Senior Vice President

MIGUEL ABDO
Vice President — Finance

J. RUDGE LONES
Vice President — Planning

DAVID R. PETTIT, JR.
Vice President — Property & Industrial Relations

PAUL H. WYMAN
Treasurer

SAMUEL E. CHILDS
Regional Vice President

WILLIAM A. RESTITUTO
Regional Vice President

HENRY PAREDES
President — International Air Service of Puerto Rico, Inc.

Consultants & Designers Inc.
New York, New York

EDWARD J. BILOTTI
Chairman & President

EDWARD J. BRENNAN, JR.
Vice President

FLOYD CANTLON, JR.
Vice President

SHERMAN DAVIDOWITZ
Vice President

EDWARD T. DOBBYN, JR.
Vice President

LAWRENCE J. FEINBERG
Vice President — Controller

RAYMOND J. SLINGERMAN, JR.
Vice President — Administration

HARRY R. WILDING
Vice President

Consultants & Designers (UK) Ltd.
London, England

RICHARD M. AVERY
Chairman & Chief Executive Officer

MICHAEL G. DOUBLEDAY
General Manager

ROGER S. COX
Financial Controller

JOSEPH M. FORBES
Manager, Scottish Division

Greyhound Temporary Personnel, Inc.
Greyhound Permanent Personnel Inc.
Lyndhurst, New Jersey

HARRIS I. COHEN
Chairman & President

HARLAN L. HASSBERG
Executive Vice President

CATHERINE BENZIN
Vice President — Administration

JAMES COHEN
Vice President — Controller

RICHARD GARDNER
Vice President

FRANCINE HAUXWELL
Vice President

BARBARA SCOTT
Vice President

MARVIN STIELMAN
Vice President

Dispatch Services Group
Miami, Florida

ROBERT H. HUBSCH
President & Chief Executive Officer

WESLEY R. VEDO
Vice President

MARLENE WALTERS
Vice President — Insurance & Payroll

DANILO J. PERTUZ
Vice President — Controller & Vice President — Finance, Florida Aviation Fueling Co., Inc.
Vice President — Freeport Flight Services Limited

RALPH C. MILLER
President — Aircraft Service, Inc.

CHRIS T. RADEMAKER
President & General Manager — Freeport Flight Services Limited

ALLAN W. SCHWARTZ
Vice President & General Manager Florida Aviation Fueling Co., Inc.
General Manager Air Agency, Inc.

ROGUE E. PEREZ
Vice President — Controller Florida Aviation Fueling Co., Inc.
Vice President Freeport Flight Services Limited

Florida Export Group
Miami, Florida

A. EDWARD MERHIGE
President & Chief Executive Officer

MICHAEL G. MERHIGE
Vice President — Administration & Assistant Secretary

SONIA JENSEN
Vice President — Purchasing & Merchandising International Cruise Shops, Inc.

ROBERT L. JOHNSON
Vice President — Information Systems

Greyhound Rent-A-Car
Miami, Florida

WILLIAM W. SEGAL
Chairman & Chief Executive Officer

STANLEY L. SEGAL
President

MARTIN SAMSON
Senior Vice President

ALBERT A. CAREY
Vice President & Controller

MEL EDER
Vice President — Operations

NORTON M. SEGAL
Vice President

OFFICERS CONVENTION SERVICES GROUP

Greyhound Exhibitgroup Inc.
Chicago, Illinois

LEO S. McDONALD, JR.
President

ANTHONY G. VASTARDIS
Vice President — Controller

BARRIE BUSH
President — Exhibitgroup San Francisco

HARRY B. BURR
President — Exhibitgroup Dallas/Fort Worth

RICHARD FOOTE
President — Exhibitgroup Atlanta

E. EARL HEINTZELMAN
President — Exhibitgroup Cincinnati

GERALD S. HOWARD
President — Exhibitgroup Chicago

CHARLES V. LaROCCO
President — Exhibitgroup Los Angeles

LEO P. McCARTHY
President — Exhibitgroup Las Vegas

VITO RUGGIERO
President — Exhibitgroup New York

JEROME J. LAWTON
President — Designgroup

Greyhound Exposition Services, Inc.
Las Vegas, Nevada

DAVID I. JAMISON
Chairman

NORTON D. RITTMASTER
President & Chief Executive Officer

GARY ISAACSON
Executive Vice President

WILLIS B. JONES
Executive Vice President

WILLIAM WHITESELL
Executive Vice President

ROBERT D. KNEESEL
Vice President — Controller

DESCRIPTION OF BUSINESS

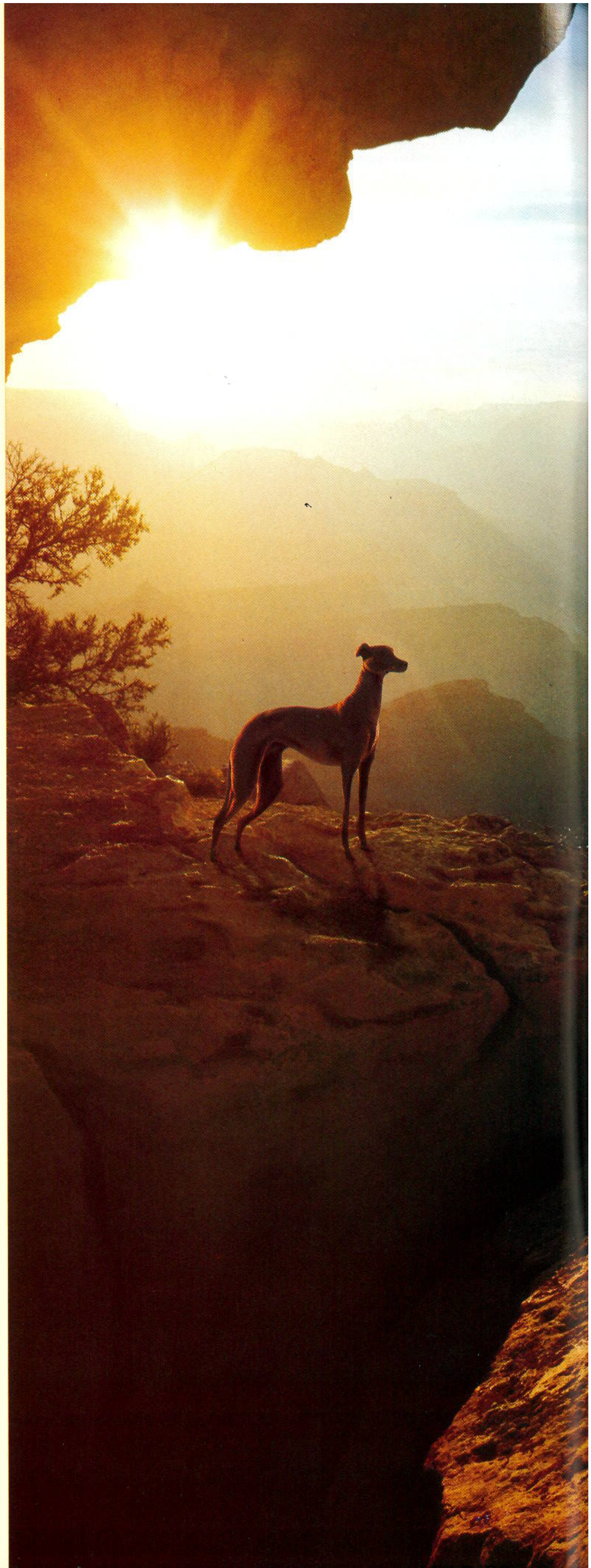
The Greyhound Corporation is a diversified holding company owning stock and other securities of subsidiary and affiliated corporations. For management purposes, the subsidiaries are arranged in four cohesive groups, each conducting two or more lines of business. The subsidiary groups (i) provide bus transportation and manufacture buses, (ii) process and distribute food and manufacture and market consumer products, (iii) engage in equipment leasing and other financial services, and (iv) provide various services including food service, to business and consumers. Company subsidiaries operate production facilities and maintain sales and service offices in the U.S. and in foreign countries. There are approximately 50,000 employees. The Company provides capital and corporate staff services to its subsidiaries and affiliates and to the overall enterprise.

The Company's transportation operations consist primarily of United States and Canada regular route, charter and tour intercity bus transportation, carrying passengers, baggage, packages and mail. Bus manufacturing subsidiaries operate facilities in the United States and Canada and build bus shells, assemble intercity buses for sale to the Company's transportation companies and to unaffiliated customers, and fabricate, warehouse and sell bus parts.

Through Armour and Company divisions and subsidiaries, the Company slaughters livestock and poultry and processes, purchases and sells meats and animal products and their by-products, and manufactures, processes and sells other food products, including cheese, butter and food oil products. Armour subsidiaries also manufacture and sell a wide variety of personal care products, including *Dial* soap, shelf-stable canned meats, and household and handcraft products.

The company's financial operations consist of companies engaged primarily in equipment financing, computer leasing and money order and insurance services in the U.S. and abroad. The companies finance equipment such as aircraft, railroad cars and locomotives, other transport equipment, and general manufacturing equipment, and they own and lease IBM and other computer systems for business, educational and public uses. Through its insurance subsidiaries, the Company is a major private mortgage insurer and engages in reinsurance services in national and international markets.

Services subsidiaries provide services directed to business markets, including aircraft ground handling services, temporary help services, convention and exhibition services; and others directed to consumer markets, including automobile rentals, gift, news and duty-free shops, and food service in Greyhound bus terminals, airports, office buildings, industrial plants and other facilities. In addition, the Company provides food and housekeeping support services to government and industry construction projects.



1981
FINANCIAL INFORMATION

RESPONSIBILITY FOR FINANCIAL REPORTING

To the Stockholders of
The Greyhound Corporation

The Company has prepared the financial statements and related notes, and other financial data, appearing in this Annual Report. The statements were developed using generally accepted accounting principles and policies considered appropriate in the circumstances. The statements reflect, where applicable, management's best estimates and judgments.

To meet management's responsibility for financial reporting, internal control systems and procedures are designed to provide reasonable assurance as to the reliability of the financial records and compliance with corporate policy throughout the organization. These controls are augmented by an internal audit staff which monitors compliance with the corporate policies and the internal control systems and procedures.

Touche Ross & Co. has independently examined the financial statements. To express their opinion thereon they review and evaluate Greyhound's internal accounting controls and conduct such tests and other procedures as they deem necessary. The Board of Directors oversees the Company's financial reporting through its Audit Committee which regularly meets with management representatives and, jointly and separately, with internal audit management and the independent accountants to review accounting, auditing and financial reporting matters.

Richard C. Stephan

Richard C. Stephan
Vice President-Controller

AUDITORS' REPORT

To the Stockholders and
Board of Directors of
The Greyhound Corporation

We have examined the statements of consolidated financial condition of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1981 and 1980, and the related statements of income, stockholders' equity, and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Greyhound Corporation and consolidated subsidiaries at December 31, 1981 and 1980, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Touche Ross & Co.

Phoenix, Arizona
February 26, 1982

Selected Financial and Statistical Data

	1981	1980	1979	1978	1977
Operations (000 omitted)					
Sales and Revenues:					
Greyhound and Consolidated Subsidiaries	$4,720,070	$4,782,010	$4,708,594	$4,358,848	$3,871,666
Financial Group (not consolidated)	444,219	354,114	307,900	230,917	169,663
Income of Greyhound and Consolidated Subsidiaries(1)	$ 70,484	$ 61,532	$ 73,610	$ 23,136	$ 56,428
Net Income of Financial Group(2)	67,703	56,788	49,420	35,217	25,508
Net Income	$ 138,187	$ 118,320	$ 123,030	$ 58,353	$ 81,936
Net Income Per Share:					
Common and equivalents	$3.06	$2.67	$2.80	$1.33	$1.86
Assuming full dilution	2.89	2.50	2.60	1.27	1.75
Dividends Declared Per Common Share	$1.20	$1.20	$1.04	$1.04	$1.04
Average Outstanding Shares (000 omitted):					
Common and equivalents	45,149	44,338	43,979	43,931	43,936
Assuming full dilution	48,690	48,513	48,475	48,225	48,454
Financial Position (000 omitted)					
Total Assets	$1,950,179	$1,905,098	$1,818,769	$1,725,162	$1,553,247
Investments in Financial Group Subsidiaries	382,963	369,832	333,529	297,541	164,270
Working Capital	195,380	215,259	204,362	221,856	194,100
Long-term Debt	361,210	439,908	422,594	499,944	366,425
Armour Redeemable Preferred Stock	23,578	23,578	23,578	23,578	23,578
Other Liabilities, Deferred Items and Minority Interests	176,958	160,556	168,887	155,757	137,616
Stockholders' Equity	942,128	849,131	776,092	693,376	681,041
People					
Stockholders of Record	124,575	137,360	146,038	150,760	155,151
Employees (average)	50,245	52,278	52,315	50,912	51,695

(1) Includes unusual charge of $25,392,000 in 1978 and unusual income of $2,558,000 in 1977.

(2) Includes unusual income of $8,117,000 in 1981.

Revenues and Income of Principal Business Segments (000 omitted)

	1981	1980	1979	1978	1977
SALES AND REVENUES:					
Transportation	$1,045,953	$ 989,931	$ 847,803	$ 727,965	$ 694,009
Bus Manufacturing	269,879	227,135	167,413	118,488	100,213
Food	2,302,241	2,464,414	2,642,954	2,572,271	2,212,944
Consumer Products(1)	597,477	621,069	598,429	562,160	540,634
Services	345,874	328,135	288,868	243,723	196,145
Food Service	255,342	240,450	250,816	222,873	206,431
Financial	444,219	354,114	307,900	230,917	169,663
Intersegment eliminations	(96,696)	(89,124)	(87,689)	(88,632)	(78,710)
Combined	$5,164,289	$5,136,124	$5,016,494	$4,589,765	$4,041,329
OPERATING INCOME:					
Transportation	$ 71,436	$ 71,546	$ 62,525	$ 36,726	$ 42,736
Bus Manufacturing	64,769	44,489	34,807	22,983	19,532
Food	17,552	670	38,252	33,986	22,287
LIFO valuation	1,232	(2,440)	3,461	(2,755)	(1,988)
Consumer Products(1)	32,143	30,964	24,947	28,664	50,219
LIFO valuation	614	1,204	(141)	(2,431)	(329)
Services	20,580	28,859	28,749	24,306	15,493
Food Service	8,362	7,302	14,980	12,842	12,881
Financial	80,461	75,343	73,188	52,173	31,285
Unusual items, net	15,258(2)			(51,400)	5,083
Intersegment eliminations	(11,120)	(8,238)	(8,258)	(7,878)	(6,666)
Combined	$ 301,287	$ 249,699	$ 272,510	$ 147,216	$ 190,533
NET INCOME:					
Transportation	$ 49,710	$ 53,996	$ 39,482	$ 21,543	$ 26,493
Bus Manufacturing	33,689	23,002	19,364	11,552	9,885
Food	9,006	(4,396)	13,564	13,691	8,090
LIFO valuation	665	(1,318)	1,869	(1,433)	(1,034)
Consumer Products(1)	15,683	15,271	11,652	13,793	25,590
LIFO valuation	332	650	(76)	(1,264)	(171)
Services	7,853	13,287	13,408	10,654	6,844
Food Service	6,446	4,293	9,081	6,930	6,964
Financial	61,876	59,081	51,518	37,151	27,275
Unusual items, net	8,117(2)			(25,392)	2,558
Intersegment eliminations	(5,006)	(3,316)	(4,367)	(4,023)	(3,371)
Income of Principal Business Segments	188,371	160,550	155,495	83,202	109,123
Minority interests	(11,605)	(11,270)	(9,275)	(6,783)	(8,005)
Corporate interest and other costs	(38,579)	(30,960)	(23,190)	(18,066)	(19,182)
Net Income	$ 138,187	$ 118,320	$ 123,030	$ 58,353	$ 81,936

(1) Consumer Products amounts for 1977 include sales, operating income and net income of its pharmaceutical operations sold late in 1977.

(2) See Note 6 of Notes to Summary Combined Statements of Financial Group.

Other Principal Business Segment Information (000 omitted)

	Assets at Year-End 1981	1980	1979	Capital Expenditures 1981	1980	1979	Depreciation 1981	1980	1979
Transportation	$ 552,166	$ 516,590	$ 481,320	$ 84,087	$ 78,946	$ 60,064	$ 35,384	$ 39,821	$ 32,694
Bus Manufacturing	117,626	110,276	83,008	9,863	10,036	1,761	2,177	1,501	1,222
Food	316,045	335,521	347,025	16,395	12,941	16,534	15,000	15,064	14,502
LIFO valuation	(8,862)	(10,094)	(7,654)						
Consumer Products	435,964	432,232	434,255	15,662	8,825	12,036	9,634	9,240	7,955
LIFO valuation	(4,183)	(4,797)	(6,001)						
Services	110,037	107,788	114,522	12,448	9,532	7,576	6,408	6,417	8,444
Food Service	65,378	56,807	62,571	10,512	8,859	10,670	6,368	5,730	5,451
Intersegment eliminations	(56,629)	(46,898)	(40,838)	(16,350)	(12,069)	(12,889)	(6,614)	(5,293)	(4,302)
Identifiable to segments	1,527,542	1,497,425	1,468,208	132,617	117,070	95,752	68,357	72,480	65,966
Corporate and other	39,674	37,841	17,032	2,345	1,233	1,206	1,796	2,181	2,075
Investment in Financial Group	382,963	369,832	333,529						
Consolidated	$1,950,179	$1,905,098	$1,818,769	$134,962	$118,303	$ 96,958	$ 70,153	$ 74,661	$ 68,041

The Greyhound Corporation is a holding company with numerous subsidiaries whose principal business activities are categorized into seven business segments for reporting purposes. The business activities included in each segment are set forth earlier in this annual report under "Description of Business."

Intersegment sales are priced generally on the same basis as sales to outside customers and include the following amounts:

	1981	1980	1979
		(000 omitted)	
Bus Manufacturing	$79,502	$70,023	$60,850
Food	8,796	13,567	22,249
Other	8,398	5,534	4,590
	$96,696	$89,124	$87,689

The LIFO inventory valuation for the Food and Consumer Products segments (on pork products and certain soap raw materials) has been reclassified as a separate item for the reporting of assets identifiable to segments as well as segment operating income and net income. For those presentations the pork inventories have been priced at market less allowance for selling expenses and the soap products have been priced at the lower of cost or market on a FIFO basis. These latter methods of inventory valuation are used for management purposes and also permit alternative comparisons among the segments and with other companies.

Operating income by segment for consolidated segments represents sales and revenues less operating costs (excluding amounts for LIFO inventory valuations which are stated separately) before interest, corporate administrative expenses, minority interests and other items, and income taxes. Operating income for the unconsolidated Financial Group segment represents revenues less operating costs before realized investment gains or losses, minority interests and other items, and income taxes. Due to the nature of its businesses, operating costs of the Financial Group include interest expense. The deduction of interest expense in determining Financial Group operating income and a low effective income tax rate contribute to a ratio of net income to operating income for this segment which is generally higher than for consolidated segments.

Net income by segment for consolidated segments includes operating income as defined above, plus interest income and other items, less interest expense and income taxes. Net income for the Financial Group segment includes operating income as defined above, realized investment gains or losses and other items, less income taxes. Income taxes are provided by each segment based on its income before income taxes, and are reduced by its tax credits. Corporate interest and other costs not allocated to individual segments represent expenses of an overall holding company nature and are deducted separately, net of tax benefit, in determining net income.

Additional information pertaining to the unconsolidated Financial Group segment is included in the accompanying Summary Combined Statements of Financial Group Subsidiaries of Greyhound.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results:

Greyhound is a diversified company which sells products and supplies services for many markets. Because of this diversity, components of its net income are generally affected, some favorably, others unfavorably, by general economic conditions and other fluctuations which occur in the various markets each year. Inflation has resulted in generally higher cost levels and, in instances where appropriate increases in prices for products and services could not be obtained or were delayed, reductions in income. Conversely, gains on sales of property and equipment have generally been favorably affected by inflation.

All segments except Food and Consumer Products had revenue gains in 1981 over the two preceding years. Higher selling prices due to inflation were the primary reasons for the Transportation and Food Service revenue increases. Higher volumes coupled with inflationary factors were the primary reasons for the revenue gains of the other segments. The largest volume increases were reported in Bus Manufacturing and certain Financial and Services companies. Food revenues in 1981 were lower than the two prior years due primarily to reduced beef slaughter operations resulting from plant closings. The Consumer Products decrease in revenue was due to volume declines of some products which were only partially offset by higher soap and canned meats selling prices.

The record 1981 net income was 17% above 1980 and 12% over 1979, the previous record year. Net income in 1981 included an unusual gain of $8.1 million after tax resulting from the settlement of litigation with IBM, but even excluding this item net income was 10% higher than 1980 and 6% higher than 1979.

Transportation's 1981 earnings were down from last year but better than those of 1979. The decline from 1980 earnings was due primarily to lower passenger miles in the second half of the year due to the economy, although more timely rate increases and control of costs minimized the decline. The increase over 1979 earnings was due primarily to more timely rate increases, cost controls and an increase in the gain on sale of used buses. Bus Manufacturing had a substantial improvement in 1981 earnings over the past two years due to increased sales of its intercity buses and improved margins.

Earnings of the Financial segment for 1981 were 18% better than last year and 36% better than 1979. Exclusive of the income from the IBM settlement the improvements were 5% compared to last year and 20% compared to 1979. These improvements were achieved even though the Pine Top insurance companies had a loss in 1981 caused by a substantial increase in underwriting loss provisions. All other major Financial companies were solidly profitable in 1981 and had substantial improvements over 1980 and 1979 earnings, although Greyhound Computer's results excluding the IBM settlement were down. Three of these companies, Greyhound Leasing & Financial Corporation, Verex Corporation and Travelers Express Company, Inc. reported record earnings in 1981.

The 1981 earnings of the Food segment represented a $15.4 million positive swing from its 1980 loss. The improvement over 1980 results was due to a turnaround in processed meat operations which also offset losses suffered in poultry operations where depressed prices prevented recovery of turkey raising costs. The main reason that 1979's income level was not achieved in 1981 was the loss in poultry operations.

Earnings of Consumer Products for 1981 were slightly ahead of last year and 38% better than 1979 despite a one-time provision of $1.3 million (after tax) for relocation of certain Armour Handcraft plants. The primary reason for these improvements was the record year earnings reported by Armour-Dial, Consumer Products' soap, canned meat and household products operation.

Services' earnings for 1981 were down 41% from each of the two prior years due primarily to the sale or closing of certain operations. Also contributing to this decline was the depressed tourist industry in Florida which had a negative impact on the results of some of the companies. The earnings of Food Service for 1981 were up 50% from last year but down 29% from 1979. The variations in 1981, 1980 and 1979 earnings were due primarily to the volatile automotive industry which impacted earnings from automotive contract feeding operations. The softness of the economy also caused some of Food Service's other operations to report lower earnings which limited the recovery from 1980 and caused part of the decline from 1979 earnings.

Liquidity and Capital Resources:

Financing requirements have generally increased in recent years due primarily to the impact of inflation on capital expenditures and on certain inventories and receivables, but management believes that Greyhound has sufficient short-term and long-term liquidity and capital resources available to it to satisfy corporate requirements.

With respect to short-term liquidity (working capital), in order to minimize the effects of borrowing costs on earnings, especially at current high interest rates, Greyhound strives to maintain current assets, principally cash, inventories and receivables, at the lowest practicable levels while at the same time taking advantage of the payment terms offered by trade creditors. Those efforts notwithstanding, working capital requirements can fluctuate significantly as a result of changes in levels and costs of inventories and receivables caused primarily by market and seasonal factors.

Greyhound satisfies its short-term financing requirements from bank lines of credit, informal bank and other advances and by the issuance of commercial paper. The following information pertains to such short-term debt:

	1981	1980	1979
	(000 omitted)		
Maximum amount of short-term debt outstanding during year	$185,238	$179,755	$147,006
Average daily short-term debt outstanding during year	$129,156	$144,265	$109,909
Average short-term interest rate at end of year*	13.6%	18.9%	14.1%
Weighted average interest rate on short-term debt outstanding during year*	17.0%	13.7%	11.5%

*Exclusive of the cost of maintaining compensating balances and, for commercial paper when outstanding, the cost of supporting bank credits.

At December 31, 1981 (in addition to other banking arrangements under which Greyhound is reasonably assured of credit availability and unused short-term bank credit arrangements available to Greyhound's consolidated foreign subsidiaries) Greyhound and its consolidated subsidiaries had the following formal bank credit facilities available:

	(in millions)
Total bank credit (all unused at December 31, 1981):	
Short-term	$ 59.0
Long-term	140.0
	199.0
Less amounts required to support certain short-term borrowings	68.5
Available unused bank credit	$130.5

In recent years, Greyhound's capital expenditures have been financed substantially with internally generated funds (primarily income retained plus depreciation) and to a lesser extent with debt. Capital spending has been reduced to some extent by obtaining, where appropriate, equipment and other property under operating leases. Future capital expenditures and any additional working capital requirements are expected to be financed primarily with internally generated funds derived principally from retention of earnings plus depreciation, tax deferrals and sales of assets that do not meet rate-of-return goals. To the extent requirements exceed internal sources, Greyhound's available external financing sources will be used.

As a result of improved earnings, conversions of debt, and other cash flows from operations in the past year, Greyhound has reduced its debt, including net amounts due Financial Group subsidiaries, by approximately $105 million which, when coupled with a $93 million increase in stockholders' equity, has resulted in an improvement in Greyhound's debt to equity ratio from .61 to 1 at December 31, 1980 to .44 to 1 at December 31, 1981.

The Financial Group subsidiaries, which are not consolidated for financial reporting purposes, are financed essentially by each respective subsidiary within the Group. By their nature, the leasing companies seek to invest substantial amounts of borrowed funds and accordingly obtain financing through long-term and short-term borrowings, funds generated from operations and tax deferrals. Other companies in the Group, primarily the insurance companies, are financed principally with funds generated from operations and do not generally borrow substantial amounts. From time to time, the Financial Group subsidiaries make advances to or borrow from Greyhound depending upon the short-term cash requirements of the individual entities. With few exceptions, Greyhound does not guarantee debt obligations of the Financial Group.

Condensed Quarterly Results (000 omitted)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	1981	1980	1981	1980	1981	1980	1981	1980
Consolidated Sales and Revenues	$1,086,567	$1,101,752	$1,174,868	$1,153,322	$1,263,303	$1,256,505	$1,195,332	$1,270,431
Consolidated Operating Income	25,868	25,091	39,633	37,151	78,161	69,612	61,906	42,502
Net Income of Financial Group	29,983(1)	14,667	16,969	12,370	11,505	14,013	9,246	15,738
Consolidated Net Income	33,504	18,225	28,201	23,481	43,927	43,448	32,555	33,166
Net Income Per Share:								
Common and equivalents	75¢(1)	41¢	63¢	53¢	97¢	98¢	71¢	75¢
Assuming full dilution	70	39	59	50	92	91	68	70

(1) Includes unusual income of $8,117,000 or 18 cents per share.

Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. Described below are those accounting policies which are particularly significant to The Greyhound Corporation ("Greyhound"), including those selected from acceptable alternatives.

Principles of Consolidation:

The consolidated financial statements include the accounts of Greyhound and its subsidiaries, except for its Financial Group subsidiaries. Investments in Financial Group subsidiaries and in affiliates (20 to 50 per cent owned companies) are reflected in the accounts on the equity basis. All material intercompany transactions and accounts are eliminated in consolidation.

Summary financial information for the Financial Group, including significant accounting policies and footnotes, is presented elsewhere in these financial statements. This Group includes subsidiaries engaged in leasing and financing of industrial and commercial equipment and computers, money order sales and payment services, and insurance operations, principally residential mortgage, special risks and reinsurance.

Inventories:

Inventories of fresh and processed meat products (except pork products) are stated at market less allowance for selling expenses. Certain raw materials used in the manufacture of soap and substantially all raw materials of pork products are stated at cost on the "last-in, first-out" method. All remaining inventories, including all processing costs included in the carrying values of soap and pork products, are stated at the lower of cost (on the "first-in, first-out" or average cost methods) or market.

Property and Equipment:

Owned property and equipment are stated at cost and capital lease assets are stated at the present value of future rentals.

Depreciation is provided principally by use of the straight-line method at annual rates as follows:

Buildings	2% to 5%
Buses (15% and 10% residual)	10%
Machinery and other equipment	5% to 33%
Capital leases and leasehold improvements	Term of lease

Gain or loss on transportation companies' depreciable assets sold or otherwise disposed of is recorded as an adjustment of depreciation expense.

Intangibles:

Intangibles are carried at cost less applicable amortization. Those which arose prior to October 31, 1970 will not be amortized unless there is deemed to be a permanent diminution in value of the related investments. Intangibles arising after October 31, 1970 are amortized on the straight-line method over the periods of expected benefit, but not in excess of forty years.

Pension Plans and Other Employee Benefits:

Pensions are generally funded on the basis of annual actuarial determinations of current service costs plus amortization in level annual amounts of unfunded prior service costs, including interest, over periods of thirty to forty years. The cost of medical and life insurance benefits under employee group plans, including similar benefits for qualified retirees, is charged to income as incurred.

Investment Tax Credits:

Investment tax credits, and additional energy tax credits, are included in income in the year the credits are available as a reduction of federal income taxes.

Net Income Per Share:

Net income per common and equivalent share is computed on the weighted average number of common shares outstanding during each year after giving effect to stock options and warrants considered to be dilutive common stock equivalents. Net income per share assuming full dilution is based upon the average number of common and equivalent shares, determined as set forth above, and the equivalent number of common shares issuable upon conversion of convertible debt.

Foreign Currency Translations:

Assets and liabilities of foreign subsidiaries are translated at year-end rates of exchange except for inventories and certain long-term assets, principally property and equipment and intangibles, which are translated at historical rates of exchange. Net income is translated at average rates prevailing during the year except that revenues and expenses relating to assets or liabilities translated at historical rates are translated at the rates applicable to the related assets or liabilities. Translation gains and losses are included in income.

Principal Business Segments and Other Information:

Revenues and income of principal business segments and other principal business segment information of Greyhound for the three years ended December 31, 1981, are presented in a previous section of this Annual Report. Prior year amounts pertaining to LIFO inventory valuations for the Food and Consumer Products segments have been separately presented to conform to the 1981 presentations.

Certain other reclassifications have also been made to the financial statements to conform to 1981 classifications.

Statement of Consolidated Financial Condition (000 omitted)

ASSETS	December 31, 1981	1980
CURRENT ASSETS:		
Cash and short-term investments	$ 39,904	$ 32,358
Receivables	260,736	266,926
Inventories	315,349	319,715
Prepaid expenses and other current assets	15,600	17,732
Deferred income taxes	10,096	10,453
TOTAL CURRENT ASSETS	641,685	647,184
PROPERTY AND EQUIPMENT:		
Land	58,564	56,673
Buildings and leasehold improvements	332,822	313,117
Buses	397,760	391,824
Machinery and other equipment	396,847	373,117
	1,185,993	1,134,731
Less accumulated depreciation	507,653	493,187
	678,340	641,544
INVESTMENTS AND OTHER ASSETS:		
Investments in Financial Group subsidiaries	382,963	369,832
Other investments and assets	37,796	36,614
	420,759	406,446
INTANGIBLES, including $196,251 and $198,266 not subject to amortization	209,395	209,924
	$1,950,179	$1,905,098

See notes to consolidated financial statements and summary of significant accounting policies.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1981	1980
CURRENT LIABILITIES:		
Short-term bank and other loans	$ 33,663	$ 42,937
Accounts payable	193,061	179,599
Accrued compensation	75,248	70,230
Income and other taxes	44,398	32,704
Due Financial Group subsidiaries, net	13,448	29,110
Other current liabilities	78,142	67,999
Current portion of long-term debt	8,345	9,346
TOTAL CURRENT LIABILITIES	446,305	431,925
LONG-TERM DEBT, including subordinated debt of $70,814 and $89,594	361,210	439,908
OTHER LIABILITIES AND DEFERRED ITEMS:		
Pension and other benefits	57,878	63,516
Deferred income taxes	62,879	44,113
Other	24,511	25,378
	145,268	133,007
MINORITY INTERESTS:		
Armour $4.75 redeemable preferred stock	23,578	23,578
Greyhound Lines of Canada	31,690	27,549
	55,268	51,127
COMMITMENTS AND CONTINGENT LIABILITIES (Notes H, I and J)		
STOCKHOLDERS' EQUITY:		
Common stock	68,064	66,528
Additional capital	279,965	263,290
Retained income (Note D)	598,784	519,316
Common stock in treasury, at cost	(4,685)	(3)
	942,128	849,131
	$1,950,179	$1,905,098

Consolidated Income Statement (000 omitted)

	Year Ended December 31, 1981	1980	1979
SALES AND REVENUES:			
Food processing and consumer products	$2,879,516	$3,071,260	$3,218,421
Transportation, services and other	1,819,569	1,694,890	1,481,630
Other income	20,985	15,860	8,543
	4,720,070	4,782,010	4,708,594
OPERATING COSTS:			
Food processing and consumer products:			
Cost of materials	1,974,843	2,172,953	2,336,152
Wages, supplies and other expenses	861,462	868,447	816,360
Transportation, services and other	1,678,197	1,566,254	1,356,760
	4,514,502	4,607,654	4,509,272
OPERATING INCOME	205,568	174,356	199,322
OTHER COSTS:			
Interest	58,048	56,834	53,068
Corporate administrative	14,944	14,264	11,637
Minority interests and other, net	5,205	6,171	8,807
	78,197	77,269	73,512
INCOME BEFORE INCOME TAXES	127,371	97,087	125,810
INCOME TAXES	56,887	35,555	52,200
INCOME OF GREYHOUND AND CONSOLIDATED SUBSIDIARIES	70,484	61,532	73,610
NET INCOME OF FINANCIAL GROUP, including unusual income from litigation of $8,117 in 1981	67,703	56,788	49,420
NET INCOME	$ 138,187	$ 118,320	$ 123,030
NET INCOME PER SHARE:			
Common and equivalents	$3.06	$2.67	$2.80
Assuming full dilution	2.89	2.50	2.60
DIVIDENDS DECLARED PER COMMON SHARE	$1.20	$1.20	$1.04
AVERAGE OUTSTANDING SHARES (000 omitted):			
Common and equivalents	45,149	44,338	43,979
Assuming full dilution	48,690	48,513	48,475

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Changes in Consolidated Financial Position (000 omitted)

	Year Ended December 31, 1981	1980	1979
SOURCE OF FUNDS:			
From operations:			
Net income	$138,187	$118,320	$123,030
Depreciation	70,153	74,661	68,041
Deferred income taxes	20,899	10,030	11,683
Undistributed net income of Financial Group	(22,400)	(32,606)	(27,500)
Other items, net	3,603	(88)	5,730
Total from operations	210,442	170,317	180,984
Common stock issued	18,242	6,499	595
Additional long-term debt and capital leases	11,609	10,757	12,150
Increase in short-term loans and commercial paper		25,081	21,394
Proceeds from disposals of property and equipment	31,050	22,329	26,537
Proceeds from businesses sold	2,042	11,303	
Decrease in receivables and inventories	12,581		
Increase in current accrued liabilities	36,651		41,792
Utilization of investment credit carryforward attributable to Financial Group	8,087		
Other transactions with Financial Group, net		5,091	21,665
	330,704	251,377	305,117
USE OF FUNDS:			
Capital expenditures and leases capitalized	134,962	118,303	96,958
Dividends	54,136	53,171	45,704
Reductions of long-term debt	25,583	20,914	101,619
Decrease in short-term loans and commercial paper	70,565		
Common stock acquired	4,688	2	9
Acquisition of and additional investment in businesses	8,129	2,476	3,721
Increase in receivables and inventories		13,837	58,353
Decrease in current accrued liabilities		16,121	
Investment credit carryforward attributable to Financial Group	7,357	8,087	
Other transactions with Financial Group, net	15,662		
Other items, net	2,076	16,590	321
	323,158	249,501	306,685
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	$ 7,546	$ 1,876	$ (1,568)

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Stockholders' Equity (000 omitted)

	Year Ended December 31, 1981	1980	1979
COMMON STOCK, $1.50 par value, 70,000,000 shares authorized:			
Balance, beginning of year	$ 66,528	$ 66,206	$ 66,206
Shares issued	1,536	322	
Balance, end of year	$ 68,064	$ 66,528	$ 66,206
ADDITIONAL CAPITAL:			
Balance, beginning of year	$263,053	$259,636	$259,816
3% Cumulative preference stock	237	244	251
Combined balance	263,290	259,880	260,067
Amounts relating to conversion or exercise of preference stock, debentures, warrants and stock options:			
Common shares issued	16,701	3,343	
Treasury common shares reissued	(1)	59	(221)
Other, net	(25)	8	34
Balance, end of year (including $227 at December 31, 1981 of 3% cumulative preference stock)	$279,965	$263,290	$259,880
RETAINED INCOME:			
Balance, beginning of year	$519,316	$452,782	$370,686
Net income	138,187	118,320	123,030
Dividends on common stock	(54,129)	(53,164)	(45,696)
Net change in unrealized gains and losses on marketable equity securities of Financial Group	(4,360)	1,379	4,752
Other, net	(230)	(1)	10
Balance, end of year	$598,784	$519,316	$452,782
COMMON STOCK IN TREASURY, at cost:			
Balance, beginning of year	$ (3)	$ (2,776)	$ (3,583)
Shares purchased	(4,688)	(2)	(9)
Shares issued relating to conversion or exercise of preference stock, debentures and stock options	6	2,775	816
Balance, end of year	$ (4,685)	$ (3)	$ (2,776)

See notes to consolidated financial statements and summary of significant accounting policies.

Notes to Consolidated Financial Statements

Three Years Ended December 31, 1981

Note A – Inventories:

Year-end inventories consisted of the following:

	1981	1980
	(000 omitted)	
Food processing	$ 86,761	$ 88,665
Consumer products	105,785	107,553
Bus manufacturing	78,589	78,901
Transportation and other	44,214	44,596
Total inventories	$315,349	$319,715

Inventories of certain raw materials, aggregating $10,905,000 in 1981 and $9,245,000 in 1980, are stated at cost on the "last-in, first-out" method. If these inventories were stated on the bases used for pricing other raw materials, inventory valuations would have been increased $13,045,000 at the end of 1981 and $14,891,000 at the end of 1980.

Note B – Short-term Debt and Compensating Balances:

Greyhound satisfies its short-term financing requirements from bank lines of credit, informal bank and other advances and by the issuance of commercial paper.

Informal bank advances, used from time to time to supplement Greyhound's other short-term financing arrangements, are borrowed at money market interest rates for specific short maturities. At December 31, 1981 Greyhound had no such advances outstanding.

Greyhound's short-term bank lines aggregating $113,211,000 at December 31, 1981 are subject to annual renewal and in most instances can be withdrawn at any time at the option of the banks. On $54,000,000 of these lines, compensating balances are required in an amount equal to the sum of 5 per cent of the commitments plus 10 per cent of the credit in use. During 1981, funds utilized as compensating balances under all of Greyhound's short-term bank lines averaged approximately $2,850,000. In addition, Greyhound funds averaging $2,250,000 during 1981 were utilized to satisfy compensating balance requirements of the Financial Group and Greyhound received interest for the use of these funds. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

It is Greyhound's policy to support commercial paper outstanding with unused portions of bank credit. In addition, Greyhound maintained unused portions of bank credits of $35,000,000 in 1981 under an agreement with a Financial Group subsidiary to support its demand advances to Greyhound.

Note C – Long-term Debt:

Long-term debt at year-end was as follows:

	1981	1980
	(000 omitted)	
Senior debt:		
Commercial paper supported by unused revolving credit	$ 33,500	$ 94,765
Sinking fund debentures, net of unamortized discount:		
9⅜%, due 1987 to 2001	99,500	99,459
9⅞%, due 1986 to 2000	74,656	74,625
Real estate mortgages, due to 2006, 4½% to 9½%, property of $41,619 pledged as collateral	24,271	24,159
Other obligations, due to 1996, 5% to 12%	21,067	21,060
Less current portion	(5,637)	(6,356)
	247,357	307,712
Subordinated debt:		
Convertible subordinated debentures (conversion price):		
6½%, due 1983 to 1990 ($18.375)	48,154	64,095
5%, due to 1984 ($26.40)	6,328	7,910
4½%, due 1983 ($15.74)	1,169	1,305
5% Cumulative income subordinated debentures, due to 1984	16,429	17,866
Less current portion	(1,266)	(1,582)
	70,814	89,594
Capital lease obligations, 8.3% weighted average imputed interest	44,481	44,010
Less current portion	(1,442)	(1,408)
	43,039	42,602
Total long-term debt	$361,210	$439,908

Revolving credit loans are available from participating banks under a Domestic/Eurodollar Credit Agreement which provides for a total credit of $140,000,000. The entire commitment is available until June 30, 1984 on a revolving credit basis, with borrowings then converting into a term loan repayable in fifteen equal quarterly installments. Commencing in 1982 and annually thereafter, at Greyhound's request and with the participating banks' consent, the term of the Agreement may be extended for one-year periods. Interest is based upon the following rates: (i) for domestic dollar advances, the bank prime rate or (ii) for Eurodollar advances, ½ of 1 per cent above the London interbank offered rate. The Agreement also provides for a commitment fee of ½ of 1 per cent on the unused portion of the first 75 per cent of the commitment and ¼ of 1 per cent on the unused portion of the remaining 25 per cent of the commitment. If the Agreement is not extended the banks will receive additional interest at varying amounts not to exceed ½ of 1 per cent.

Annual maturities of long-term debt, including capital lease obligations, in the four years after 1982 will approximate $11,673,000 (1983), $26,451,000 (1984), $4,807,000 (1985) and $9,314,000 (1986). Excluded from 1984, 1985 and 1986 maturities are $4,467,000, $8,933,000 and $8,933,000, respectively, which would become payable if the Agreement supporting commercial paper referred to above is not extended.

Note D — Stockholders' Equity:

Common stock issued and outstanding at December 31, 1981 was 45,376,155 and 45,076,324 shares, respectively. Shares reserved for issuance at December 31, 1981 are as follows:

	Shares	Conversion or Exercise Prices
Convertible debentures and preference stock	3,166,054	$15.74 to $46.00
Warrants, expiring to 1984	7,307,254	23.50 to 30.00
Stock options (price range on options outstanding)	2,290,329	11.50 to 16.38
Total shares reserved	12,763,637	

The conversion and warrant exercise prices are subject to adjustment under certain circumstances.

Greyhound has 5,000,000 shares of Serial Preference Stock authorized, of which no shares have been issued.

Certain consolidated and Financial Group subsidiaries are precluded from transferring funds over certain amounts to Greyhound in the form of advances or dividends pursuant to restrictions in long-term debt and capital lease agreements of the subsidiaries or other restrictions applicable to certain regulated Financial Group subsidiaries. At December 31, 1981, $249,728,000 and $226,199,000 of net assets of consolidated and Financial Group subsidiaries, respectively, were subject to such restrictions.

Greyhound's long-term debt agreements also contain various restrictive covenants and require the maintenance of certain defined financial ratios with which Greyhound has complied. At December 31, 1981, retained income of $306,159,000 was unrestricted as to the payment of dividends by Greyhound.

Treasury shares acquired during 1981 are reserved for issuance on conversion or exercise of the outstanding convertible debentures, warrants and stock options.

Note E — Stock Options:

Greyhound has granted to officers and certain key employees nonqualified and incentive stock options, under its 1973 Stock Option Plan as amended, to purchase common stock at the market price at the date of grant. The options expire 10 years after date of grant. During 1981, substantially all outstanding options granted after 1975 were converted to incentive stock options under the provisions of the Economic Recovery Act of 1981.

Information with respect to options granted and exercised for the three years ended December 31, 1981 is as follows:

	Granted		Exercised	
	Shares	Average Price Per Share	Shares	Average Price Per Share
1979	19,850	$13.21	47,678	$11.75
1980	333,850	15.54	141,393	13.04
1981	345,300	16.13	148,100	13.93

Stock options on common shares cancelled during 1979, 1980 and 1981 at average exercise prices indicated were 110,650 ($13.19), 84,250 ($13.28) and 101,435 ($14.11), respectively.

At December 31, 1981, stock options with respect to 1,515,900 common shares were outstanding and exercisable at an average price of $14.25 per share.

Note F — Income Taxes:

The consolidated provision for income taxes for the three years ended December 31, 1981 consists of the following:

	1981	1980	1979
		(000 omitted)	
Currently payable:			
United States:			
Federal	$15,103	$ 7,843	$23,748
State	5,873	3,491	4,476
Foreign	15,012	14,191	12,293
	35,988	25,525	40,517
Deferred:			
United States	19,127	8,649	11,377
Foreign	1,772	1,381	306
	20,899	10,030	11,683
Provision for income taxes	$56,887	$35,555	$52,200

Deferred income taxes relate to the following principal timing differences:

	1981	1980	1979
		(000 omitted)	
Depreciation	$11,623	$10,230	$ 8,664
Plant closing costs	792	1,153	6,181
Payment of litigation accrual		9,240	
Investment and energy tax credit carryforwards:			
Recognized in financial statements	(3,615)	(10,660)	
Realized in tax return	10,660		
Uninsured loss accruals	(32)	(359)	(3,359)
All other	1,471	426	197
Total deferred income taxes	$20,899	$10,030	$11,683

Consolidated domestic subsidiaries of Greyhound as well as eligible Financial Group domestic subsidiaries are included in the consolidated federal income tax returns of Greyhound.

Investment tax credits (and energy tax credits in 1980) of $10,972,000 and $18,747,000 generated in 1981 and 1980, respectively, by Greyhound and Financial Group subsidiaries represented consolidated tax return carryforwards at December 31, 1981 and 1980. The $10,972,000 carryforward at December 31, 1981 will be utilized before similar credits arising thereafter in accordance with current tax legislation.

Certain amounts of tax losses and credits have been utilized by Greyhound which would not have been currently available to Financial Group subsidiaries on a separate return basis. These amounts, plus unutilized Financial Group investment tax credits at December 31, 1981 and 1980, were credited to the Financial Group and included in the determination of the Financial Group's 1981 and 1980 income taxes. Accordingly, consolidated currently payable and deferred provisions for income taxes do not reflect such amounts, but they are recorded as adjustments to Greyhound's current and deferred tax liability accounts.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1981	1980	1979
		(000 omitted)	
Computed income taxes at statutory federal income tax rates	$58,591	$44,660	$57,873
Investment tax credits	(8,929)	(7,541)	(7,595)
Energy tax credits on bus fleet expansion		(4,303)	
Minority interests	4,285	4,129	3,302
State income taxes	3,301	1,854	2,765
Differences applicable to foreign operations	1,413	(3,298)	(307)
Adjustment or refund of prior years' taxes	(1,000)	(1,000)	(992)
Other, including effects of capital gains and foreign tax credits	(774)	1,054	(2,846)
Provision for income taxes	$56,887	$35,555	$52,200

United States and foreign income before income taxes is as follows:

	1981	1980	1979
		(000 omitted)	
United States	$100,702	$62,274	$101,716
Foreign	26,669	34,813	24,094
Income before income taxes	$127,371	$97,087	$125,810

At December 31, 1981, retained income includes $32,587,000 of undistributed net income of foreign subsidiaries and DISC companies on which no federal taxes have been provided because management considers such amounts permanently invested.

Note G — Pension Plans:

Greyhound and its subsidiaries have pension plans covering substantially all of their employees. The cost of pension plans was $78,553,000 in 1981, $82,938,000 in 1980 and $74,982,000 in 1979, including $1,264,000, $1,415,000 and $1,269,000, respectively, attributable to unconsolidated Financial Group subsidiaries.

During 1981, actuarial assumptions, primarily with respect to expected investment returns and salary progressions, were changed for certain of the plans. The net effect of changes in actuarial assumptions (which are amortized over 30 years) reduced pension cost by $9,566,000 in 1981.

At January 1, 1981 and 1980 (the dates of the most recent actuarial valuations) accumulated pension plan benefits and market value of plan net assets available for benefits for all plans, and amounts accrued for pension liabilities attributable to former employees of certain closed plants, were as follows:

	1981	1980
	(000 omitted)	
Actuarial present value of accumulated pension plan benefits:		
Vested	$895,106	$863,514
Nonvested	53,959	39,460
Total accumulated benefits	$949,065	$902,974
Market value of pension trust fund net assets	$933,630	$818,657
Accruals for pension liabilities	47,936	51,838
Total plan assets and accruals	$981,566	$870,495

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9 per cent.

Note H — Lease Obligations:

Certain bus terminals, plants, offices and equipment are leased. The leases expire in periods ranging from one to 41 years, in some instances provide for renewal options ranging from one to 40 years, and in certain instances contain purchase options. Leases which expire are generally renewed or replaced by similar leases.

Capital leases included in the cost of property and equipment aggregated $50,995,000 and $42,461,000 at December 31, 1981 and 1980, respectively, with related accumulated depreciation of $22,437,000 and $20,416,000. At December 31, 1981, future minimum payments under capital leases and noncancellable operating leases with terms in excess of one year are as follows:

	Capital Leases	Operating Leases
	(000 omitted)	
1982	$ 5,841	$ 17,442
1983	5,742	14,768
1984	5,522	12,354
1985	5,019	10,232
1986	4,519	8,409
Thereafter	71,622	51,690
Total future minimum lease payments	98,265	$114,895
Less:		
Executory costs	(2,566)	
Imputed interest	(51,218)	
Present value of future minimum capital lease payments	$44,481	

Additional information regarding operating lease rentals is as follows:

	1981	1980	1979
	(000 omitted)		
Minimum rentals	$47,655	$43,570	$35,762
Contingent rentals	26,797	25,771	23,181
Total rentals	$74,452	$69,341	$58,943

Contingent rentals on operating leases are based primarily on sales and revenues for buildings and leasehold improvements and usage for other equipment. Capital lease contingent rentals and sublease rental income were not material in any year.

Note I — Litigation:

Greyhound and certain subsidiaries are parties to a number of legal proceedings in various stages, the outcome of which is not expected to have a material effect upon the consolidated financial condition of Greyhound, but in which the ultimate liability, if any, cannot be reasonably estimated. Some of the suits, which are being contested by pretrial proceedings, are brought on behalf of classes or alleged classes of plaintiffs for alleged discriminatory employment practices.

Note J — Other Matters:

Under the terms of credit agreements with certain financial institutions, Greyhound has guaranteed borrowings of a Financial Group subsidiary aggregating $10,000,000 at December 31, 1981. In addition, Greyhound has guaranteed borrowings and bank credit of various other companies aggregating $9,398,000 at December 31, 1981.

Net income of affiliates included in consolidated net income of Greyhound was $3,806,000 in 1981, $2,439,000 in 1980 and a loss of $632,000 in 1979. Total assets of the affiliated entities are less than 4 per cent of consolidated assets of Greyhound. Undistributed net income of these affiliates included in Greyhound's retained income was $7,371,000 at December 31, 1981.

Summary of Combined Financial Condition (000 omitted)

ASSETS	December 31, 1981	1980
INVESTMENTS IN EARNING ASSETS:		
Finance lease and contract receivables, net of unearned income of $671,001 and $463,455	$1,372,558	$1,085,955
Computer rental equipment, net	178,372	120,338
Bonds and other fixed maturity investments, at amortized cost (market $146,649 and $161,493)	207,808	190,758
Equity securities, at quoted market	17,900	31,537
Short-term investments, including demand loan to Greyhound of $35,000 in 1981 and 1980	148,005	80,390
Investments in Earning Assets	1,924,643	1,508,978
Cash	75,147	72,436
Other Receivables	101,244	72,196
Tax Benefits due from Greyhound	9,611	7,246
Other Assets	77,680	58,074
Deferred Policy Acquisition Costs	14,326	13,128
Intangibles, at cost less amortization	41,721	42,148
	$2,244,372	$1,774,206
LIABILITIES AND GREYHOUND EQUITY		
LIABILITIES:		
Long-term debt, including subordinated debt of $98,016 and $49,154	$ 977,738	$ 777,656
Commercial paper and short-term bank loans	157,578	54,549
Money orders outstanding and payment service advances	179,802	123,020
Unearned premiums	43,563	44,401
Insurance losses and claims	92,495	73,333
Due to Greyhound	21,552	5,890
Other short-term liabilities	132,037	101,316
	1,604,765	1,180,165
DEFERRED TAX ITEMS	237,806	206,960
MINORITY INTERESTS	18,838	17,249
GREYHOUND EQUITY:		
Capital	239,050	244,123
Net unrealized investment gains (losses)	(423)	3,937
Retained income	144,336	121,772
	382,963	369,832
	$2,244,372	$1,774,206

See notes to summary combined statements.

Summary of Combined Income (000 omitted)

	Year Ended December 31, 1981	1980	1979
REVENUES:			
Leasing and other:			
Finance lease and other income	$231,462	$176,729	$132,496
Operating lease rentals	73,601	64,728	62,229
Gains on disposal of equipment	17,179	11,634	16,804
Insurance:			
Premiums earned	95,788	80,646	80,777
Investment income, net of expenses	26,189	20,377	15,594
	444,219	354,114	307,900
OPERATING COSTS:			
Leasing and other:			
Interest	121,823	93,813	69,476
Depreciation	47,053	34,558	32,915
Other	85,156	74,414	61,667
Insurance:			
Losses and settlement expenses	64,315	41,432	38,871
Amortization of policy acquisition costs	31,307	25,899	25,071
Other	14,104	8,655	6,712
	363,758	278,771	234,712
OPERATING INCOME BEFORE UNUSUAL INCOME	80,461	75,343	73,188
UNUSUAL INCOME—Litigation settlement, net of expenses (Note 6)	15,258		
OPERATING INCOME	95,719	75,343	73,188
NET REALIZED INVESTMENT GAINS (LOSSES)	3,108	2,259	(108)
MINORITY INTERESTS AND OTHER, NET	(1,832)	(1,313)	(2,053)
INCOME BEFORE INCOME TAXES	96,995	76,289	71,027
INCOME TAXES	29,292	19,501	21,607
NET INCOME:			
Leasing and other	56,177	38,103	33,587
Insurance	13,816	20,978	17,931
Minority interests	(2,290)	(2,293)	(2,098)
Total Financial Group	$ 67,703	$ 56,788	$ 49,420

See notes to summary combined statements.

Summary of Changes in Combined Financial Position (000 omitted)

	Year Ended December 31, 1981	1980	1979
SOURCE OF FUNDS:			
From operations	$176,022	$131,602	$110,357
Collections on finance receivables, less income amortization	180,707	165,325	133,963
Carrying amount of equipment sold	23,528	19,222	35,248
Total from operations, collections and equipment disposals	380,257	316,149	279,568
Additional long-term debt	220,496	355,866	234,083
Increase in commercial paper and short-term bank loans	260,322		12,562
Increase in money orders and payment service advances	56,782	36,406	9,430
Other transactions with Greyhound, net	15,662		
Other sources of funds	37,791	38,032	25,468
	971,310	746,453	561,111
USE OF FUNDS:			
Investments in earning assets:			
Finance leases and contracts	507,404	325,680	281,876
Computer rental equipment	116,019	27,712	67,317
Fixed maturity and equity securities, net	74,009	35,414	64,009
Total investments, net	697,432	388,806	413,202
Reductions of long-term debt	178,828	234,244	71,641
Decrease in commercial paper and short-term bank loans		48,055	
Dividends paid to Greyhound	45,303	24,182	21,920
Other transactions with Greyhound, net		5,091	21,665
Other uses of funds	47,036	30,409	24,839
	968,599	730,787	553,267
INCREASE IN CASH	$ 2,711	$ 15,666	$ 7,844

Summary of Combined Greyhound Equity (000 omitted)

	1981	1980	1979
Balance, beginning of year	$369,832	$333,529	$297,541
Net income	67,703	56,788	49,420
Dividends to Greyhound	(45,303)	(24,182)	(21,920)
Additional (reduction in) investment by Greyhound, net	(4,912)	2,476	3,721
Net change in unrealized gains and losses on marketable equity securities	(4,360)	1,379	4,752
Other	3	(158)	15
Balance, end of year	$382,963	$369,832	$333,529

See notes to summary combined statements.

Notes to Summary Combined Statements

Three Years Ended December 31, 1981

Note 1 — Summary of Significant Accounting Policies:

The accompanying financial information for the Financial Group is prepared on the Greyhound cost basis, which is the basis for recording investments in and net income of Financial Group subsidiaries in Greyhound's consolidated financial statements. This combined information has been prepared in accordance with generally accepted accounting principles.

Intangibles are amortized primarily over forty years.

Leasing Subsidiaries:

Finance leases and contracts, collateralized primarily by commercial and industrial equipment, are generally direct financing leases. Computer rental equipment is leased principally under operating leases, and is depreciated on the declining balance method at annual rates ranging from 20 to 30 per cent.

Investment tax credits arising from direct financing leases are deferred and amortized to finance lease revenues over the original terms of related leases on the sum-of-the-months' digits method. Investment tax credits related to computer operating leases are deferred and amortized on the straight-line method over seven years as a reduction of income taxes.

Proceeds received pursuant to the terms of tax benefit transfer leases are deferred as a reduction of the carrying amount of the related underlying equipment lease and amortized to income on the interest method.

Insurance Subsidiaries:

Premiums earned are calculated generally on the straight-line basis over the terms of the coverage.

Costs associated with the acquisition of insurance business are deferred and amortized over the term of the policies in the same manner as premiums earned are calculated.

Provisions for losses under mortgage insurance contracts are principally determined by a formula based upon reported delinquencies. Provisions for losses applicable to other insurance operations are determined on the basis of management's estimate of the anticipated ultimate loss ratio.

Bonds and other fixed maturity investments are carried at amortized cost, unless there is deemed to be a permanent diminution in value, in which case the loss is recorded in net realized investment gains (losses). Equity securities are carried at quoted market and changes in valuation allowances are recorded in Greyhound equity.

Note 2 — Finance Lease and Contract Receivables:

Finance lease and contract receivables due in the next five years will approximate $333,578,000 (1982), $276,788,000 (1983), $236,769,000 (1984), $209,350,000 (1985) and $177,929,000 (1986). Estimated residual value of equipment included in finance lease and contract receivables was $180,956,000 and $144,144,000 at December 31, 1981 and 1980, respectively.

Proceeds received from a tax benefit transfer lease in 1981 were $10,072,000.

Note 3 — Computer Rental Equipment:

At December 31, 1981 and 1980, computer rental equipment includes the following:

Type of Equipment	Cost or Stated Amount 1981	Cost or Stated Amount 1980	Carrying Amount 1981	Carrying Amount 1980
	(000 omitted)			
IBM System/370 and compatible	$237,502	$162,963	$160,638	$111,138
Other	39,889	46,104	17,734	9,200
	$277,391	$209,067	$178,372	$120,338

Noncancellable rentals due under computer equipment leases total approximately $111,511,000 at December 31, 1981. Accordingly, recovery of the carrying amount of computer equipment at December 31, 1981 is dependent upon renewal of existing leases or sale or lease of the equipment at satisfactory prices. Continuing achievements in computer technology, the pricing and delivery of advanced computer equipment by manufacturers and other market factors could significantly influence useful lives and future rental or sales values of computer equipment. Management believes that it will recover the remaining carrying amount of computer equipment.

Note 4 — Long-term Debt:

Long-term debt, substantially all applicable to leasing operations, at year-end was as follows:

	1981	1980
	(000 omitted)	
Senior debt:		
Revolving credit loans	$160,649	$212,538
Term loans, 8¾% to 17⅝%, due to 1989	222,054	218,177
Commercial paper refinanced subsequent to year-end	124,000	
9.70% Notes, due 1984	60,000	60,000
14⅞% Notes, due 1991	75,000	
Sinking fund debentures:		
12½%, due 1991 to 2000	99,305	92,320
9¼%, due 1983 to 1992	50,000	50,000
Limited recourse installment notes, 9⅞%, due to 1991	25,121	26,864
Other, 7% to 14⅝%, due to 1998	63,593	68,603
Subordinated debt:		
Commercial paper supported by unused subordinated revolving credit	35,000	
6% to 17%, due to 1997	63,016	49,154
Total long-term debt	$977,738	$777,656

Revolving credit loans are borrowed under credit agreements aggregating $491,440,000 with an average interest rate at December 31, 1981 of 15.3 per cent. The agreements generally require payment of a fee on the unused commitments and are renewable annually. However, if loans with any or all participating banks are not renewed, the subsidiaries may, at their option, repay the nonrenewing banks' participation immediately or over thirty-month to eight-year periods following the date of termination. So long as the agreements are renewed and the subsidiaries comply with specified tests of financial condition, no repayments of principal are required, and as long as there is no material adverse change in their financial condition, additional advances may be obtained up to the amount of the unused credits.

Compensating balances under certain of the revolving credit agreements averaged $3,379,000 in 1981, of which $2,250,000 was provided by Greyhound. The Financial Group paid interest to Greyhound for the use of these funds. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

Annual maturities of long-term debt (other than amounts due under revolving credit agreements expected to be renewed) due in the next five years will approximate $26,291,000 (1982), $51,480,000 (1983), $99,546,000 (1984), $57,943,000 (1985) and $81,435,000 (1986).

Note 5 — Income Taxes:

The provision for income taxes for the three years ended December 31, 1981 consists of the following:

	1981	1980	1979
		(000 omitted)	
United States:			
Federal:			
Currently payable	$13,247	$ 8,744	$10,470
Benefits from inclusion in Greyhound's consolidated tax return	(4,826)	(11,123)	(5,189)
Investment tax credits and amortization	(1,715)	(1,145)	(931)
Deferred, principally as a result of leasing operations	19,039	19,789	14,663
State	951	547	100
Foreign	2,596	2,689	2,494
Provision for income taxes	$29,292	$19,501	$21,607

Investment tax credits of $18,961,000 arising in 1981, $9,562,000 in 1980 and $9,357,000 in 1979 from leasing operations have been deferred. Amortization of deferred investment tax credits included in finance lease revenues was $8,174,000 in 1981, $6,606,000 in 1980 and $5,769,000 in 1979.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1981	1980	1979
		(000 omitted)	
Computed income taxes at statutory federal income tax rates	$44,618	$35,093	$32,672
Investment tax credits and amortization	(1,715)	(1,145)	(931)
Effects of investment tax credits in lease revenue	(3,760)	(3,039)	(2,654)
Statutory rate differences and tax exempt income	(11,608)	(8,452)	(5,948)
Minority interests	1,053	1,105	966
Other, principally state and foreign tax differences	704	(4,061)	(2,498)
Provision for income taxes	$29,292	$19,501	$21,607

United States and foreign income before income taxes is as follows:

	1981	1980	1979
		(000 omitted)	
United States	$91,114	$64,533	$60,129
Foreign	5,881	11,756	10,898
Income before income taxes	$96,995	$76,289	$71,027

Deferred tax items include $39,413,000 and $30,320,000 at December 31, 1981 and 1980, respectively, of deferred investment tax credits of leasing operations.

Note 6 — Litigation:

An action against Greyhound Leasing & Financial Corporation ("Greyhound Leasing") in the U.S. District Court in Puerto Rico by certain former lessees, and affiliates thereof, of Boothe Leasing Corporation of Puerto Rico, a small subsidiary of Greyhound Leasing, claims damages in the aggregate amount of $34,150,000 for alleged wrongful attachment of equipment, property and assets of the plaintiffs arising from the lessees' alleged failure to pay rentals due under the leases. Trial of the case commenced before a jury in February, 1979; the jury last heard testimony in June, 1980; and jury instructions were submitted by both sides in 1980 but the Court has not yet instructed the jury or finally decided numerous pending motions, including motions to dismiss or direct a verdict for defendants. Management believes, upon advice of counsel, that the damages claimed are not well founded or are greatly exaggerated and that the ultimate liability, if any, resulting from this action will not have a material effect upon the consolidated financial condition of Greyhound Leasing.

On January 26, 1981, the long-standing antitrust litigation brought against IBM by Greyhound Computer Corporation was settled upon receipt of a $17,700,000 payment from IBM. This amount less related costs and expenses is included in income as an unusual item. The effect on income after tax was $8,117,000.

Note 7 — Relations with Greyhound:

Financial Group domestic subsidiaries are included in the consolidated federal income tax returns of Greyhound. These subsidiaries pay to Greyhound amounts which are no greater than, but may be less than, the taxes they would pay on a separate return basis. If no taxes are payable on such basis, Greyhound credits to Financial Group subsidiaries amounts equal to the tax benefits (from tax losses and credits) currently utilizable by Greyhound which arise from inclusion in Greyhound's consolidated returns, whether or not such benefits would have been currently available to the subsidiaries on a separate return basis.

The executive, financial, legal, tax and other corporate staff departments of Greyhound perform services for the Financial Group, and in some cases Greyhound also furnishes office space, data processing and office services at charges which are intended to provide no profit to Greyhound. The Financial Group domestic subsidiaries have compensating balance arrangements with Greyhound. In addition, the Financial Group subsidiaries have net advances due to or from Greyhound depending upon cash requirements of the entities and Greyhound has guaranteed $10,000,000 debt of one subsidiary. Net interest received from Greyhound was $5,083,000 in 1981, $3,965,000 in 1980 and $1,337,000 in 1979.

Note 8 — Other Matters:

The property and casualty insurance subsidiaries cede insurance to other insurers in order to limit their maximum loss through risk diversification. Certain insurance accounts, primarily premiums earned, losses and settlement expenses and the liability for insurance losses and claims of the special risk and reinsurance business, are stated net of amounts ceded under reinsurance policies. Insurance ceded by the subsidiaries does not relieve liability in the event of a failure by a reinsurance company to pay claims. Premiums ceded during 1981, 1980 and 1979 were $74,750,000, $64,184,000 and $60,495,000, respectively, and the contingent liability for insurance losses and claims applicable to reinsurance was $32,296,000 at December 31, 1981.

Financial Reporting and Changing Prices

Statement No. 33 of the Financial Accounting Standards Board requires the reporting of supplemental information about the effects of specific price changes (current costs) and general inflation (constant dollars) on financial statements.

Greyhound cautions against the use of this information for estimating the inflationary effect on future costs. As required, the 1981 amounts reported in the primary financial statements have been adjusted only for depreciation expense and the inventory components of costs in arriving at net income as adjusted. Amounts for 1980 and 1979 have been similarly adjusted and are further restated in average 1981 dollars. Net income amounts as initially adjusted each year are exclusive of any income tax provision adjustments.

The Standards Board expressed a need for experimentation in reporting the effects of changing prices and mandated only general guidelines. Therefore, this data may not be comparable with that of other companies. The information which follows provides the required disclosure of the effects of inflation on Greyhound's operations, certain assets and its purchasing power.

Current Cost Information:
The objective of this method is to reflect the effects of changes in specific prices of the resources actually used in Greyhound's operations, so that measures of these resources and their consumption reflect the current cost of replacing these resources, rather than the historical cost amounts actually expended to acquire them.

This method of reporting restates inventories and property and equipment in terms of what it would cost Greyhound to replace these items in specific current year costs. Accordingly, cost of sales was calculated on the basis of current production or acquisition costs, other than for products on a LIFO inventory valuation basis because use of such basis approximates current costs. Property and equipment and depreciation were restated utilizing various appropriate external price indices.

Constant Dollar Information:
The objective of this method is to provide financial information in dollars of equivalent value or purchasing power.

The adjusted net income under this method was determined by: (1) aging inventories and property and equipment; (2) translating these agings by using the required Consumer Price Index for All Urban Consumers (calculated by the U.S. Department of Labor); and (3) calculating what cost of sales and depreciation expense for the periods presented would have been if these were expressed in average 1981 dollars.

Effects of Changing Prices—1981 (000 omitted)

	Changes in Specific Prices (Current Costs)	General Inflation (Constant Dollars)
Net income, as reported	$138,187	$138,187
Less adjustments to restate costs for the effects of inflation on:		
Cost of revenue items	(3,312)	(29,242)
Depreciation	(51,223)	(53,066)
Net income, as adjusted	$ 83,652	$ 55,879
Purchasing power gain on net monetary amounts owed (not included in adjusted income above)	$ 56,728	$ 56,728
Increase in specific prices of inventories and property and equipment(1)	$177,684	
Effect of increase in the general price level	132,952	
Increase in specific prices (current costs), net of inflation	$ 44,732	

(1) At December 31, 1981, current cost of inventories was $331 million and current cost of property and equipment, net of accumulated depreciation, was $1,310 million.

Selected Financial Data Adjusted for the Effects of General Inflation — Stated in Average 1981 Dollars

	1981	1980	1979	1978	1977
	(in millions except per share and price index data)				
Sales and revenues	$4,720.1	$5,279.3	$5,900.0	$6,077.5	$5,812.6
Dividends per common share	1.20	1.32	1.30	1.45	1.56
Year-end market price per share	15.00	14.63	17.05	14.77	18.67
Constant dollar information:					
Net income	55.9	45.0	60.9		
Net income per share	1.24	1.02	1.38		
Net assets at year-end	1,362.9	1,381.7	1,396.6		
Current cost information:					
Net income	83.7	85.7	90.4		
Net income per share	1.85	1.93	2.05		
Net assets at year-end	1,557.0	1,495.8	1,536.7		
Increase (decrease) in specific prices of inventories and property and equipment, net of inflation	44.7	(54.8)	(83.7)		
Purchasing power gain on net monetary amounts owed	56.7	88.5	105.5		
Average consumer price index	272.4	246.8	217.4	195.4	181.5

*Transfer Agents**

Common Stock certificates may be mailed to the following address for transfer:

First National Bank of Boston
P.O. Box 644
Boston, Massachusetts 02102

Common Stock certificates may be delivered to the following offices for transfer:

First National Bank of Boston
Stock Transfer Department
100 Federal Street
Boston, Massachusetts

First National Boston
Clearance Corporation
61 Broadway
7th Floor
New York, New York

FNB Financial Company
1 Wilshire Boulevard
8th Floor
Los Angeles, California

Transfer of warrant certificates representing New York Stock Exchange listed warrants can only be made at the following agent's office:

Citibank, N.A.
111 Wall Street
New York, New York 10015

**Change of address and inquiries regarding dividend payments or related to common stock accounts or warrant accounts should be sent directly to:*
The Greyhound Corporation
P.O. Box 21688
Phoenix, Arizona 85036

Stock Exchanges

The principal market on which the common stock of The Greyhound Corporation is traded is the New York Stock Exchange. It also is traded on the Pacific, Midwest, Philadelphia and Cincinnati exchanges.

Sales Price Range of Common Stock

	1981		1980	
Calendar Quarters:	High	Low	High	Low
First	18	13¼	18⅝	13½
Second	20¼	16½	17⅜	14¾
Third	18⅛	13½	17½	14⅛
Fourth	16⅞	14⅜	15½	12½

Dividends Paid on Common Stock

	1981	1980
January	$ .30	$ .26
April	.30	.30
July	.30	.30
October	.30	.30
	$1.20	$1.16

Corporate Headquarters

The Greyhound Corporation
Greyhound Tower
Phoenix, Arizona 85077
(602) 248-4000

Annual Meeting

You are cordially invited to attend the annual meeting of shareholders to be held May 11, 1982, starting at 9:00 a.m., in the Coronado Room at the Ramada TowneHouse
100 West Clarendon Avenue
Phoenix, Arizona

Printed in U.S.A.

Exhibit C

1982 Annual Report

The Greyhound Corporation

Contents

Financial Briefs

	1982	1981	1980	1979	1978
REVENUES (millions):					
Greyhound and consolidated subsidiaries	$4,541	$4,720	$4,782	$4,709	$4,359
Financial Group (not consolidated)	468	444	354	308	231
Combined	$5,009	$5,164	$5,136	$5,017	$4,590
INCOME (millions):					
Exclusive of unusual and extraordinary items:					
Greyhound and consolidated subsidiaries	$ 58.9	$ 69.8	$ 62.8	$ 71.8	$ 50.0
Financial Group	47.3	59.6	56.8	49.4	35.2
Combined income, exclusive of unusual and extraordinary items	106.2	129.4	119.6	121.2	85.2
Unusual items		8.1			(25.4)
Extraordinary item	(3.1)				
NET INCOME (millions)	$103.1	$137.5	$119.6	$121.2	$ 59.8
NET INCOME PER SHARE (dollars)	$ 2.34	$ 3.05	$ 2.70	$ 2.75	$ 1.36
Average outstanding common and equivalent shares (millions)	44.0	45.1	44.3	44.0	43.9

Message From Your Management

As the new chairman of the board of The Greyhound Corporation, it is natural that in this message to shareholders I would want to find precisely the right words to capture the spirit of what is happening at Greyhound.

In simplest terms, I can tell you that, "Yes...Greyhound is changing!"

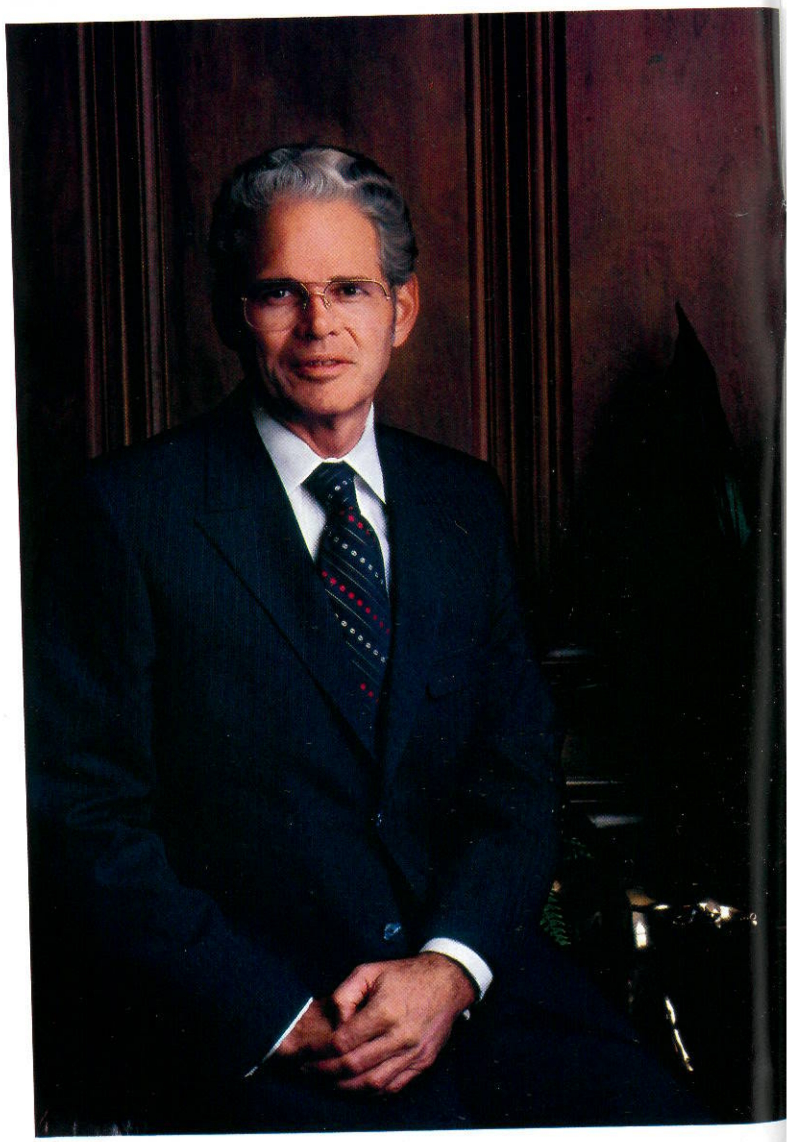
The best measure of the *quality* of that change is that it is happening without upheaval, and it is happening as a consequence of meticulous planning. There are no dramatics to the change. Just sound, professional management of our assets, and the steady...sometimes plodding...progress toward setting goals and meeting them.

Cumulatively, however, the impact of these actions is significant, and has far-reaching ramifications for the corporation and its future:

- We completed the purchase of 2 million of our own shares at an average price of $14.41 per share.
- Armour and Company became an Arizona corporation totally held by Greyhound, and owners of Armour stock and debentures became owners of the equivalent in Greyhound securities. The move not only simplified financial filings, but reduced costs and positioned Armour for more profitable operations.
- $111 million of late model Greyhound buses were sold and subsequently leased back to Greyhound Lines for periods of 10 and 11 years. An additional $12 million of new MC-9 coaches were sold to individual investors and leased back to Greyhound Lines under medium-term operating leases. Together, the two transactions reduced consolidated debt by some $30 million, further strengthening Greyhound's financial condition, while simultaneously allowing the corporation to more effectively utilize its available tax credits.
- A number of businesses and assets were divested at book value or better, yielding $42 million in cash and notes and, from reductions in receivables and inventories, freeing up an additional $15.4 million in working capital. These included two Armour turkey-raising facilities and a beef abattoir, the filament yarn business of Armour Handcrafts, Greyhound Rent-A-Car, and various transportation entities, specifically Walters Transit, Carey Transportation, American Sightseeing, Gray Line of New York and Red Top Sedan. In addition, three hog slaughtering operations will close and subsequently be sold, in the late summer of 1983. These divestitures were made because we found ourselves in the untenable position of supporting businesses showing marginal returns...or marginal *prospects*...at a time when those resources were needed to assure the growth and expansion of our other businesses.
- The Greyhound Corporation assumed the obligation for Greyhound Computer Corporation's 6% subordinated debentures, realizing a sizeable savings in administrative costs.
- Corporate overhead was cut by $3.8 million on an annualized basis with the separation or transfer of some 193 corporate staff people.
- Greyhound Lines' personnel costs were cut by approximately $10 million with the separation or early retirement of approximately 300 employees
- Six Armour branch houses in the East were closed, with a consequent saving of $4 million on an annualized basis. The move actually improved distribution of our products in the region, putting them in the hands of experienced brokers who deal directly with our customers.
- Greyhound Lines of Canada purchased 945,000 of its shares, increasing Greyhound's ownership to 68%.

The changes enacted in 1982 were done with great deliberation and no great fanfare, and only after thoughtful reflection on all aspects of their impact. Still, they have evoked a positive response from the financial community, apparent in both the number of financial analysts who now follow the corporation, and in the number of very upbeat research reports released on Greyhound during the year.

We recognize, of course, Greyhound's long-standing tendency to track closely the movement of the Dow Jones averages, which have enjoyed a marked upswing recently. Nevertheless, it should be noted that Greyhound securities have out-performed the Dow by roughly 20% in recent months.



John W. Teets

What makes this Wall Street attention so significant is that it occurred in a year which, by any measure, was not our finest. Earnings were down sharply due primarily to poor results by the Transportation Group, and to a much lesser degree to economy-related factors affecting all business. In 1982, we reported net income of $103 million, or $2.34 per common share, compared with $138 million, or $3.05 per common share last year. (A detailed analysis of group results follows beginning on page four.)

Wall Street enthusiasm for our securities, then, is clearly not based on current results, but on future expectations. And that, in turn, can only be rooted in approval of the changes made in recent months, and the anticipation of continued honing of corporate assets.

Commenting on our 1982 results, I have very mixed emotions. I am keenly aware of the tremendous economic convulsions going on today, and readily concede that the resulting fall-out is hurting just about everyone's business. It is all too easy, however, to read the pages of the *Wall Street Journal* and conclude that, compared to the record losses being experienced by many corporations, the widespread bankruptcies, the dividend cuts and, indeed, the suspension of dividends by many companies...that we are, after all, reporting remarkably solid profits.

The trouble with that kind of cast-iron logic is that it could lead to complacency and management paralysis—the conviction that events move *us*, rather than we move events.

For that reason, I have communicated to our managers that the primary responsibility for corporate results is *ours*; it is not blamable on circumstances.

Like all corporations, Greyhound acts on everything from new product introduction to new plant expansion, based on strategic plans— one to five years in scope—formulated by our operating companies. Greyhound has approximately 23 primary operating entities and as many management teams. This year, for the first time, those managers came to Phoenix for comprehensive meetings designed to take the wraps off their strategic plans and expose them to cold, uncompromising analysis. This type of critique is essential in the months and years ahead, because on those plans ride far-reaching, very costly commitments, sometimes the *least* of which is the cash commitment!

What we are hammering home to our management teams in these meetings is the principle of direct, personal accountability for operating results. Planning and forecasting which are rooted in wishful thinking are totally worthless. *In short, good intentions don't count!* Planning has to be premised in sound market research, knowledge of competitors, on-going analysis and critique of our plans updating them with every new insight garnered and every new piece of data that comes our way, and finally, in constant, unrelenting attention to excellence. We have to listen well to what people tell us about ourselves and our businesses. We cannot afford to arbitrarily dismiss any critic as a crank, or any new idea as unworkable.

We have learned in this past, very difficult year, for instance, that *even adversity* has its benefits. Because of the drastic impact on Greyhound Lines from deep discounting of fares, we have been forced to examine our whole structure...route by route, schedule by schedule...and have put in place new accounting systems, new profit-analysis systems, new market research procedures. In this instance, adversity has done more to position Lines for future growth under deregulation than prosperity might have done!

I have deliberately chosen in this first annual report message not to dwell on operations. Those are covered more than adequately in the group sections. Rather, I think every shareholder deserves to know my management philosophy, my outlook, and my policies since it is *their* money which we Greyhound managers are spending. And we are very aware of the fact that every shareholder can put his cash elsewhere if he chooses.

The dilemma for all managements is the age-old choice between being a guardian of orthodoxy or a champion of progress. As a rule, people find it easier and less taxing to adapt old answers rather than to devise new ones, and to concentrate on short-term goals without consideration for the cumulative impact of decisions into the future. *That will not be our policy at Greyhound.*

The cover of this year's annual report depicts a superb carving of the running dog, the symbol of Greyhound, but as yet unfinished...the curls of wood, the carver's tools, still at hand. This cover captures the essence of what we are doing at Greyhound...honing and refining, making leaner and swifter the body corporate. We are doing so in line with long-range strategic plans which have had a marked positive effect on the corporation. The result of this reshaping of Greyhound will lead to continued innovation and growth, and I fully expect that next year and beyond, I will still be telling you, "Yes...Greyhound is changing!"

In closing, we are distressed to report to you the sudden death early in 1983 of George Michelson, corporate vice president of internal auditing. He had been on the Greyhound corporate staff since 1971, and associated with Armour since 1947. Succeeding him is Ermo Bartoletti who brings to the post the same excellence and dedication that were the hallmarks of Mr. Michelson for so many years.

Finally, my thanks to the directors and the employees of Greyhound for their generous support and encouragement. I see the years ahead as an exciting adventure in which we all share in both the goals and the achievements.

John W. Teets
Chairman of the Board and
Chief Executive Officer

Transportation

In 1982, the Transportation Group suffered a marked decline in net income, dropping to $20.2 million from $49.7 million in 1981. To put this situation into perspective, it is necessary to look at the year in two distinct segments.

In the first quarter, earnings were off primarily because of the relentless grip of the recession in the U.S., and consequent high unemployment among our ridership base. In addition, one of the harshest winters on record forced cancellation of service on a number of occasions, even on routes which, in our history, had never previously been shut down by weather conditions. As a result, both passenger miles and number of passengers were sharply depressed early in the year. While not a cheerful prospect, the situation was at least understandable, and within the parameters of the normal risks of doing business.

In late May, however, a competitor implemented discount fares ranging from 20% to over 60% on a number of key routes, aimed precisely at capturing Greyhound's market share. The most candid description of this deep discounting...undertaken as the industry was entering its all-important summer earnings season...is that it made absolutely no economic sense whatsoever.

Nevertheless, for Greyhound the choice was simple: either meet those discounts or lose share of market and the latter is not, nor will it ever be, a viable alternative.

As a result, in the third quarter...the period when intercity carriers historically earn as much as 75% of the year's profit...Transportation's net income dropped 37.4%. It would be easy to say the comforting thing, and advise that this type of irrational behavior will be short-lived. But the fact is, that should it continue or recur, we will *continue to meet any fare that seeks to undermine our service and our markets.*

The single most significant event in the history of the intercity bus industry occurred on November 19, 1982, with the onset of regulatory reform. You will recall that Greyhound has been the major advocate of a deregulated industry, and the primary champion of this legislation as it moved through Congress.

The bill which was finally enacted is not total deregulation, and we continue to hope for a day when *all* regulation is lifted. The legislation is, however, a major step in that direction and goes a long way toward allowing us to operate our business to *meet the needs of the consumer and the marketplace*, rather than the whims of the regulator.

In the past we could, with justification, claim to be fettered by regulation. Today, we have what we asked for...a substantially deregulated operating environment...and now that we have it, we have the obligation to use it well!

For starters, we have been studying our entire route structure and we have pushed aside all the old limitations to doing business. We are putting more authority for service innovation and pricing in the hands of our regional personnel and expect them to exercise that authority to be more opportunistic—to react effectively and quickly to emerging marketing opportunities.

In addition, we have further expanded our computerized ticket selling system and within the next 18 months, the system will be national. This system not only speeds up ticketing, but more importantly, it yields instant information on ticket sales, traffic patterns and the like, allowing us to tailor our service to the actual traveling preferences of the consumer.

We also made excellent strides in 1982 in the package express field. We have long felt that Greyhound Package Express deserves to be something more than just an adjunct to our passenger operation, and early in 1982, we decided to test that premise. We targeted the upper Midwest for special attention, installing a field sales force and supporting it with heavy marketing effort. Despite the automotive-related sluggishness of the region, GPX business increased in the area. As a result, in 1983 we are duplicating that special effort for GPX operations east of the Mississippi and in 1984, west of the Mississippi. Inasmuch as the new deregulation legislation applies to package express as well as to passenger operations, it justifies putting a good deal of time, attention and resources behind our package express service in the months ahead.

Throughout 1982, anticipating the enactment of deregulation, we thought long and carefully about the businesses we were in and concluded that regular route service could benefit most from the expanded marketing environment offered by deregulation. As a result, we sold off, at better than book value, a number of our tour and sightseeing companies, including Carey Transportation, Gray Line of New York, Red Top Sedan, American Sightseeing and Walters Transit.

We also opened a new telephone information center in Charlotte, N.C. similar to the facility opened in 1981 in Allentown, Pa. These telephone information centers are highly automated telecommunications centers which handle calls from a multi-state region. Two more are planned for strategically important regions of the country in 1983.

It is important to stress that throughout the long campaign to move the deregulation bill through Congress, we have been very forthright in educating the public as to its probable impact. Deregulation is neither a money tree nor is it a license to abandon service to smaller towns. *We are in the business of carrying passengers* and wholesale abandonment of small communities is not the natural offspring of deregulation. Realignment of service *is*, however! We mean to haul more passengers, not less...and we mean to carry them at fair, compensatory rates. That may mean consolidating some routes and expecting passengers to drive a little farther to pick up the bus. But when they drive those few extra miles, they can expect to find better, more convenient service than formerly.

Greyhound Lines of Canada deserves special mention for having turned in a good 1982 performance despite a Canadian economy in even more serious straits than our own.

Looking to 1983, we expect both the industry, and our share of it to be in better shape. One of the most unhealthy aspects of nearly 50 years of regulation is the fact that, in a year like 1982, a carrier can suffer from irrational pricing while simultaneously being deprived of the ability to innovate. With deregulation comes a new vitality, and we expect to report improved Transportation earnings for 1983.

Motor Coach Industries is building 700 buses for the New Jersey Transit Authority. Here, a happy commuter boards one of the first of 35 buses delivered to NJ Transit just before Christmas, 1982.

Bus Manufacturing

The Greyhound MC-9...whether it carries the logo of the running dog or the logos of the hundreds of other carriers who are our customers...is in a class by itself. It stands alone as representing the finest intercity bus on the road today.

A testament to that excellence is seen in the 1982 results of the Bus Manufacturing Group which reported net income of $37.4 million, up 11% from $33.7 million last year. These record results were achieved despite a 6-week strike in the fall at our Motor Coach Industries plant in Pembina, North Dakota, which caused a shutdown at our Winnipeg, Canada plant as well.

The expansion program which was begun in 1980 has been completed, and the bus-building group now has some 1.5 million square feet of manufacturing space in the U.S. and Canada. Essentially none of the buses produced in 1982 is representative of this expanded capacity, however, due to the long lead-time required before assembly can begin.

The expansion program, while not undertaken with that end in mind, does in fact dovetail nicely with the enactment of legislation deregulating the intercity bus industry. We believe that deregulation will not only stimulate new entrants into the industry, but that the majority of those new entrants will be in the charter and sightseeing segment of the market. Charter carriers, in terms of historic perspective, have always carried twice as many passengers annually as regular route operators. This translates into the prospect of more buses for this highly specialized group, and we are looking to the charter-sightseeing customer as a primary growth area in the years ahead.

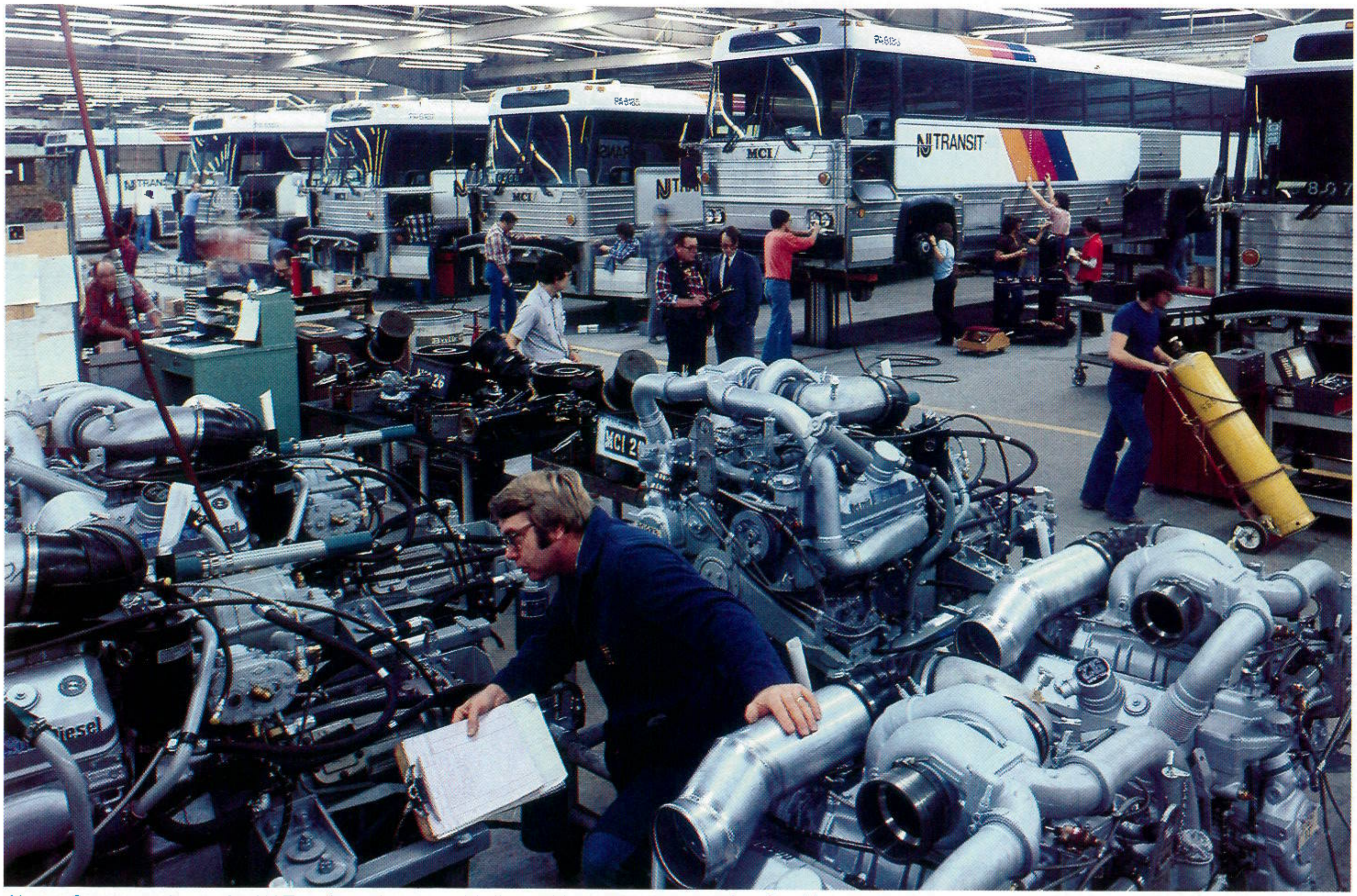
Our expanded capacity also gives us the flexibility to go after the overseas bus customer. Historically, we have been in the not unpleasant position of being hard-pressed to supply just the domestic market for buses. The foreign market was one we did not actively pursue apart from unusually large and prestigious orders like the 227 buses we have sold in Saudi Arabia in recent years. Now that we have the ability to produce more buses, however, and can be a major presence in the international market, we are setting our sights on expanding overseas sales, particularly in the Middle East, Africa and Latin America. In 1982, we negotiated the sale of 50 buses to Taiwan for delivery in 1983.

1982 also saw the awarding of the largest single intercity bus order in the history of the industry...700 buses ordered by New Jersey Transit Authority for its long-distance commuters. That order, valued at $111 million, was awarded to Greyhound's Motor Coach Industries operation. It will take all of 1983 to complete, but the first 35 of those buses are already in service, having been delivered to New Jersey Transit just before Christmas.

Looking ahead to 1983, our bus-building income should closely approximate 1982 results. Orders in hand, plus our best forecast of orders to year-end,indicate we will equal our 1982 production levels and we will continue to exploit every avenue for expanded sales growth.

At Greyhound, we are inordinately proud of the bus we build. To us it *is* Greyhound, built from the ground up with uncompromising excellence.

Greyhound Lines, the official motor coach carrier for Walt Disney World since its opening 12 years ago, had a fleet of 40 MC-9 Americruisers and 44 drivers on hand to provide transportation to 1,500 entertainers taking part in the October 1982 festivities inaugurating Disney World's fabulous EPCOT Center.



Above: Commuter buses for NJ Transit on the assembly line at Motor Coach Industries, Pembina, North Dakota.

Below: The distinctive Americruiser bus, a round-the-clock sight on our nation's highways, symbolizes Greyhound's reputation as "America's Bus Line."

At Travelers Express, a high-speed computer reads and records all pertinent magnetic encoded information on money order forms while simultaneously microfilming each document.

Financial

Despite a sluggish economy, far-reaching changes in the tax laws, a depressed housing industry and a number of other factors that directly bear on the various companies comprising the Financial Group, that entity turned in a creditable 1982 performance.

Earnings were $47.9 million compared with $70.1 million in 1981. It should be noted, however, that prior year results include an $8.1 million after-tax settlement of litigation with IBM, and approximately $7.6 million more in gains on sales of equipment coming off lease. Exclusive of those two items, 1982 earnings of the group were down 12%.

While the earnings of Greyhound Leasing & Financial Corporation, the largest contributor to group results, were down 26.4% from 1981, the company reported a 14.7% increase in income before gains on sales of equipment and results of foreign affiliates. The level of activity was good...$243 million in new business in 1982...however, there is no question that widespread economic softness around the world is having serious repercussions on GL&FC operations. The most disquieting of these is the increase in delinquencies. As a result, some of our contracts have been renegotiated to ease the financial pinch on customers. Renegotiation has taken the form of deferred payments in some instances, partial payments, interest only, and a number of other arrangements to avoid repossessing equipment. Even so, we have seen in 1982 an increase in the level of non-earning assets and that trend may continue through 1983.

A situation which we are monitoring closely involves World Airways, with whom we have several aircraft on lease, including two 747's. We have worked out a new payment schedule with World Airways, and we continue to seek alternative placement opportunities for this equipment.

In Mexico, where we have some $46 million of loans secured by construction and other equipment, there are strict limitations and controls on the payment of dollar indebtedness caused by the peso devaluation. We are aggressively pursuing, however, all avenues to assure collection of the indebtedness and protection of the collateral.

To compensate for the upheaval both in the economy and our diminished ability to write leases, GL&FC has accelerated its move into new financing areas. These include film financing, real estate loans, short and intermediate term loans on apartments, office buildings and shopping centers, and the financing of time share and land sales receivables. We also have initiated a corporate development section whose charter is to seek out new areas of growth for GL&FC. These could include such activities as the sub-leasing of equipment and the utilization of the tax liability of other companies in place of Greyhound's tax liability. Essentially, we are reorienting the focus of our business toward new leasing vehicles, loans, installment sales, and other businesses, such as real estate financing, which help assure long-term growth prospects for GL&FC.

Among the highlights of 1982 for GL&FC was a $32 million transaction in which USAir bought four DC-9 aircraft and we provided financing. In the time-sharing area, GL&FC participated in a $5 million resort development in Hilton Head, South Carolina, and a $7.5 million resort in Texas.

In 1982, Travelers Express turned in a fine performance with net income up 16.6% over last year. This was, in fact, its sixth consecutive year of record earnings.

From its original business, the sale of money orders, Travelers Express has broadened its operations to embrace a number of other payment services—share draft clearing, official checks, corporate drafts and other forms of so-called "payable-through" services. Recognizing that long range the industry will be heavily involved with alternative electronic funds transfer systems, Travelers recently acquired an automated teller machine network-switching system, TRAV/ACT Systems, Inc. It also is considering other ventures in the payments systems and data processing fields. These expansions reflect the fact that thrift institutions are now allowed to participate in services traditionally reserved to the banking industry, and thus need the kind of sophisticated payments systems expertise that Travelers can provide. We consider Travelers Express to be a major growth area within the Financial Group.

Greyhound Computer Corporation reported improved operating income, exclusive of last year's IBM settlement. With each successive year, an increased percentage of GCC's earnings comes from its new business areas as opposed to its traditional activities involving operating leases of IBM equipment.

GCC's Business Investments Division, begun in 1980, has moved the company into a number of new avenues, most of them involving a combination of equity participation and leasing. These include Fortune Systems, a manufacturer of desk top micro-computers, Linear Technology, a pioneer in the manufacture of linear chips used to measure telecommunications, and DMA Systems, designers of mini-discs.

For Verex, our residential mortgage insurance entity, it was an extremely difficult year due not to any factor inherent in the company itself, but to the second consecutive year of depressed new housing starts and a record level of mortgage delinquencies and foreclosures. With the easing of interest rates and economic recovery, we expect this situation to gradually correct itself as 1983 progresses.

Verex has been very astute about positioning itself for the changes in its market that will almost certainly occur with the resurgence in housing. For one thing, the 30-year fixed-rate portfolio mortgage that was the staple of thrift institutions may well be a thing of the past. What will emerge is the pooling of mortgages which are sold as securities with appropriate insurance. Verex is well structured to serve this secondary mortgage market and we see this as a strong growth area for us.

While the Pine Top Group of companies had improved results in 1982, the decision was made to discontinue underwriting by the Pine Top Insurance Company Limited (London) and liquidate the Bermuda Company. These moves will enable management to concentrate on the domestic companies whose overall performance has been better than the foreign companies.

Greyhound Leasing & Financial Corporation provided the financing for four DC-9-30 jet aircraft purchased by USAir, above; and for a floating dry dock for Bender Shipbuilding and Repair Company, Inc., below.

Food

The Armour Food Group turned in a strong earnings improvement in 1982, with net income up 46.4% to $13.2 million from $9.0 million in 1981. That gain helps communicate the positive things that have happened...and continue to happen...at Armour Food.

Looking first at earnings, the most salient aspect of them is that they were hard won! Old-timers in the industry are in agreement that it was the worst year in memory in terms of the shortage of hog supplies. There was a 10% decline in slaughter volume compared with 1981, which consequently pushed hog prices to unprecedented levels. In May, live hog prices were already where they normally are in July, and they were to go still higher by August.

The result is that both our Fresh Meat operation and our Processed Meat segment were hard-pressed to keep 1981's turn-around momentum going in 1982. In this kind of market environment, when the cost of raw materials pushes retail prices higher than the consumer is willing to pay, the best job we can do is to stringently control our own costs, while using every ounce of marketing know-how we possess to increase our share of that constricted market. We did this extremely well in 1982, and despite industry-wide problems, Armour products not only held their own, but made some fine gains.

We significantly increased our share of market in a broad range of product categories: the dry sausage industry was up 6%, but Armour's volume went up an impressive 39%; the boneless ham industry was down 6%, but Armour's volume held steady; the hotdog industry down 3%, Armour hotdogs up 6%; the bacon industry down 7%, Armour bacon down only 1%.

We also were successful in holding the line on our production costs, both because of the far-sighted union contract negotiated with the United Food and Commercial Workers Union that went into effect at the beginning of 1982, and because of our investment in new equipment. In addition, in many plants our employees came through with productivity gains which materially improved our ability to put our products in the meat case at competitive prices.

In October, we closed a total of six Armour branch houses, a move that netted a significant reduction in cost and in working capital, and actually improved the distribution and availability of Armour products. Nearly all our large customers have their own warehouses. To stock

Armour Food's line of 12 popular Dinner Classics complete entrees is now in nationwide distribution.

Armour's new International Deli line features six varieties of American, German, Swedish and Italian dry sausage. The German sausage is pictured here.

these, they want delivery from one source, rather than multiple deliveries from every food manufacturer with whom they deal. This is the role of the food-broker/distributor. And as a result of using such distributors to move our product from our plants to our customers' warehouses, we are now selling more products to more chain supermarkets.

Early in 1983, we announced the closing and sale of three Armour hog slaughtering facilities, a move which takes us out of the highly seasonal and cyclical commodities aspect of the hog industry. In the future, we will simply buy on the open market the pork supplies we need to service our fresh pork customers as well as to meet our processed meat requirements.

We also sold our two turkey raising facilities in Washington, Indiana and Marshville, North Carolina. As previously reported, this does not entail any change in the production or availability of any Armour turkey products. It simply takes us out of the highly cyclical turkey breeding/feeding business and, as in the pork area, allows us to purchase in the open market the turkeys we need for our production runs.

Our turkey operations enjoyed a much improved year in 1982, with a significant positive swing in earnings. This reflects good across-the-board gains in the sale of Armour Butter-Basted turkeys, and in our highly successful new line of turkey processed meats, including turkey bologna, pastrami, hotdogs and luncheon meats. The market for these tasty and highly nutritious turkey processed meats is expected to grow at a steady pace year to year.

In 1982, Dinner Classics became a real success story, fulfilling all our expectations. These 12 premium frozen dinners, including such upscale entrees as beef burgundy and seafood newburg, have won instant consumer acceptance. We are doubling our production line for Dinner Classics at Fairmont, Minnesota and we are adding three new dinners to the roster in 1983, based on the fact that Dinner Classics is one of the most successful new product introductions in the entire food industry.

Toward the end of 1982, we introduced Armour's International Deli, a line of six varieties of American, German, Swedish and Italian sausages. These are shelf-stable sausages which require no refrigeration, making this family favorite a real convenience to have on hand any time.

Looking to 1983, it is difficult to predict what will happen to the hog cycle. Certainly for the first half, we see no alleviation in either the availability or the price of hogs. Equally true, however, is the fact that corn feed prices have softened which could induce farmers to begin farrowing more hogs and if this occurs we can hope for an easing of hog prices later in the year. All that we logically can do to assure good profits in 1983 is precisely what we did in 1982...running lean and making those changes in our facilities and our products to assure Armour's future.

Consumer Products

Earnings for the Consumer Products Group declined 29.3% in 1982 due entirely to problems affecting Armour Handcrafts Inc. Group net income was $11.3 million compared to $16.0 million the prior year.

Both Armour-Dial and Armour International, however, reported gains for the year. Armour-Dial, Inc., the principal operating entity within the group, increased its earnings in 1982. Dial and Tone soaps performed well despite major new competition in the deodorant soap market, and substantially increased media and promotion spending by competitors. Dial maintained its leadership in the market while Tone, our moisturizing beauty bar, held its share due in part to a new improved glycerine formula.

Given the fierce competition within the company for resources, we decided in 1982 to discontinue the test marketing of Spirit soap and instead put those resources behind the national introduction of Liqua 4. As its name implies, Liqua 4 is a superb moisturizing body care system, whose ingredients are so rich and moist that they cannot be hardened into bar form. Unlike other liquid soaps, Liqua 4 comes in a bar-shaped, plastic squeeze container designed to fit any soap dish for convenient bath or facial use.

In 1982, we completed the last phase of a $20.5 million building program at our Aurora, Illinois soap-making facility. The project involved not merely expansion of the physical plant, but more importantly, state-of-the-art modernization, including new refineries and finishing lines, added fractionating capacity and automated process controls. This is a critical advantage that puts us on the leading edge of soap-making technology. Today's consumer wants many things, often at the same time: one soap with high deodorant properties; another for ultimate moisturizing skin care; still another for convenience and ease of use. The company that cannot or will not make the investment to meet the consumer's diverse needs, seriously jeopardizes its franchise. At Armour-Dial, we've made that investment in the future.

We also continue to invest in tomorrow at the research level. Over the past two years, we have raised our investment in R&D to the point where today, we annually invest an average of $3,500 per employee. This is five times the industry average for companies in the food business, and almost twice that of the personal and home-care products companies. The payback from this investment will not materialize overnight. But the three new products which we introduced last year are projected to ultimately add $100 million annually to our sales.

One of those new products, La Sauce for Chicken, has been identified as one of the 10 most successful new products in America for 1981. It was followed in 1982 by La Sauce for beef. In 1983, we anticipate a 16% increase in sales for La Sauce and will be promoting its use not just as a baking sauce, but as an outstanding stove top cooking sauce as well.

Armour-Dial's line of canned meats was profitable in 1982, but did not make gains in either sales volume or earnings. The canned meat business feels a direct impact from recessionary factors since the primary consumer for these products is the middle income sector. High unemployment among this group, coupled with high retail shelf prices for canned meats, have softened demand in this segment of our business. We do not, however, anticipate further erosion. In the meantime, we continue to make investments in our processing plant at Fort Madison, Iowa to lower the cost of production. These include new computer controls, new smokehouses and computer-controlled formulas which analyze and determine the best buys in meats and vegetables.

Last year, we advised that a letter of intent had been signed for the sale of Armour Handcrafts. In August the negotiations were terminated because of financing and management problems. Since then new management has been installed at the Handcrafts operation. Inventories have been reduced, unprofitable lines discontinued and the filament yarn segment of the business has been sold. As a consequence, Armour Handcrafts already is operating on a better basis. The cost to accomplish this revitalization has been considerable, however, both because of the resultant write-down of excess and obsolete inventories and because of start-up expenses at a new plant location.

In 1982, Armour International improved its results by over $2 million. This turnaround resulted not only from the adoption of the new foreign currency standards, but also from the elimination of unprofitable operations and redundant staff.

We believe that in 1983, each of the Consumer Products Group companies will exceed 1982 results, but it will be a difficult year because of the economy. Under the circumstances, we do not believe the market will absorb price increases and the cost to sell products in a highly competitive climate will continue to rise. As a result, we do not plan to introduce any major new products in 1983. Instead, the year will be one of consolidation of the gains of the last two years and concentration on assuring that all of our current products...both new and mature...are yielding maximum returns.

Above, right: In 1982, Armour-Dial introduced a new line of three La Sauce for Beef flavors to complement its already successful line of La Sauce for Chicken.

Right: Liqua 4, a new total body care liquid soap developed by Armour-Dial, was put into national distribution during 1982.


La Sauce
BEEF
BAKING SAUCE
BEEF BURGUNDY


LiQUA 4
LiQUA 4
LiQUA 4
dial
SOLID

Edwin Leong, a member of Chefs/de/Cuisine Association of California and a Certified Executive Chef-AAC, presides over executive dining room operated by Greyhound Food Management for the Lockheed Corporation in Burbank, California.

Food Service

The Food Service Group turned in a fine performance in 1982, with earnings of $8.8 million, up from $6.4 million last year. Despite that gain, however, it was a very difficult year that tested our ability to *manage change*, and to introduce change to our clients.

The fortunes of a company like Greyhound Food Management are inexorably linked to the well-being of our clients. Belt-tightening by our customers...cutbacks in their work force...bolting down of overhead costs...all have direct implications for us, and because we operate on the "partnership theory" with every client, we feel a deep responsibility to make our food service a part of their *answer*, not a compounding of their *problem*.

In 1982, for instance, our automotive industry customers continued to suffer from a sluggish economy. Many of our competitors who have automotive clients, are waiting around for a return to "the good old days" of burgeoning car sales and armies of automotive workers to be fed. At GFM, however, we believe that the auto resurgence, when it occurs, will dawn on a very changed industry. We see the auto companies' investment in robots and automated equipment as heralding an era when half as many workers will be needed to produce twice as many cars.

With that prospect in mind, we have introduced to our automotive and other clients a new dimension in contract food service...one that will make more manageable their steep employee food service subsidy. We call it the Grand Gourmet Concept.

Grand Gourmet is a vending installation, but one with a difference. Where the traditional concept of vending conjures up images of cold offerings already hours old before stocked in the machine, Grand Gourmet offers full-meal options from salads to hot platters, all freshly prepared. It operates much like an automat, with one or two kitchen people preparing food just prior to rush lunch hours and stocking the machines which constantly bring fresh food to the serving level via an elevator conveyor system.

Grand Gourmet replaces the 8 or 9 workers required to staff a typical cafeteria and still offers an array of top quality menu items. It can be the sole food service facility in a plant, or an ancillary facility...one that feeds second and third shift workers rather than keep a costly cafeteria open 24 hours a day to handle a trickle of business.

For GFM, Grand Gourmet means the ability to operate an in-plant feeding facility on a more stable, profit-assured basis...a facility that avoids the yo-yo mechanism of reducing and recalling our labor force in concert with cuts and restaffing by our clients.

Over a dozen clients were introduced to the Grand Gourmet Concept in 1982, while others have embraced our other innovative approach to food service...Eatin's Easy...a fast-food alternative to the traditional cafeteria. Together, they are the wave of the future in in-plant feeding.

We continued in 1982 to add new food service accounts, some $18 million of them in non-automotive industries. This included one of the largest contracts bid in the U.S. last year, a $6 million contract to operate 20 facilities feeding 16,000 employees of Tektronix in Beaverton, Oregon.

We also are continuing to analyze every food service contract where we are dissatisfied with our profit return. If, through contract concessions or reductions to more realistic levels of service, we are unable to turn these marginal accounts around, we are resolved to cancel them. Hanging on to marginal accounts serves no purpose and the resources tied up in such accounts can be better utilized in other, more profitable areas.

GFM's other major entity, Post Houses, operates restaurants and fast-food facilities in our own bus terminals, as well as truck stops and non-transportation connected restaurants.

Approximately 75% of what were formerly Post House restaurants are now: Burger Kings (29 of them); snack bars (21); vending installations (20); and theme restaurants (25)...each with its own elegant and distinctive decor.

In 1982, we entered a new phase of our Burger King program which is geared to opening three or four new Burger Kings per year in selected downtown locations of major cities, primarily in premier office buildings. Our Burger King Division doubled its contribution to Group net income in 1982, and we will grow this segment of our business in the years ahead both by new construction and by acquisition when that course is attractive. By 1987, we hope to have a total of 50 Burger Kings under the GFM banner.

Greyhound Support Services Inc., and its affiliated company Greyhound Support Services Saudi Arabia Ltd., both turned in fine performances in 1982. In Saudi Arabia we provide food, housekeeping, maintenance, recreation, and other services for the 10,000 single workers and 2,000 families involved in construction of the King Khalid Airport. As the construction phase of some of these international projects nears completion, we will be developing another aspect of our Support Services operation...the ability to take over the maintenance and operation of these projects on a *permanent* basis. We also are expanding our geographical horizons, taking the skill and expertise developed on the Alaska Pipeline and the Saudi projects and bringing that excellence to similar projects in Latin America and East Asia.

Glacier Park Inc., which operates seven hotels and motels in one of the last unspoiled wilderness areas remaining in the U.S., this year hosted some 110,000 American and foreign guests in our facilities.

And finally, Faber Enterprises turned in another excellent year in 1982, opening several newly renovated facilities in Chicago, including the new Clark Street Bar and Grill on the ground floor of the La Salle Bank Building in the heart of the financial district.

Services

The Services Group reported net income for 1982 of $12.3 million, a 57.2% increase over the prior year's results of $7.9 million, which included a loss of $4.1 million resulting from the sale or closing in 1981 of a number of Convention Service facilities. On continuing operations, the increase was a more modest 3.5%, which better reflects the mixed success the various companies had during the year in dealing with the effects of the recession on their businesses.

Convention Services

The Convention Services Companies reported fine results for 1982. Greyhound Exhibitgroup matched its 1981 record profits and Greyhound Exposition Services, which reported a loss in 1981, showed a substantial profit for the year.

A major factor in Exhibitgroup's 1982 performance was the World's Fair in Knoxville, Tennessee. Exhibitgroup prepared the exhibits of three national pavilions, as well as a number of state and industry pavilions. Exhibits for the massive American Mining Congress held every four years in Las Vegas, and the biannual Machine Tool Show in Chicago also contributed to Exhibitgroup's successful year.

During the reorganization of Greyhound Exposition Services in 1981, all of its eastern operations were either closed or sold. As a result, the remaining GES locations in the expanding western part of the U.S. were all well-positioned to capitalize on the growing drift of convention business away from the East and more to the Sun Belt and the West Coast, where many cities are making major investments in new and expanded convention facilities. In addition to the American Mining Congress, where GES handled all the logistics in mounting this show that occupied 1.2 million square feet of space, other major shows serviced during the year included the American Dental Association, Consumer Electronics Show, National Association of Home Builders and the Society of Exploration Geophysicists.

Personnel Services

Consultants & Designers, with operations in the U.S. and the U.K., continued its leadership role in supplying temporary engineering, scientific and skilled support personnel to industry and government around the world. In spite of a recessionary economy that is now virtually worldwide, C&D's 1982 net income reached record levels. 1982 saw C&D's U.S. operation expand its array of client services: two new offices in Florida now offer computer-aided design and drafting, and three offices—two in California and one in Washington, D.C.—were established as word-processing centers. The U.K. operation continued to be heavily involved in defense system projects, and both in the U.S. and abroad, our C&D companies experienced increased demand for their extensive expertise in the telecommunications field. In the U.S., several of the newly established telephone companies resulting from the anticipated breakup of AT&T are using C&D's services to help implement their reorganization plans, while overseas, C&D, U.K. software engineers are at work on a new worldwide telephone system.

While results were down during the year because of the economy, 1982, was nonetheless, a time of positive change for Greyhound Temporary Personnel. Corporate headquarters were moved to new, cost-efficient facilities in Lyndhurst, New Jersey, and EPIC, the industry's most advanced computer system for personnel placement, was brought on-stream. New marketing techniques were developed to add word and information processors to our skills bank, and multimedia training courses were introduced in all regional offices. With this groundwork having been laid, it is expected that Greyhound Temporary Personnel will post a strong recovery in 1983.

Airport Services

Several companies in the Services Group provide ground-handling services to major airlines, including refueling, baggage handling and aircraft cleaning. Dispatch Services, with operations at Miami International Airport, reported a downturn of 21% in net income attributable primarily to a decided slackening in the number of tourists flying into south Florida resorts and parks. Any upswing in 1983 in the level of activity by these airlines obviously will be reflected in improved earnings for the company. Over the long haul, however, the economy notwithstanding, Dispatch Services, as the major supplier of ground-handling services at the Miami Airport, is expected to benefit greatly from the planned expansion of that facility which calls for nearly doubling the number of aircraft loading gates from the current 86 to 151 gates by the year 2000 with 123 of them capable of handling wide-body aircraft.

For the more broadly based Aircraft Services International Inc., with ground-handling operations at 23 airports as well as fuel storage/distribution operations at several major airports, 1982 net income increased by more than 43% over 1981. Despite a lack of growth in the airline industry, ASII, through an intensive sales effort system-wide, added over 30 new accounts at more than 15 airport locations. New operations were established during the year at the Miami, Hartford and Newark airports, and in January of 1983, ASII began a four-year contract to do all hydrant-into-plane fueling at the Pittsburgh airport. In July of 1983, ASII will begin a 10-year contract to fuel all international carriers at the new international terminal in San Francisco. ASII also expects to have a fixed-base operation in place in 1983 at McCoy Airport in Orlando which will allow it to provide private and corporate aircraft, as well as the commercial airlines, with greatly expanded services such as aircraft maintenance, tie-down and storage services, avionics, aircraft rental, charter service and the like.

For Florida Export, which operates duty-free shops in the Miami Airport and on board luxury cruise ships, 1982 net income dropped nearly 10%. This was due primarily to the loss of substantial revenue when the SS Norway was put in dry dock for five months to have her engines overhauled and to undergo a $20 million refurbishing. In our airport duty-free shops, revenues were adversely affected by a drop-off in the normally substantial volume of tourist traffic from Latin American countries, many of which are suffering from political and social unrest that has been further aggravated by the general recession. If, as anticipated, the economy regains some of its vitality in 1983, the subsequent increase in the number of tourists coming into the Miami area can be expected to help Florida Export resume its pre-recession growth.

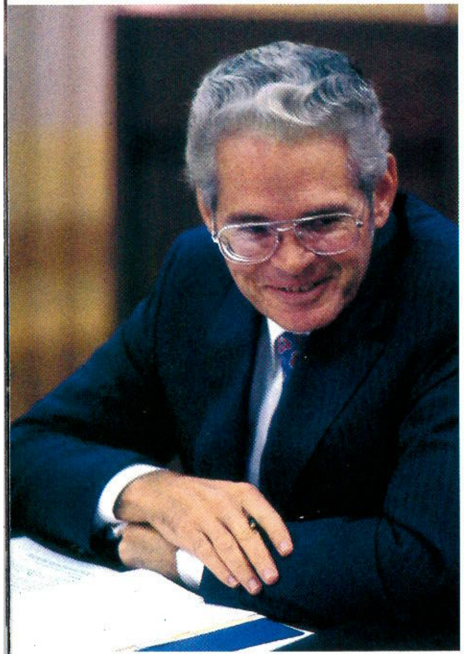
Above: The Briarpatch Restaurant in Owensboro, Kentucky, is one of six such restaurants in Kentucky and Indiana operated by Greyhound Food Management under contract.

Right: The new Clark Street Bar and Grill operated by Faber Enterprises is in the La Salle Bank Building in the financial district of Chicago's Loop.

Left: This exhibit for CGR was one of several designed and built by Greyhound Exhibitgroup for the 1982 Radiology Show held at Chicago's McCormick Place.

Below: The huge American Mining Congress show in Las Vegas, for which Greyhound Exposition Services handled all logistics, occupied 1.2 million square-feet of exhibit space.

Frank L. Nageotte



John W. Teets

Gerald H. Trautman

Ralph C. Batastini

Board of Directors

RALPH C. BATASTINI *Phoenix, Arizona*
Vice Chairman & Chief Financial Officer, The Greyhound Corporation

ROBERT MINGE BROWN* *San Francisco, California*
Of Counsel, the law firm of McCutchen, Doyle, Brown & Enersen
Chairman of the Executive Committee, California Water Service Company and San Jose Water Works

SAMUEL A. CASEY *Port Edwards, Wisconsin*
Chairman of the Executive Committee, Great Northern Nekoosa Corporation, a paper manufacturer and distributor

MARTHA W. GRIFFITHS *Romeo, Michigan*
Lieutenant Governor of the State of Michigan

JESS HAY *Dallas, Texas*
Chairman & Chief Executive Officer
Lomas & Nettleton Financial Corporation, a mortgage banking company

FRANK R. D. HOLLAND *London, England*
Chairman & Chief Executive, C. E. Heath Public Limited Company, an international insurance broker and managing agent for an underwriting syndicate of Lloyd's of London

JOHN H. JOHNSON* *Chicago, Illinois*
President, Johnson Publishing Company, Inc., and Chairman and President, Supreme Life Insurance Company

JOHN M. MARTIN* *Wilmington, Delaware*
Retired Chairman, Hercules Incorporated, manufacturer of chemical products and related industrial systems

FRANK L. NAGEOTTE *Phoenix, Arizona*
President & Chief Operating Officer, The Greyhound Corporation

DENNIS C. STANFILL *Los Angeles, California*
Private Investments

HAROLD C. STUART *Tulsa, Oklahoma*
Partner in the law firm of Doerner, Stuart, Saunders, Daniel & Anderson and Chairman & Chief Executive Officer, Southwestern Sales Corporation, investor in oil, real estate and broadcasting

DONN B. TATUM *Los Angeles, California*
Retired Chairman & Chief Executive Officer, Walt Disney Productions

JOHN W. TEETS* *Phoenix, Arizona*
Chairman of the Board & Chief Executive Officer
The Greyhound Corporation

GERALD H. TRAUTMAN* *Phoenix, Arizona*
Honorary Chairman, The Greyhound Corporation

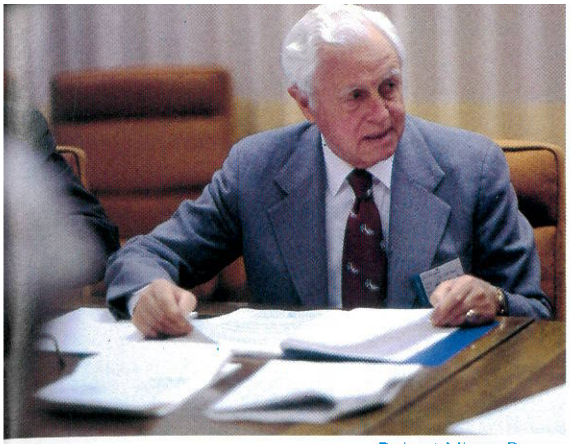
Emeritus Directors

HOWARD BOYD *Houston, Texas*

JAMES W. WALKER *New York, New York*

LESLIE B. WORTHINGTON *Pittsburgh, Pennsylvania*

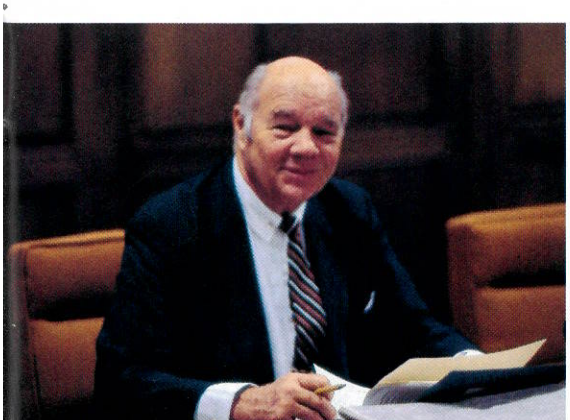
*Member Executive Committee



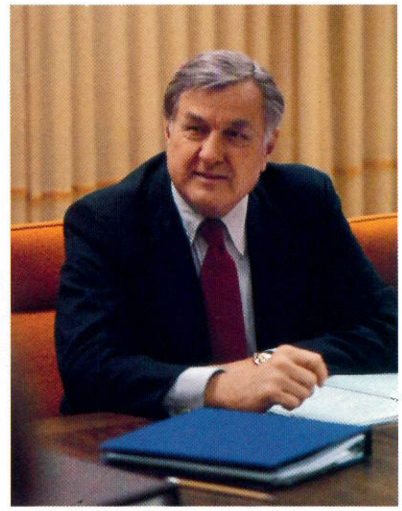
Robert Minge Brown

Dennis C. Stanfill

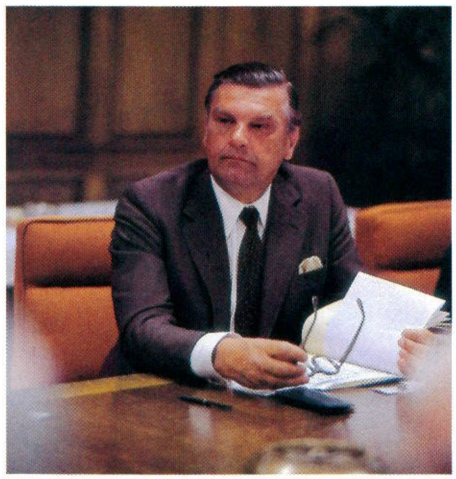
Harold C. Stuart



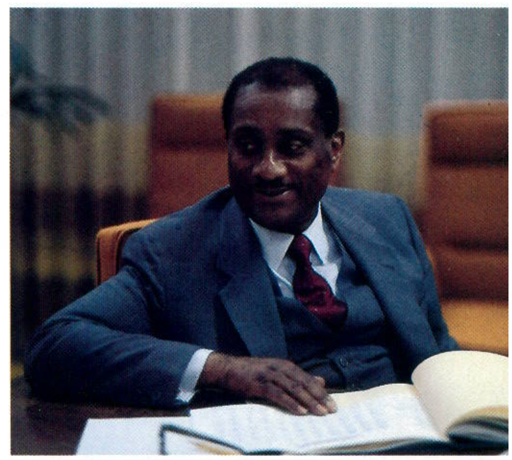
Samuel A. Casey



Donn B. Tatum



Frank R. D. Holland



John H. Johnson

Jess Hay

Martha W. Griffiths

John M. Martin

TRANSPORTATION

Greyhound Lines, Inc. — world's largest intercity passenger carrier serving all 48 continental states. Also provides a nationwide small package express service for commercial and individual shippers and centralized sales and coordination of all charter operations. Other intercity bus subsidiaries include *New Mexico Transportation; Texas, New Mexico & Oklahoma Coaches; and Vermont Transit*

Brewster Transportation — sightseeing and tours in Canadian Rockies

California Parlor Car Tours Company — deluxe motor coach tours of California

Greyhound Lines of Canada — intercity bus service in Canada and to Alaska

BUS MANUFACTURING

Motor Coach Industries and **Transportation Manufacturing** — bus manufacturing in Winnipeg, Canada; Pembina, North Dakota; and Roswell, New Mexico

Greyhound Support Services — provides housekeeping, food service and other support services for large remote-site construction projects for industry and government agencies throughout the world

FINANCIAL

Greyhound Computer Corporation — computer leasing and sales in the U.S., Canada, Mexico and Europe

Greyhound Leasing and Financial Corporation — worldwide industrial equipment leasing and financing

Pine Top Insurance — engaged in re-insurance operations and in commercial property and excess casualty insurance fields

Travelers Express Company — provides money order services to retail establishments and the financial industry, draft clearing services for depository institutions, and other consumer-oriented payments services

Verex Corporation — a leading company in residential mortgage insurance and other financial activities

Key Operations

FOOD AND CONSUMER PRODUCTS

Armour Food Company — manufactures and distributes a broad range of fresh, processed and portion-controlled meats, poultry and other food products for consumer and institutional use

Armour-Dial, Inc. — manufactures and markets a wide variety of grocery, personal care and household products for the consumer

Armour Handcrafts, Inc. — designs, manufactures and distributes a wide variety of yarns, handcraft needlepoint, crewel and rug and wall hanging kits

Armour International Company — responsible for overseas marketing of all Armour and Armour-Dial consumer products

FOOD SERVICE

Faber Enterprises — restaurants and gift shops in major office buildings and transportation terminals in Chicago area

Greyhound Food Management — coordinator of Greyhound food service operations: *Post House* restaurants and fast food operations; *Contract Food Service Division,* offering food service for industry, military installations and other commercial establishments; *Restaura,* restaurant design and engineering and food service management throughout Belgium; and *Glacier Park, Inc.,* hotel management in Glacier National Park, Montana

SERVICES

Aircraft Service International — ground-handling services for major airlines in the U.S. and the Caribbean. Also designs, installs and operates fuel storage and distribution systems for airports

Consultants & Designers — technical and design services to business and industry

Dispatch Services — ground handling services for major airlines at Miami International Airport and Freeport in the Bahamas

Florida Export Group — duty-free retail shops at Miami and Fort Lauderdale International Airports, a wholesale duty-free business for export and duty-free shops on cruise ships operating out of Miami

Greyhound Temporary Personnel — temporary and permanent office and blue collar help to business and industry

CONVENTION SERVICES

Greyhound Convention Services — complete convention and exhibitors services in Atlanta, Chicago, Cincinnati, Dallas/Ft. Worth, Las Vegas, Los Angeles, New York, Phoenix, Reno, San Diego and San Francisco

Officers

THE GREYHOUND CORPORATION
EXECUTIVE OFFICERS

JOHN W. TEETS
Chairman & Chief Executive Officer
FRANK L. NAGEOTTE
President & Chief Operating Officer
RALPH C. BATASTINI
Vice Chairman & Chief Financial Officer

CORPORATE STAFF OFFICERS

ERMO S. BARTOLETTI
Vice President — Internal Auditing
JOE BLACK
Vice President — Special Markets
W. CARROLL BUMPERS
Vice President-Financial Advisor to the Chief Executive Officer
JAMES T. CORCORAN
Vice President — Government Affairs
ARMEN ERVANIAN
Vice President — Real Estate
STEPHEN P. FINN
Vice President — Information Systems
F. EDWARD LAKE
Vice President — Treasurer
L. GENE LEMON
Vice President & General Counsel
DOROTHY A. LORANT
Vice President — Public Relations & Advertising
LEO S. McDONALD, JR.
Vice President — Convention Services
HARRY S. OAKES
Vice President — Office Systems
HAROLD D. ROSOFF
Vice President — Environment & Energy
STANLEY L. SEGAL
Vice President — Florida
DANIEL J. SIELICKI
Vice President — Insurance
RICHARD C. STEPHAN
Vice President — Controller
BRUCE THOMAS
Vice President & Assistant to the Vice Chairman
PAUL A. WEBER
Vice President — Human Resources
RICHARD B. ZOLLER
Vice President — Investments
FREDERICK G. EMERSON
Secretary

OTHER EXECUTIVES
THE GREYHOUND CORPORATION

KEITH A. JENKINS
General Solicitor
ROBERT E. WILMOTH
Associate General Counsel
NORBERT E. ANDERSON
Chief Labor Counsel
FRANK T. BARBER
Patent Counsel
WILLIAM J. HALLINAN
Assistant Secretary & Executive Director — Taxes
HERBERT R. NELSON
Assistant General Counsel
PETER J. NOVAK
Assistant General Solicitor
JOHN T. NYGREN
Assistant General Counsel
CAROL KOTEK
Assistant Secretary
RONALD G. NELSON
Assistant Treasurer
GEORGE J. OLINGER
Assistant Treasurer
DONALD E. PETERSEN
Assistant Controller

OFFICERS
ARMOUR AND COMPANY

JOHN W. TEETS
Chairman & President
DAVID L. DUENSING
Executive Vice President — Armour-Dial
WALLACE L. TUNNELL
Executive Vice President — Food

OFFICERS
ARMOUR GROUP

Armour Food Company
Phoenix, Arizona

WALLACE L. TUNNELL
President & Chief Executive Officer
TOM J. HAMLETT
Executive Vice President — Fresh Meat Division
JOSEPH M. BAILEY
Vice President — Region Manager, Southeast
C. DAVID BONE
Vice President — Region Manager, Central
CHARLES R. BROOKS
Vice President — National Sales Manager, Food Service — Frozen Convenience Foods
H. DOUGLAS CHURCHILL
Vice President — Region Manager, Western
BRIAN T. FLEMING
Vice President — National Sales Manager
MACK H. GRAVES
Vice President — Region Manager, Eastern
CARL F. HERRMANN
Vice President — General Manager, Pork Division
REEDER P. JONES
Vice President — Controller
LOEL B. KNUTSON
Vice President — Controller, Processed Meats Division
GORDON L. McGIRR
Vice President — Controller, Fresh Meat Division
GARY A. MILLER
Vice President — Employee Relations
JACK P. PARKER
Vice President — Purchasing
NICHOLAS A. RAGO
Vice President — Frozen Food and Food Service
K. DON REED
Vice President — Region Manager, Midwest
JACK E. SCOTT
Vice President — Manufacturing
R. B. SLEETH
Vice President — Research and Development
GORDON H. STENSRUD
Vice President — Transportation & Distribution
RODNEY E. STEPHENS
Vice President — Region Manager, Decker
FRANK X. TOBIN
Vice President — National Account Sales

Armour-Dial, Inc.
Phoenix, Arizona

DAVID L. DUENSING
President & Chief Executive Officer
WILLIAM T. BENNETT
Executive Vice President — Finance & Administration
EDWARD J. WALSH
Executive Vice President — Marketing
RICHARD E. GARABEDIAN
Senior Vice President — Product Marketing
WILLIAM H. WINDHAM
Senior Vice President — Director of Sales
WILLIAM G. ZARUBA
Senior Vice President — Operations
RUSSELL C. BAYNE
Vice President — Employee Relations & Personnel
RONALD E. BROCKMAN
Vice President — Purchasing

List of officers compiled as of March 31, 1983

JAMES N. BRYANT
Vice President — Sales, Southwest Region
BERNARD F. CARPENTER
Vice President — Transportation & Distribution
ALLAN R. DeBOLT
Vice President — Special Markets
CHARLES H. FERRY
Vice President — Customer Development
GLENN E. FORNEY
Vice President — Sales, Western Region
WILLIAM C. GOULDING
Vice President — Trade Relations
D. LEE JOHNSON
Vice President — Controller
DONALD E. McADAMS
Vice President — Sales, Eastern Region
ROBERT A. MURPHY
Vice President — Sales, East Central Region
GUS L. PAPPADEMOS
Vice President — Sales, West Central Region
DAVID I. RICHARDSON
Vice President — Research & Development
JAMES E. RINKEL
Vice President — Sales, Southeast Region
JAMES R. WEBB
Vice President — National Field Sales

Armour Handcrafts, Inc.
Secaucus, New Jersey
ANDREW S. PATTI
President
WESLEY W. HARRIS
Executive Vice President — Finance & Administration
J. TREVOR GOODALL
Senior Vice President — Yarn
WILLIAM T. BENNETT
Vice President
ROBERT E. CALAHAN
Vice President — Bucilla Sales
HARRY COLLIER
Vice President — Employee Relations & Personnel
PHILEMON FRISCH
Vice President — Malina Sales
WAYNE E. HAMMAKER
Vice President — Logistics
JAMES P. JORDAN
Vice President — Manufacturing, Hazelton
JAMES L. MACKIN
Controller & Assistant Secretary
NEILL C. MARSH
Vice President
JOSEPH J. TREFALLER
Vice President — Bucilla Marketing
NATHAN VAIMAN
Vice President

Armour International Company
Phoenix, Arizona
EDWARD J. WALSH
President
HERBERT G. COOPER
Vice President
ULRICH G. HARLOW
Vice President
FREDERICK O. NEWMAN
Vice President — Controller
STANLEY W. J. WALKER
Vice President

OFFICERS
TRANSPORTATION GROUP

Greyhound Lines, Inc.
Phoenix, Arizona
FRANK L. NAGEOTTE
Chairman & Chief Executive Officer
FREDERICK DUNIKOSKI
President & Chief Operating Officer
WILLIAM L. McCRACKEN
Senior Vice President & Assistant to the Chairman
ALBERT M. ANDERER
Vice President — Package Express Sales
FREDERICK E. BOWMAN
Vice President — Charter Service
GEORGE G. GREEN
Vice President — Industrial Relations & Personnel
GEORGES A. HUNT
Vice President — Engineering
JAMES A. MALCOMB
Vice President — Maintenance Control
WARREN C. MARGGRAF
Vice President — Architectural Engineering & Property
ELAINE E. MOSSING
Vice President — Administration
DAVID M. PARSONS
Vice President — Controller
KENNETH A. WHITE
Vice President — Transportation
ROBERT L. WILSON
Vice President — Traffic
EDWARD F. DeMARTINI
Vice President — Accounting, West
LAKIE L. PETRIE
Vice President — Accounting, East
JAMES C. DAFFIN
Vice President — Maintenance, West
JOHN W. SCOTT
Vice President — Maintenance, East
RALPH B. GIBSON
Regional Vice President
VERNON D. KINGSLAND
Regional Vice President
RALPH W. MARONAY
Regional Vice President
ALBERT L. McLAUGHLIN
Regional Vice President
JAMES NENOW
Regional Vice President
BALLARD L. PEYTON
Regional Vice President

Greyhound Lines of Canada Ltd.
Calgary, Alberta, Canada
JAMES A. KNIGHT
President & Chief Executive Officer
CLIVE L. COX
Vice President — Controller & Secretary
ROBERT N. PARKE
Vice President — Sales & Traffic
BRUCE B. TYSON
Vice President — Transportation & Labour Relations

Greyhound de Mexico, S.A. de C.V.
Mexico City, Mexico
FRANK L. NAGEOTTE
President
FREDERICK DUNIKOSKI
Vice President
JORGE GUERRERO
General Manager

Greyhound-Taseco Saudi Arabia Ltd.
Al Khobar, Saudi Arabia
FRANK L. NAGEOTTE
Chairman
SHEIKH ALI ABDULLA AL TAMIMI
Vice Chairman
JOHN W. HAUGSLAND
General Manager

New Mexico Transportation Company, Inc.
Roswell, New Mexico
ALFRED M. SMITH
President & Chief Executive Officer
DAVID M. PARSONS
Vice President
PAT L. FUQUA
Controller & Assistant Secretary

Texas, New Mexico & Oklahoma Coaches, Inc., Lubbock, Texas
ROBERT D. GREENHILL
President, Chief Executive Officer & Treasurer
DAVID M. PARSONS
Vice President
RONNIE E. HARSTON
Secretary & Controller

Vermont Transit Co., Inc.
Burlington, Vermont
JOHN J. DWYER
President & Chief Executive Officer
CHARLES E. IRISH
Chairman
ROBERT N. BERGESEN
Vice President — Controller

Brewster Transport Company Limited
Banff, Alberta, Canada
JAMES A. KNIGHT
Chairman
DAVID G. MORRISON
President & Chief Executive Officer

California Parlor Car Tours Company
San Francisco, California
BIPIN M. RAMAIYA
President

OFFICERS
FOOD SERVICE GROUP

Greyhound Food Management, Inc.
Phoenix, Arizona
JOHN W. TEETS
Chairman & Chief Executive Officer
JOSEPH K. FASSLER
President & Chief Operating Officer
EUGENE W. BRONSKI
Senior Vice President — Administration & Assistant Secretary
GREG E. EBERLE
Executive Vice President — Fast Food Division

JEROME M. DOBYNS
Vice President — Engineering
RONALD A. DUFF
Vice President — Purchasing
JANICE GARR
Vice President — Quality Assurance
RICHARD E. HARTMAN
Vice President — Vending & Games
DAVID L. HELSTON
Vice President — Corporate Counsel
GENE PEPPIN
Vice President — General Manager, Truck Stop Division
JOHN W. REASNER
Vice President — Human Resources and Industrial Relations
RICHARD T. CUENY
Controller, Assistant Secretary & Assistant Treasurer

Contract Food Service Division of Greyhound Food Management, Inc. Phoenix, Arizona
JOSEPH K. FASSLER
President & Chief Executive Officer
JOSEPH L. WHORIC
Executive Vice President
EDWARD M. DONOGHUE
Vice President — General Manager, Central Division
LINDA B. KWALIK
Vice President — General Manager, Western Division
RICHARD S. WALTERS
Vice President — General Manager, Northern Division

Glacier Park, Inc.
JOSEPH K. FASSLER
Chairman
MARTIN SCHULTZ
President & General Manager
RICHARD T. CUENY
Controller, Assistant Secretary & Assistant Treasurer

Post Houses, Inc. Phoenix, Arizona
JOHN W. TEETS
Chairman & Chief Executive Officer
JOSEPH K. FASSLER
President & Chief Operating Officer
RONALD G. GREGG
Executive Vice President
EUGENE W. BRONSKI
Senior Vice President — Administration & Assistant Secretary
THOMAS W. HELBLING
Vice President — General Manager, Eastern Division
EDWARD P. STEINER
Vice President — General Manager, Western Division
RICHARD T. CUENY
Controller, Assistant Secretary & Assistant Treasurer
DAVID L. HELSTEN
Assistant Secretary

Greyhound Services Saudi Arabia Ltd. Dammam, Saudi Arabia
SHEIKH ABDULLA KANOO
Chairman
EDWARD H. WILLIAMS
Vice Chairman
JOHN W. TEETS
Director
SHEIKH ABDUL AZIZ KANOO
Director
MUNIB MASRI
Director
ROBERT CARPENTER
Director & General Manager

Greyhound Support Services, Inc. Phoenix, Arizona
JOHN W. TEETS
Chairman
EDWARD H. WILLIAMS
President
FRANZ A. JOST
Vice President — Corporate Development
JOHN J. KEANE
Vice President
THOMAS R. URBAN
Vice President — Operations
RICHARD T. CUENY
Controller

Faber Enterprises, Inc. Chicago, Illinois
MILTON D. FABER
Chairman & Treasurer
DONALD R. MURPHY
President
WILLIAM W. STALLS
Vice President
MICHAEL KOHLSTEDT
Controller

Restaura, S.A.
JEAN PIERRE MIQUEL
President & Managing Director
MICHEL CHAPEAUX
Director of Technical Services
BENOIT HEYCHE
Director of Human Resources
PIERRE PLASMAN
Administration & Financial Director

Restauration Roger Lorent S.A.
JEAN PIERRE MIQUEL
President
ROGER LORENT
Commercial Director

OFFICERS FINANCIAL GROUP

Greyhound Leasing & Financial Corporation, Phoenix, Arizona
RALPH C. BATASTINI
Chairman
ROBERT W. BERTRAND
President & Chief Executive Officer
ROBERT E. DELL'ARTINO
Executive Vice President — Marketing
BERNARD A. ROTH
Executive Vice President — Finance
ROBERT H. DAMM
Senior Vice President
RICHARD S. GRIM
Senior Vice President — International
RONALD A. MERINGER
Senior Vice President — Latin America
MARTIN G. ROTH
Senior Vice President — Operations
ROBERT J. FITZSIMMONS
Vice President — Treasurer
JAMES T. FOLEY
Vice President
KENNETH G. GABEL
Vice President
KENNETH B. GIDDES, JR.
Vice President
IRV HYMSON
Vice President — Law
BERNARDINO IBARROLA
Vice President
FRED J. KLEIN
Vice President
BRUNO A. MARSZOWSKI
Vice President — Controller
DAVID A. NIELSEN
Vice President
FRED G. PINK
Vice President — Administration
WILLIAM H. VALLAR, JR.
Vice President

Greyhound Leasing & Financial of Canada, Ltd. Toronto, Ontario, Canada
GORDON B. CLARKE
Chairman & Chief Executive Officer
GLEN W. LANGDON
President

Greyhound Financial & Leasing Corporation AG Zug, Switzerland
JOHN W. TEETS
Chairman
JAN CEES van LANSCHOT
Vice Chairman
BRIAN E. McHUGO
Managing Director
A. PLANZER
Swiss Gag Director
LAWRENCE J. TROYNA
Manager

Century Greyhound Leasing & Financial Corporation, Tokyo, Japan
YOSHIO FUJITA
President
TOSHITAKE SAKAMOTO
Senior Managing Director
MASAO ICHIDA
Managing Director
RONALD E. MacDONALD
Managing Director

Greyhound Computer Corporation
Phoenix, Arizona

RALPH C. BATASTINI
Chairman

OLIE E. SWANKY
President & Chief Executive Officer

WILLIAM J. BRESNAHAN
Executive Vice President

GORDON B. CLARKE
Senior Vice President

LEVON KASARJIAN, JR.
Vice President & Corporate Counsel

ROBERT C. KIBLER
Vice President & Treasurer

PAUL D. SNYDER
Vice President & Controller

ROBERT G. DEE
Vice President — Investment Development, Business Investment Division

DONALD R. HAWORTH
Vice President — International

E. ALLEN HENSON
Vice President & General Manager — Business Investment Division

THOMAS S. RYAN
Vice President & General Manager — Leasing Division

Greyhound Computer Overseas Corporation, Phoenix, Arizona

OLIE E. SWANKY
Chairman

DONALD R. HAWORTH
President

JOHN M. HALLMARK
Vice President

JEAN-PAUL HENET
Vice President

Greyhound Computer of Canada Ltd.
Toronto, Ontario, Canada

GORDON B. CLARKE
Chairman

W. DONALD MAUNDER
President & Chief Executive Officer

Greyhound Computer France S.A.
Paris, France

JEAN-PAUL HENET
Directeur General

Greyhound Computer Deutschland GmbH
Graefelfing, West Germany

WILLIAM WELSCH
Managing Director

Greyhound Computer S.A.
Nyon, Switzerland

JEAN-PAUL HENET
Directeur General

Greyhound Computer (U.K.) Limited
Twickenham, Middlesex, England

DONALD R. HAWORTH
Director

DEREK J. N. LAMB
Managing Director

Greyhound Computer de Mexico, S.A. de C.V.
Mexico City, Mexico

DONALD R. HAWORTH
President

FERNANDO AVILA AGUIRRE
Director General

MCI Acceptance Corp.
Phoenix, Arizona

F. EDWARD LAKE
President & Treasurer

JOHN R. NASI
Vice President

RICHARD C. STEPHAN
Vice President — Controller

RONALD G. NELSON
Vice President

GEORGE J. OLINGER
Vice President

DAVID P. KURRASCH
Assistant Treasurer

Pine Top Insurance Company
Phoenix, Arizona

RALPH C. BATASTINI
Chairman

KENNETH H. HANSON
President

GLENN G. HERBST
Senior Vice President — Financial

WAYNE L. MURRAY
Vice President — Systems & Data Management

JAMES J. VAUGHAN
Vice President — Direct & Facultative

RICHARD B. ZOLLER
Vice President — Investments

RICHARD A. BOVE
Controller

Pine Top Life Company
Phoenix, Arizona

RALPH C. BATASTINI
Chairman

KENNETH H. HANSON
President

GLENN G. HERBST
Senior Vice President — Financial

RICHARD A. BOVE
Controller

Pine Top Insurance Company Limited
London, England

RALPH C. BATASTINI
Chairman

KENNETH H. HANSON
Managing Director & Chief Executive Officer

BRYAN G. CHAPPLE
Deputy Managing Director & Secretary

Shorrock Security Systems Limited
Blackburn, Lancashire, England

STANLEY SHORROCK
Managing Director

Shorrock Inc.
Phoenix, Arizona

ROBERT M. BRISCOE
Vice President & General Manager

Travelers Express Company, Inc.
Minneapolis, Minnesota

ARTHUR S. MOORE
Chairman

CLARENCE A. E. ANDERSON, JR.
President & Chief Executive Officer

WILLIAM G. ENNIS
Executive Vice President

JAMES K. BILL
Vice President — Region Administration

JOHN S. CABOT
Vice President — Corporate Development

NORMAN A. CARLSON
Vice President

DONALD D. DIX
Vice President — Region Administration

CHARLES L. HICKEY
Vice President — Control/Security

WILLIAM S. HOWARD
Vice President — Administration

DALE W. JOHNSON
Vice President — Finance, Assistant Secretary & Assistant Treasurer

WALLACE H. MERTENSOTTO
Vice President — Operations

KENNETH W. ROYER
Vice President — Research & Planning

HENRY P. ZETLIN
Vice President — Region Business Development

Verex Corporation
Madison, Wisconsin

BRUCE THOMAS
Chairman of the Board

ROBERT L. WALDO
President & Chief Executive Officer

FRED H. REICHELT
Executive Vice President & Chief Operating Officer

THOMAS E. ANDERSON
Vice President & Corporate Counsel

STANLEY C. KIEFER
Vice President & Controller

F. EDWARD LAKE
Vice President & Treasurer

OFFICERS
BUS MANUFACTURING GROUP

Frank Fair Industries Ltd.
Winnipeg, Manitoba, Canada

JOHN R. NASI
President

WERNER W. MARTIN
Executive Vice President & General Manager

RONALD S. MATTHEWS
Vice President — Controller

Motor Coach Industries Limited
Winnipeg, Manitoba, Canada

JOHN R. NASI
President

WERNER W. MARTIN
Executive Vice President — General Manager

RONALD S. MATTHEWS
Vice President — Controller

ARMIN FROESE
Vice President — Manufacturing

Motor Coach Industries, Inc.
Pembina, North Dakota

JOHN R. NASI
President

WERNER W. MARTIN
Executive Vice President — General Manager

RONALD S. MATTHEWS
Vice President — Controller

HAROLD ZUSCHLAG
Vice President — Production

Romex, Inc.
Roswell, New Mexico

JOHN R. NASI
President

FREDERICK A. SLEEP
Vice President & General Manager

FRANK R. DILL
Controller

Transportation Manufacturing Corporation
Roswell, New Mexico

JOHN R. NASI
President

FRANK R. DILL
Senior Vice President — Controller

RICHARD L. GARRINGER
Senior Vice President — Production

EDWARD J. WICKENDEN
Vice President — Manufacturing

Universal Coach Parts, Inc.
Northlake, Illinois

JOSEPH H. RAZOOK
President

PATRICK C. SWOPE
Vice President — Controller

OFFICERS
SERVICES GROUP

Group Headquarters
Phoenix, Arizona

ERMO S. BARTOLETTI
Senior Vice President — Controller

EUGENE W. BRONSKI
Senior Vice President — Administration

PETER G. BARCLAY
Vice President — Employee Relations

GERALD G. ZWICK
Assistant Controller

Aircraft Service International Group
Miami, Florida

HOWARD J. BELL
Chairman

WILLIAM H. YATES, JR.
President & Chief Executive Officer

E. GARRY LESLIE
Senior Vice President

LLOYD M. STAUFFER, JR.
Senior Vice President

MIGUEL ABDO
Vice President — Finance

J. RUDGE LONES
Vice President — Planning

DAVID R. PETTIT, JR.
Vice President — Property & Industrial Relations

PAUL H. WYMAN
Treasurer

SAMUEL E. CHILDS
Regional Vice President

WILLIAM A. RESTITUTO
Regional Vice President

HENRY PAREDES
President — International
Air Service of Puerto Rico, Inc.

Consultants & Designers Inc.
New York, New York

EDWARD J. BILOTTI
Chairman & President

EDWARD J. BRENNAN, JR.
Vice President

FLOYD CANTLON, JR.
Vice President

SHERMAN DAVIDOWITZ
Vice President

EDWARD T. DOBBYN, JR.
Vice President

LAWRENCE J. FEINBERG
Vice President — Controller

RAYMOND J. SLINGERMAN, JR.
Vice President — Administration

HARRY R. WILDING
Vice President

Consultants & Designers (UK) Ltd.
London, England

RICHARD M. AVERY
Chairman & Chief Executive Officer

MICHAEL G. DOUBLEDAY
General Manager

ROGER S. COX
Financial Controller

JOSEPH M. FORBES
Manager, Scottish Division

Dispatch Services Group
Miami, Florida

ROBERT H. HUBSCH
President & Chief Executive Officer

DANILO J. PERTUZ
Vice President — Controller & Vice President —
Finance, Florida Aviation Fueling Co., Inc.
Vice President — Controller, Freeport
Flight Services Limited

CHRIS T. RADEMAKER
Vice President — International Operations
President & Chief Executive Officer
Freeport Flight Services Limited

WESLEY R. VEDO
Vice President

MARLENE WALTERS
Vice President — Insurance & Payroll

RALPH C. MILLER
President — Aircraft Service, Inc.

ROGUE E. PEREZ
Vice President — Controller
Florida Aviation Fueling Co., Inc.
Vice President
Freeport Flight Services Limited

ALLAN W. SCHWARTZ
Vice President & General Manager
Florida Aviation Fueling Co., Inc.
General Manager, Air Agency, Inc.

Florida Export Group
Miami, Florida

A. EDWARD MERHIGE
President & Chief Executive Officer

SONIA JENSEN
Vice President — Purchasing & Merchandising
International Cruise Shops, Inc.

ROBERT L. JOHNSON
Vice President — Information Systems

MICHAEL G. MERHIGE
Vice President — Administration
& Assistant Secretary

Greyhound Exhibitgroup Inc.
Chicago, Illinois

LEO S. McDONALD, JR.
President

ANTHONY G. VASTARDIS
Vice President — Controller

BARRIE BUSH
President — Exhibitgroup San Francisco

HARRY B. BURR
President — Exhibitgroup Dallas/Fort Worth

E. EARL HEINTZELMAN
President — Exhibitgroup Cincinnati

GERALD S. HOWARD
President — Exhibitgroup Chicago

CHARLES V. LaROCCO
President — Exhibitgroup Los Angeles

LEO P. McCARTHY
President — Exhibitgroup Las Vegas

VITO RUGGIERO
President — Exhibitgroup New York

MICHAEL VIGLIONE
Vice President & General Manager
Exhibitgroup Atlanta

JEROME J. LAWTON
President — Designgroup

Greyhound Exposition Services, Inc.
Las Vegas, Nevada

DAVID I. JAMISON
Chairman

NORTON D. RITTMASTER
President & Chief Executive Officer

GARY ISAACSON
Executive Vice President

WILLIS B. JONES
Executive Vice President

WILLIAM WHITESELL
Executive Vice President

ROBERT D. KNEESEL
Vice President — Controller

Greyhound Temporary Personnel, Inc.
Greyhound Permanent Personnel Inc.
Lyndhurst, New Jersey

HARRIS I. COHEN
Chairman & President

RICHARD GARDNER
Senior Vice President

CATHERINE BENZIN
Vice President — Administration

MARVIN SPIELMAN
Vice President

Description Of Business

The Greyhound Corporation is a diversified holding company owning stock and other securities of subsidiary and affiliated corporations. The subsidiary groups provide bus transportation and manufacture buses; process and distribute food and manufacture and market consumer products; engage in equipment leasing and other financial services, and provide various services including food service, to business and consumers. Company subsidiaries operate production facilities and maintain sales and service offices in the U.S. and in foreign countries. There are approximately 46,000 employees.

The Company's transportation operations consist primarily of United States and Canada regular route, charter and tour intercity bus transportation, carrying passengers, baggage, packages and mail. Bus manufacturing subsidiaries operate facilities in the United States and Canada and build bus shells, assemble intercity buses for sale to unaffiliated customers and to the Company's transportation companies, and fabricate, warehouse and sell bus parts.

Through Armour and Company subsidiaries, the Company slaughters livestock and poultry and processes, purchases and sells meats and animal products and their by-products, and manufactures, processes and sells other food products, including cheese, butter and food oil products. Armour subsidiaries also manufacture and sell a wide variety of personal care products, including *Dial* soap, shelf-stable canned meats, and household and handcraft products.

The Company's financial operations consist of companies engaged primarily in equipment financing, computer leasing and money order and insurance services in the U.S. and abroad. The companies finance equipment such as aircraft, railroad cars and locomotives, other transport equipment, and general manufacturing equipment, and they own and lease IBM and other computer systems for business, educational and public uses. Through its insurance subsidiaries, the Company is a major private mortgage insurer and engages in reinsurance services in national and international markets.

Services subsidiaries provide services directed to business markets, including aircraft ground handling services, temporary help services, convention and exhibition services; and others directed to consumer markets, including gift, news and duty-free shops, and food service in Greyhound bus terminals, airports, office buildings, industrial plants and other facilities. In addition, the Company provides food and housekeeping support services to government and industry construction projects.

The Greyhound Corporation
1982 Financial Information

RESPONSIBILITY FOR FINANCIAL REPORTING

To the Stockholders of The Greyhound Corporation

The Company has prepared the financial statements and related notes, and other financial data appearing in this Annual Report, using generally accepted accounting principles and policies considered appropriate in the circumstances. The statements reflect, where applicable, management's best estimates and judgments.

To meet management's responsibility for financial reporting, internal control systems and procedures are designed to provide reasonable assurance as to the reliability of the financial records and compliance with corporate policy throughout the organization. These controls are augmented by an internal audit staff which monitors compliance with the corporate policies and the internal control systems and procedures.

Touche Ross & Co. have independently examined the financial statements. To express their opinion thereon they review and evaluate Greyhound's internal accounting controls and conduct such tests and other procedures as they deem necessary. The Board of Directors oversees the Company's financial reporting through its Audit Committee which regularly meets with management representatives and, jointly and separately, with internal audit management and the independent accountants to review accounting, auditing and financial reporting matters.

Richard C. Stephan

Richard C. Stephan
Vice President-Controller

AUDITORS' REPORT

To the Stockholders and Board of Directors of The Greyhound Corporation

We have examined the statements of consolidated financial condition of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1982 and 1981, and the related statements of income, common stock and other equity, and changes in financial position for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Greyhound Corporation and consolidated subsidiaries at December 31, 1982 and 1981, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Touche Ross & Co.

Phoenix, Arizona
February 25, 1983

Selected Financial and Statistical Data

	1982	1981	1980	1979	1978
Operations (000 omitted)					
Sales and Revenues:					
Greyhound and Consolidated Subsidiaries	$4,540,366	$4,720,070	$4,782,010	$4,708,594	$4,358,848
Financial Group (not consolidated)	468,282	444,219	354,114	307,900	230,917
Combined Revenues	$5,008,648	$5,164,289	$5,136,124	$5,016,494	$4,589,765
Income of Greyhound and Consolidated Subsidiaries before Extraordinary Item(1)	$ 58,912	$ 69,819	$ 62,850	$ 71,741	$ 24,569
Net Income of Financial Group(2)	47,247	67,703	56,788	49,420	35,217
Extraordinary Item—write-off of U.S. bus operating rights	(3,099)				
Net Income	$ 103,060	$ 137,522	$ 119,638	$ 121,161	$ 59,786
Income Per Share:					
Common and equivalents:					
Income before extraordinary item	$2.41	$3.05	$2.70	$2.75	$1.36
Extraordinary item	(.07)				
Net income	2.34	3.05	2.70	2.75	1.36
Assuming full dilution:					
Income before extraordinary item	2.29	2.87	2.53	2.56	1.29
Extraordinary item	(.07)				
Net income	2.22	2.87	2.53	2.56	1.29
Dividends Declared Per Common Share	$1.20	$1.20	$1.20	$1.04	$1.04
Average Outstanding Shares (000 omitted):					
Common and equivalents	43,976	45,149	44,338	43,979	43,931
Assuming full dilution	47,267	48,690	48,513	48,475	48,225
Financial Position (000 omitted)					
Total Consolidated Assets	$2,007,247	$1,955,603	$1,911,754	$1,822,985	$1,732,839
Investments in Financial Group Subsidiaries	458,244	382,963	369,832	333,529	297,541
Working Capital	184,960	200,166	220,710	208,495	227,858
Long-term Debt	421,886	361,210	439,908	422,594	499,944
Other Liabilities, Deferred Items and Minority Interests	181,068	176,958	160,556	168,887	155,757
Redeemable Preferred Stock	6,593	23,578	23,578	23,578	23,578
Common Stock and Other Equity	960,363	943,476	851,144	776,787	695,940
People					
Stockholders of Record	116,993	124,575	137,360	146,038	150,760
Employees (average)	47,239	50,245	52,278	52,315	50,912

(1) Includes unusual charge of $25,392,000 in 1978.

(2) Includes unusual income of $8,117,000 in 1981.

Revenues and Income of Principal Business Segments (000 omitted)

	1982	1981	1980	1979	1978
SALES AND REVENUES:					
Transportation	$1,002,018	$1,045,953	$ 989,931	$ 847,803	$ 727,965
Bus Manufacturing	281,282	269,879	227,135	167,413	118,488
Food	2,210,777	2,302,241	2,464,414	2,642,954	2,572,271
Consumer Products	548,441	597,477	621,069	598,429	562,160
Services	328,296	345,874	328,135	288,868	243,723
Food Service	262,554	255,342	240,450	250,816	222,873
Financial	468,282	444,219	354,114	307,900	230,917
Intersegment eliminations	(93,002)	(96,696)	(89,124)	(87,689)	(88,632)
Combined	$5,008,648	$5,164,289	$5,136,124	$5,016,494	$4,589,765
OPERATING INCOME:					
Transportation	$ 19,593	$ 71,436	$ 71,546	$ 62,525	$ 36,726
Bus Manufacturing	72,110	64,769	44,489	34,807	22,983
Food(1)	26,221	17,552	670	38,252	33,986
Consumer Products	18,916	32,757	32,168	24,806	26,233
Services	26,895	20,580	28,859	28,749	24,306
Food Service	8,488	8,362	7,302	14,980	12,842
Financial	55,859	80,461	75,343	73,188	52,173
Unusual items, net		15,258(2)			(51,400)
Intersegment eliminations	(10,269)	(11,120)	(8,238)	(8,258)	(7,878)
Combined	$ 217,813	$ 300,055	$ 252,139	$ 269,049	$ 149,971
NET INCOME:					
Transportation	$ 20,212	$ 49,710	$ 53,996	$ 39,482	$ 21,543
Bus Manufacturing	37,416	33,689	23,002	19,364	11,552
Food(1)	13,181	9,006	(4,396)	13,564	13,691
Consumer Products	11,319	16,015	15,921	11,576	12,529
Services	12,344	7,853	13,287	13,408	10,654
Food Service	8,833	6,446	4,293	9,081	6,930
Financial	47,856	61,876	59,081	51,518	37,151
Unusual items, net		8,117(2)			(25,392)
Intersegment eliminations	(4,078)	(5,006)	(3,316)	(4,367)	(4,023)
Income of Principal Business Segments	147,083	187,706	161,868	153,626	84,635
Minority interests	(7,953)	(11,605)	(11,270)	(9,275)	(6,783)
Corporate interest and other costs	(32,971)	(38,579)	(30,960)	(23,190)	(18,066)
Extraordinary item(3)	(3,099)				
Net Income	$ 103,060	$ 137,522	$ 119,638	$ 121,161	$ 59,786

(1) Operating income and net income of the Food segment for the years 1978-1981 have been restated for the change in the method of pricing inventories of pork products. See Note A of Notes to Consolidated Financial Statements.

(2) See Note 6 of Notes to Summary Combined Statements of Financial Group.

(3) See Note K of Notes to Consolidated Financial Statements.

Other Principal Business Segment Information (000 omitted)

	Assets at Year-End 1982	1981	1980	Capital Expenditures 1982	1981	1980	Depreciation 1982	1981	1980
Transportation	$ 554,134	$ 552,166	$ 516,590	$ 94,575	$ 84,087	$ 78,946	$ 29,257	$ 35,384	$ 39,821
Bus Manufacturing	143,081	117,626	110,276	1,507	9,863	10,036	2,859	2,177	1,501
Food	262,800	312,607	332,083	13,938	16,395	12,941	14,290	15,000	15,064
Consumer Products	403,602	431,781	427,435	18,647	15,662	8,825	10,329	9,634	9,240
Services	108,499	110,037	107,788	13,597	12,448	9,532	7,281	6,408	6,417
Food Service	77,330	65,378	56,807	15,510	10,512	8,859	7,201	6,368	5,730
Intersegment eliminations	(63,623)	(56,629)	(46,898)	(16,680)	(16,350)	(12,069)	(7,597)	(6,614)	(5,293)
Identifiable to segments	1,485,823	1,532,966	1,504,081	141,094	132,617	117,070	63,620	68,357	72,480
Corporate and other	63,180	39,674	37,841	1,856	2,345	1,233	1,562	1,796	2,181
Investments in Financial Group	458,244	382,963	369,832						
Consolidated	$2,007,247	$1,955,603	$1,911,754	$142,950	$134,962	$118,303	$ 65,182	$ 70,153	$ 74,661

The Greyhound Corporation is a holding company with numerous subsidiaries whose principal business activities are categorized into seven business segments for reporting purposes. The business activities included in each segment are set forth earlier in this annual report under "Description of Business."

Intersegment sales are priced generally on the same basis as sales to outside customers and include the following amounts:

	1982	1981	1980
		(000 omitted)	
Bus Manufacturing	$80,421	$79,502	$70,023
Food	6,705	8,796	13,567
Other	5,876	8,398	5,534
	$93,002	$96,696	$89,124

Operating income by segment for consolidated segments represents sales and revenues less operating costs before interest, corporate administrative expenses, minority interests and other items including equity in net income of unconsolidated affiliates, and income taxes. Operating income for the unconsolidated Financial Group segment represents revenues less operating costs before realized investment gains, minority interests and other items, and income taxes. Due to the nature of its businesses, operating costs of the Financial Group include interest expense. The deduction of interest expense in determining Financial Group operating income and a low effective income tax rate contribute to a ratio of net income to operating income for this segment which is generally higher than for consolidated segments.

Net income by segment for consolidated segments includes operating income as defined above, plus interest income and other items including equity in net income of unconsolidated affiliates, less interest expense and income taxes. Net income for the Financial Group segment includes operating income as defined above, realized investment gains and other items, less income taxes. Income taxes are provided by each segment based on its income before income taxes, and are reduced by its tax credits whether or not such credits would be currently available to each segment. Corporate interest and other costs not allocated to individual segments represent expenses of an overall holding company nature and are deducted separately, net of tax benefit, in determining net income.

Equity in net income of unconsolidated affiliates of the Transportation and Food Service segments for 1982 were $3,091,000 and $3,321,000, respectively. Approximately 50 per cent of Transportation's and all of Food Service's equity in net income of these affiliates was earned from operations outside the U.S. The investment in these affiliates as well as prior years' equity in net income are not material.

Additional information pertaining to the unconsolidated Financial Group segment is included in the accompanying Summary Combined Statements of Financial Group Subsidiaries of Greyhound.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results:
Greyhound is a diversified company which sells products and supplies services for many markets. Because of this diversity, components of its net income are affected, some favorably, others unfavorably, by general economic conditions and other fluctuations which occur in the various markets each year. Inflation has resulted in higher cost levels and, in instances where appropriate increases in prices for products and services could not be obtained or were delayed, reductions in income. Conversely, gains on sales of property and equipment have generally been favorably affected by inflation.

1982 vs. 1981:
Net income for 1982 was $103.1 million compared to $137.5 million last year. 1982 net income includes an extraordinary charge of $3.1 million for the write-off of the carrying value of U.S. bus operating rights resulting from deregulation, while 1981 net income included an unusual gain of $8.1 million on the settlement of litigation with IBM. Exclusive of these two items, 1982 net income was $106.2 million compared to $129.4 million last year. The decline was due primarily to decreases in the earnings of Transportation and Financial and to a lesser extent a decline in Consumer Products' earnings. Partially offsetting were improvements in 1982 earnings of all other groups.

The decrease in Transportation's earnings was due mainly to a 78% drop in Greyhound Lines' U.S. results. Competitive conditions within the intercity bus industry, airline cutrate fares, and the economy caused lower revenue and the substantial drop in profit.

Bus Manufacturing's 1982 earnings were up 11% from last year due to increased sales of its intercity buses and improved margins.

Financial's 1982 net income was 32% less than that of last year. This reflects, however, two major factors benefiting 1981 results: the unusual gain of $8.1 million on the settlement of litigation, and unusually high gains on the sales of equipment coming off lease. Exclusive of these two items, the decrease in Financial's 1982 net was due primarily to the decline in the earnings of Verex Corporation, whose earnings were depressed by the increased level of mortgage delinquencies and continued softness in the U.S. housing industry. Essentially all other elements of the Financial Group posted operating improvements. Before gains on sales of equipment and results of foreign affiliates, Greyhound Leasing & Financial Corporation was up 15%; Travelers Express was up 17%; Greyhound Computer Corporation had a slight operating improvement and the Pine Top Insurance companies substantially reduced prior year losses.

Consumer Products' net income was down 29% for 1982 due entirely to its Handcrafts operation which reported substantial losses including amounts resulting from a necessary inventory reduction program. Armour-Dial, Consumer Products' principal operating segment, turned in a small increase in income in 1982 to post a new record, despite significant costs involved in launching two major new products.

Food had a 46% improvement in 1982 earnings over last year as both processed meat and poultry operations reported good gains. Fresh meat operations, while solidly profitable, were down from a year ago due to unprecedented hog commodity prices.

Food Service's and Services' 1982 net income were 37% and 57%, respectively, better than last year. The largest factor in Food Service's increase was the increase in its equity in earnings of a foreign food-service unit. The most significant factor in Services' increase was the positive impact from the sale or closing of certain unprofitable operations in 1981 and early 1982.

1981 vs. 1980:
Net income for 1981 was $137.5 million compared to $119.6 million in 1980. Included in 1981 net income was an unusual gain of $8.1 million on the settlement of litigation with IBM, but even excluding this item net income was $9.8 million higher than in 1980. The improvement in earnings was broad based as all groups except Transportation and Services had increased earnings in 1981.

Transportation's 1981 net income was down 8% from 1980. Although passenger miles declined in the second half of 1981 due to the economy, the impact on regular route intercity results was minimized by more timely rate increases and by control of costs.

Bus Manufacturing had a substantial improvement in 1981 earnings over 1980 due to increased sales of its intercity buses and improved margins.

Earnings of Financial for 1981 were 18% better than in 1980. Exclusive of the income from the IBM settlement the improvement was 5% compared to 1980. This improvement was achieved even though the Pine Top Insurance companies had a loss in 1981 caused by a substantial increase in underwriting loss provisions. All other major Financial companies were solidly profitable in 1981 and had substantial improvements over 1980, although Greyhound Computer's results excluding the IBM settlement were down. Three of these companies, Greyhound Leasing & Financial Corporation, Verex Corporation and Travelers Express Company, Inc. reported record earnings in 1981.

The 1981 earnings of Food represented a $13.4 million positive swing from its 1980 loss. The improvement over 1980 results was due to a turnaround in processed meat operations which also offset losses suffered in poultry operations where depressed prices prevented recovery of turkey raising costs.

Earnings of Consumer Products for 1981 were slightly ahead of the previous year despite a one-time provision of $1.3 million (after tax) for relocation of certain Handcrafts plants. The primary reason for this improvement was the record earnings reported by Armour-Dial, Consumer Products' principal operating segment.

Services' earnings for 1981 were down 41% from 1980 due primarily to losses related to the sale or closing of certain operations. Also contributing to this decline was the depressed tourist industry in Florida which had a negative impact on the results of some of the companies. The earnings of Food Service for 1981 were up 50%, due largely to partial recovery in its automotive contract feeding operations.

Liquidity and Capital Resources:
Financing requirements have generally increased in recent years due primarily to the impact of inflation on capital expenditures and on certain inventories and receivables, but management believes that Greyhound has sufficient short-term and long-term liquidity and capital resources available to it to satisfy corporate requirements.

With respect to short-term liquidity (working capital), in order to minimize the effects of borrowing costs on earnings Greyhound strives to maintain current assets, principally cash, inventories and receivables, at the lowest practicable levels while at the same time taking advantage of the payment terms offered by trade creditors. These efforts notwithstanding, working capital requirements can fluctuate significantly as a result of changes in levels and costs of inventories and receivables caused primarily by market and seasonal factors.

Greyhound satisfies its short-term financing requirements from bank lines of credit, informal advances and the issuance of commercial paper. The following information pertains to such short-term debt:

	1982	1981	1980
	(000 omitted)		
Maximum amount of short-term debt outstanding during year	$176,726	$185,238	$179,755
Average daily short-term debt outstanding during year	$131,637	$129,156	$144,265
Average short-term interest rate at end of year*	11.2%	13.6%	18.9%
Weighted average interest rate on short-term debt outstanding during year*	13.1%	17.0%	13.7%

*Exclusive of the cost of maintaining compensating balances and, for commercial paper when outstanding, the cost of supporting bank credits.

At December 31, 1982 (in addition to other banking arrangements under which Greyhound is reasonably assured of credit availability and unused bank credit arrangements available to Greyhound's consolidated foreign subsidiaries) Greyhound and its consolidated subsidiaries had the following formal bank credit facilities available:

	(in millions)
Total bank credit:	
Short-term	$ 56.4
Long-term	140.0
	196.4
Less amounts utilized or required to support certain short-term borrowings	37.4
Available unused bank credit	$159.0

In recent years, Greyhound's capital expenditures have been financed substantially with internally generated funds (primarily income retained plus depreciation) and to a lesser extent with debt and capital leases. Capital spending has been reduced to some extent by obtaining, where appropriate, equipment and other property under operating leases.

Future capital expenditures and any additional working capital requirements are expected to be financed primarily with internally generated funds derived principally from retention of earnings plus depreciation, tax deferrals and sales of assets that do not meet rate-of-return goals. To the extent requirements exceed internal sources, Greyhound's available external financing sources will be used.

Greyhound's debt, including net amounts due Financial Group subsidiaries, increased by approximately $51 million during 1982, causing its debt-to-equity ratio to increase slightly from .44 to 1 at December 31, 1981, to .48 to 1 at December 31, 1982.

The Financial Group subsidiaries, which are not consolidated for financial reporting purposes, are financed essentially by each respective subsidiary within the Group. The leasing and financing companies seek to invest substantial amounts of borrowed funds and accordingly obtain financing through long-term and short-term borrowings, funds generated from operations and tax deferrals. Other companies in the Group are financed principally with funds generated from operations and do not generally borrow substantial amounts. From time to time, the Financial Group subsidiaries make advances to or borrow from Greyhound depending upon the short-term cash requirements of the individual entities. With few exceptions, Greyhound does not guarantee debt obligations of the Financial Group.

Condensed Quarterly Results *(000 omitted)*

	First Quarter 1982	First Quarter 1981	Second Quarter 1982	Second Quarter 1981	Third Quarter 1982	Third Quarter 1981	Fourth Quarter 1982	Fourth Quarter 1981
Consolidated Sales and Revenues	$1,031,224	$1,086,567	$1,148,125	$1,174,868	$1,195,312	$1,263,303	$1,165,705	$1,195,332
Consolidated Operating Income	12,578	24,728	36,645	45,751	59,059	76,365	53,672	57,492
Net Income of Financial Group	13,910	29,983(1)	16,102	16,969	10,236	11,505	6,999	9,246
Income before Extraordinary Item	14,790	32,889	27,591	31,427	37,038	42,983	26,740	30,223
Consolidated Net Income	14,790	32,889(1)	27,591	31,427	37,038	42,983	23,641(2)	30,223
Income Per Share:								
Common and equivalents:								
Income before extraordinary item	33¢	74¢	63¢	70¢	84¢	94¢	61¢	67¢
Net income	33	74	63	70	84	94	54	67
Assuming full dilution:								
Income before extraordinary item	32	69	60	66	80	89	57	63
Net income	32	69	60	66	80	89	50	63

(1) Includes unusual income of $8,117,000 or 18 cents per share.

(2) Includes extraordinary item for write-off of U.S. bus operating rights of $3,099,000 or 7 cents per share.

Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. Described below are those accounting policies which are particularly significant to The Greyhound Corporation ("Greyhound"), including those selected from acceptable alternatives.

Principles of Consolidation:

The consolidated financial statements include the accounts of Greyhound and its subsidiaries, except for its Financial Group subsidiaries. Investments in Financial Group subsidiaries and in affiliates (20 to 50 per cent owned companies) are reflected in the accounts on the equity basis. All material intercompany transactions and accounts are eliminated in consolidation.

Summary financial information for the Financial Group, including significant accounting policies, is presented elsewhere in these financial statements. This Group includes subsidiaries engaged in leasing and financing of industrial and commercial equipment and computers and related peripheral equipment, money order sales and payment services, and insurance operations, principally residential mortgage, special risks and reinsurance.

Inventories:

Inventories of fresh and processed meat products are stated at market less allowance for selling expenses. Certain raw materials used in the manufacture of soap are stated at cost on the "last-in, first-out" method. All remaining inventories are stated at the lower of cost (on the "first-in, first-out" or average cost methods) or market.

Property and Equipment:

Owned assets are stated at cost and capital lease assets are stated at the present value of future rentals.

Depreciation is provided principally by use of the straight-line method at annual rates as follows:

Buildings	2% to 5%
Buses (15% and 10% residuals)	10%
Machinery and other equipment	5% to 33%
Capital leases and leasehold improvements	Term of lease

Gain or loss on transportation companies' depreciable assets sold or otherwise disposed of is recorded as an adjustment of depreciation expense.

Intangibles:

Intangibles are carried at cost less applicable amortization. Those which arose prior to October 31, 1970 will not be amortized unless there is deemed to be a permanent diminution in value of the related investments. Intangibles arising after October 31, 1970 are amortized on the straight-line method over the periods of expected benefit, but not in excess of forty years.

Pension Plans and Other Employee Benefits:

Pensions are generally funded on the basis of annual actuarial determinations of current service costs plus amortization in level annual amounts of unfunded prior service costs, including interest, over periods of thirty to forty years. The cost of medical and life insurance benefits under employee group plans, including similar benefits for qualified retirees, is charged to income as incurred.

Investment Tax Credits:

Investment tax credits, and additional energy tax credits, are included in income in the year the credits are available as a reduction of federal income taxes.

Net Income Per Share:

Net income per common and equivalent share is based on net income after preferred stock dividend requirements and the weighted average number of common shares outstanding during each year after giving effect to stock options and warrants considered to be dilutive common stock equivalents. Net income per share assuming full dilution is based upon the foregoing determination and the equivalent number of common shares issuable upon conversion of convertible debt.

Principal Business Segments and Other Information:

Revenues and income of principal business segments and other principal business segment information of Greyhound for the three years ended December 31, 1982, are presented in a previous section of this Annual Report.

Certain reclassifications have been made to the financial statements to conform to 1982 classifications.

Statement of Consolidated Financial Condition (000 omitted)

ASSETS	December 31, 1982	1981
CURRENT ASSETS:		
Cash and short-term investments	$ 23,238	$ 39,904
Receivables	265,997	260,736
Inventories	310,156	324,211
Prepaid expenses and other current assets	13,447	15,600
Deferred income taxes	9,459	10,096
TOTAL CURRENT ASSETS	622,297	650,547
PROPERTY AND EQUIPMENT:		
Land	69,406	58,564
Buildings and leasehold improvements	347,274	332,822
Buses	368,068	397,760
Machinery and other equipment	418,293	396,847
	1,203,041	1,185,993
Less accumulated depreciation	504,676	507,653
	698,365	678,340
INVESTMENTS AND OTHER ASSETS:		
Investments in and long-term advances to Financial Group subsidiaries	458,244	382,963
Other investments and assets	44,833	37,796
	503,077	420,759
INTANGIBLES, including $172,094 and $192,813 not subject to amortization	183,508	205,957
	$2,007,247	$1,955,603

See notes to consolidated financial statements and summary of significant accounting policies.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1982	1981
CURRENT LIABILITIES:		
Short-term bank and other loans	$ 28,952	$ 33,663
Accounts payable	194,570	193,061
Accrued compensation	77,879	75,248
Income and other taxes	43,673	48,474
Due Financial Group subsidiaries, net	3,865	13,448
Other current liabilities	75,582	78,142
Current portion of long-term debt	12,816	8,345
TOTAL CURRENT LIABILITIES	437,337	450,381
LONG-TERM DEBT, including subordinated debt of $61,232 and $70,814	421,886	361,210
OTHER LIABILITIES AND DEFERRED ITEMS:		
Pension and other benefits	55,567	57,878
Deferred income taxes	68,242	62,879
Other	35,918	24,511
	159,727	145,268
MINORITY INTERESTS:		
Armour $4.75 redeemable preferred stock		23,578
Greyhound Lines of Canada	21,341	31,690
	21,341	55,268
COMMITMENTS AND CONTINGENT LIABILITIES (Notes J, L and M)		
$4.75 REDEEMABLE PREFERRED STOCK	6,593	
COMMON STOCK AND OTHER EQUITY:		
Common stock	68,064	68,064
Additional capital	279,826	279,965
Retained income (Note F)	650,886	600,132
Cumulative translation adjustments	(11,922)	
Common stock in treasury, at cost	(26,491)	(4,685)
	960,363	943,476
	$2,007,247	$1,955,603

Consolidated Income Statement (000 omitted)

	Year Ended December 31, 1982	1981	1980
SALES AND REVENUES:			
Food processing and consumer products	$2,746,943	$2,879,516	$3,071,260
Transportation, services and other	1,778,666	1,819,569	1,694,890
Other income	14,757	20,985	15,860
	4,540,366	4,720,070	4,782,010
OPERATING COSTS:			
Food processing and consumer products:			
Cost of materials	1,874,067	1,976,075	2,170,513
Wages, supplies and other expenses	833,168	861,462	868,447
Transportation, services and other	1,671,177	1,678,197	1,566,254
	4,378,412	4,515,734	4,605,214
OPERATING INCOME	161,954	204,336	176,796
OTHER COSTS:			
Interest	49,801	58,048	56,834
Corporate administrative	14,915	14,944	14,264
Minority interests and other, net	2,814	5,205	6,171
	67,530	78,197	77,269
INCOME BEFORE INCOME TAXES	94,424	126,139	99,527
INCOME TAXES	35,512	56,320	36,677
INCOME OF GREYHOUND AND CONSOLIDATED SUBSIDIARIES BEFORE EXTRAORDINARY ITEM	58,912	69,819	62,850
NET INCOME OF FINANCIAL GROUP, including unusual income from litigation of $8,117 in 1981	47,247	67,703	56,788
INCOME BEFORE EXTRAORDINARY ITEM	106,159	137,522	119,638
EXTRAORDINARY ITEM - write-off of U.S. bus operating rights	(3,099)		
NET INCOME	$ 103,060	$ 137,522	$ 119,638
INCOME PER SHARE:			
Common and equivalents:			
Income before extraordinary item	$2.41	$3.05	$2.70
Extraordinary item	(.07)		
Net income	2.34	3.05	2.70
Assuming full dilution:			
Income before extraordinary item	2.29	2.87	2.53
Extraordinary item	(.07)		
Net income	2.22	2.87	2.53
DIVIDENDS DECLARED PER COMMON SHARE	$1.20	$1.20	$1.20
AVERAGE OUTSTANDING SHARES (000 omitted):			
Common and equivalents	43,976	45,149	44,338
Assuming full dilution	47,267	48,690	48,513

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Changes in Consolidated Financial Position (000 omitted)

	Year Ended December 31, 1982	1981	1980
SOURCE OF FUNDS:			
From operations:			
Income before extraordinary item	$106,159	$137,522	$119,638
Depreciation	65,182	70,153	74,661
Deferred income taxes	(16,752)	20,899	10,030
Undistributed net income of Financial Group	(24,775)	(22,400)	(32,606)
Other items, net	351	3,603	(88)
Total from operations	130,165	209,777	171,635
Common stock issued	2,419	18,242	6,499
Additional long-term debt and capital lease obligations, including $87,929 in 1982 from sale-leaseback transactions	111,382	11,609	10,757
Increase in short-term loans and commercial paper			25,081
Proceeds from disposals of property and equipment	45,261	31,050	22,329
Proceeds in excess of capitalized lease assets on sale-leaseback transactions	18,478		
Proceeds from businesses sold	10,588	2,042	11,303
Decrease in receivables and inventories	5,487	13,813	
Increase in current accrued liabilities		36,084	
Utilization of prior year investment credit carryover attributable to Financial Group	4,748	8,087	
Assumption of Financial Group deferred taxes by capital contribution	35,000		
	363,528	330,704	247,604
USE OF FUNDS:			
Capital expenditures and leases capitalized	142,950	134,962	118,303
Dividends	52,828	54,136	53,171
Reductions of long-term debt	12,734	25,583	20,914
Decrease in short-term loans and commercial paper	38,211	70,565	
Common stock acquired	24,152	4,688	2
Acquisition of minority shares by subsidiary	17,647		
Acquisition of businesses		6,935	
Additional (reduction in) investment in Financial Group companies	45,529	(4,912)	2,476
Increase in receivables and inventories			16,277
Decrease in current accrued liabilities	6,018		14,999
Current year investment credit carryforward attributable to Financial Group	9,023	7,357	8,087
Other transactions with Financial Group, net	19,908	15,662	(5,091)
Other items, net	11,194	8,182	16,590
	380,194	323,158	245,728
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	$(16,666)	$ 7,546	$ 1,876

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Common Stock and Other Equity (000 omitted)

	Year Ended December 31, 1982	1981	1980
COMMON STOCK, $1.50 par value, 70,000,000 shares authorized:			
Balance, beginning of year	$ 68,064	$ 66,528	$ 66,206
Shares issued		1,536	322
Balance, end of year	$ 68,064	$ 68,064	$ 66,528
ADDITIONAL CAPITAL:			
Balance, beginning of year	$279,738	$263,053	$259,636
3% Cumulative preference stock	227	237	244
Combined balance	279,965	263,290	259,880
Amounts relating to conversion or exercise of preference stock, debentures, warrants and stock options:			
Common shares issued		16,701	3,343
Treasury common shares reissued	73	(1)	59
Redemption of 3% cumulative preference stock	(206)		
Other, net	(6)	(25)	8
Balance, end of year (including 3% cumulative preference stock in 1981 and 1980)	$279,826	$279,965	$263,290
RETAINED INCOME:			
Balance, beginning of year:			
As previously reported	$598,784	$519,316	$452,782
Restatement due to change in inventory valuation of pork products	1,348	2,013	695
As restated	600,132	521,329	453,477
Net income	103,060	137,522	119,638
Dividends on common and preference stock	(52,828)	(54,136)	(53,171)
Net change in unrealized gains and losses on marketable equity securities of Financial Group	535	(4,360)	1,379
Other, net	(13)	(223)	6
Balance, end of year	$650,886	$600,132	$521,329
CUMULATIVE TRANSLATION ADJUSTMENTS:			
Unrealized translation losses:			
From initial application of SFAS No. 52 at January 1, 1982	$ (3,794)		
Current year	(8,128)		
Balance, end of year	$ (11,922)		
COMMON STOCK IN TREASURY, at cost:			
Balance, beginning of year	$ (4,685)	$ (3)	$ (2,776)
Shares purchased	(24,152)	(4,688)	(2)
Shares issued relating to conversion or exercise of preference stock, debentures and stock options	2,346	6	2,775
Balance, end of year	$ (26,491)	$ (4,685)	$ (3)

See notes to consolidated financial statements and summary of significant accounting policies.

Notes to Consolidated Financial Statements

Three Years Ended December 31, 1982

Note A — Accounting Method Changes:

In 1982 the method of pricing inventories of pork products, previously valued on the LIFO method, was retroactively changed to valuing these inventories at market less allowance for selling expenses. The change was made to conform to the method of inventory valuation used for management purposes, which Greyhound believes is preferable under the circumstances. This change resulted in a decrease to previously reported net income for 1981 of $665,000 (one cent per share) and an increase to net income in 1980 of $1,318,000 (three cents per share).

Greyhound and the Financial Group subsidiaries adopted, in 1982, Statement of Financial Accounting Standards (SFAS) No. 52 "Foreign Currency Translation" which changes the standards of financial accounting and reporting for foreign currency transactions and the translation of foreign currency financial statements. Under the revised standard, assets and liabilities are translated at the rates of exchange on the date of the statement of financial condition. Revenue and expense accounts are translated at the average rates of exchange during the year.

The results of translating foreign currency financial statements into the reporting currency, and unrealized gains and losses on certain intercompany balances and hedging contracts, are not included in determining net income, but are accumulated in a separate component of Common Stock and Other Equity entitled "Cumulative translation adjustments." In conformity with provisions of the SFAS statement, the financial statements of prior years have not been restated. Retroactive adoption of the new standard would not have had a material effect on 1981 or 1980 reported results.

Note B — Inventories:

Year-end inventories consisted of the following:

	1982	1981
	(000 omitted)	
Food processing	$ 78,209	$ 95,623
Consumer products	101,478	105,785
Bus manufacturing	89,492	78,589
Transportation and other	40,977	44,214
Total inventories	$310,156	$324,211

Inventories of certain consumer products' raw materials, aggregating $2,133,000 in 1982 and $3,175,000 in 1981, are stated at cost on the "last-in, first-out" method. If these inventories were stated on the bases used for pricing other raw materials, inventory valuations would have been increased $3,100,000 at the end of 1982 and $4,183,000 at the end of 1981.

Note C — Short-term Debt and Compensating Balances:

Greyhound satisfies its short-term financing requirements from bank lines of credit, informal advances and the issuance of commercial paper.

Greyhound's short-term bank lines aggregating $101,562,000 at December 31, 1982 are subject to periodic renewal and in most instances can be withdrawn at any time at the option of the banks. On $54,000,000 of these lines, compensating balances are required in an amount equal to five per cent of the commitments. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

It is Greyhound's policy to support commercial paper outstanding with unused portions of bank credit. In addition, Greyhound maintained unused portions of bank credits of $35,000,000 in 1982 and 1981 under an agreement with a Financial Group subsidiary to support its demand advances to Greyhound.

Note D — Long-term Debt:

Long-term debt at year-end was as follows:

	1982	1981
	(000 omitted)	
Senior debt:		
Commercial paper supported by unused Domestic/Eurodollar revolving credit	$	$ 33,500
Sinking fund debentures, net of unamortized discount:		
9⅜%, due 1987 to 2001	99,542	99,500
9⅞%, due 1986 to 2000	74,688	74,656
5% Cumulative income debentures, due to 1984	14,444	
4½% Convertible debentures, due 1983 (conversion price $15.74)	1,088	
Real estate mortgages and other obligations, due to 2006, 4½% to 12%	40,130	45,338
Canadian revolving credit loans	10,689	
Less current portion	(6,995)	(5,637)
	233,586	247,357
Subordinated debt:		
Convertible debentures (conversion price):		
6½%, due 1983 to 1990 ($18.375)	46,856	48,154
6%, due 1986 ($46.00)	10,325	
5%, due to 1984 ($26.40)	5,063	6,328
4½%, due 1983 ($15.74)		1,169
5% Cumulative income debentures, due to 1984		16,429
Less current portion	(1,012)	(1,266)
	61,232	70,814
Capital lease obligations, 9½% weighted average imputed interest*	131,877	44,481
Less current portion	(4,809)	(1,442)
	127,068	43,039
Total long-term debt	$421,886	$361,210

*Includes floating rate lease obligations of approximately $80,000,000.

Domestic/Eurodollar revolving credit loans are available from participating banks under an agreement which provides for a total credit of $140,000,000. The entire commitment is available until June 30, 1985 on a revolving credit basis, with borrowings then converting into a term loan repayable in fifteen equal quarterly installments.

Annually, at Greyhound's request and with the participating banks' consent, the term of the agreement may be extended for one-year periods. Interest is based upon the following rates: (i) for domestic dollar advances, the bank prime rate or ½ of 1 per cent above the bank certificate of deposit rate plus reserves, or (ii) for Eurodollar advances, ½ of 1 per cent above the London interbank offered rate plus reserves. The agreement also provides for a commitment fee of ⅜ of 1 per cent on the unused portion of the commitment. If the agreement is not extended the banks will receive additional interest on outstanding borrowings at varying amounts not to exceed ½ of 1 per cent.

Canadian revolving credit loans are available to Canadian transportation and bus manufacturing subsidiaries from banks under agreements which in the aggregate provide for loans up to the Canadian equivalent of $32,392,000. Loans are available on a revolving basis for one to two years at the end of which outstanding loans will be repayable over three-year to five-year terms.

In connection with the Armour reorganization discussed in Note E the 5% cumulative income debentures and the 4½% convertible debentures, both previously subordinated, became Greyhound senior debt pursuant to the terms of the original indentures.

Annual maturities of long-term debt, including capital lease obligations, in the four years after 1983 will approximate $32,109,000 (1984), $12,095,000 (1985), $27,590,000 (1986) and $22,116,000 (1987).

In 1983, Greyhound negotiated a series of interest rate conversion agreements for periods ranging from three to eight years. Under these agreements, Greyhound is required to pay interest at fixed rates averaging 11½ per cent on a semi-annual equivalent basis over the eight-year period on aggregate declining principal balances ranging from $80,000,000 to $30,000,000. In return, Greyhound will receive interest payments on the same declining principal balances calculated at the six-month London interbank offered rate. These agreements were entered into to offset the floating rate characteristics of capital lease obligations relating to a sale-leaseback of buses in late 1982.

Note E – $4.75 Redeemable Preferred Stock:
In 1982 Greyhound's subsidiary Armour and Company was reorganized to become an Arizona corporation totally held by Greyhound.

Each share of Armour $4.75 Preferred Stock, $100 par, was converted into a share of a new Greyhound stock, $4.75 Preferred, $100 stated value, having substantially the same rights and provisions as the Armour security. A subsidiary of Greyhound holds 218,582 shares of the new Greyhound $4.75 preferred issued. The holders of the preferred stock are entitled to annual cumulative sinking fund retirements of 6,000 shares, and the shares presently held by the Greyhound subsidiary will be applied to this requirement. Shares held by the public are therefore scheduled to be retired in the years 2019 to 2058. Liquidation preference of the outstanding shares is equal to the stated value ($100 per share) of the shares. The new Greyhound preferred stock outstanding (235,770 shares) has been recorded at its estimated fair value of $6,593,000 with a reduction of $16,985,000 to the intangible originally recorded at the date of Greyhound's acquisition of Armour. This amount is equal to the difference between such fair value and the originally recorded value of the Armour shares converted. Additional preferred stock dividends will be recorded over the life of the issue to provide for ultimate redemption of the shares at stated value.

Note F – Common Stock and Other Equity:
Common stock issued and outstanding at December 31, 1982 was 45,376,155 and 43,525,434 shares, respectively. Shares reserved for issuance at December 31, 1982 are as follows:

	Shares	Conversion or Exercise Prices
Convertible debentures	3,035,360	$15.74 to $46.00
Warrants, expiring to 1984	7,307,250	23.50 to 30.00
Stock options	2,216,947	11.50 to 16.38
Total shares reserved	12,559,557	

The conversion and warrant exercise prices are subject to adjustment under certain circumstances.

Greyhound has 5,000,000 shares of Serial Preference Stock authorized, of which 454,352 shares are designated as $4.75 Redeemable Preferred Stock. The remaining 4,545,648 shares are available for issue.

Certain Financial Group subsidiaries are precluded from transferring funds over certain amounts to Greyhound in the form of advances or dividends pursuant to restrictions in long-term debt and capital lease agreements of the subsidiaries or other restrictions applicable to certain regulated Financial Group subsidiaries. At December 31, 1982, $300,853,000 of net assets of the Financial Group subsidiaries were subject to such restrictions. There were no material restrictions on the transfer of net assets of consolidated subsidiaries at December 31, 1982.

Greyhound's long-term debt agreements also contain various restrictive covenants and require the maintenance of certain defined financial ratios with which Greyhound has complied. At December 31, 1982, retained income of $184,722,000 was unrestricted as to the payment of dividends by Greyhound.

Treasury shares are reserved for issuance on conversion or exercise of the outstanding convertible debentures, warrants and stock options.

Note G – Stock Options:
Greyhound has granted to officers and certain key employees non-qualified and incentive stock options, under its 1973 Stock Option Plan as amended, to purchase common stock at the market price at the date of grant. The options expire ten years after date of grant. During 1981, substantially all options granted after 1975 were converted to incentive stock options under the provisions of the Economic Recovery Act of 1981.

Information with respect to options granted and exercised for the three years ended December 31, 1982 is as follows:

	Granted		Exercised	
	Shares	Average Price Per Share	Shares	Average Price Per Share
1982	450,200	$14.00	74,300	$13.52
1981	345,300	16.13	148,100	13.93
1980	333,850	15.54	141,393	13.04

Stock options on common shares cancelled during 1982, 1981 and 1980 at average exercise prices indicated were 111,000 ($14.22), 101,435 ($14.11) and 84,250 ($13.28), respectively.

At December 31, 1982, stock options with respect to 1,780,800 common shares were outstanding and exercisable at an average price of $14.22 per share.

Note H — Income Taxes:

The consolidated provision for income taxes for the three years ended December 31, 1982 consists of the following:

	1982	1981	1980
		(000 omitted)	
Currently payable:			
United States:			
Federal	$ 28,029	$14,536	$ 8,965
State	5,324	5,873	3,491
Foreign	18,911	15,012	14,191
	52,264	35,421	26,647
Deferred:			
United States	(15,772)	19,127	8,649
Foreign	(980)	1,772	1,381
	(16,752)	20,899	10,030
Provision for income taxes	$ 35,512	$56,320	$36,677

Deferred income taxes relate to the following principal timing differences:

	1982	1981	1980
		(000 omitted)	
Depreciation	$ 4,843	$11,623	$10,230
Sale-leaseback transactions	(18,617)		
Plant closing costs	2,298	792	1,153
Payment of litigation accrual			9,240
Investment and energy tax credit carryforwards:			
Recognized in financial statements	(10,563)	(3,615)	(10,660)
Realized in tax return	2,634	10,660	
Pension contributions	6,900		
Uninsured loss accruals	(2,192)	(32)	(359)
All other	(2,055)	1,471	426
Total deferred income taxes	$(16,752)	$20,899	$10,030

Eligible Financial Group and consolidated domestic subsidiaries of Greyhound are included in the consolidated federal income tax returns of Greyhound.

Unutilized investment tax credits (and energy tax credits in 1980) of Greyhound and Financial Group subsidiaries of $23,176,000, $10,972,000 and $18,747,000 represented consolidated tax return carryforwards at the end of 1982, 1981 and 1980, respectively. The $23,176,000 carryforward at December 31, 1982 will be utilized before similar credits arising thereafter.

Certain amounts of tax losses and credits have been credited to the Financial Group by Greyhound which would not have been currently available to Financial Group subsidiaries on a separate return basis, and were included in the determination of the Financial Group's 1982, 1981 and 1980 income taxes. Accordingly, consolidated companies' currently payable and deferred provisions for income taxes do not reflect a reduction for such amounts and they are recorded as adjustments to Greyhound's current and deferred tax liability accounts.

In June, 1982 Greyhound made a $35,000,000 capital contribution to a Financial Group subsidiary through Greyhound's assumption of, and agreement to pay on behalf of the subsidiary, $35,000,000 of its deferred U.S. federal income taxes. The payments will be required only at such time as the subsidiary's deferred U.S. federal income tax credits have been fully utilized.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1982	1981	1980
		(000 omitted)	
Computed income taxes at statutory federal income tax rates	$43,435	$58,024	$45,782
Investment tax credits	(9,854)	(8,929)	(7,541)
Energy tax credits on bus fleet expansion			(4,303)
Minority interests	3,378	4,285	4,129
State income taxes	2,194	3,301	1,854
Differences applicable to foreign operations	29	237	(1,861)
Adjustment of prior years' taxes	(801)	(1,000)	(1,000)
Other items	(2,869)	402	(383)
Provision for income taxes	$35,512	$56,320	$36,677

United States and foreign income before income taxes is as follows:

	1982	1981	1980
		(000 omitted)	
United States	$58,117	$ 94,690	$63,192
Foreign	36,307	31,449	36,335
Income before income taxes	$94,424	$126,139	$99,527

At December 31, 1982, retained income includes $31,106,000 of undistributed net income of foreign subsidiaries and DISC companies on which no federal taxes have been provided because management considers such amounts permanently invested.

Note I — Pension Plans:

Greyhound and its subsidiaries have pension plans covering substantially all of their employees. The cost of pension plans was $74,880,000 in 1982, $78,553,000 in 1981 and $82,938,000 in 1980, including $1,615,000, $1,264,000 and $1,415,000, respectively, attributable to unconsolidated Financial Group subsidiaries.

During 1982 certain changes were made in actuarial methods, and during 1981 actuarial assumptions, primarily with respect to expected investment returns and salary progressions, were changed for certain of the plans. The net effect of the respective changes reduced pension cost from the preceding year by $3,409,000 and $9,566,000 in 1982 and 1981, respectively.

At January 1, 1982 and 1981 (the dates of the most recent actuarial valuations) accumulated pension plan benefits and market value of plan net assets available for benefits for all plans, as well as accruals for pension liabilities, were as follows:

	1982	1981
	(000 omitted)	
Actuarial present value of accumulated pension plan benefits:		
Vested	$929,683	$895,106
Nonvested	50,102	53,959
Total accumulated benefits	$979,785	$949,065
Market value of pension trust fund net assets	$934,401	$933,630
Accruals for pension liabilities	47,523	47,936
Total plan assets and accruals	$981,924	$981,566

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was nine per cent.

Note J — Lease Obligations:
Certain buses, bus terminals, plants, offices and equipment are leased. The leases expire in periods ranging from one to 40 years, in some instances provide for renewal options ranging from one to 40 years, and in certain instances contain purchase options. Leases which expire are generally renewed or replaced by similar leases.

Other liabilities and deferred items at December 31, 1982 include $7,422,000 which is the excess of sale prices aggregating $111,123,000 from various sale-leaseback transactions in December, 1982 over the related carrying amount of buses of $103,701,000. This credit will be amortized over the terms of the various leaseback periods.

Total capital leases included in the cost of property and equipment aggregated $142,741,000 and $50,995,000 at December 31, 1982 and 1981, respectively, with related accumulated depreciation of $23,569,000 and $22,437,000. At December 31, 1982, future minimum payments under capital leases and noncancellable operating leases with terms in excess of one year are as follows:

	Capital Leases	Operating Leases
	(000 omitted)	
1983	$ 18,002	$ 20,425
1984	17,923	18,211
1985	17,745	15,687
1986	17,507	13,440
1987	17,290	9,901
Thereafter	158,267	48,575
Total future minimum lease payments	246,734	$126,239
Less:		
Executory costs	(1,706)	
Imputed interest	(113,151)	
Present value of future minimum capital lease payments	$131,877	

Additional information regarding operating lease rentals is as follows:

	1982	1981	1980
	(000 omitted)		
Minimum rentals	$44,997	$47,655	$43,570
Contingent rentals	22,465	26,797	25,771
Total rentals	$67,462	$74,452	$69,341

Contingent rentals on operating leases are based primarily on sales and revenues for buildings and leasehold improvements and usage for other equipment. Capital lease contingent rentals and sublease rental income were not material in any year.

Note K — Extraordinary Item:
In November, 1982 the Bus Regulatory Reform Act of 1982 (the "Act") became effective. The Act provided for increased ease of entry to provide regular bus transportation route service and therefore eliminated the continuing value of U.S. bus operating rights which were included in intangibles. The remaining carrying value of these operating rights in the amount of $3,099,000 was written off in 1982 as a result of this legislation.

Note L — Litigation:
Greyhound and certain subsidiaries are parties to a number of legal proceedings in various stages, the outcome of which is not expected to have a material effect upon the consolidated financial condition of Greyhound, but for which the ultimate liability, if any, cannot be reasonably estimated. Some of the suits, which are being contested by pretrial proceedings, are brought on behalf of classes or alleged classes of plaintiffs for alleged discriminatory employment practices.

Note M — Other Matters:
Under the terms of credit agreements with certain financial institutions, Greyhound has guaranteed amounts of a Financial Group subsidiary and other companies aggregating $16,158,000 at December 31, 1982.

Net income of affiliates included in consolidated net income of Greyhound was $6,411,000 in 1982, $3,806,000 in 1981 and $2,439,000 in 1980. Total assets of the affiliated entities are less than four per cent of consolidated assets of Greyhound. Undistributed net income of these affiliates included in Greyhound's retained income was $9,840,000 at December 31, 1982.

Financial Group Subsidiaries of Greyhound

Summary of Combined Financial Condition (000 omitted)

ASSETS	December 31, 1982	1981
INVESTMENTS IN EARNING ASSETS:		
Finance lease and contract receivables, net of unearned income of $703,311 and $671,001	$1,532,747	$1,372,558
Computer rental equipment, net	185,448	178,372
Bonds and other fixed maturity investments, at amortized cost (market $196,445 and $146,649)	219,139	207,808
Equity securities, at quoted market	31,642	17,900
Short-term investments, including demand loan to Greyhound of $35,000 in 1982 and 1981	177,468	148,005
Investments in Earning Assets	2,146,444	1,924,643
Cash	87,498	75,147
Other Receivables	126,943	101,244
Tax Benefits due from Greyhound	7,882	9,611
Other Assets	81,535	77,680
Deferred Policy Acquisition Costs	16,453	14,326
Intangibles, at cost less amortization	40,865	41,721
	$2,507,620	$2,244,372

LIABILITIES AND GREYHOUND EQUITY		
LIABILITIES:		
Long-term debt, including subordinated debt of $127,262 and $98,016	$1,139,138	$ 977,738
Commercial paper and short-term bank loans	150,071	157,578
Money orders outstanding and payment service advances	222,131	179,802
Unearned premiums	48,657	43,563
Insurance losses and claims	90,683	92,495
Due to Greyhound, including $10,325 subordinated long-term debt in 1982	41,460	21,552
Other short-term liabilities	128,647	132,037
	1,820,787	1,604,765
DEFERRED TAX ITEMS	220,257	237,806
MINORITY INTERESTS	18,657	18,838
GREYHOUND EQUITY:		
Capital	285,596	239,050
Retained income	168,072	144,336
Net unrealized investment gains (losses)	112	(423)
Cumulative translation adjustments	(5,861)	
	447,919	382,963
	$2,507,620	$2,244,372

See notes to summary combined statements.

Financial Group Subsidiaries of Greyhound

Summary of Combined Income (000 omitted)

	Year Ended December 31, 1982	1981	1980
REVENUES:			
Leasing and other:			
Finance lease and other income	$266,978	$231,462	$176,729
Operating lease rentals	87,096	73,601	64,728
Gains on disposal of equipment	2,984	17,179	11,634
Insurance:			
Premiums earned	84,906	95,788	80,646
Investment income, net of expenses	26,318	26,189	20,377
	468,282	444,219	354,114
OPERATING COSTS:			
Leasing and other:			
Interest	155,783	121,823	93,813
Depreciation	54,282	47,053	34,558
Other	96,116	85,156	74,414
Insurance:			
Losses and settlement expenses	63,700	64,315	41,432
Amortization of policy acquisition costs	39,197	31,307	25,899
Other	3,345	14,104	8,655
	412,423	363,758	278,771
OPERATING INCOME BEFORE UNUSUAL INCOME	55,859	80,461	75,343
UNUSUAL INCOME—Litigation settlement, net of expenses		15,258	
OPERATING INCOME	55,859	95,719	75,343
NET REALIZED INVESTMENT GAINS	6	3,108	2,259
MINORITY INTERESTS AND OTHER, NET	(78)	(1,832)	(1,313)
INCOME BEFORE INCOME TAXES	55,787	96,995	76,289
INCOME TAXES	8,540	29,292	19,501
NET INCOME:			
Leasing and other	38,024	56,177	38,103
Insurance	9,832	13,816	20,978
Minority interests	(609)	(2,290)	(2,293)
Total Financial Group	$ 47,247	$ 67,703	$ 56,788

Summary of Combined Greyhound Equity (000 omitted)

	1982	1981	1980
Balance, beginning of year	$382,963	$369,832	$333,529
Net income	47,247	67,703	56,788
Dividends to Greyhound	(22,472)	(45,303)	(24,182)
Additional (reduction in) investment by Greyhound, net	45,529	(4,912)	2,476
Net change in unrealized gains and losses on marketable equity securities	535	(4,360)	1,379
Unrealized translation adjustments	(5,861)		
Other	(22)	3	(158)
Balance, end of year	$447,919	$382,963	$369,832

See notes to summary combined statements.

Summary of Changes in Combined Financial Position (000 omitted)

	Year Ended December 31, 1982	1981	1980
SOURCE OF FUNDS:			
From operations	$138,175	$176,022	$131,602
Collections on finance receivables, less income amortization	220,675	180,707	165,325
Carrying amount of equipment sold	18,871	23,528	19,222
Total from operations, collections and equipment disposals	377,721	380,257	316,149
Additional long-term debt	265,347	220,496	355,866
Increase in commercial paper and short-term bank loans	25,468	260,322	
Increase in money orders and payment service advances	42,329	56,782	36,406
Additional (reduction in) investment by Greyhound, net	45,529	(4,912)	2,476
Other transactions with Greyhound, net	19,908	15,662	
Other sources of funds	36,052	33,297	35,556
	812,354	961,904	746,453
USE OF FUNDS:			
Investments in earning assets:			
Finance leases and contracts	408,462	507,404	325,680
Computer rental equipment	85,937	116,019	27,712
Fixed maturity and equity securities, net	50,846	74,009	35,414
Total investments, net	545,245	697,432	388,806
Reductions of long-term debt	133,517	178,828	234,244
Decrease in commercial paper and short-term bank loans			48,055
Dividends paid to Greyhound	22,472	45,303	24,182
Assumption of deferred taxes by Greyhound	35,000		
Other transactions with Greyhound, net			5,091
Other uses of funds	63,769	37,630	30,409
	800,003	959,193	730,787
INCREASE IN CASH	$ 12,351	$ 2,711	$ 15,666

See notes to summary combined statements.

Notes to Summary Combined Statements

Three Years Ended December 31, 1982

Note 1 — Summary of Significant Accounting Policies:

The accompanying financial information for the Financial Group is prepared on the Greyhound cost basis, which is the basis for recording investments in and net income of Financial Group subsidiaries in Greyhound's consolidated financial statements. This combined information has been prepared in accordance with generally accepted accounting principles.

Intangibles are amortized primarily over forty years.

Leasing Subsidiaries:

Finance leases and contracts, collateralized primarily by commercial and industrial equipment, are generally direct financing leases. Computer rental equipment is leased principally under operating leases, and is depreciated on the declining balance method at annual rates ranging from 20 to 30 per cent and for 1982 additions by the sum-of-the-years'-digits method over six to eight years.

Investment tax credits arising from direct financing leases are deferred and amortized to finance lease revenues over the original terms of related leases on the sum-of-the-months'-digits method. Investment tax credits related to computer operating leases are deferred and amortized on the straight-line method over five or seven years as a reduction of income taxes.

Proceeds received pursuant to the terms of tax benefit transfer leases are deferred as a reduction of the carrying amount of the related underlying equipment lease and amortized to income on the interest method.

Insurance Subsidiaries:

Premiums earned are calculated generally on the straight-line basis over the terms of the coverage.

Costs associated with the acquisition of insurance business are deferred and amortized over the term of the policies in the same manner as premiums earned are calculated.

Provisions for losses under mortgage insurance contracts are principally determined by a formula based upon reported delinquencies. Provisions for losses applicable to other insurance operations are determined on the basis of management's estimate of the anticipated ultimate loss ratio.

Bonds and other fixed maturity investments are carried at amortized cost, unless there is deemed to be a permanent diminution in value, in which case the loss is recorded in net realized investment gains (losses). Equity securities are carried at quoted market and changes in valuation allowances are recorded in Greyhound equity.

Note 2 — Finance Lease and Contract Receivables:
Finance lease and contract receivables due in the next five years will approximate $396,974,000 (1983), $341,530,000 (1984), $318,460,000 (1985), $287,696,000 (1986) and $223,032,000 (1987). Estimated residual value of equipment included in finance lease and contract receivables was $189,091,000 and $180,956,000 at December 31, 1982 and 1981, respectively.

Proceeds received from a tax benefit transfer lease in 1981 were $10,072,000.

During 1982, the Financial Group experienced significant increases in delinquencies, financing transactions that have been restructured and equipment repossessed. The U.S. entities have contracts and repossessed equipment which generally became non-accruing during 1982 consisting of $46,000,000 of loans in Mexico, $58,600,000 of contracts considered delinquent or placed in a non-accrual status by management, $41,000,000 of contracts that have been restructured for credit reasons, and $30,000,000 of assets returned or repossessed (at estimated realizable values).

Approximately $9,000,000 of the loans in Mexico are guaranteed and/or supported by the Mexican and/or U.S. governments. The remaining $37,000,000 are private sector loans secured principally by heavy construction equipment and corporate aircraft. These loans have been affected by peso devaluations and Mexican foreign exchange restrictions. Due to uncertainties existing at this time, management is unable to estimate the losses, if any, which may be incurred, but is of the opinion that collateral values significantly reduce the loss exposure.

Approximately $53,000,000 of the remaining $99,600,000 of contracts are represented by transactions with two lessees on which the exposure, in spite of the dollar concentration, is not considered significant. The balance relates to a variety of customers including certain contracts on which payments are being received.

A Financial Group foreign subsidiary with a concentration of secured loans in the shipping industry also experienced increases in delinquencies and contracts rewritten due to the world-wide shipping recession. At December 31, 1982, this portfolio had delinquent contracts totaling approximately $17,700,000 and contracts on which moratoria were granted (primarily reduced principal payments or extended terms on originally scheduled principal payments) aggregating approximately $25,700,000.

At December 31, 1982 and 1981, the allowance for losses was $32,251,000 and $25,188,000, respectively. Management, after careful analysis of all of the foregoing and estimates of underlying collateral values, is of the opinion that the above allowance is adequate to provide for possible losses in the portfolio.

Note 3 — Computer Rental Equipment:
At December 31, 1982 and 1981, computer rental equipment includes the following:

Type of Equipment	Cost or Stated Amount 1982	Cost or Stated Amount 1981	Carrying Amount 1982	Carrying Amount 1981
	(000 omitted)			
IBM System/370 and compatible	$284,080	$237,502	$173,807	$160,638
Other	31,450	39,889	11,641	17,734
	$315,530	$277,391	$185,448	$178,372

Noncancellable rentals due under computer equipment leases total approximately $136,000,000 at December 31, 1982. Accordingly, recovery of the carrying amount of computer equipment at December 31, 1982 is dependent upon renewal of existing leases or sale or lease of the equipment at satisfactory prices. Management is of the opinion that it will recover the remaining carrying amount of computer equipment.

Note 4 — Long-term Debt:
Long-term debt at year-end, substantially all applicable to leasing operations, was as follows:

	1982	1981
	(000 omitted)	
Senior debt:		
Revolving credit loans	$ 136,464	$160,649
Term loans, 8¾% to 18%, due to 1989	239,591	222,054
Commercial paper supported by unused revolving credit or refinanced subsequent to year-end	135,159	124,000
9.70% Notes, due 1984	60,000	60,000
14⅞% Notes, due 1991	75,000	75,000
16⅛% Debentures, due 1992	100,000	
Sinking fund debentures:		
12½%, due 1991 to 2000	99,343	99,305
9¼%, due 1983 to 1992	44,714	50,000
Limited and non-recourse installment notes, 9⅞% to 18½%, due to 1991	44,523	25,121
Other, 6% to 14⅝%, due to 1998	77,082	63,593
Subordinated debt:		
Commercial paper supported by unused subordinated revolving credit	65,000	35,000
Other, 4¾% to 17%, due to 1997	62,262	63,016
Total long-term debt	$1,139,138	$977,738

Revolving credit loans are borrowed under credit agreements aggregating $563,185,000 with an average interest rate at December 31, 1982 of 11.1 per cent. The agreements generally require payment of a fee on the unused commitments and are renewable annually. However, if loans with any or all participating banks are not renewed, the subsidiaries may, at their option, repay the nonrenewing banks' participation immediately or over thirty-month to eight-year periods following the date of termination. So long as the agreements are renewed and the subsidiaries comply with specified tests of financial condition, no repayments of principal are required, and generally additional advances may be obtained up to the amount of the unused credit.

Compensating balances under certain of the revolving credit agreements averaged $2,738,000 in 1982, of which $1,341,000 was provided by Greyhound. The Financial Group paid interest to Greyhound for the use of these funds. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

Annual maturities of long-term debt (other than amounts due under revolving credit agreements expected to be renewed) due in the next five years will approximate $57,453,000 (1983), $120,644,000 (1984), $85,057,000 (1985), $87,627,000 (1986) and $89,913,000 (1987).

Note 5 — Income Taxes:
The provision for income taxes for the three years ended December 31, 1982 consists of the following:

	1982	1981	1980
	(000 omitted)		
United States:			
Federal:			
Currently payable	$ 6,442	$13,247	$ 8,744
Benefits from inclusion in Greyhound's consolidated tax return	(23,403)	(4,826)	(11,123)
Investment tax credits and amortization	(2,853)	(1,715)	(1,145)
Deferred, principally as a result of leasing operations	25,239	19,039	19,789
State	1,043	951	547
Foreign	2,072	2,596	2,689
Provision for income taxes	$ 8,540	$29,292	$19,501

Investment tax credits of $8,944,000 arising in 1982, $18,961,000 in 1981 and $9,562,000 in 1980 from leasing operations have been deferred. Amortization of deferred investment tax credits included in finance lease revenues was $10,025,000 in 1982, $8,174,000 in 1981 and $6,606,000 in 1980.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1982	1981	1980
	(000 omitted)		
Computed income taxes at statutory federal income tax rates	$25,662	$44,618	$35,093
Investment tax credits and amortization	(2,853)	(1,715)	(1,145)
Effects of investment tax credits in lease revenue	(4,612)	(3,760)	(3,039)
Statutory rate differences and tax exempt income	(10,744)	(11,608)	(8,452)
Minority interests	280	1,053	1,105
Other, principally state and foreign tax differences	807	704	(4,061)
Provision for income taxes	$ 8,540	$29,292	$19,501

United States and foreign income before income taxes is as follows:

	1982	1981	1980
	(000 omitted)		
United States	$52,308	$91,114	$64,533
Foreign	3,479	5,881	11,756
Income before income taxes	$55,787	$96,995	$76,289

Deferred tax items include $35,714,000 and $39,413,000 at December 31, 1982 and 1981, respectively, of deferred investment tax credits of leasing operations.

Note 6 — Subsequent Event and Litigation:
Travelers Express Company has not received payment for approximately $15,800,000 of money orders written by an agent for a two-week period in January, 1983. In the opinion of management and legal counsel, substantial recovery should be achieved and the ultimate loss, if any, will not be material.

The long-standing action against Greyhound Leasing & Financial Corporation in the U.S. District Court in Puerto Rico has been settled for nominal consideration.

In January, 1981 the antitrust litigation brought against IBM by Greyhound Computer Corporation was settled upon receipt of a $17,700,000 payment from IBM. This amount less related costs and expenses is included in income as an unusual item.

Note 7 — Relations with Greyhound:
The executive, financial, legal, tax and other corporate staff departments of Greyhound perform services for the Financial Group, and in some cases Greyhound also furnishes office space, data processing and office services at charges which are intended to provide no profit to Greyhound. The Financial Group domestic subsidiaries have compensating balance arrangements with Greyhound. In addition, the Financial Group subsidiaries have net advances due to or from Greyhound depending upon cash requirements of the entities. Net interest received from Greyhound was $629,000 in 1982, $5,083,000 in 1981 and $3,965,000 in 1980.

A Financial Group subsidiary provides financing for certain installment sales of new buses produced by the Bus Manufacturing Group. Contract receivables of the Financial Group include $29,919,000 at December 31, 1982 applicable to such transactions including $7,791,000 applicable to buses sold to investors and leased under operating leases by the Transportation Group.

See Note H of notes to consolidated financial statements for information regarding U.S. federal income tax matters.

Note 8 — Other Matters:
Premiums earned and losses and settlement expenses were reduced by $25,400,000 and $42,000,000, respectively, as a result of a reinsurance contract entered into in 1982.

The property and casualty insurance subsidiaries cede insurance to other insurance companies in order to limit their maximum loss through risk diversification. Certain insurance accounts, primarily premiums earned, losses and settlement expenses and the liability for insurance losses and claims of the special risk and reinsurance business, are stated net of amounts ceded under reinsurance policies. Insurance ceded by the subsidiaries does not relieve liability in the event of a failure by a reinsurance company to pay claims. Premiums ceded during 1982, 1981 and 1980 were $71,262,000, $74,750,000 and $64,184,000, respectively, and the contingent liability for insurance losses and claims applicable to reinsurance was $33,363,000 at December 31, 1982.

Financial Reporting and Changing Prices

Statement No. 33 of the Financial Accounting Standards Board requires the reporting of supplemental information about the effects of specific price changes (current costs) and general inflation (constant dollars) on financial statements.

Greyhound cautions against the use of this information for estimating the inflationary effect on future costs. As required, the 1982 amounts reported in the primary financial statements have been adjusted only for depreciation expense and the inventory components of costs in arriving at net income as adjusted. Amounts for 1981, 1980 and 1979 have been similarly adjusted and are further restated in average 1982 dollars. Net income amounts as initially adjusted each year are exclusive of any income tax provision adjustments.

The Standards Board expressed a need for experimentation in reporting the effects of changing prices and mandated only general guidelines. Therefore, this data may not be comparable with that of other companies. The information which follows provides the required disclosure of the effects of inflation on Greyhound's operations, certain assets and its purchasing power.

Current Cost Information:
The objective of this method is to reflect the effects of changes in specific prices of the resources actually used in Greyhound's operations, so that measures of these resources and their consumption reflect the current cost of replacing these resources, rather than the historical cost amounts actually expended to acquire them.

This method of reporting restates inventories and property and equipment in terms of what it would cost Greyhound to replace these items in specific current year costs. Accordingly, cost of sales was calculated on the basis of current production or acquisition costs, other than for product on a LIFO inventory valuation basis because use of such basis approximates current cost. Property and equipment and depreciation were restated utilizing various appropriate external price indices.

Constant Dollar Information:
The objective of this method is to provide financial information in dollars of equivalent value or purchasing power.

The adjusted net income under this method was determined by: (1) aging inventories and property and equipment; (2) translating these agings by using the required Consumer Price Index for All Urban Consumers (calculated by the U.S. Department of Labor); and (3) calculating what cost of sales and depreciation expense for the periods presented would have been if these were expressed in average 1982 dollars.

Effects of Changing Prices—1982 (000 omitted)

	Changes in Specific Prices (Current Costs)	General Inflation (Constant Dollars)
Net income, as reported	$103,060	$103,060
Less adjustments to restate costs for the effects of inflation on:		
Cost of revenue items	(7,554)	(12,917)
Depreciation	(54,640)	(51,166)
Net income, as adjusted	$ 40,866	$ 38,977
Purchasing power gain on net monetary amounts owed (not included in adjusted income above)	$ 24,255	$ 24,255
Increase in specific prices (current costs) of inventories and property and equipment[1]	$ 58,117	
Effect of increase in the general price level (general inflation)	62,181	
Increase in specific prices under increase in general price level during 1982	$ (4,064)	

[1] At December 31, 1982, current cost of inventories was $314 million and current cost of property and equipment, net of accumulated depreciation, was $1,311 million.

Selected Financial Data Adjusted for the Effects of General Inflation — Stated in Average 1982 Dollars

	1982	1981	1980	1979	1978
	(in millions except per share and price index data)				
Sales and revenues	$4,540.4	$5,008.0	$5,601.3	$6,259.9	$6,448.2
Dividends per common share	1.20	1.27	1.40	1.38	1.54
Year-end market price per share	17.06	15.92	15.52	18.09	15.67
Constant dollar information:					
Net income	39.0	59.3	47.7	64.6	
Net income per share	0.89	1.32	1.08	1.46	
Net assets at year-end	1,362.7	1,446.0	1,466.0	1,481.8	
Current cost information:					
Net income	40.9	88.8	90.9	95.9	
Net income per share	0.93	1.96	2.05	2.18	
Net assets at year-end	1,568.1	1,652.0	1,587.0	1,630.4	
Increase in specific prices (current costs) of inventories and property and equipment over (under) increase in general price level (general inflation)	(4.1)	47.4	(58.1)	(88.8)	
Purchasing power gain on net monetary amounts owed	24.3	60.2	93.9	111.9	
Average consumer price index	289.1	272.4	246.8	217.4	195.4

*Transfer Agents**

Common Stock certificates may be mailed to the following address for transfer:

First National Bank of Boston
P.O. Box 644
Boston, Massachusetts 02102

Common Stock certificates may be delivered to the following offices for transfer:

First National Bank of Boston
Stock Transfer Department
100 Federal Street
Boston, Massachusetts

First National Boston
Clearance Corporation
61 Broadway
7th Floor
New York, New York

FNB Financial Company
1 Wilshire Boulevard
8th Floor
Los Angeles, California

Transfer of warrant certificates representing New York Stock Exchange listed warrants can only be made at the following agent's office:

Citibank, N.A.
111 Wall Street
New York, New York 10015

**Change of address and inquiries regarding dividend payments or related to common stock accounts or warrant accounts should be sent directly to:*
The Greyhound Corporation
P.O. Box 21688
Phoenix, Arizona 85036

Stock Exchanges

The principal market on which the common stock of The Greyhound Corporation is traded is the New York Stock Exchange. It also is traded on the Pacific, Midwest, Philadelphia and Cincinnati exchanges.

Sales Price Range of Common Stock

	1982		1981	
Calendar Quarters:	High	Low	High	Low
First	15¾	13¾	18	13¼
Second	15⅛	12¾	20¼	16½
Third	16¼	12⅝	18⅛	13½
Fourth	19	14⅝	16⅞	14⅜

Dividends Paid on Common Stock

	1982	1981
January	$ .30	$ .30
April	.30	.30
July	.30	.30
October	.30	.30
	$1.20	$1.20

Corporate Headquarters

The Greyhound Corporation
Greyhound Tower
Phoenix, Arizona 85077
(602) 248-4000

Annual Meeting

You are cordially invited to attend the annual meeting of shareholders to be held May 10, 1983, starting at 9:00 a.m., in the Coronado Room at the Ramada TowneHouse
100 West Clarendon Avenue
Phoenix, Arizona

Printed in U.S.A.

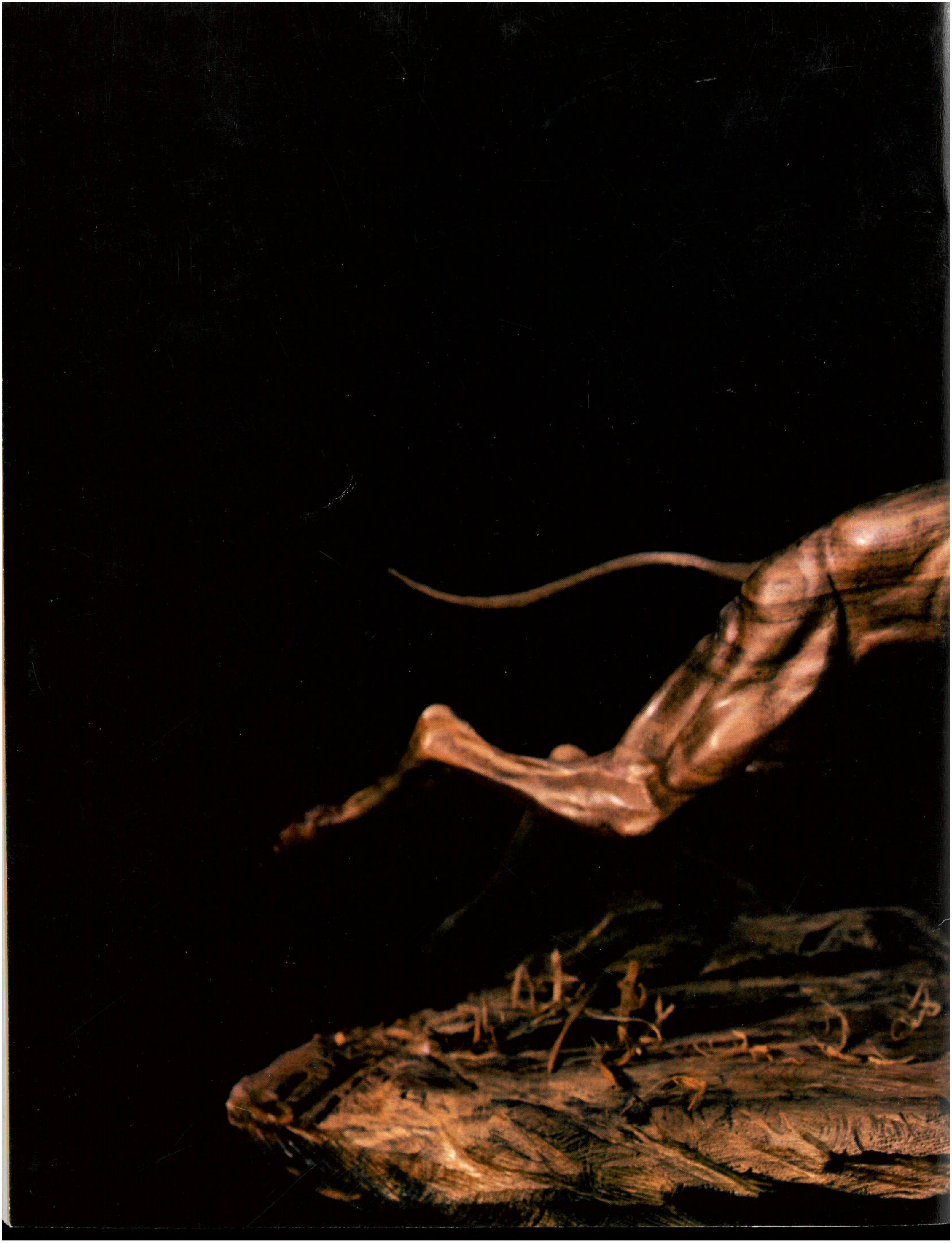


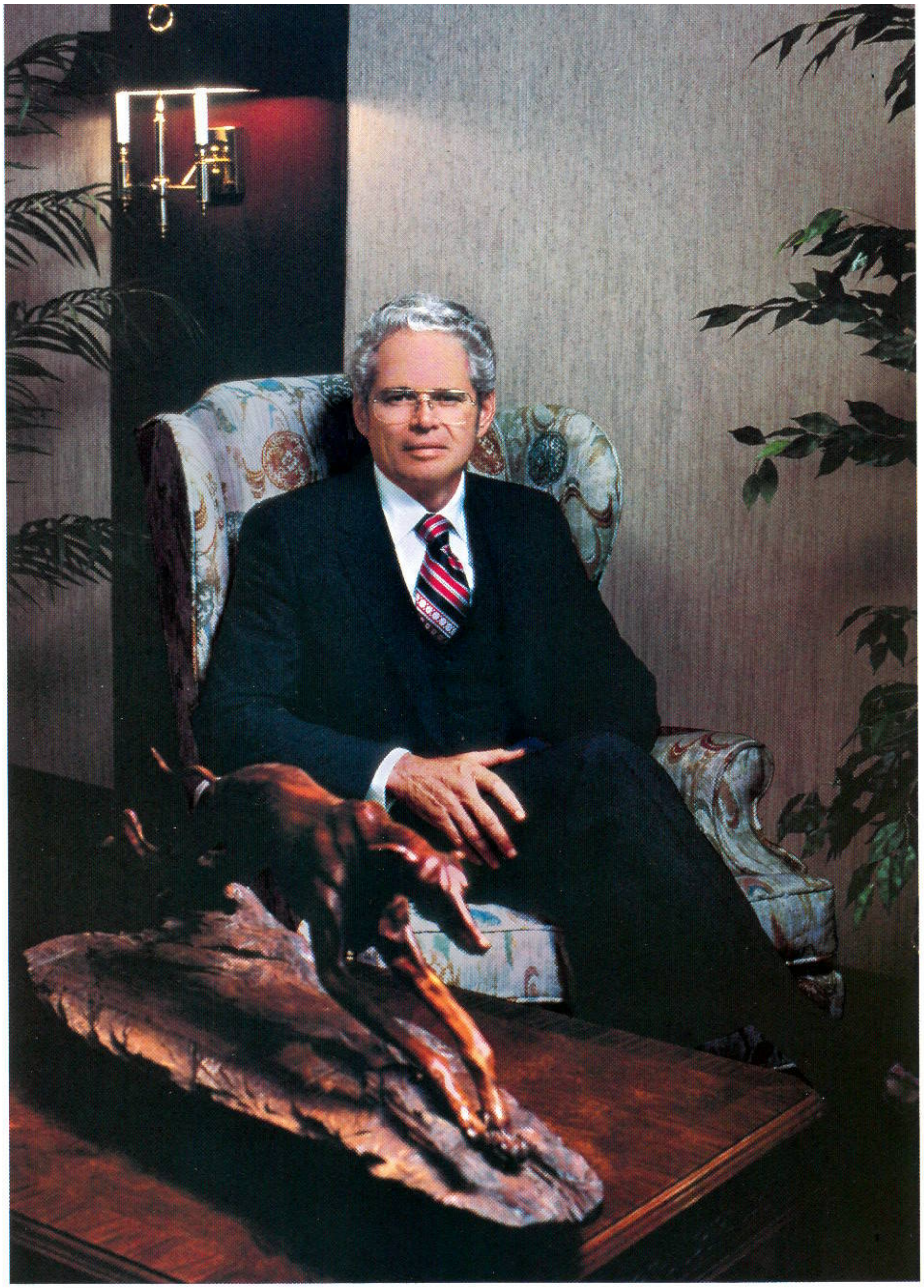
Exhibit D

The Greyhound Corporation
1983 Annual Report

financial briefs

	1983	1982	1981	1980	1979
REVENUES (millions):					
Greyhound and consolidated subsidiaries	$2,146	$2,272	$2,347	$2,245	$1,999
Financial Group (not consolidated)	479	468	444	354	308
Combined	$2,625	$2,740	$2,791	$2,599	$2,307
INCOME (millions):					
Continuing operations, exclusive of unusual and extraordinary items:					
Greyhound and consolidated subsidiaries	$ 42.1	$ 54.3	$ 62.3	$ 66.8	$ 58.6
Financial Group	28.2	47.3	59.6	56.8	49.4
Income of continuing operations, exclusive of unusual and extraordinary items	70.3	101.6	121.9	123.6	108.0
Discontinued operations—principally net gain on disposal in 1983	20.5	4.6	7.5	(4.0)	13.2
Unusual item			8.1		
Extraordinary items	14.7	(3.1)			
NET INCOME (millions)	$105.5	$103.1	$137.5	$119.6	$121.2
NET INCOME PER SHARE (dollars)	$ 2.22	$ 2.34	$ 3.05	$ 2.70	$ 2.75
Average outstanding common and equivalent shares (millions)	47.0	44.0	45.1	44.3	44.0

contents



John W. Teets

message from your management

The goal for your management in 1983 was to continue to build a leaner, trimmer company for the purpose of achieving a superior rate of return. Focusing on that objective is the best way we know of meeting our responsibility to shareholder and employee alike.

• Certainly the most documented event of 1983 was the 47-day strike we took at Greyhound Lines in the course of reaching a new labor agreement with the Amalgamated Transit Union. The strike was very costly to the corporation, incurring over $25 million in losses, and we knew right from the outset the full financial implications of our decision to weather the strike. We also knew the emotional and personal price tag involved in attempting to bring Lines' wage rates to where they would be competitive with those of other bus companies.

Furthermore, it was not a problem that could be put on hold. Greyhound Lines was experiencing rapidly eroding passenger counts and progressively deteriorating earnings. Since essentially all other operating costs... for fuel, taxes, commissions, depreciation... are standard for all carriers, it threw into sharp relief the fact that it was *wages* which were impeding Greyhound in the competitive arena.

Today's operating environment in the intercity bus industry has no respect for past accomplishments, no matter how impressive! The best buses, the best people, the best schedules and service had become irrelevant to the traveling public unless we could simultaneously offer the best *price*. And our 30% to 50% higher wage rates precluded our being competitive in pricing.

With the ratification of a new contract on December 19, we achieved something more than just a new three-year wage pact: we insured 16,000 jobs of Greyhound Lines employees and we guaranteed that the bus company has a future. The two-tier wage structure built into the new contract allows us to achieve parity of labor costs with our major competitors over the coming years without laying that burden entirely on current employees.

We continue to operate in a new and volatile competitive environment propelled by deregulation, one which dictates that for all companies the age of surplus is over! Greyhound Lines' new commitment, now and for the future, is to be the low-cost producer in a *permanently* competitive business climate.

• If the Greyhound Lines negotiation was *high drama* for the media, the 1983 sale of Armour Food Company was decidedly *low key*! Yet the disposition of Armour's 17 plants and facilities to ConAgra, Inc. was as innovative as anything that occurred in 1983.

Despite a wage freeze negotiated with the United Food and Commercial Workers Union two years ago, Armour Food Company still could not overcome the enormous wage-rate discrepancy with its competitors in the meatpacking industry. As a result, in early June, we announced that we would close Armour's plants on December 17 and seek a buyer. In preparation for such an eventuality, some months earlier we had separated Armour Food Company from Armour-Dial, moved public debt to the parent company and taken other actions designed to simplify a possible sale. On June 29 we reached tentative agreement for ConAgra, Inc. to purchase the assets of Armour Food Company for approximately $166 million, a sale which was consummated on December 18, 1983.

The sale price comprised cash, notes and 3.4 million shares of ConAgra common stock, which gives Greyhound a 15% interest in an excellent, well-managed company. Moreover, as a major stockholder of ConAgra, we will be able to participate in the new growth anticipated for Armour Food Company now that its labor rate structure is competitive with other meat packers. In fact, we expect to realize a better contribution to income as a result of divesting the assets of Armour Food Company than we ever could have achieved had we retained this operation under its then existing wage agreement!

In 1983, there were also some major disappointments, of course, including the lackluster results of Greyhound Leasing & Financial Corporation. While world economic conditions are currently working against the resurgence of this subsidiary, the core problems are being addressed to return this subsidiary to the level of growth and earnings we have established *as a standard here at Greyhound.*

The Pine Top Insurance Group and Armour Handcrafts have not produced acceptable results for several years. In the case of Pine Top we are seeking a buyer for that subsidiary, and we have signed a letter of intent for the sale of Armour Handcrafts.

In 1984, we will continue to divest certain of our businesses as we shape The Greyhound Corporation into an even more successful portfolio of businesses. Each of our operations must be well-managed, well-balanced, and well-positioned within its industry, and each too must make an appropriate contribution to the financial goals of the corporation as a whole.

We also hope to make a major acquisition late in 1984, but again, that acquisition will have to meet very stringent objectives for return on investment and other criteria. This task of honing down Greyhound, making it leaner and more profitable, was successful because it had its roots in rigorous tactical planning. Similarly, our acquisition course is being charted as meticulously as was our divestiture strategy.

One of the biggest assets we have in shaping the new Greyhound is that we are in such excellent financial health. That means that all avenues of expansion and growth are available to us as we plan our strategy.

Examining our financial picture, we see that, despite the outflow of funds late in the year caused by the strike and the fact that substantial amounts ($107.2 million) due on the sale of Armour Food's assets will not be received until the first half of 1984, total debt was reduced by $80 million in 1983.

Throughout the year, strict attention was paid to improving financial condition and cash flow through inventory control and a tight rein on receivables and capital expenditures.

Long-term debt at year-end stood at $346 million, its lowest level in over 10 years, while shareholders' equity was the highest ever at $1.1 billion. The ratio of total debt to equity improved to .34 to 1 at December 31, 1983. These improved statistics give us every reason to expect that internally generated funds and available financing resources will be adequate to finance our acquisition program.

Looking at 1983 results, a detailed analysis of group operations begins on page four. Net income for the year was $105.5 million compared with $103.1 million the year before, while earnings per common share were $2.22 compared with $2.34 last year. The decline in earnings per share results from an average of 3 million more shares outstanding in the current year. On continuing operations, income for 1983 was $70.3 million or $1.47 per share compared with $101.6 million, or $2.30 per share a year ago. Obviously the 47-day strike at Greyhound Lines seriously hurt results, as did the sharply reduced earnings of Greyhound Leasing & Financial Corporation. It should be noted, however, that through October 31, just prior to the onset of the strike, income from continuing operations was slightly *ahead* of 1982.

We also enjoy, I think, a high level of support and confidence from the investment community. Throughout the strike, despite the negative impact the work stoppage obviously would have on 1983 earnings, our stock price was well supported. Indeed, our stock price actually rose following the announcement of Lines' start-up on November 17, as the financial community correctly gauged the full extent of management's determination to run the bus company. In 1984, we will continue our program to keep this vital investment audience fully and accurately apprised of our plans and progress.

As we look to 1984, the U.S. economy appears to be continuing its strong comeback. At Greyhound, we enter the year with a sound financial position, a lean, trimmed-down corporate silhouette, and the assurance of improved competitive conditions for Greyhound Lines. Although we are not yet satisfied with our rate of return, and have much more work to do before we can report that *every* operating entity is meeting the standards we have established for managing the corporation's assets, we nevertheless made major gains in 1983 on a number of fronts. We expect improved earnings in 1984, assuming that the world economic conditions continue to improve. Our major challenge will be to continue to monitor and improve the performance of Greyhound Leasing & Financial Corporation.

We also have a seasoned management which has a deeply rooted belief in controls, in planning and in maximizing resource allocation. It is through this management team that we achieved most of our goals for 1983, and made good gains on securing our long-range objectives.

In this effort we will be aided by a new member of the Board of Directors, Charles Pilliod, former chairman of Goodyear Inc. and a most valuable addition to our board.

My thanks to the board of directors for their encouragement and support of the many changes we are making at Greyhound, and to our employees for their loyal dedication to our goals and objectives. Together, we are building a very unique and vital company...a *new* Greyhound with the ability to go wherever ingenuity and determination can take it.

Sincerely,

John W. Teets
Chairman of the Board and
Chief Executive Officer

Round-the-clock maintenance of Greyhound's fleet of modern intercity buses receives the highest priority. The San Francisco facility, pictured here, is one of 11 major maintenance centers operated by the company nationwide.

transportation

In 1983, the Transportation Group reported a net loss of $8.8 million, compared with net income of $20.2 million a year ago. This includes the results of not just Greyhound Lines, but of Greyhound Lines of Canada, New Mexico Transportation, Vermont Transit and other transportation subsidiaries.

Obviously, group performance was negatively affected by the 47-day strike at Greyhound Lines which effectively wiped out any chance for a profitable year for that company, and which seriously eroded the profitability of our other transportation companies which interline with Greyhound Lines.

And yet, precisely *because* of the strike, Greyhound Lines is now on the road back. This does not imply a return to the "good old days" of bus travel nor an attempt to roll back time. Rather, it refers to the fact that the new deregulated transportation environment had presented Greyhound Lines with a maze of blind alleys and dead ends. The "road back" is designed to help us retrace our steps away from these blind alleys and toward broader avenues of growth.

A number of events and factors converged in 1982 and 1983 to bring Greyhound Lines to a precarious position. Chief among them were fare wars, airline deregulation and a labor cost structure which had grown seriously out of balance. Early in 1982 the Amalgamated Transit Union had granted a wage freeze to one of our largest competitors who then took the concessions and channeled them into a massive effort to undercut fares. The choice for Greyhound at that time was either meet those cutrate fares or lose share of market. We chose to meet the fares, even though our 30% to 50% higher labor costs culminated in a $16 million operating loss at Greyhound Lines that year. At the same time, airline deregulation had spawned dozens of new, feisty regional airlines whose bare-bones operating policies and non-union workforce allowed them not only to challenge the established airlines in this country, but bus operators as well, offering fares that were as low as *half* those of intercity bus lines. Equally serious, those new regional carriers were bringing airline service to hundreds of communities which had formerly been strictly bus towns.

By early 1983 then, denied any type of wage relief by the Union, the question haunting Greyhound Lines' management was, how long could the bus company continue to accumulate these staggering losses for the sake of meeting the lower seat prices of its air and bus competitors? Another year? Two years perhaps? If the situation had not yet reached the critical stage, it was only a matter of time until Lines faced a ruinous financial impasse!

With the expiration of its labor contract on October 31, 1983, Lines' management determined that the situation could not be allowed to become so critical that there was no retreating from the edge. Parity of labor costs—the only avenue that would enable Greyhound

Lines to become competitive again—became the issue of the 1983 negotiations, and it was over the parity issue that the union struck Greyhound Lines on November 3.

It is very tempting to blame Greyhound Lines' disastrous 1983 results on the strike; but the fact is that *with or without* that 47-day work stoppage, Lines would have had another unsatisfactory year, only slightly improved over 1982, because the same noncompetitive conditions and badly skewed labor costs prevailed.

By contrast, 1984 holds tremendous opportunity for Greyhound Lines. The new three-year labor pact contains a two-tier wage structure that still leaves Greyhound Lines' current employees the best paid in the entire intercity bus industry, while achieving parity through a lower wage scale paid to new employees.

Despite the thousands of inches of newsprint and hundreds of minutes of broadcast time devoted to covering the strike, one fact tended to become obscured: that in the broad scheme of things it was *harder to fight for Greyhound Lines* than it would have been to liquidate it, sell its assets and invest the proceeds elsewhere. However long, costly and painful to all involved, the strike saved 16,000 jobs, and resulted in a contract offering a future for everyone involved. The charter business, which we had all but walked away from over a year ago due to our inability to submit competitive bids, is now reviving. The same is true of Greyhound Package Express. Any carrier who now wants to take us on in a price war had best be prepared for a long siege because today we are a true *competitor* again!

This experience should have taught all of us...labor and management...to listen better to cues from the economy, from passengers, from the real world. Today's consumer is going to gravitate solely to the efficient producer. That means that in transportation, passengers will spring for the lowest seat price. We intend to be the one to give it to them.

We expect to see a significant payback in 1984 from our newly adjusted wage base. Both labor costs and pension costs will be materially lower. The operating staff is experiencing a new surge of vigor and enthusiasm inherent in being back in the competitive ballgame again. And we still have the best equipment, facilities and professionals in the business.

For those of us who share a real affection for Greyhound Lines, and its rich history and traditions, "the road back" has the potential to become "the road forward."

Greyhound Lines of Canada turned in a very creditable performance in 1983 despite the impact on their North-South route operations caused by the U.S. Greyhound strike, and a consequent reduction in interline passengers.

An unusually cold December, which saw widespread breakdowns in the Canadian rail system and anticipatory fears of auto freeze-ups, led many Canadians to leave the driving to Greyhound. This helped offset generally lower passenger counts earlier in the year caused by continuing high unemployment in Canada which is keeping the lid on discretionary travel.

The biggest area of growth for the Canadian operation in 1983 occurred in the package express field with the introduction of Greyhound Courier Service, a pick-up-and-delivery service targeted to corporations, business offices, law firms and financial institutions who are looking for fast, secure shipments of important documents, contracts and other commercial papers.

In 1984, Greyhound Lines of Canada expects to begin construction of a major new terminal in Calgary.

A new Transportation Center opened by Greyhound in June 1983 serves the Greater Harrisburg, Pa., area with some 90 regularly scheduled intercity trips daily.

bus manufacturing

Essentially, 1983 was a year during which the operating companies in the intercity bus industry, including Greyhound Lines, adopted a cautious wait and see attitude regarding the effects of deregulation on their businesses. This, in turn, was reflected in the results of our Bus Manufacturing Group. Net income, which is derived not only from domestic bus sales but also from the sale of after-market parts, manufactured parts and overseas sales, was $32.1 million, down 14% from $37.4 million in 1982.

As we reported last year, our Motor Coach Industries facilities and those of Transportation Manufacturing in Roswell, New Mexico, are totally self-sufficient and able to produce a complete vehicle on their own. This has enabled us to restructure our manufacturing and service capabilities to better service our growing list of customers. Our computerized material handling and production control operations will be expanded during 1984, and this is expected to result in greater production efficiencies which will benefit our clients as well.

The combination of expanded capacity and heightened computerization now makes it possible to offer our customers a substantially shorter completion time on their orders. This, of course, makes the purchase of our buses even more attractive, inasmuch as in prior years customers experienced long lead times between order and delivery.

The past year also saw the near completion of the largest single order in the history of intercity bus manufacturing—the $111 million order for 700 buses by New Jersey Transit Authority for its long-distance commuters. The last of these buses was delivered on schedule in early 1984. Within the export segment of our business, 50 buses were shipped to Taiwan.

A significant factor affecting the group's 1983 performance was the fact that only 30 new buses were built for the Greyhound Lines fleet,

which had acquired an average of 385 new buses each year for the past 10 years. Some of the slack was taken up by an aggressive sales effort that produced an increasing number of orders from charter operators, the fastest growing segment of the intercity bus industry.

Prospects for 1984 appear to be quite good, even without a large order like that for New Jersey Transit. Greyhound Lines has already placed an order for 250 buses and domestic sales to other U.S. and Canadian carriers are projected to improve in 1984. The more active pursuit of foreign sales should help the group's overall sales picture as well.

It has been estimated that of the approximately 21,000 intercity buses traveling our highways today, roughly two thirds of them were made by Greyhound's bus manufacturing group of companies: Transportation Manufacturing in Roswell, New Mexico and Motor Coach Industries in Pembina, North Dakota and Winnipeg, Canada.

That so many of these vehicles have been built by our companies is not surprising, however, when one considers their long-standing reputation as the premier intercity vehicles on the road today. The Model MC-9 currently being built is a true, state-of-the-art intercity vehicle whose every feature of comfort, safety, reliability and economy has been engineered and continuously proven over the literally billions of miles traveled by the Greyhound fleet since it began nearly three quarters of a century ago. Our confidence in the MC-9's quality and reliability is reaffirmed by a new 24-month, 200,000 mile warranty, a 33% increase in coverage. This is without a doubt the best warranty protection in the intercity bus manufacturing industry.

However, for our many customers—other intercity carriers, charter and tour operators, even competitors—the high quality of the buses we manufacture is only part of the reason they continue to add Greyhound-built equipment to their fleets, year after year.

Equally compelling for today's cost-conscious bus operator is the extensive after-sale service and follow-up we provide that insures that the buses they buy from us will continue to operate at the absolute peak levels of efficiency and economy for as long as they own them. When they buy a bus from us they become part of our "family", so to speak, and our service engineers become an integral part of their operation, on hand whenever needed to keep their buses on the road serving their customers.

The reputation of a Greyhound-built bus as the finest vehicle of its kind on the road today stems directly from the highly skilled workers responsible for each stage of its assembly.

Greyhound Leasing & Financial Corporation supplied the senior debt on a leveraged lease of four Rolls Royce engines to be used on new generation Boeing 757 jet aircraft operated by one of the nation's leading air carriers.

financial

In 1983, the Financial Group experienced a sharp decline in net income to $28.7 million, from $47.9 million a year earlier. The decline is due to a particularly poor performance by Greyhound Leasing & Financial Corporation which continues to be adversely affected by worldwide economic conditions and changes in the U.S. leasing market.

Delinquencies continued to escalate in 1983, as did the level of non-earning assets. Early in 1984, GL&FC terminated its aircraft leases with World Airways and reacquired the leased planes, including two 747s. The aircraft were placed with another operator and are currently producing revenue.

In a number of instances, GL&FC has worked out new financing arrangements which include deferred and partial payments, interest only, and rescheduling of principal and interest to extend over longer periods. Nevertheless, in 1983 it became necessary for the company to increase its allowance for possible losses by an additional $6 million after tax.

U.S. operations of GL&FC were profitable, even though industrial America is continuing to operate in a lean, cautious manner, still reluctant to make long-term capital equipment commitments. Fortunately, this situation seems to be improving somewhat. Unused industrial capacity which stood at 34% a year ago, has now eased off to 20% and shows promise of improving still further. Meanwhile, GL&FC is diversifying by moving into new areas such as the financing of commercial real estate, notes receivables and real estate receivables.

Among the transactions consummated by GL&FC last year were the $30 million financing of the sale and leaseback of a Savings & Loan building, and the financing of a $6 million timeshare resort in Taos, New Mexico.

In addition, GL&FC provided the senior debt financing, in the amount of $7 million, on four Rolls Royce engines for Eastern Airlines.

International operations of GL&FC were similarly depressed last year. At the present time, the company has a $184 million portfolio of financing leases and secured loans in Latin America which is being monitored very closely.

Greyhound Computer Corporation enjoyed excellent gains in 1983 with earnings up 44%. Although GCC's traditional business... the leasing of computers...continues to make a solid contribution to results, it is the new

Business Investment Division (BID) from which the greatest future growth and expansion is expected to come. The BID is involved in both the leasing of equipment and the providing of equity financing for small, young companies which are on the leading edge of such high technology fields as word processing, voice identification, telecommunications and mini-discs.

One such company, Votran, specializes in voice print technology applicable to a broad variety of uses ranging from personnel identification at top secret security installations, to the more mundane application of credit-card verification. In addition to the investment in Votran, GCC also is a major lessor of capital equipment to the fledgling operation.

In the more traditional computer leasing field, GCC will invest some $150 million in mostly IBM equipment in 1984. The emphasis here is on the leasing of satellite terminals and other peripheral equipment which has the advantage of a much longer useful life than mainframe computers which are vulnerable to quicker obsolescence.

In 1984, GCC should do some $100 million of tax oriented leasing transactions and is expecting another fine year for the company as a whole in 1984.

Travelers Express enjoyed its seventh consecutive year of record earnings in 1983, up 11% over the prior year. Travelers continues to be the nation's largest provider of share draft processing services and reported a 29% increase in the number of share drafts handled last year.

While Travelers Express excels at paper-based payment systems, the company also is moving into the field of electronic funds transfer, having acquired in 1982, an automated teller machine network switching system, Quantum. In order to expand Quantum's services nationwide, Travelers is developing a national marketing and servicing organization to assure a position in this rapidly growing new industry.

Operating in a generally more favorable mortgage rate environment during much of 1983, Verex reported greatly improved results with operating profit up 76%. With housing starts up 60% and the sale of existing units up 37%, and with mortgage originations nationwide increasing 110% to $203 billion, Verex set new records in application volume, new premiums written and gross revenue. Partially offsetting this performance, however, was a continuing high level of claims expense as many borrowers whose loans became delinquent during the recession still were unable to meet their mortgage obligations.

Verex is well positioned to capitalize on the changes in the mortgage lending market. About $8 billion of tax exempt revenue bonds requiring mortgage pool insurance were issued in 1983 by state and municipal housing financing agencies. The proceeds of those bonds will be used for residential first mortgages. Verex is the insurer for about $5.7 billion of these issues which provide it with a substantial backlog of new primary insurance to be written in 1984.

Greyhound Computer's Canadian leasing subsidiary leases a multisystem network of NonStopII™ computers made by Tandem to UTLAS (University of Toronto Library Automation System) one of the world's largest cataloguing and library automation facilities, serving North America and Japan.

consumer products

For the fourth consecutive year, Armour-Dial Inc. reported record earnings, helping boost the Consumer Products Group to net income of $22.3 million compared with $19.9 million the prior year.

The improvement rests on three factors: significant growth in our major product groups of soap, canned meats and household products; the benefit of favorable raw material costs for tallow and coconut oil; and manufacturing plants which operated at peak efficiency allowing us to be the low-cost producer in our various markets.

Dial soap improved its share of market in 1983 despite a number of new entrants into the deodorant bar soap field, while Tone soap —our moisturizing beauty bar—held its share of market even in the face of stepped-up competition in that category.

The Aurora soap-making plant, which underwent a $20 million modernization in 1982, is operating precisely on target in terms of our objectives. The point of the project was not to make a quantum leap in capacity...but rather to achieve *total flexibility* in the production of soap. Originally, the Aurora facility was designed and built to make only Dial soap. With the passage of time, and the introduction of new ingredients, new products and new formulas, however, the limitations of the Aurora plant became apparent.

Today, the Aurora plant is a state-of-the-art installation...highly automated, totally flexible to our manufacturing needs, and so efficient in the use of raw materials that we are a least-cost maker of soap in a highly competitive market...a fact that gives us a definite edge in the market place.

In the Spring of 1984, a new Dial will be introduced, one which owes its superiority to Dial's unflagging investment in research. The Dial research staff discovered that it can achieve much greater dispersion of TCC, Dial's deodorant-fighting ingredient, throughout the bar. The result is that new Dial now has twice the germ-killing ability.

In other areas, both Dial antiperspirants and our various household products reported

Bars of Dial soap flow from state-of-the-art equipment installed as part of a $20 million modernization that has made Armour-Dial's Aurora plant a highly-automated, flexible, soap-making facility.

An appetizing array of hors d'oeuvres made with Armour Star canned meat products. Clockwise from lower left: potted meat spread, vegetable beef wrap-ups, chili cheese dip, Vienna sausage rolls with mustard dipping sauce and Treet'n fruit kabobs.

sound growth in 1983. Parsons Ammonia did particularly well, shipping 300,000 more cases than the previous year. In the continuing search for the best possible price/value relationship, today's consumer has a new appreciation of the efficacy of such "old standbys" as Parsons Ammonia.

The Armour Star line of shelf-stable canned meats showed a substantial increase in volume in 1983, up 350,000 cases from a year ago. Stable pricing helped boost sales. So too did the upturn in the U.S. economy inasmuch as it is the middle income sector which is the primary market for canned meats in this country. A new larger 24-ounce size Armour Star Chili, and a 15-ounce roast beef hash were introduced very successfully, and we are test marketing our dried beef in a new, vacuum-sealed foil pouch. Not only does the pouch deliver a fresher tasting product, but a lower-cost product as well, eliminating as it does the costs attendant on shipping glass.

Asceptic packaging, which materially improves food product quality and flavor by avoiding the need for high cooking temperatures...micro-wave cooking techniques...high tech new plastic containers...are just a few of the forward looking concepts on the drawing board at Armour-Dial, some applications of which will start to appear on supermarket shelves in late 1984.

As previously announced, early in 1984 a letter of intent was signed for the sale of Armour Handcrafts to a New York investment group which intends to continue to operate the business, and accordingly, it has been classified as a discontinued operation. This is part of the on-going effort at Greyhound to redeploy resources to areas promising the best possible long-term opportunities.

Throughout the Armour-Dial organization, management's goal is to be both the leader in its markets and the low-cost producer, all with a view to being a strong competitor. This inevitably involves a long-term commitment to investment and an equal commitment to new technology, both of which have given Armour-Dial the leadership niche it now fills and the fine return on equity which it enjoys.

services/food service

The Services and Food Service operations have been consolidated into a single group. In 1983, the group reported net income of $23.9 million, compared with $21.2 million a year ago.

Services

In 1983, Florida Export's duty-free shops in Miami Airport felt the pinch of fewer tourists from Latin America, which continues to suffer from persistent economic problems. Tempering this, however, was the resurgence in the U.S. economy which brought more people into the South Florida resort area, and also put more people on the S/S Norway and the five other cruise ships on which we operate a variety of luxury gift shops, bars, and fashion boutiques. Florida Export also has launched a new venture...the S/S Royale, a luxury cruise ship sailing the Caribbean with three and four-day cruises out of Port Canaveral. The Royale will have its maiden voyage in March of 1984, and represents an area of new growth and opportunity for Florida Export.

We also are looking to build on our aircraft service businesses, Aircraft Service International Inc. and Dispatch Services. ASII took over the fueling contract at Pittsburgh Airport in 1983 as well as the fueling at the new international terminal in San Francisco.

Consultants & Designers, which is a leading supplier of temporary engineering, scientific and technical personnel to industry and government worldwide, reported its seventh consecutive year of record profits in 1983. Still the leading company in its field, C&D is expanding its services into the highly sophisticated area of Computer Aided Design and Drafting (CADD). Typical services include complex mapping for utility companies, printed circuit design, architectural design, graphics and photoplotting. In 1983, C&D was awarded a $19 million contract...the single largest contract ever awarded to a technical services company...to supply key personnel for a vital government program relating to national defense.

Greyhound Temporary Personnel posted a strong recovery in 1983, emerging from the recession with substantial increases in revenue and income. The company's copyrighted Productive Employee Management Program which helps clients improve their production-to-cost ratio, is credited with playing a major role during the year in expanding GTP's client base. With this program in place, along with a reorganization of the company into selling regions and the development of a number of unique marketing tools, GTP anticipates further improvement in its 1984 results.

The convention services companies... Exhibitgroup and Greyhound Exposition Services...both turned in fine 1983 performances. Exhibitgroup reported the third consecutive year of record earnings, even though no major shows or fairs occurred during the year to bolster sales. Activity is expected to improve further in 1984 as most of the large convention cities where Exhibitgroup is located are moving to expand their convention facilities to better accommodate the rapidly growing shows in the electronic, medical and other high tech industries. GES, which expects to benefit from the expanded facilities as well,

The new Greyhound terminal, which opened in Richmond, Va., in February, 1984, also houses the attractively appointed James River Landing restaurant operated by Greyhound Food Management.

Tugboats nudge the S/S Royale into a berth at Port Canaveral where final refitting was completed for the ship's inaugural tour cruise on March 26, 1984.

has been named the official decorator of the 1984 Olympic Games in Los Angeles.

Food Service

Greyhound Food Management reported a decline in net income compared with a year ago due primarily to the strike at Greyhound Lines. The almost 8-week strike decimated the flow of customers into our Burger Kings and other restaurants located within bus terminal premises. As it was, it is thanks to the "off-street" entrances at these facilities that we retained the tourists, office workers, and shoppers who historically have comprised about 30% of our business at these locations.

With the resolution of the strike, our Burger Kings and theme restaurants rebounded nicely and are expected to do well in 1984. The Burger King concept is being expanded, in fact, to include downtown locations other than bus terminals with six such free-standing facilities planned for 1984.

We also will be expanding our truck stop operations adding two more major installations for truckers in Oklahoma and Virginia.

On the contract food service side, Prophet Foods enjoyed a banner year. The auto industry revived with a consequent rebound in hiring and, obviously, more employees meant more sales for GFM. In addition, we won several new feeding contracts in the automotive industry incuding Chrysler plants in Delaware and in Michigan. In total, we added some $28 million in new contract food service business in 1983 much of it built around our two highly innovative concepts, Eatin's Easy and Grand Gourmet.

Both concepts add a new dimension to contract food service. Grand Gourmet is a vending operation offering full-meal options from salads to hot entrees on rotating pallets which constantly bring fresh food to the service level on a conveyor system. Eatin's Easy is a combination of the best aspects of a cafeteria melded to the convenience of a fast food operation. Both concepts offer the client high quality food at the lowest possible prices, at the same time that they allow GFM to achieve better profit margins through high efficiency, reduced labor costs and virtual elimination of wasted food. Eatin's Easy and Grand Gourmet also appeal to the preferences of today's work force which wants a full range of choices from snacks to full meals; they want their food and service fast, no lingering in long lines; they want generous portions at the lowest possible price.

We now have a waiting list among our clientele for the installation of Eatin's Easy facilities and we expect in 1984 that fully 20% of our accounts will have opted for this high-quality, streamlined way of feeding their workforces.

In the coming year, we will be looking at new ways to market the various skills and expertise we have developed in our traditional businesses. Among these: turning our purchasing department into a profit center. This might include acting as purchasing agent for local non-GFM affiliated restaurants, and expanding our gift courts into the catalogue and mail order business.

Abroad, Greyhound Support Services Inc. and its affiliate, Greyhound Support Services Saudi Arabia Ltd., continue to do an excellent job providing food, housekeeping, maintenance and recreational services at remote construction sites. There too we have enlarged their charters and expanded their profit horizons. With the upcoming completion of these massive projects, the expected thing might be for us to pack our gear and move on. Instead, we are competing to become the permanent maintainers and operators of these facilities. After all, who knows them as we do? Who else can bring to their day-to-day operation a comparable level of insider knowledge and skill?

Glacier Park, Inc. which operates seven hotels and motels in that magnificent national park continues to make good gains, while Faber Enterprises, which operates restaurants, gift ships and newsstands in the Chicago area, enjoyed solid profits in 1983.

In total, the Services and Food Service Group is fully expected to report an outstanding 1984 as we continue to hone it down into a lean, high profit, high achievement group.

board of directors

ROBERT MINGE BROWN*
San Francisco, California
Of Counsel, the law firm of
McCutchen, Doyle, Brown & Enersen
Chairman of the Executive Committee,
California Water Service Company
and San Jose Water Works

SAMUEL A. CASEY
Port Edwards, Wisconsin
Chairman of the Executive Committee,
Great Northern Nekoosa Corporation,
a paper manufacturer and distributor

MARTHA W. GRIFFITHS
Romeo, Michigan
Lieutenant Governor of the State of Michigan

JESS HAY
Dallas, Texas
Chairman & Chief Executive Officer
Lomas & Nettleton Financial Corporation,
a mortgage banking company

FRANK R. D. HOLLAND
London, England
Retired Chairman & Chief Executive,
C. E. Heath Public Limited Company,
an international insurance broker and
managing agent for an
underwriting syndicate of Lloyd's of London

JOHN H. JOHNSON*
Chicago, Illinois
President, Johnson Publishing Company, Inc.,
and Chairman, Supreme Life Insurance
Company

JOHN M. MARTIN*
Wilmington, Delaware
Retired Chairman, Hercules Incorporated,
manufacturer of chemical products
and related industrial systems

FRANK L. NAGEOTTE
Phoenix, Arizona
President & Chief Operating Officer,
The Greyhound Corporation

CHARLES J. PILLIOD, JR.
Akron, Ohio
Retired Chairman and Chief Operating Officer,
Goodyear Tire & Rubber Co.

DENNIS C. STANFILL
Los Angeles, California
President, Stanfill, Doig & Co., Inc.,
private investments and venture capital firm

HAROLD C. STUART
Tulsa, Oklahoma
Partner in the law firm of
Doerner, Stuart, Saunders, Daniel & Anderson
and Chairman & Chief Executive Officer,
Southwestern Sales Corporation,
investor in oil, real estate and broadcasting

DONN B. TATUM
Los Angeles, California
Retired Chairman & Chief Executive Officer,
Walt Disney Productions

JOHN W. TEETS*
Phoenix, Arizona
Chairman of the Board & Chief Executive Officer
The Greyhound Corporation

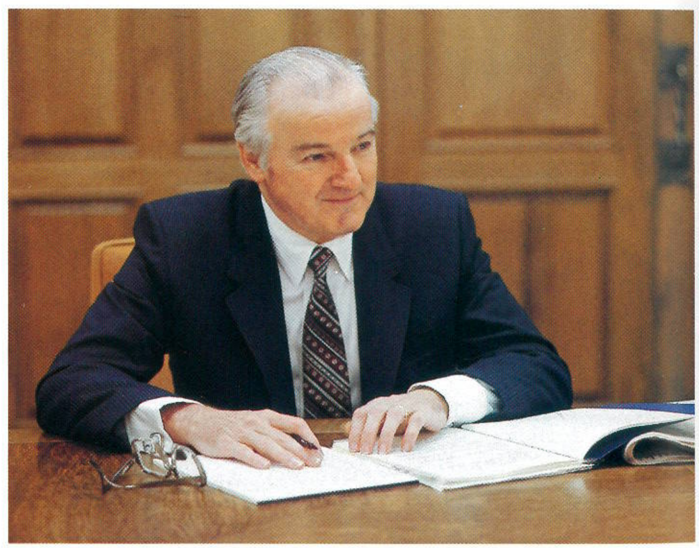
GERALD H. TRAUTMAN*
Phoenix, Arizona
Honorary Chairman,
The Greyhound Corporation

Emeritus Director

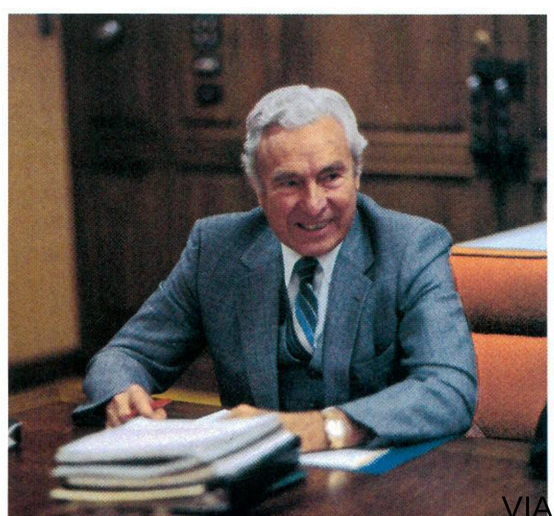
HOWARD BOYD *Houston, Texas*

*Member Executive Committee

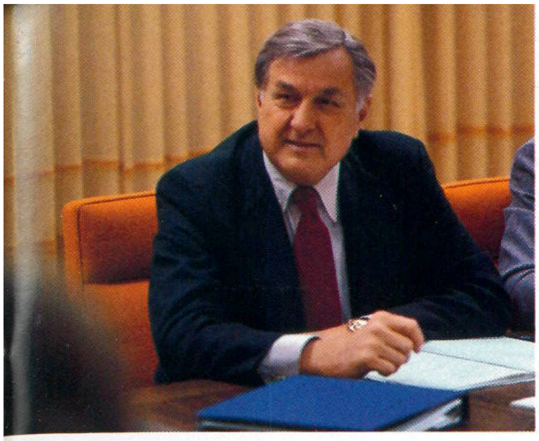
John W. Teets



Frank L. Nageotte



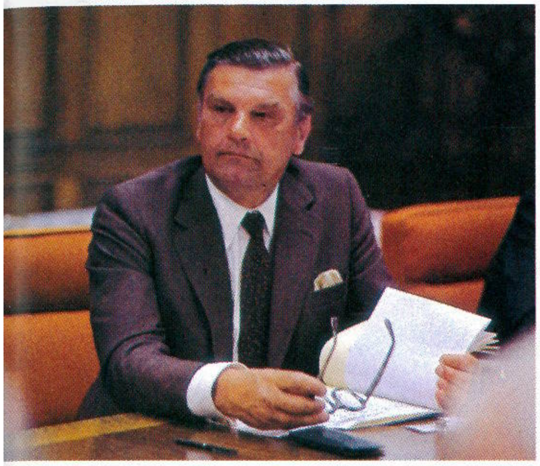
Gerald H. Trautman



Donn B. Tatum

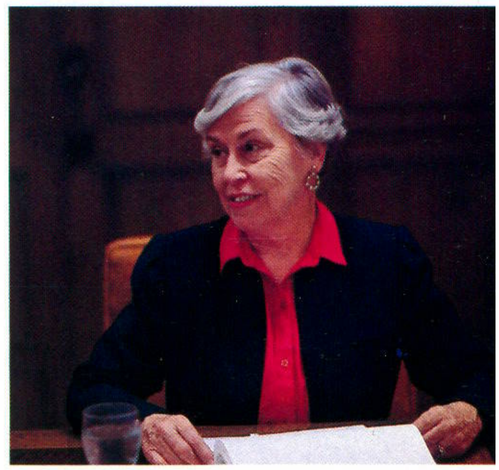
Samuel A. Casey

Dennis C. Stanfill

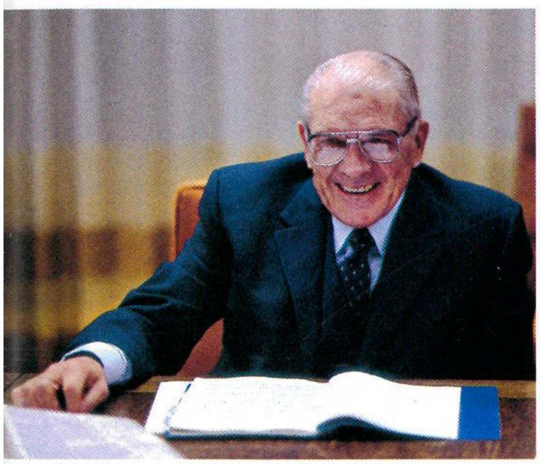


Frank R. D. Holland

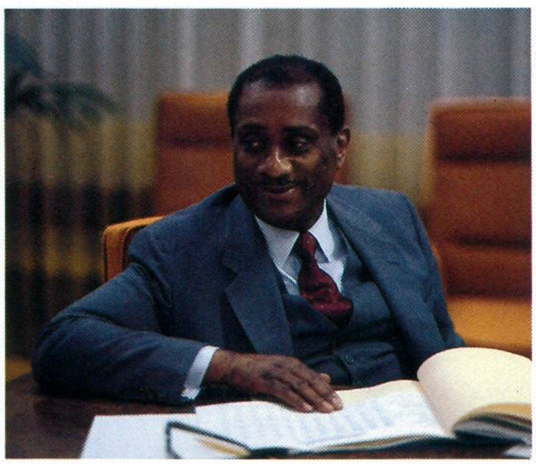
Jess Hay



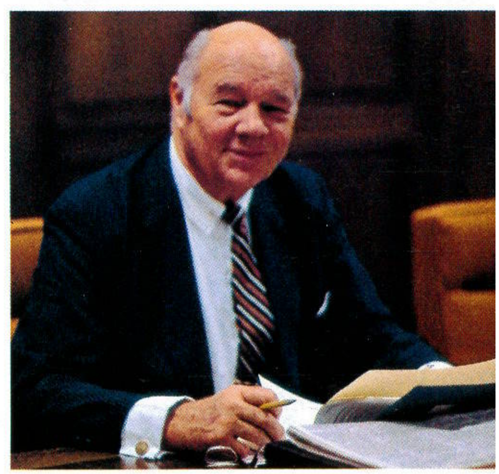
Martha W. Griffiths



Harold C. Stuart



John H. Johnson



John M. Martin

Robert Minge Brown

Charles J. Pilliod, Jr.

description of business

The Greyhound Corporation and its subsidiaries constitute a diversified services company with groups for bus transportation, bus manufacturing, equipment leasing and other financial services, and business and consumer services including food service. The Company, through Armour-Dial, also engages in the manufacture and sale of consumer products. Company subsidiaries operate service or production facilities and maintain sales and service offices in the U.S. and in foreign countries. There are approximately 42,000 employees.

The Company's transportation operations consist primarily of United States and Canada regular route, charter and tour intercity bus transportation, carrying passengers, baggage, packages and mail. Bus manufacturing subsidiaries operate facilities in the United States and Canada and build bus shells, assemble intercity buses for sale to unaffiliated customers and to the Company's transportation companies, and fabricate, warehouse and sell bus parts.

Armour-Dial, Inc., and subsidiaries manufacture and sell personal care products, including *Dial* soap, shelf-stable canned meats, and household products.

The Company's financial operations consist of companies engaged primarily in equipment financing, computer leasing and money order and insurance services in the U.S. and abroad. The companies finance equipment such as aircraft, railroad cars and locomotives, other transport equipment, and general manufacturing equipment, and they own and lease IBM and other computer systems for business, educational and public uses. Through its insurance subsidiaries, the Company is a major private mortgage insurer and engages in reinsurance services in national and international markets.

Services and food service subsidiaries provide services directed to business markets, including aircraft ground handling services, temporary help services, convention and exhibition services; and others directed to consumer markets, including gift, news and duty-free shops, and food service in Greyhound bus terminals, office buildings, industrial plants and other facilities. In addition, the Company provides food and housekeeping support services to government and industry construction projects.

key operations

TRANSPORTATION

Greyhound Lines, Inc.—world's largest intercity passenger carrier serving all 48 continental states. Also provides a nationwide small package express service for commercial and individual shippers and centralized sales and coordination of all charter operations. Other intercity bus subsidiaries include *New Mexico Transportation; Texas, New Mexico & Oklahoma Coaches; and Vermont Transit*

Brewster Transportation—sightseeing and tours in Canadian Rockies

California Parlor Car Tours Company—deluxe motor coach tours of California

Greyhound Lines of Canada—intercity bus service in Canada and to Alaska

BUS MANUFACTURING

Motor Coach Industries and **Transportation Manufacturing**—bus manufacturing in Winnipeg, Canada; Pembina, North Dakota; and Roswell, New Mexico, and sale of bus parts by Universal Coach Parts.

CONSUMER PRODUCTS

Armour-Dial, Inc—manufactures and markets a wide variety of grocery, personal care and household products for the consumer

Armour International Company—responsible for overseas marketing of all Armour-Dial consumer products

SERVICES/FOOD SERVICE

Faber Enterprises—restaurants and gift shops in major office buildings and transportation terminals in Chicago area

Greyhound Food Management—coordinator of Greyhound food service operations: *Post House* restaurants and fast food operations; *Contract Food Service Division*, offering food service for industry, military installations and other commercial establishments; *Restaura*, restaurant design and engineering and food service management throughout Belgium; and *Glacier Park, Inc.*, hotel management in Glacier National Park, Montana

Greyhound Support Services—provides housekeeping, food service and other support services for large remote-site construction projects for industry and government agencies throughout the world.

Aircraft Service International—ground-handling services for major airlines in the U.S. and the Caribbean. Also designs, installs and operates fuel storage and distribution systems for airports

Consultants & Designers—technical and design services to business and industry

Dispatch Services—ground handling services for major airlines at Miami International Airport and Freeport in the Bahamas

Florida Export Group—duty-free retail shops at Miami and Fort Lauderdale International Airports, a wholesale duty-free business for export and duty-free shops on cruise ships operating out of Miami and operation of a cruise ship out of Port Canaveral

Greyhound Convention Services—convention and/or exhibitors services in Atlanta, Chicago, Cincinnati, Dallas/Ft. Worth, Las Vegas, Los Angeles, New York, Phoenix, Reno, San Diego and San Francisco provided by *Greyhound Exhibitgroup* and *Greyhound Exposition Services*

Greyhound Temporary Personnel—temporary and permanent office and blue collar help to business and industry

FINANCIAL

Greyhound Computer Corporation—computer leasing and sales in the U.S., Canada, Mexico and Europe

Greyhound Leasing and Financial Corporation—worldwide industrial equipment leasing and other financing

Pine Top Insurance—engaged in re-insurance operations and in commercial property and excess casualty insurance fields

Travelers Express Company—provides money order services to retail establishments and the financial industry, draft clearing services for depository institutions, and other consumer-oriented payments services

Verex Corporation—a leading company in residential mortgage insurance and other financial activities

officers

THE GREYHOUND CORPORATION

EXECUTIVE OFFICERS

JOHN W. TEETS
Chairman & Chief Executive Officer

FRANK L. NAGEOTTE
President & Chief Operating Officer

CORPORATE STAFF OFFICERS

ERMO S. BARTOLETTI
Vice President — Internal Auditing

JOE BLACK
Vice President — Special Markets

W. CARROLL BUMPERS
Vice President — Financial Advisor to the Chief Executive Officer

JAMES T. CORCORAN
Vice President — Government Affairs

ARMEN ERVANIAN
Vice President — Real Estate

STEPHEN P. FINN
Vice President — Information Systems

F. EDWARD LAKE
Vice President — Treasurer

L. GENE LEMON
Vice President & General Counsel

DOROTHY A. LORANT
Vice President — Public Relations & Advertising

LEO S. McDONALD
Vice President — Convention Services

HARRY S. OAKES
Vice President — Office Systems

DANIEL J. SIELICKI
Vice President — Insurance

RICHARD C. STEPHAN
Vice President — Controller

PAUL A. WEBER
Vice President — Human Resources

RICHARD B. ZOLLER
Vice President — Investments

FREDERICK G. EMERSON
Secretary

TRANSPORTATION GROUP

Greyhound Lines, Inc.
Phoenix, Arizona
FRANK L. NAGEOTTE
Chairman & Chief Executive Officer
FREDERICK DUNIKOSKI
President & Chief Operating Officer

Greyhound Lines of Canada Ltd.
Calgary, Alberta, Canada
JAMES A. KNIGHT
President & Chief Executive Officer

Brewster Transport Company Limited
Banff, Alberta, Canada
DAVID G. MORRISON
President & Chief Executive Officer

California Parlor Car Tours Company
San Francisco, California
BIPIN M. RAMAIYA
President & Chief Executive Officer

New Mexico Transportation Company, Inc.
Roswell, New Mexico
ALFRED M. SMITH
President, Chief Executive Officer & Treasurer

Texas, New Mexico & Oklahoma Coaches, Inc., Lubbock, Texas
ROBERT D. GREENHILL
President, Chief Executive Officer & Treasurer

Vermont Transit Co., Inc.
Burlington, Vermont
JOHN J. DWYER
President & Chief Executive Officer
CHARLES E. IRISH
Chairman

BUS MANUFACTURING GROUP

Motor Coach Industries, Inc.
Pembina, North Dakota
JOHN R. NASI
President & Chief Executive Officer

Motor Coach Industries Limited
Winnipeg, Manitoba, Canada
JOHN R. NASI
President & Chief Executive Officer

Transportation Manufacturing Corporation
Roswell, New Mexico
JOHN R. NASI
President & Chief Executive Officer

Universal Coach Parts, Inc.
Northlake, Illinois
JOSEPH H. RAZOOK
President & Chief Executive Officer

FINANCIAL GROUP

Greyhound Computer Corporation
Phoenix, Arizona
OLIE E. SWANKY
President & Chief Executive Officer

Greyhound Financial & Leasing Corporation AG
Zug, Switzerland
RICHARD S. GRIM
Managing Director

Greyhound Leasing & Financial Corporation, Phoenix, Arizona
ROBERT W. BERTRAND
President & Chief Executive Officer

Greyhound Realty Corporation
Phoenix, Arizona
ARMEN ERVANIAN
President & Chief Executive Officer

MCI Acceptance Corp.
Phoenix, Arizona
F. EDWARD LAKE
President, Chief Executive Officer & Treasurer

Pine Top Insurance Company
Phoenix, Arizona
KENNETH H. HANSON
President & Chief Executive Officer

Travelers Express Company, Inc.
Minneapolis, Minnesota
ARTHUR S. MOORE
Chairman
CLARENCE A. E. ANDERSON, JR.
President & Chief Executive Officer

Verex Corporation
Madison, Wisconsin
ROBERT L. WALDO
President & Chief Executive Officer
FRED H. REICHELT
Executive Vice President & Chief Operating Officer

CONSUMER PRODUCTS

Armour-Dial, Inc.
Phoenix, Arizona
DAVID L. DUENSING
President & Chief Executive Officer

Armour International Company
Phoenix, Arizona
EDWARD J. WALSH
President & Chief Executive Officer

SERVICES/FOOD SERVICE GROUP

Group Headquarters
Phoenix, Arizona
EUGENE W. BRONSKI
Senior Vice President-Administration

Greyhound Food Management, Inc.
Phoenix, Arizona
JOHN W. TEETS
Chairman & Chief Executive Officer
JOSEPH K. FASSLER
President & Chief Operating Officer

Faber Enterprises, Inc.
Chicago, Illinois
MILTON D. FABER
Chairman, Chief Executive Officer & Treasurer
DONALD R. MURPHY
President & Chief Operating Officer

Glacier Park, Inc.
Phoenix, Arizona
JOSEPH K. FASSLER
Chairman & Chief Executive Officer
MARTIN SCHULTZ
President & General Manager

Greyhound Support Services, Inc.
Phoenix, Arizona
JOHN W. TEETS
Chairman & Chief Executive Officer
EDWARD H. WILLIAMS
President & Chief Operating Officer

Post Houses, Inc.
Phoenix, Arizona
JOHN W. TEETS
Chairman & Chief Executive Officer
JOSEPH K. FASSLER
President & Chief Operating Officer

Restaura, S.A.
Brussels, Belgium
HUGO RALLI
President & Managing Director

Aircraft Service International, Inc.
Miami, Florida
HOWARD J. BELL
Chairman
WILLIAM H. YATES, JR.
President & Chief Executive Officer

Consultants & Designers Inc.
New York, New York
EDWARD J. BILOTTI
Chairman & President

Dispatch Services, Inc.
Miami, Florida
ROBERT H. HUBSCH
President & Chief Executive Officer

Florida Export Tobacco Co. Inc.
Miami, Florida
JEAN PIERRE MIQUEL
President & Chief Executive Officer

Greyhound Exhibitgroup Inc.
Chicago, Illinois
LEO S. McDONALD
President & Chief Executive Officer

Greyhound Exposition Services, Inc.
Las Vegas, Nevada
DAVID I. JAMISON
Chairman
NORTON D. RITTMASTER
President & Chief Executive Officer

Greyhound Temporary Personnel, Inc.
Lyndhurst, New Jersey
HARRIS I. COHEN
Chairman & President

The Greyhound Corporation

1983 Financial Information

RESPONSIBILITY FOR FINANCIAL REPORTING

To the Stockholders of
The Greyhound Corporation

The Company has prepared the financial statements and related notes, and other financial data, appearing in this Annual Report. The statements were developed using generally accepted accounting principles and policies considered appropriate in the circumstances. The statements reflect, where applicable, management's best estimates and judgments. The financial statements also include disclosures which are relevant to an understanding of the financial affairs of the Company.

To meet management's responsibility for financial reporting, internal control systems and procedures are designed to provide reasonable assurance as to the reliability of the financial records and compliance with corporate policy throughout the organization. These controls are augmented by an internal audit activity which monitors compliance with the corporate policies and the internal control systems and procedures.

Touche Ross & Co. have independently examined the financial statements. To express their opinion thereon they review and evaluate Greyhound's internal accounting controls and conduct such tests and other procedures as they deem necessary. The Board of Directors oversees the Company's financial reporting through its Audit Committee which regularly meets with management representatives and, jointly and separately, with internal audit management and the independent accountants to review accounting, auditing and financial reporting matters.

Richard C. Stephan

Richard C. Stephan
Vice President-Controller

AUDITORS' REPORT

To the Stockholders and
Board of Directors of
The Greyhound Corporation

We have examined the statements of consolidated financial condition of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1983 and 1982, and the related statements of income, common stock and other equity, and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Greyhound Corporation and consolidated subsidiaries at December 31, 1983 and 1982, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Touche Ross & Co.

Phoenix, Arizona
February 29, 1984

Selected Financial and Statistical Data[1]

	1983	1982	1981	1980	1979
Operations (000 omitted)					
Revenues:					
Greyhound and Consolidated Subsidiaries	$2,145,661	$2,272,215	$2,346,628	$2,244,509	$1,998,640
Financial Group (not consolidated)	479,370	468,282	444,219	354,114	307,900
Combined Revenues	$2,625,031	$2,740,497	$2,790,847	$2,598,623	$2,306,540
Income of Greyhound and Consolidated Subsidiaries	$ 42,110	$ 54,343	$ 62,307	$ 66,866	$ 58,502
Net Income of Financial Group[2]	28,175	47,247	67,703	56,788	49,420
Income from Continuing Operations[2]	70,285	101,590	130,010	123,654	107,922
Income (loss) from Discontinued Operations—principally net gain on disposal in 1983	20,537	4,569	7,512	(4,016)	13,239
Income before Extraordinary Items	90,822	106,159	137,522	119,638	121,161
Extraordinary Items[3]	14,677	(3,099)			
Net Income	$ 105,499	$ 103,060	$ 137,522	$ 119,638	$ 121,161
Income Per Share:					
Common and equivalents:					
Continuing operations[2]	$1.47	$2.30	$2.88	$2.79	$2.45
Discontinued operations	.44	.11	.17	(.09)	.30
Extraordinary items[3]	.31	(.07)			
Net income	2.22	2.34	3.05	2.70	2.75
Assuming full dilution:					
Continuing operations	1.43	2.19	2.72	2.61	2.29
Discontinued operations	.42	.10	.15	(.08)	.27
Extraordinary items	.30	(.07)			
Net income	2.15	2.22	2.87	2.53	2.56
Dividends Declared Per Common Share	$1.20	$1.20	$1.20	$1.20	$1.04
Average Outstanding Shares (000 omitted):					
Common and equivalents	47,007	43,976	45,149	44,338	43,979
Assuming full dilution	49,145	47,267	48,690	48,513	48,475
People					
Stockholders of Record	101,687	116,993	124,575	137,360	146,038
Employees (average)	33,624	38,182	40,241	41,929	40,624

(1) The data for all years presented have been restated to present as discontinued operations the Food segment (sold in December 1983) and Handcrafts, a former part of the Consumer Products segment.
(2) Includes unusual income of $8,117,000 or $.18 per share in 1981.
(3) Extraordinary items are tax benefits of $11,469,000 or $.24 per share from deduction for tax purposes of U.S. bus operating rights previously written off and gain on extinguishment of debt ($3,208,000 or $.07 per share) in 1983 and write-off of the remaining carrying value of U.S. bus operating rights in 1982.

	1983	1982	1981	1980	1979
Financial Position (000 omitted)					
Total Assets	$1,964,963	$1,872,170	$1,864,108	$1,822,015	$1,730,604
Investments in Financial Group Subsidiaries	463,294	423,244	382,963	369,832	333,529
Working Capital	136,824	184,960	200,166	220,710	208,495
Long-term Debt	346,030	417,028	355,627	435,384	416,994
Redeemable Preferred Stock	6,595	6,593	23,578	23,578	23,578
Other Liabilities, Deferred Items and Minority Interests	125,564	120,994	158,561	141,224	150,954
Common Stock and Other Equity	1,101,409	960,363	943,476	851,144	776,787

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results:

Greyhound is a diversified company which sells products and supplies services for many markets. Because of this diversity, components of its net income are affected, some favorably, others unfavorably, by general economic conditions and other fluctuations which occur in the various markets each year. Inflation has resulted in higher cost levels and, in instances where appropriate increases in prices for products and services could not be obtained or were delayed, reductions in income. Conversely, gains on sales of property and equipment have generally been favorably affected by inflation.

1983 vs. 1982:

Net income for 1983 was $105.5 million compared to $103.1 million in 1982. Net income for 1983 includes extraordinary gains totaling $14.7 million comprised of $11.5 million of benefits from deduction for tax purposes of previously written-off U.S. bus operating rights rendered worthless by deregulation, as well as a $3.2 million gain on extinguishment of debentures. Net income for 1982 includes an extraordinary charge of $3.1 million for the write-off of the remaining carrying value of U.S. bus operating rights. Exclusive of these items, 1983 income was $90.8 million compared with $106.2 million for 1982.

In December 1983, Greyhound sold the remaining assets of Armour Food Company and early in 1984 signed a letter of intent to sell Armour Handcrafts, Inc. Income from continuing operations was $70.3 million in 1983 compared with $101.6 million last year. Income from discontinued operations in 1983 arose principally from net gain on disposal.

The $31.3 million decline in earnings from continuing operations was due to the lower results of Transportation and Financial and to a lesser extent a decline in Bus Manufacturing's earnings. Partially offsetting were improvements in 1983 earnings of Consumer Products and Services and Food Service.

The decline in Transportation's earnings was due to over $25 million of losses incurred during the 47-day strike against Greyhound Lines in the fourth quarter.

Financial's 1983 net income was 40% less than that of last year. The decline in this Group was primarily due to Greyhound Leasing & Financial Corporation, which in addition to poor earnings caused by worldwide economic conditions and changes in the U.S. leasing market, had to provide $6.4 million after-tax in the fourth quarter to bolster its allowance for possible losses. Essentially all other elements of the Financial Group posted operating improvements. Verex Corporation reported a 76% increase in operating profit on the strength of an increase in new premiums; Greyhound Computer Corporation was up 48%; and Travelers Express Company was up 11%.

Bus Manufacturing's 1983 net income was down 14% from last year's levels due to general softness in orders from bus operators who are still very cautious in the aftermath of deregulation.

Consumer Products' net income was up 12% from last year's levels due to increased volume and profits of soap, canned meats and household products.

The combined Services and Food Service Group was up 13% for the year despite a dip in Food Service results caused by the Greyhound Lines strike which hurt in-terminal restaurants. The group benefited from a gain on sale of its rent-a-car business and increased profits from convention services.

1982 vs. 1981:

Net income for 1982 was $103.1 million compared to $137.5 million in 1981. Net income for 1982 included an extraordinary charge of $3.1 million for the write-off of the remaining carrying value of U.S. bus operating rights resulting from deregulation, while 1981 net income included an unusual gain of $8.1 million on the settlement of litigation with IBM. Exclusive of these items, 1982 income was $106.2 million compared to $129.4 million in 1981. Additionally, net income for 1982 and 1981 includes $4.6 million and $7.5 million, respectively, of income from the discontinued operations of Armour Food Company and Handcrafts, resulting in income from continuing operations of $101.6 million in 1982 compared to $121.9 million in 1981, excluding the unusual income.

The $20.3 million decline in earnings from continuing operations (before unusual income) was due primarily to decreases in the earnings of Transportation and Financial. Partially offsetting were improvements in 1982 earnings of all other groups.

The decrease in Transportation's earnings was due mainly to a 78% drop in Greyhound Lines' U.S. result. Competitive conditions within the intercity bus industry, airline cut-rate fares, and the economy caused lower revenue and the substantial drop in profit.

Financial's 1982 net income was 32% less than that of 1981. This reflects, however, two major factors benefiting 1981 results: the aforementioned unusual gain of $8.1 million on the settlement of litigation, and unusually high gains on the sales of equipment coming off lease. Exclusive of these two items, the decrease in Financial's 1982 net income was due primarily to the decline in the earnings of Verex Corporation, whose results were depressed by the increased level of mortgage delinquencies and continued softness in the U.S. housing industry. Essentially all other elements of the Financial Group reported operating improvements. Before gains on sales of equipment and results of foreign affiliates, Greyhound Leasing & Financial Corporation was up 15%; Travelers Express was up 17%; and Greyhound Computer Corporation had a slight operating improvement.

Bus Manufacturing's 1982 earnings were up 11% from 1981 levels due to increased sales of its intercity buses and improved margins.

Consumer Products' net income was up 14% for 1982. Armour-Dial, Consumer Products' principal operating segment, turned in a small increase in income, while Consumer Products' international operation benefited from the change, effective with the beginning of 1982, in the method used to translate foreign currency balances into U.S. dollars.

The combined Services and Food Service Group was up 48% from 1981 levels. This increase was due primarily to the combination of an increase in the equity in earnings of a foreign food-service unit and the positive impact from the sale or closing of certain unprofitable service operations in 1981 and early 1982.

Liquidity and Capital Resources:
Primarily as a result of reduced bus purchases and funds from exercise of warrants and the disposition of businesses and assets during 1983, Greyhound and its consolidated subsidiaries were able to reduce indebtedness substantially. Greyhound's debt, including net amounts due Financial Group subsidiaries, decreased by approximately $80 million during 1983, including a $26 million reduction upon conversion of debt. As a result, Greyhound's debt-to-equity ratio improved from .48 to 1 at December 31, 1982 to .34 to 1 at December 31, 1983. Management believes those actions and results, coupled with adequate liquidity of assets and credit availability, will permit Greyhound to satisfy its ongoing corporate financing requirements and position it well for future expansion.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings Greyhound strives to maintain current assets, principally cash, inventories and receivables, at the lowest practicable levels, while at the same time taking advantage of the payment terms offered by trade creditors. These efforts notwithstanding, working capital requirements can fluctuate significantly from seasonal factors as well as changes in levels and costs of inventories and receivables caused by numerous business factors.

Greyhound satisfies its short-term financing requirements from bank lines of credit, informal advances and the issuance of commercial paper. The following information pertains to such short-term debt:

	1983	1982	1981
	(000 omitted)		
Maximum amount of short-term debt outstanding during year	$ 83,503	$176,726	$185,238
Average daily short-term debt outstanding during year	$ 31,194	$131,637	$129,156
Average short-term interest rate at end of year*	10.5%	11.2%	13.6%
Weighted average interest rate on short-term debt outstanding during year*	9.8%	13.1%	17.0%

*Exclusive of the cost of maintaining compensating balances and, for commercial paper when outstanding, the cost of supporting bank credits.

At December 31, 1983 (in addition to other banking arrangements under which Greyhound is reasonably assured of credit availability and unused bank credit arrangements available to Greyhound's consolidated foreign subsidiaries) Greyhound and its consolidated subsidiaries had the following formal bank credit facilities available:

	(in millions)
Total bank credit:	
Short-term	$ 12.0
Long-term	140.0
	152.0
Less amounts utilized or required to support certain short-term borrowings	57.0
Available unused bank credit	$ 95.0

In recent years, Greyhound's capital expenditures have been financed substantially with internally generated funds (primarily income retained plus depreciation) and to a lesser extent with debt and capital leases. Capital spending has been reduced to some extent by obtaining, where appropriate, equipment and other property under operating leases.

Future capital asset needs requiring capital spending and any additional working capital requirements are expected to be financed primarily with internally generated funds derived principally from retention of earnings plus depreciation, tax deferrals and sales of assets. To the extent requirements exceed internal sources, Greyhound's available external financing sources will be used.

The Financial Group subsidiaries, which are not consolidated for financial reporting purposes, are financed essentially by each respective subsidiary within the Group. The leasing and financing companies seek to invest substantial amounts of borrowed funds and accordingly obtain financing through long-term and short-term borrowings, funds generated from operations and tax deferrals. Other companies in the Group are financed principally with funds generated from operations and do not generally borrow substantial amounts. From time to time, the Financial Group subsidiaries make advances to or borrow from Greyhound depending upon the short-term cash requirements of the individual entities. With few exceptions, Greyhound does not guarantee debt obligations of the Financial Group.

Revenues and Income of Principal Business Segments (000 omitted)[1]

	1983	1982	1981	1980	1979
REVENUES:					
Transportation	$ 829,632	$1,002,018	$1,045,953	$ 989,931	$ 847,803
Bus Manufacturing	281,942	281,282	269,879	227,135	167,413
Consumer Products	475,402	484,325	514,532	534,389	510,412
Services and Food Service	580,564	590,850	601,216	568,585	539,684
Financial	479,370	468,282	444,219	354,114	307,900
Intersegment eliminations	(21,879)	(86,260)	(84,952)	(75,531)	(66,672)
Combined	$2,625,031	$2,740,497	$2,790,847	$2,598,623	$2,306,540
OPERATING INCOME:					
Transportation	$ (19,652)	$ 19,593	$ 71,436	$ 71,546	$ 62,525
Bus Manufacturing	59,716	72,110	64,769	44,489	34,807
Consumer Products	39,237	30,485	29,820	26,877	22,840
Services and Food Service	38,383	35,383	28,942	36,161	43,729
Financial[2]	17,248	55,859	95,719	75,343	73,188
Intersegment eliminations	5,365	(10,269)	(11,120)	(8,238)	(8,258)
Combined	$ 140,297	$ 203,161	$ 279,566	$ 246,178	$ 228,831
NET INCOME:					
Transportation	$ (8,824)	$ 20,212	$ 49,710	$ 53,996	$ 39,482
Bus Manufacturing	32,119	37,416	33,689	23,002	19,364
Consumer Products	22,282	19,931	17,509	15,541	11,901
Services and Food Service	23,940	21,177	14,299	17,580	22,489
Financial[2]	28,651	47,856	69,993	59,081	51,518
Intersegment eliminations	2,837	(4,078)	(5,006)	(3,316)	(4,367)
Income of Continuing Principal Business Segments	101,005	142,514	180,194	165,884	140,387
Income (loss) from discontinued operations—principally net gain on disposal in 1983	20,537	4,569	7,512	(4,016)	13,239
Minority interests	(6,739)	(7,953)	(11,605)	(11,270)	(9,275)
Corporate interest and other costs	(23,981)	(32,971)	(38,579)	(30,960)	(23,190)
Extraordinary items[3]	14,677	(3,099)			
Net Income	$ 105,499	$ 103,060	$ 137,522	$ 119,638	$ 121,161

(1) The data for all years presented have been restated to present as discontinued operations the Food segment (sold in December 1983) and Handcrafts, a former part of the Consumer Products segment.

(2) Financial Group operating income and net income included an unusual item of $15,258,000 and $8,117,000, respectively, in 1981. See Note 6 of Notes to Summary Combined Statements of Financial Group.

(3) See Note J of Notes to Consolidated Financial Statements.

Other Principal Business Segment Information (000 omitted)

	Assets at Year-End 1983	1982	1981	Capital Expenditures 1983	1982	1981	Depreciation 1983	1982	1981
Transportation	$ 556,519	$ 546,712	$ 552,166	$ 40,233	$ 94,575	$ 84,087	$ 26,451	$ 29,257	$ 35,384
Bus Manufacturing	99,967	143,081	117,626	1,283	1,507	9,863	2,867	2,859	2,177
Consumer Products	346,936	355,642	373,644	10,845	16,578	13,204	10,144	8,860	8,199
Services and Food Service	205,644	185,829	175,415	27,330	29,107	22,960	14,802	14,482	12,776
Intersegment eliminations	(58,864)	(63,623)	(56,629)	(3,311)	(16,680)	(16,350)	(8,072)	(7,597)	(6,614)
Identifiable to segments	1,150,202	1,167,641	1,162,222	76,380	125,087	113,764	46,192	47,861	51,922
Other:									
Discontinued operations (net assets)	35,073	212,446	273,381						
Investment and receivables—ConAgra	229,119								
Corporate	87,275	68,839	45,542	8,851	2,044	2,561	2,020	1,905	2,123
Investments in Financial Group	463,294	423,244	382,963						
Consolidated	$1,964,963	$1,872,170	$1,864,108	$ 85,231	$127,131	$116,325	$ 48,212	$ 49,766	$ 54,045

The Greyhound Corporation is a holding company with numerous subsidiaries whose principal business activities are categorized into five business segments for reporting purposes. All segment data has been restated to present as discontinued operations the Food segment, (sold in 1983) and Handcrafts, a former part of the Consumer Products segment, and combines the formerly separate Services and Food Service segments. The business activities included in each segment are set forth earlier in this annual report under "Description of Business."

Intersegment sales are priced generally on the same basis as sales to outside customers and include the following amounts:

	1983	1982	1981
		(000 omitted)	
Bus Manufacturing	$16,976	$80,421	$79,502
Other	4,903	5,839	5,450
	$21,879	$86,260	$84,952

Operating income by segment for consolidated segments represents sales and revenues less operating costs before interest, corporate administrative expenses, minority interests and other items including equity in net income of unconsolidated affiliates, and income taxes. Operating income for the unconsolidated Financial Group segment represents revenues less operating costs before realized investment gains or losses, minority interests and other items, and income taxes. Due to the nature of its businesses, operating costs of the Financial Group include interest expense. The deduction of interest expense in determining Financial Group operating income and a low effective income tax rate contribute to a generally higher ratio of net income to operating income for this segment than for consolidated segments.

Net income by segment for consolidated segments includes operating income as defined above, plus interest income and other items including equity in net income of unconsolidated affiliates, less interest expense and income taxes. Net income for the Financial Group segment includes operating income as defined above, realized investment gains or losses and other items, and income taxes. Income taxes are provided by each segment based on its income before income taxes, and are reduced by its tax credits whether or not such credits would be currently available to each segment. Corporate interest and other costs not allocated to individual segments and to discontinued operations, represent estimated expenses of an overall holding company nature, and are deducted separately, net of tax benefit, in determining net income.

Additional information pertaining to the unconsolidated Financial Group segment is included in the accompanying Summary Combined Statements of Financial Group Subsidiaries of Greyhound. See Note L of Notes to Consolidated Financial Statements for information on affiliates accounted for on the equity method.

Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. Described below are those accounting policies which are particularly significant to The Greyhound Corporation ("Greyhound"), including those selected from acceptable alternatives.

Principles of Consolidation:

The consolidated financial statements include the accounts of Greyhound and its subsidiaries, except for its Financial Group subsidiaries. All material intercompany transactions and accounts are eliminated in consolidation.

Investments in Financial Group subsidiaries and in affiliates 20 to 50 per cent owned are reflected in the accounts on the equity method. In addition, the investment in ConAgra, Inc. ("ConAgra") (15 per cent owned) will be included in the accounts on the equity method. Greyhound's membership both on the Board of Directors and on the Executive Committee of the Board of Directors of ConAgra and its substantial voting rights provide the ability to significantly influence the operating and financial affairs of ConAgra.

Summary financial information for the Financial Group, including significant accounting policies and footnotes, is presented elsewhere in these financial statements. This Group includes subsidiaries engaged in leasing and financing of industrial and commercial equipment and computers and related equipment, money order sales and payment services, and insurance operations, principally residential mortgage insurance.

Inventories:

Generally inventories are stated at the lower of cost (on the "first-in, first-out" or average cost methods) or market. Certain raw materials used in the manufacture of soap (consumer products) are stated at cost on the "last-in, first-out" method.

Property and Equipment:

Owned assets are stated at cost and capital lease assets are generally stated at the present value of future rentals at lease inception.

Depreciation is provided principally by use of the straight-line method at annual rates as follows:

Buildings	2% to 5%
Buses (25% residual on owned equipment)	10%
Machinery and other equipment	5% to 33%
Capital leases and leasehold improvements	Lesser of lease term or useful life

Gain or loss on transportation companies' depreciable assets sold or otherwise disposed of is recorded as an adjustment of depreciation expense.

Intangibles:

Intangibles are carried at cost less applicable amortization. Those which arose prior to October 31, 1970 will not be amortized unless there is deemed to be a permanent diminution in value of the related investments. Intangibles arising after October 31, 1970 are amortized on the straight-line method over the periods of expected benefit, but not in excess of forty years.

Pension Plans and Other Employee Benefits:

Pensions are generally funded on the basis of annual actuarial determinations of current service costs plus amortization in level annual amounts of unfunded prior service costs, including interest, over periods of thirty to forty years.

Cost of medical and life insurance benefits under employee group plans, including similar benefits for qualified retirees, is generally charged to income as incurred. Benefits applicable to the retirees of the discontinued businesses have been provided for on an estimated present value basis.

Investment Tax Credits:

Investment tax credits, and additional energy tax credits when applicable, are included in income in the year the credits are available as a reduction of federal income taxes.

Net Income Per Share:

Net income per common and equivalent share is based on net income after preferred stock dividend requirements and the weighted average number of common shares outstanding during each year after giving effect to stock options and warrants considered to be dilutive common stock equivalents. Net income per share assuming full dilution is based upon the foregoing determination and the equivalent number of common shares issuable upon conversion of convertible debt.

Principal Business Segments and Other Information:

All financial statements, notes to financial statements and other data have been restated to present as discontinued operations the Food segment, sold in 1983 and a former part of the Consumer Products segment, Armour Handcrafts, Inc. (to be disposed of) "Handcrafts." In addition, certain reclassifications have been made to the financial statements to conform to 1983 classifications.

Revenues and income of principal business segments and other principal business segment information of Greyhound for the three years ended December 31, 1983, are presented in a previous section of this Annual Report. The segment data combines the information of the formerly separate Services and Food Service segments as a single business segment, because of certain similarities of operations, and the fact that no other aggregation of such operations currently meets the criteria for a business segment.

Statement of Consolidated Financial Condition (000 omitted)

ASSETS	December 31, 1983	1982
CURRENT ASSETS:		
Cash and short-term investments	$ 25,660	$ 21,428
Receivables	168,014	175,187
Inventories	161,481	209,272
Due from ConAgra	107,178	
Net current assets of discontinued businesses	26,776	125,151
Prepaid expenses and other current items	32,519	21,114
Due from Financial Group subsidiaries, net	561	
TOTAL CURRENT ASSETS	522,189	552,152
PROPERTY AND EQUIPMENT:		
Land	78,521	66,361
Buildings and leasehold improvements	284,301	274,321
Buses	305,108	360,646
Machinery and other equipment	300,837	280,784
	968,767	982,112
Less accumulated depreciation	385,542	395,969
	583,225	586,143
INVESTMENTS AND OTHER ASSETS:		
Investments in and long-term receivables due from:		
Financial Group subsidiaries	463,294	423,244
ConAgra	121,941	
Other investments and assets	85,940	44,268
	671,175	467,512
NET NONCURRENT ASSETS OF DISCONTINUED BUSINESSES	8,297	87,295
INTANGIBLES, including $171,273 not subject to amortization	180,077	179,068
	$1,964,963	$1,872,170

See notes to consolidated financial statements and summary of significant accounting policies.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1983	1982
CURRENT LIABILITIES:		
Short-term bank and other loans	$ 6,975	$ 28,952
Accounts payable	148,140	160,752
Accrued compensation	69,061	58,217
Income and other taxes	39,025	35,781
Other current liabilities	94,420	68,137
Current portion of long-term debt	27,744	11,488
Due Financial Group subsidiaries, net		3,865
TOTAL CURRENT LIABILITIES	385,365	367,192
LONG-TERM DEBT, including subordinated debt of $31,191 and $61,232	346,030	417,028
OTHER LIABILITIES AND DEFERRED ITEMS:		
Pension and other benefits	34,465	54,894
Deferred income taxes	28,823	16,263
Other	38,266	28,496
	101,554	99,653
MINORITY INTERESTS — Greyhound Lines of Canada	24,010	21,341
COMMITMENTS AND CONTINGENT LIABILITIES (Notes I, J and K)		
$4.75 REDEEMABLE PREFERRED STOCK	6,595	6,593
COMMON STOCK AND OTHER EQUITY:		
Common stock	72,279	68,064
Additional capital	342,636	279,826
Retained income	699,842	650,886
Cumulative translation adjustments	(13,340)	(11,922)
Common stock in treasury, at cost	(8)	(26,491)
	1,101,409	960,363
	$1,964,963	$1,872,170

Consolidated Income Statement (000 omitted)

	Year Ended December 31, 1983	1982	1981
REVENUES:			
Sales and revenues	$2,131,204	$2,261,927	$2,332,161
Other income	14,457	10,288	14,467
	2,145,661	2,272,215	2,346,628
OPERATING COSTS:			
Cost of sales and revenues	2,022,612	2,124,913	2,162,781
Interest	37,678	48,477	56,532
Corporate administrative	14,889	14,915	14,944
Minority interest and other, net	(7,188)	(3,102)	(2,007)
INCOME BEFORE INCOME TAXES	77,670	87,012	114,378
Income taxes	35,560	32,669	52,071
Income of Greyhound and consolidated subsidiaries	42,110	54,343	62,307
Net income of Financial Group	28,175	47,247	67,703
INCOME FROM CONTINUING OPERATIONS	70,285	101,590	130,010
Income from discontinued operations—principally net gain on disposal in 1983	20,537	4,569	7,512
Income before extraordinary items	90,822	106,159	137,522
Extraordinary items	14,677	(3,099)	
NET INCOME	$ 105,499	$ 103,060	$ 137,522
INCOME PER SHARE:			
Common and equivalents:			
Continuing operations	$1.47	$2.30	$2.88
Discontinued operations	.44	.11	.17
Extraordinary items	.31	(.07)	
Net income	$2.22	$2.34	$3.05
Assuming full dilution:			
Continuing operations	$1.43	$2.19	$2.72
Discontinued operations	.42	.10	.15
Extraordinary items	.30	(.07)	
Net income	$2.15	$2.22	$2.87
DIVIDENDS DECLARED PER COMMON SHARE	$1.20	$1.20	$1.20
AVERAGE OUTSTANDING SHARES (000 omitted):			
Common and equivalents	47,007	43,976	45,149
Assuming full dilution	49,145	47,267	48,690

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Changes in Consolidated Financial Position (000 omitted)

	Year Ended December 31, 1983	1982	1981
SOURCE OF FUNDS:			
From continuing operations:			
Income before extraordinary items	$ 70,285	$101,590	$130,010
Depreciation	48,212	49,766	54,045
Deferred income taxes	(3,525)	(16,347)	21,093
Undistributed net income of Financial Group	(8,655)	(24,775)	(22,400)
Other items, net	6,367	13,019	10,239
Total from continuing operations	112,684	123,253	192,987
From discontinued operations:			
Income – principally net gain on disposal in 1983	20,537	4,569	7,512
Noncash items – operations	13,696	15,011	15,386
Net assets from disposal	(214,274)		
Reductions in net assets of discontinued operations	163,677	45,924	10,625
Total from discontinued operations	(16,364)	65,504	33,523
Extraordinary items	14,677	(3,099)	
Common stock issued	93,148	2,419	18,242
Additional long-term debt	2,200	109,772	9,398
Increase in short-term loans and commercial paper	3,073		
Disposals of businesses and property	25,141	37,359	25,395
Proceeds in excess of capitalized lease assets on sale-leaseback transactions	9,786	18,478	
Decrease in receivables and inventories	52,876		
Increase in current accrued liabilities			34,994
Utilization of prior year investment credit carryover attributable to Financial Group	6,694	4,748	8,087
	303,915	358,434	322,626
USE OF FUNDS:			
Capital expenditures and leases capitalized	85,231	127,131	116,325
Dividends on common and preferred stock	57,579	52,828	54,136
Reductions of long-term debt	78,849	10,356	24,526
Decrease in short-term loans and commercial paper		38,211	70,565
Common stock acquired	28	24,152	4,688
Acquisition of minority shares by subsidiary		17,647	
Acquisition of businesses			6,935
Additional (reduction in) investment in Financial Group companies	30,413	10,529	(4,912)
Increase in receivables and inventories		21,759	6,662
Decrease in current accrued liabilities	3,837	8,258	
Current year investment credit carryforward attributable to Financial Group	3,666	9,023	7,357
Other transactions with Financial Group, net	4,426	19,908	15,662
Other items, net	35,654	21,248	12,506
	299,683	361,050	314,450
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	$ 4,232	$ (2,616)	$ 8,176

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Common Stock and Other Equity (000 omitted)

	Year Ended December 31, 1983	1982	1981
COMMON STOCK, $1.50 par value, 70,000,000 shares authorized:			
Balance, beginning of year	$ 68,064	$ 68,064	$ 66,528
Shares issued	4,215		1,536
Balance, end of year	$ 72,279	$ 68,064	$ 68,064
ADDITIONAL CAPITAL:			
Balance, beginning of year	$279,826	$279,965	$263,290
Conversion or exercise of debentures, warrants and stock options:			
Common shares issued	59,492		16,701
Treasury common shares reissued	4,194	73	(1)
Unamortized amount of restricted stock issuance	(1,264)		
Other, net	388	(212)	(25)
Balance, end of year	$342,636	$279,826	$279,965
RETAINED INCOME:			
Balance, beginning of year	$650,886	$600,132	$521,329
Net income	105,499	103,060	137,522
Dividends on common and preferred stock	(57,579)	(52,828)	(54,136)
Net change in unrealized gains and losses on marketable equity securities of Financial Group	1,111	535	(4,360)
Other, net	(75)	(13)	(223)
Balance, end of year	$699,842	$650,886	$600,132
CUMULATIVE TRANSLATION ADJUSTMENTS:			
Balance, beginning of year	$ (11,922)	$	
Unrealized translation losses:			
From initial application of FASB No. 52 at January 1, 1982		(3,794)	
Current year	(1,418)	(8,128)	
Balance, end of year	$ (13,340)	$ (11,922)	
COMMON STOCK IN TREASURY, at cost:			
Balance, beginning of year	$ (26,491)	$ (4,685)	$ (3)
Purchased	(28)	(24,152)	(4,688)
Issuance relating to conversion or exercise of debentures, warrants and stock options	26,511	2,346	6
Balance, end of year	$ (8)	$ (26,491)	$ (4,685)

See notes to consolidated financial statements and summary of significant accounting policies.

Notes to Consolidated Financial Statements

Three Years Ended December 31, 1983

Note A — Changes in Business:

On December 18, 1983, Greyhound sold the assets of its subsidiary, Armour Food Company, to ConAgra. This transaction along with the prior 1983 sale of three Armour Food Company pork slaughtering facilities to another party constitute the disposal of Greyhound's Food business segment. The consideration received in these transactions included cash, notes receivable, 3.4 million shares of ConAgra common stock, and the assumption by ConAgra of certain liabilities including intercompany notes due Greyhound.

The ConAgra common stock received from the sale of Armour Food's assets was recorded at a value of $92,000,000. This valuation approximates the average market price of the ConAgra stock shortly before and after the date of the announcement of the agreement between Greyhound and ConAgra. This amount includes approximately $32,000,000 of excess of carrying value over equity in net assets of ConAgra at date of acquisition which will be amortized over 40 years. Greyhound will commence recognition of income (equity method of accounting) from its investment in ConAgra in 1984.

The sales agreement with ConAgra also provided for the transfer of substantially all U.S. rights to the Armour trademark (excluding certain on-going uses for Greyhound's other businesses, principally its Consumer Products segment) in exchange for the assumption by ConAgra of a contingent royalty agreement between Greyhound and Armour Food Company. The contingent royalty agreement provides for declining royalties to be paid based on sales volumes of certain branded products through 1988. Greyhound estimates the present value of these payments, based on historical sales volumes, to be approximately $45,000,000, which is included in amounts due from ConAgra.

The sales agreement also granted ConAgra a five-year option to purchase, at net book value, the assets of several foreign operations. These operations are part of the Consumer Products segment and are not material.

In December 1983, Greyhound requested bids from interested parties on the net assets of Handcrafts and in early 1984 signed a letter of intent to sell Handcrafts. Accordingly, these operations have also been reclassified as discontinued operations.

The net gain on disposal of discontinued businesses is after provision for the estimated loss on disposition of Handcrafts. The gain on disposal of Food segment includes estimates for plant closing costs ($70 million), the present value of the royalties discussed above, actuarial gains ($110 million) on overfunded pension plans and the present value ($60 million) of future medical and life insurance benefits for prior retirees.

The net gain on disposal of $21,400,000 is after provisions for income taxes of $16,800,000. Revenues from discontinued operations were $1.9 billion in 1983, $2.3 billion in 1982 and $2.4 billion in 1981.

Note B — Inventories:

Year-end inventories consisted of the following:

	1983	1982
	(000 omitted)	
Raw materials	$ 46,632	$ 69,727
Work-in-process	25,841	30,640
Finished goods and supplies	89,008	108,905
Total inventories	$161,481	$209,272

Inventories of certain materials in the Consumer Products segment, aggregating $1,396,000 in 1983 and $2,133,000 in 1982, are stated at cost on the "last-in, first-out" method. If these inventories were stated on the basis used for pricing other raw materials, inventory valuations would have been increased $4,537,000 at the end of 1983 and $3,100,000 at the end of 1982.

Note C — Short-term Debt and Compensating Balances:

Greyhound satisfies its short-term financing requirements from bank lines of credit, informal bank advances and other advances and by the issuance of commercial paper.

Greyhound's short-term bank lines aggregating $33,575,000 at December 31, 1983 are subject to annual renewal and in most instances can be withdrawn at any time at the option of the banks. On $12,000,000 of these lines, compensating balances are required in an amount equal to five per cent of the commitments. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

It is Greyhound's policy to support commercial paper outstanding with unused portions of short-term and revolving bank credit. In addition, Greyhound maintained unused portions of bank credits of $35,000,000 in 1983 under an agreement with a Financial Group subsidiary to support its demand advances to Greyhound when outstanding.

Note D — Long-term Debt:
Long-term debt at year-end was as follows:

	1983	1982
	(000 omitted)	
Senior debt:		
Commercial paper supported by unused revolving credit	$22,000	$
Sinking fund debentures, net of unamortized discount:		
9⅜%, due 1990 to 2001	78,744	99,542
9⅞%, due 1989 to 2000	54,849	74,688
5% Cumulative income debentures, due in 1984	13,167	14,444
Real estate mortgages, and other obligations, due to 2006, 4½% to 12%	31,600	37,590
Canadian revolving credit loans	8,842	10,689
Less current portion	(19,136)	(6,331)
	190,066	230,622
Subordinated debt:		
Convertible debentures (conversion price):		
6½%, due 1990 ($18.375)	20,866	46,856
6%, due 1986 ($46.00)	10,325	10,325
5%, due 1984 ($26.40)	4,034	5,063
Less current portion	(4,034)	(1,012)
	31,191	61,232
Capital lease obligations, 10.4% weighted average imputed interest	129,347	129,319
Less current portion	(4,574)	(4,145)
	124,773	125,174
Total long-term debt	$346,030	$417,028

Domestic/Eurodollar revolving credit loans are available from participating banks under an agreement which provides for a total credit of $140,000,000. The entire commitment is available until June 30, 1986 on a revolving credit basis, with borrowings then converting into a term loan repayable in fifteen equal quarterly installments. Annually, at Greyhound's request and with the participating banks' consent, the term of the agreement may be extended for one-year periods. Interest is based upon the following rates: (i) for domestic dollar advances, the bank prime rate or ½ of 1 per cent above the bank certificate of deposit rate plus reserves, or (ii) for Eurodollar advances, ½ of 1 per cent above the London interbank offered rate plus reserves. The agreement also provides for a commitment fee based on a combination of factors involving commitment utilization. If the agreement is not extended the banks will receive additional interest on outstanding borrowings at varying amounts not to exceed ½ of 1 per cent.

Annual maturities of long-term debt, including capital lease obligations, in the four years after 1984 will approximate $8,093,000 (1985), $24,405,000 (1986), $17,002,000 (1987) and $18,017,000 (1988).

Canadian revolving credit loans are available to Canadian transportation and bus manufacturing subsidiaries from banks under agreements which in the aggregate provide for loans up to the Canadian equivalent of $32,152,000. Loans are available on a revolving basis for two years at the end of which outstanding loans will be repayable over three-year to five-year terms. Interest is at bank prime or banker's acceptance rate plus 1 per cent. During the term periods, the interest rate increases up to an additional ¼ of 1 per cent.

In early 1983, Greyhound negotiated a series of interest rate conversion agreements for periods ranging from three to eight years. Under these agreements, Greyhound is required to pay interest at fixed rates averaging 11½ per cent on a semi-annual equivalent basis over the eight-year period on aggregate declining principal balances ranging from $80,000,000 to $30,000,000. In return, Greyhound will receive interest payments on the same declining principal balances calculated at the six-month London interbank offered rate. These agreements offset the floating rate characteristics of capital lease obligations relating to a late 1982 sale-leaseback of buses.

Note E — Common Stock and Other Equity:
Common stock issued and outstanding at December 31, 1983 was 48,185,874 and 48,185,531 shares, respectively. Shares reserved for issuance at December 31, 1983 are as follows:

	Shares	Conversion or Exercise Prices
Convertible debentures	1,512,847	$18.375 to $46.00
Warrants, expiring in 1984	1,166,667	30.00
Stock options	3,680,121	11.50 to 22.75
Total shares reserved	6,359,635	

The conversion and warrant exercise prices are subject to adjustment under certain circumstances.

Greyhound has 5,000,000 shares of Serial Preference Stock authorized, of which 454,352 shares were designated as $4.75 Redeemable Preferred Stock. The remaining 4,545,648 shares are available for issue. A subsidiary of Greyhound holds 212,582 shares of the Greyhound $4.75 preferred stock. The holders of the preferred stock are entitled to annual cumulative sinking fund retirements of 6,000 shares, and the shares presently held by the Greyhound subsidiary will be applied to this requirement. Liquidation preference of the outstanding shares is equal to the stated value ($100 per share) of the shares. Additional preferred stock dividends are recorded over the life of the issue to provide for ultimate redemption of the shares at stated value.

Treasury shares are reserved for issuance on conversion or exercise of the outstanding convertible debentures, warrants and stock options.

Certain subsidiaries are precluded from transferring funds over certain amounts to Greyhound in the form of advances or dividends pursuant to restrictions in long-term debt and capital lease agreements of the subsidiaries or other restrictions applicable to certain regulated Financial Group subsidiaries. At December 31, 1983, $278,363,000 of net assets of Financial Group subsidiaries were subject to such restrictions. The restrictions on the transfer of net assets of consolidated subsidiaries are not material.

Greyhound's long-term debt agreements also contain various restrictive covenants and require the maintenance of certain defined financial ratios with which Greyhound has complied. At December 31, 1983, retained income of $192,139,000 was unrestricted as to the payment of dividends by Greyhound.

Note F — Stock Options:

Greyhound has granted to officers and certain key employees restricted stock and stock options (substantially all stock options are incentive stock options under provisions of the Internal Revenue Code), under its Stock Option Plans as amended. During 1983, The Board of Directors adopted and the shareholders ratified the 1983 Stock Option and Incentive Plan ("Plan") primarily for the grant of options and restricted stock to officers and certain key employees. The 1983 Plan replaces the 1973 Stock Option Plan under which stock options were previously granted. The 1973 plan options are generally exercisable at market value at date of grant and expire ten years after date of grant.

The 1983 Plan provides for four types of awards: (1) Stock Options (both "Incentive Stock Options" and "Nonqualified Stock Options"); (2) Stock Appreciation Rights ("SARS"); (3) Limited Stock Appreciation Rights ("LSARS"); and (4) Restricted Stock. The Plan authorizes the issuance of up to 2,500,000 shares of common stock; however, not more than a total of 500,000 shares may be subject to awards of restricted stock and stock appreciation rights not related to stock options.

The stock options and SARS are exercisable 50% a year after one year from the date of grant at a price equal to 100 per cent of the fair market value at the date of grant. For SARS and/or LSARS issued in tandem with stock options, as were the 1983 issuances, the exercise of one will reduce, to the extent exercised, the number of shares represented by the other.

Limited stock appreciation rights are exercisable only for a limited period in the event of certain tenders or exchange offers for Greyhound's common stock.

Restricted stock awards (62,300 shares in 1983) generally vest at the rate of 20% of the grant per year. The holder of the restricted stock has the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the restricted stock.

Information with respect to options granted and exercised for the three years ended December 31, 1983 is as follows:

	Granted		Exercised	
	Shares	Average Price Per Share	Shares	Average Price Per Share
1981	345,300	$16.13	148,100	$13.93
1982	450,200	14.00	74,300	13.52
1983	801,800	21.40	814,517	14.16

Stock options on common shares cancelled during 1983, 1982 and 1981 at average exercise prices indicated were 65,362 ($15.64), 110,600 ($14.23) and 99,435 ($14.12), respectively.

At December 31, 1983 stock options with respect to 1,705,121 common shares were outstanding at an average price of $17.56 per share and options for 1,242,421 shares were exercisable at an average price of $15.63 per share.

Note G — Income Taxes:

The consolidated provision for income taxes for the three years ended December 31, 1983 consists of the following:

	1983	1982	1981
		(000 omitted)	
Currently payable:			
United States:			
Federal	$20,316	$25,617	$10,469
State	824	4,566	5,588
Foreign	17,945	18,833	14,921
	39,085	49,016	30,978
Deferred:			
United States	(4,031)	(15,367)	19,321
Foreign	506	(980)	1,772
	(3,525)	(16,347)	21,093
Provision for income taxes	$35,560	$32,669	$52,071

Deferred income taxes relate to the following principal timing differences:

	1983	1982	1981
		(000 omitted)	
Depreciation	$ 5,515	$ 6,786	$10,657
Sale-leaseback transactions	(11,888)	(18,617)	
Plant closing costs	1,163	893	1,904
Investment and energy tax credit carryforwards:			
Recognized in financial statements	(2,540)	(10,563)	(3,615)
Realized in tax return	5,259	2,634	10,660
Pension contributions	(1,707)	6,900	
Uninsured loss accruals	(657)	(2,192)	(32)
All other	1,330	(2,188)	1,519
Total deferred income taxes	$ (3,525)	$(16,347)	$21,093

Eligible consolidated and Financial Group subsidiaries are included in the consolidated federal income tax returns of Greyhound.

Unutilized investment tax credits of $17,429,000, generated by Greyhound and Financial Group subsidiaries in 1983 and 1982, represented consolidated tax return carryforwards at December 31, 1983 and will be utilized before similar credits arising thereafter.

Certain benefits of tax losses and credits which would not have been currently available to Financial Group subsidiaries on a separate return basis have been credited to the Financial Group by Greyhound. These benefits, plus Financial Group investment tax credits not utilized at December 31, 1983, 1982 and 1981, also credited to the Financial Group, were included in the determination of the Financial Group's 1983, 1982 and 1981 income taxes. Accordingly, consolidated companies' currently payable and deferred provisions for income taxes do not reflect a reduction for such amounts, and they are recorded as adjustments to Greyhound's current and deferred tax liability accounts.

In June, 1982 Greyhound made a $35,000,000 capital contribution to a Financial Group subsidiary through Greyhound's assumption of, and agreement to pay on behalf of the subsidiary, $35,000,000 of its deferred U.S. federal income taxes. Payment of this amount will be required only at such time as the subsidiary's remaining deferred U.S. federal income tax credits have been fully utilized. This amount, previously reported as a capital contribution to the Financial Group and a transfer of deferred taxes to Greyhound, has now been eliminated by Greyhound for its financial reporting purposes.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1983	1982	1981
		(000 omitted)	
Computed income taxes at statutory federal income tax rates	$35,728	$40,026	$52,614
Investment tax credits	(2,222)	(9,274)	(7,758)
Minority interests	2,881	3,378	4,285
State income taxes	440	1,773	3,147
Adjustment or refund of prior years' taxes		(801)	(1,000)
Other, including effects of capital gains and foreign tax credits	(1,267)	(2,433)	783
Provision for income taxes	$35,560	$32,669	$52,071

United States and foreign income before income taxes is as follows:

	1983	1982	1981
		(000 omitted)	
United States	$40,820	$50,705	$ 82,929
Foreign	36,850	36,307	31,449
Income before income taxes	$77,670	$87,012	$114,378

Note H — Pension Plans:

Greyhound and its subsidiaries have pension plans covering substantially all of their employees. All of the following amounts exclude discontinued operations. The cost of pension plans was $51,380,000 in 1983, $66,600,000 in 1982 and $64,716,000 in 1981, including $1,086,000, $1,615,000 and $1,264,000, respectively, attributable to unconsolidated Financial Group subsidiaries.

During 1983 and 1982 certain changes were made in actuarial methods and during 1983, actuarial assumptions were changed for certain of the plans, primarily with respect to expected investment returns and salary progressions. The effect of these changes increased net income by $6,805,000 or $.14 per share in 1983. The effect on 1982 was not material.

At January 1, 1983 and 1982 (the dates of the most recent actuarial valuations) accumulated pension plan benefits and market value of plan net assets available for benefits for all plans were as follows:

	1983	1982
	(000 omitted)	
Actuarial present value of accumulated pension plan benefits:		
Vested	$728,835	$608,073
Nonvested	64,437	42,020
Total accumulated benefits	$793,272	$650,093
Market value of pension trust fund net assets	$808,778	$603,351
Accruals for pension liabilities	885	705
Total plan assets and accruals	$809,663	$604,056

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was nine per cent.

Note I — Lease Obligations:

Certain buses, bus terminals, plants, offices and equipment are leased. The leases expire in periods ranging from one to 49 years and some provide for renewal options ranging from one to 40 years. Also, certain leases contain purchase options. Leases which expire are generally renewed or replaced by similar leases.

Capital leases included in the cost of property and equipment aggregated $167,313,000 and $129,090,000 at December 31, 1983 and 1982, respectively, with related accumulated depreciation of $31,227,000 and $19,657,000. The carrying amount of buses included in these amounts is $124,132,000 and $85,223,000 at December 31, 1983 and 1982, respectively, with related accumulated depreciation of $9,460,000 and none, respectively.

The carrying amount of buses at December 31, 1983 and 1982 has been reduced by $26,040,000 and $7,422,000, respectively, which is the unamortized portion of proceeds received in 1983 and 1982, respectively, in excess of the carrying amount of buses from various sale-leaseback transactions.

At December 31, 1983, future minimum payments under capital leases and noncancelable operating leases with terms in excess of one year are as follows:

	Capital Leases	Operating Leases
	(000 omitted)	
1984	$ 18,388	$ 19,160
1985	19,551	17,339
1986	19,441	15,173
1987	19,224	11,330
1988	19,623	8,713
Thereafter	151,376	41,045
Total future minimum lease payments	247,603	$112,760
Less imputed interest	118,256	
Present value of future minimum capital lease payments	$129,347	

Additional information regarding operating lease rentals is as follows:

	1983	1982	1981
		(000 omitted)	
Minimum rentals	$29,842	$38,435	$41,004
Contingent rentals	19,229	19,916	21,186
Total rentals	$49,071	$58,351	$62,190

Contingent rentals on operating leases are based primarily on sales and revenues for buildings and leasehold improvements and usage for other equipment. Capital lease contingent rentals and sublease rental income were not material in any year.

Note J — Extraordinary Items:

In November of 1982 the Bus Regulatory Reform Act of 1982 (the "Act") became effective. The Act provided for ease of entry to provide regular bus transportation route service and therefore eliminated the continuing value of U.S. bus operating rights which were included in intangibles. The remaining carrying value ($3,099,000 or $.07 per share) of these operating rights were written off in 1982 as a result of this legislation.

In 1983, Greyhound determined, as a result of the 1982 legislation, that it was entitled to deduct, for income tax purposes, the amounts previously written off (1982 and prior) for financial reporting purposes of approximately $24,000,000. These amounts were deducted in Greyhound's 1982 income tax return. The deductability of these items and the exact amounts may be subject to challenge by the Internal Revenue Service upon examination. Management, after consultation with legal counsel, believes that it will prevail in its position. The tax benefit ($11,469,000 or $.24 per share) of these deductions has been recognized as an extraordinary item in 1983.

Gains on extinguishment of debt of $3,208,000 or $.07 per share after taxes of $2,732,000 have also been included in extraordinary items in 1983.

Note K — Litigation:

Greyhound and certain subsidiaries are parties to a number of legal proceedings in various stages, the outcome of which is not expected to have a material effect upon the consolidated financial condition of Greyhound, but for which the ultimate liability, if any, cannot be reasonably estimated. Some of the suits are brought on behalf of classes or alleged classes of plaintiffs for alleged discriminatory employment practices.

Note L — Other Matters:

During 1983 changes were made in estimated salvage values and useful lives of buses and certain other property. The effect of these changes was to increase net income by $6,806,000 or $.15 per share.

On January 1, 1982 the net assets of foreign subsidiaries were translated to U.S. dollars in accordance with FASB No. 52, "Foreign Currency Translation" which does not require retroactive adjustment of previously reported net income. The change in net assets which resulted from application of this new method of accounting is presented as a separate component of equity entitled Cumulative Translation Adjustments.

Summarized unaudited pro forma financial information of ConAgra giving effect to its acquisition of Armour Food Company assets and summarized financial information of other affiliates is as follows:

Summarized Financial Condition At December 31:

	ConAgra (Pro Forma)	Other Affiliates	
	1983	1983	1982
		(000 omitted)	
Financial Condition:			
Assets:			
Cash and short-term investments	$ 18,043	$ 9,516	$ 8,340
Receivables	403,134	35,603	24,658
Inventories	691,490	3,106	3,153
Investments	34,307	3,645	3,704
Property and equipment, net	340,092	34,630	37,090
Other	43,546	2,014	2,103
	$1,530,612	$88,514	$79,048
Liabilities:			
Current liabilities	$ 831,925	$26,774	$24,257
Long-term debt	279,271	5,421	5,472
Other liabilities	9,407	3,505	3,089
Stockholders' equity	410,009	52,814	46,230
	$1,530,612	$88,514	$79,048

Greyhound's equity in other affiliates was $18,893,000 and $16,136,000 at December 31, 1983 and 1982, respectively.

Income Summary (other affiliates), Year Ended December 31:

	1983	1982	1981
		(000 omitted)	
Revenues	$127,258	$137,343	$120,594
Cost and Expenses:			
Cost of sales and operating expenses	92,987	101,012	98,195
Other	5,141	6,292	4,990
Income before income taxes	29,130	30,039	17,409
Income taxes	5,908	6,413	3,975
Outside stockholders' equity in net income	16,679	16,892	9,523
Greyhound equity in net income:			
Transportation	2,730	2,996	2,640
Services and Food Service	3,813	3,738	1,271
	$23,222	$23,626	$13,434

Of the amounts above, all of Services and Food Service net income and $1,510,000 in 1983, $1,483,000 in 1982 and $1,358,000 in 1981 of Transportation net income was from foreign operations.

Condensed Quarterly Results (000 omitted) (Unaudited)(1)

	First Quarter 1983	First Quarter 1982	Second Quarter 1983	Second Quarter 1982	Third Quarter 1983	Third Quarter 1982	Fourth Quarter 1983	Fourth Quarter 1982
Consolidated Revenues	$529,234	$511,972	$585,084	$576,824	$599,111	$618,132	$432,232	$565,287
Consolidated Operating Income (Loss)	20,042	10,681	48,752	35,903	66,838	62,596	(12,583)	38,122
Net Income of Financial Group	10,555	13,910	8,236	16,102	5,406	10,236	3,978	6,999
Income (Loss) from Continuing Operations	15,752	12,638	26,544	28,169	36,968	37,744	(8,979)	23,039
Discontinued Operations	(65)	2,152	285	(578)	(809)	(706)	21,126(2)	3,701
Extraordinary Items(3)			2,445		169		12,063	(3,099)
Consolidated Net Income	$ 15,687	$ 14,790	$ 29,274	$ 27,591	$ 36,328	$ 37,038	$ 24,210	$ 23,641
Income (Loss) Per Share:								
Common and equivalents:								
Income from continuing operations	35¢	28¢	57¢	64¢	77¢	86¢	(22)¢	52¢
Discontinued operations		05		(01)	(02)	(02)	46	09
Extraordinary items			05		01		25	(07)
Net income	35¢	33¢	62¢	63¢	76¢	84¢	49¢	54¢
Assuming full dilution:								
Income from continuing operations	33¢	27¢	56¢	61¢	75¢	82¢	(21)¢	49¢
Discontinued operations		05		(01)	(01)	(02)	43	08
Extraordinary items			05				25	(07)
Net income	33¢	32¢	61¢	60¢	74¢	80¢	47¢	50¢

(1) Amounts have been restated to present discontinued operations separately.

(2) Principally net gain on disposal in fourth quarter of 1983.

(3) Extraordinary items are tax benefits of $11,469,000 or 24 cents per share from deduction for tax purposes of U.S. bus operating rights previously written off and gain on extinguishment of debt of $3,208,000 or 7 cents per share in 1983 and write-off of the remaining carrying value of U.S. bus operating rights in 1982.

Summary of Combined Financial Condition (000 omitted)

ASSETS	December 31, 1983	1982
INVESTMENTS IN EARNING ASSETS:		
Finance lease and contract receivables, net of unearned income of $770,992 and $703,311	$1,672,371	$1,532,747
Computer and related rental equipment, net	189,186	185,448
Bonds and other fixed maturity investments, at amortized cost (market $225,429 and $196,445)	248,840	219,139
Equity securities, at quoted market	42,827	31,642
Short-term investments, including demand loan to Greyhound of $35,000 in 1983 and 1982	210,991	177,468
Investments in Earning Assets	2,364,215	2,146,444
Cash	106,234	87,498
Other receivables	187,157	126,943
Tax benefits due from Greyhound	6,741	7,882
Other assets	91,541	81,535
Deferred policy acquisition costs	19,003	16,453
Intangibles, at cost less amortization	40,193	40,865
	$2,815,084	$2,507,620

LIABILITIES AND GREYHOUND EQUITY	1983	1982
LIABILITIES:		
Long-term debt, including subordinated debt of $120,020 and $127,262	$1,288,667	$1,139,138
Commercial paper and short-term bank loans	120,246	150,071
Money orders outstanding and payment service advances	299,049	222,131
Unearned premiums	62,079	48,657
Insurance losses and claims (Note 8)	93,742	90,683
Due to Greyhound, including $10,325 subordinated long-term debt due in 1986	45,886	41,460
Other short-term liabilities	171,590	128,647
	2,081,259	1,820,787
DEFERRED TAXES	262,006	255,257
MINORITY INTERESTS	18,850	18,657
GREYHOUND EQUITY:		
Capital	280,133	250,596
Retained income	177,555	168,072
Net unrealized investment gains	1,223	112
Cumulative translation adjustments	(5,942)	(5,861)
	452,969	412,919
	$2,815,084	$2,507,620

See notes to summary combined statements.

Summary of Combined Income (000 omitted)

	Year Ended December 31, 1983	1982	1981
REVENUES:			
Leasing and other:			
Finance lease and other income	$239,779	$266,978	$231,462
Operating lease rentals	97,847	87,096	73,601
Gains on disposals of equipment	5,437	2,984	17,179
Insurance:			
Premiums earned	110,652	84,906	95,788
Investment income, net of expenses	25,655	26,318	26,189
	479,370	468,282	444,219
OPERATING COSTS:			
Leasing and other:			
Interest	156,641	155,783	121,823
Depreciation	67,340	54,282	47,053
Other	100,441	96,116	85,156
Insurance:			
Losses and settlement expenses	85,160	63,700	64,315
Amortization of policy acquisition costs	39,636	39,197	31,307
Other	12,904	3,345	14,104
	462,122	412,423	363,758
Operating income before unusual income	17,248	55,859	80,461
Unusual income—Litigation settlement, net of expenses			15,258
OPERATING INCOME	17,248	55,859	95,719
Net realized investment gains	1,700	6	3,108
Minority interests and other, net	(459)	(78)	(1,832)
INCOME BEFORE INCOME TAXES	18,489	55,787	96,995
Income taxes (credit)	(9,686)	8,540	29,292
NET INCOME:			
Leasing and other	20,594	38,024	56,177
Insurance	8,057	9,832	13,816
Minority interests	(476)	(609)	(2,290)
TOTAL FINANCIAL GROUP	$ 28,175	$ 47,247	$ 67,703

See notes to summary combined statements.

Summary of Changes in Combined Financial Position (000 omitted)

	Year Ended December 31, 1983	1982	1981
SOURCE OF FUNDS:			
From operations	$116,223	$138,175	$176,022
Collections on finance receivables, less income amortization	228,131	220,675	180,707
Carrying amount of equipment sold	33,662	18,871	23,528
Total from operations, collections and equipment disposals	378,016	377,721	380,257
Additional long-term debt	219,253	265,347	220,496
Increase in commercial paper and short-term bank loans	2,884	25,468	260,322
Increase in money orders and payment service advances	76,917	42,329	56,782
Additional (reduction in) investment by Greyhound, net	30,413	10,529	(4,912)
Other transactions with Greyhound, net	4,426	19,908	15,662
Other sources of funds	83,075	36,052	33,297
	794,984	777,354	961,904
USE OF FUNDS:			
Investments in earning assets:			
Finance leases and contracts	441,312	408,462	507,404
Computer and related rental equipment	84,252	85,937	116,019
Fixed maturity and equity securities, net	76,669	50,846	74,009
Total investments, net	602,233	545,245	697,432
Reductions of long-term debt	80,247	133,517	178,828
Dividends paid to Greyhound	19,520	22,472	45,303
Other uses of funds	74,248	63,769	37,630
	776,248	765,003	959,193
INCREASE IN CASH	$ 18,736	$ 12,351	$ 2,711

See notes to summary combined statements.

Summary of Combined Greyhound Equity (000 omitted)

	1983	1982	1981
Balance, beginning of year	$412,919	$382,963	$369,832
Net income	28,175	47,247	67,703
Dividends to Greyhound	(19,520)	(22,472)	(45,303)
Additional (reduction in) investment by Greyhound, net	30,413	10,529	(4,912)
Net change in unrealized gains and (losses) on marketable equity securities	1,111	535	(4,360)
Unrealized translation adjustments	(81)	(5,861)	
Other	(48)	(22)	3
Balance, end of year	$452,969	$412,919	$382,963

See notes to summary combined statements.

Notes to Summary Combined Statements

Three Years Ended December 31, 1983

Note 1 — Summary of Significant Accounting Policies:

The accompanying financial information for the Financial Group is prepared on the Greyhound cost basis, which is the basis for recording investments in and net income of Financial Group subsidiaries in Greyhound's consolidated financial statements. This combined information has been prepared in accordance with generally accepted accounting principles.

Intangibles are amortized primarily over forty years.

Leasing Subsidiaries:

Finance leases and contracts, collateralized primarily by commercial and industrial equipment, are generally direct financing leases. Computer and related rental equipment is leased principally under operating leases, and is depreciated on the declining balance method at annual rates ranging from 20 to 30 per cent and for additions since 1982 by the sum-of-the-years'-digits method over six to eight years.

Investment tax credits arising from direct financing leases are deferred and amortized to finance lease revenues over the original terms of related leases on the sum-of-the-months'-digits method. Investment tax credits related to operating leases are deferred and amortized on the straight-line method over five years as a reduction of income taxes.

Insurance Subsidiaries:

Premiums earned are calculated generally on the straight-line basis over the terms of the coverage.

Costs associated with the acquisition of insurance business are deferred and amortized over the term of the policies in the same manner as premiums earned are calculated.

Provisions for losses under mortgage insurance contracts are determined by a formula based upon reported delinquencies and management's estimate of other factors. Provisions for losses applicable to other insurance operations are determined on the basis of management's estimate of the anticipated ultimate loss ratio.

Bonds and other fixed maturity investments are carried at amortized cost, unless there is deemed to be a permanent diminution in value, in which case the loss is recorded in net realized investment gains (losses). Equity securities are carried at quoted market and changes in valuation allowances are recorded in Greyhound's equity.

During 1983, certain foreign operations of the property and casualty subsidiaries withdrew from writing business in the normal London market. At December 31, 1983, the investment in these subsidiaries is $35,691,000. Greyhound anticipates recovery of its investment.

Note 2 — Finance Lease and Contract Receivables:

During 1983, a U.S. leasing subsidiary of the Financial Group continued to experience significant increases in delinquencies, financing transactions that have been restructured and equipment repossessions. The portfolio of this subsidiary at year-end includes the following:

	1983	1982
	(000 omitted)	
Delinquent accounts and contracts which management has placed in a nonaccrual status	$ 65,881	$ 94,908
Repossessed domestic equipment	40,018	27,873
Nonaccruing amounts advanced in Mexico	41,147	45,987
	$147,046	$168,768

The subsidiary also had contracts of $16,000,000 and $13,000,000 at December 31, 1983 and 1982 respectively, classified as contracts restructured (including rate) for credit reasons. Had these and the above contracts been current in accordance with their original terms revenue would have been increased by $22,000,000 in 1983 and $14,000,000 in 1982.

At December 31, 1983, the portfolio of this subsidiary also included amounts advanced in Brazil ($48,000,000) and Equador ($21,000,000). All amounts originally advanced are U.S. dollar contracts. Advances in Brazil of $4,700,000 and Equador of $13,500,000 were restructured in 1983. Generally, terms were extended and slight reductions in interest rates were experienced. Additional advances of $6,500,000 have been or will be made in connection with the restructurings.

A Financial Group foreign leasing subsidiary has a concentration of secured loans in the shipping industry totaling $155,000,000. Increases in delinquencies and contracts rewritten have occurred due to the continued worldwide shipping recession. At December 31, 1983, this portfolio had delinquent contracts totaling approximately $21,400,000, compared with $17,700,000 in 1982 and contracts on which moratoria were granted (primarily reduced payments or extended terms on originally scheduled principal payments) aggregating approximately $30,400,000, compared with $25,700,000 in 1982. Income not recognized on such contracts totaled $3,700,000 in 1983 and $2,200,000 in 1982.

At December 31, 1983 and 1982, the allowance for losses for the above described Financial Group leasing subsidiaries was $41,400,000 and $31,300,000, respectively. Management, after careful analysis of all of the foregoing and estimates of underlying collateral values, is of the opinion that the above allowance is adequate to provide for possible losses in the portfolio.

Finance lease and contract receivables due in the next five years for all Financial Group leasing subsidiaries will approximate $441,879,000 (1984), $370,814,000 (1985), $368,540,000 (1986), $293,359,000 (1987) and $243,366,000 (1988). Estimated residual value of equipment included in finance lease and contract receivables was $156,902,000 and $189,091,000 at December 31, 1983 and 1982, respectively.

Note 3 — Computer and Related Rental Equipment:

At December 31, 1983 and 1982, computer and related rental equipment includes the following:

Type of Equipment	Carrying Amount 1983	1982	Cost or Stated Amount 1983	1982
	(000 omitted)			
IBM System/370	$168,054	$157,058	$303,759	$269,729
Other	21,132	28,390	41,343	45,801
	$189,186	$185,448	$345,102	$315,530

Noncancelable rentals due under equipment operating leases total approximately $131,311,000 at December 31, 1983. Accordingly, recovery of the carrying amount of computer and related equipment at December 31, 1983 is dependent upon renewal of existing leases or sale or lease of the equipment at satisfactory prices.

Note 4 — Long-term Debt:

Long-term debt, substantially all applicable to leasing operations, was as follows at year-end:

	1983	1982
	(000 omitted)	
Senior debt:		
Revolving credit loans	$ 216,189	$ 136,464
Term loans, 4½% to 15.45%, due to 1989	290,162	239,591
Commercial paper supported by unused revolving credit	154,718	135,159
9.70% Notes, due 1984	60,000	60,000
14⅞% Notes, due 1991	75,000	75,000
16⅛% Debentures, due 1992	100,000	100,000
Sinking fund debentures:		
12½%, due 1991 to 2000	99,380	99,343
9¼%, due 1984 to 1992	37,820	44,714
Limited and nonrecourse installment notes, 9⅞% to 18½%, due to 1991	55,243	44,523
Other, 6% to 14⅝%, due to 2002	80,135	77,082
Subordinated debt:		
Commercial paper supported by unused subordinated revolving credit	70,000	65,000
Other, 4¾% to 17%, due to 1997	50,020	62,262
Total long-term debt	$1,288,667	$1,139,138

Revolving credit loans are borrowed under credit agreements aggregating $617,616,000 with an average interest rate at December 31, 1983 of 11.1 per cent. The agreements generally require payment of a fee on the unused commitments and are renewable annually. However, if loans with any or all participating banks are not renewed, the subsidiaries may, at their option, repay the nonrenewing banks' participation immediately or over thirty-month to eight-year periods following the date of termination. So long as the agreements are renewed and the subsidiaries comply with specified tests of financial condition, no repayments of principal are required, and generally additional advances may be obtained up to the amount of the unused credit.

Compensating balances under certain of the revolving credit agreements averaged $2,696,000 in 1983, of which $1,511,000 was provided by Greyhound. The Financial Group paid interest to Greyhound for the use of these funds. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

Annual maturities of long-term debt (other than amounts due under revolving credit agreements expected to be renewed) due in the next five years will approximate $116,886,000 (1984), $108,220,000 (1985), $122,407,000 (1986), $134,408,000 (1987) and $82,087,000 (1988).

Note 5 — Income Taxes:

The provision for income taxes for the three years ended December 31, 1983 consists of the following:

	1983	1982	1981
	(000 omitted)		
United States:			
Federal:			
Currently payable	$ 9,793	$ 6,442	$13,247
Benefits from inclusion in Greyhound's consolidated tax return	(23,516)	(23,403)	(4,826)
Amortization of investment tax credits	(3,506)	(2,853)	(1,715)
Deferred, principally as a result of leasing operations	3,703	25,239	19,039
State	1,202	1,043	951
Foreign	2,638	2,072	2,596
Provision for income taxes	$ (9,686)	$ 8,540	$29,292

Investment tax credits of $2,975,000 arising in 1983, $8,944,000 in 1982 and $18,961,000 in 1981 from leasing operations have been deferred. Amortization of deferred investment tax credits included in finance lease revenues was $7,536,000 in 1983, $10,025,000 in 1982 and $8,174,000 in 1981.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1983	1982	1981
	(000 omitted)		
Computed income taxes at statutory federal income tax rates	$ 8,505	$25,662	$44,618
Amortization of investment tax credits	(3,506)	(2,853)	(1,715)
Effects of investment tax credits in lease revenues	(3,467)	(4,612)	(3,760)
Statutory rate differences and tax exempt income	(13,257)	(10,744)	(11,608)
Minority interests	219	280	1,053
Other, principally state and foreign tax differences	1,820	807	704
Provision for income taxes	$ (9,686)	$ 8,540	$29,292

United States and foreign income before income taxes is as follows:

	1983	1982	1981
	(000 omitted)		
United States	$16,837	$52,308	$91,114
Foreign	1,652	3,479	5,881
Income before income taxes	$18,489	$55,787	$96,995

Deferred taxes include $27,860,000 and $35,714,000 at December 31, 1983 and 1982, respectively, of deferred investment tax credits of leasing operations.

Note 6 — Litigation:
Travelers Express Company did not receive payments for money orders written by an agent totaling $18,200,000 during a period in January 1983. A partial recovery of $7,000,000 will be received from insurance in early 1984. The balance of the amount is being pursued by Greyhound through various legal actions and in the opinion of management substantial recovery of the balance, approximately $11,200,000, is anticipated to result from such proceedings. Amounts not recovered through these processes will be recovered from additional insurance claims. The total amount is included in other receivables at December 31, 1983.

On January 26, 1981, the antitrust litigation brought against IBM by Greyhound Computer Corporation was settled upon receipt of a $17,700,000 payment from IBM. This amount less related costs and expenses is included in income as an unusual item. The amount included in net income after tax was $8,117,000 in 1981.

Note 7 — Relations with Greyhound:
The executive, financial, legal, tax and other corporate staff departments of Greyhound perform services for the Financial Group, and in some cases Greyhound also furnishes office space, data processing and office services at charges which are intended to provide no profit to Greyhound. The Financial Group domestic subsidiaries have compensating balance arrangements with Greyhound. In addition, the Financial Group subsidiaries have net advances due to or from Greyhound depending upon cash requirements of the entities. Net interest paid to Greyhound was $2,179,000 in 1983. Net interest received from Greyhound was $629,000 in 1982 and $5,083,000 in 1981.

A Financial Group subsidiary provides financing for certain installment sales of new buses produced by the Bus Manufacturing Group, including certain buses leased by the Transportation Group. The financial statements of the Financial Group include receivables of $32,118,000 at December 31, 1983 applicable to such transactions including $11,189,000 applicable to buses leased under operating leases by the Transportation Group.

See Note G of Notes to Consolidated Financial Statements for information regarding U.S. federal income tax matters.

Note 8 — Other Matters:
Premiums earned and losses and settlement expenses were reduced by $25,400,000 and $42,000,000, respectively, as a result of a reinsurance contract entered into in 1982.

The property and casualty insurance subsidiaries have ceded insurance to other insurance companies in order to limit their maximum loss through risk diversification. Certain insurance accounts, primarily premiums, losses and other underwriting expenses are stated net of amounts ceded under reinsurance contracts. Insurance ceded by the subsidiaries does not relieve liability in the event of a failure by a reinsurance company to pay claims. Premiums ceded during 1983, 1982 and 1981 were $50,009,000, $71,262,000 and $74,750,000, respectively, and net contingent liability for insurance ceded was $39,143,000 at December 31, 1983.

Financial Reporting and Changing Prices

Statement No. 33 of the Financial Accounting Standards Board requires the reporting of supplemental information about the effects of specific price changes (current costs) and general inflation (constant dollars) on financial statements.

Greyhound cautions against the use of this information for estimating the inflationary effect on future costs. As required, the 1983 amounts reported in the primary financial statements have been adjusted only for depreciation expense and the inventory components of costs in arriving at net income as adjusted. Amounts for prior years presented have been similarly adjusted and are further restated in average 1983 dollars. Net income amounts as adjusted each year are exclusive of any income tax provision adjustments.

The Standards Board expressed a need for experimentation in reporting the effects of changing prices and mandated only general guidelines. Therefore, this data may not be comparable with that of other companies. The information which follows provides the required disclosure of the effects of inflation on Greyhound's operations, certain assets and its purchasing power.

Current Cost Information:

The objective of this method is to reflect the effects of changes in specific prices of the resources actually used in Greyhound's operations, so that measures of these resources and their consumption reflect the current cost of replacing these resources, rather than the historical cost amounts actually expended to acquire them.

This method of reporting restates inventories and property and equipment in terms of what it would cost Greyhound to replace these items in specific current year costs. Accordingly, cost of sales was calculated on the basis of current production or acquisition costs, other than for products on a LIFO inventory valuation basis because use of such basis approximates current costs. Property and equipment and depreciation were restated utilizing various appropriate external price indices.

Constant Dollar Information:

The objective of this method is to provide financial information in dollars of equivalent value or purchasing power.

The adjusted net income under this method was determined by: (1) aging inventories and property and equipment; (2) translating these agings by using the required Consumer Price Index for All Urban Consumers (calculated by the U.S. Department of Labor); and (3) calculating what cost of sales and depreciation expense for the periods presented would have been if these were expressed in average 1983 dollars.

Effects of Changing Prices—1983 (000 omitted)

	Changes in Specific Prices (Current Costs)	General Inflation (Constant Dollars)
Income from continuing operations, as reported	$ 70,285	$ 70,285
Less adjustments to restate costs for the effects of inflation on:		
Cost of revenue items	2,550	(8,228)
Depreciation	(36,523)	(27,539)
Income from continuing operations, as adjusted	$ 36,312	$ 34,518
Purchasing power gain on net monetary amounts owed (not included in adjusted income above)	$ 21,344	$ 21,344
Increase in specific prices (current costs) of inventories and property and equipment[1]	$ 14,905	
Effect of increase in the general price level (general inflation)	49,725	
Increase in specific prices under increase in general price level during 1983	$(34,820)	

[1] At December 31, 1983, current cost of inventories was $166 million and current cost of property and equipment, net of accumulated depreciation, was $1,113 million, all related to continuing operations.

Selected Financial Data Adjusted for the Effects of General Inflation — Stated in Average 1983 Dollars

	1983	1982	1981	1980	1979
	(in millions except per share and price index data)				
Revenues	$2,145.7	$2,344.9	$2,569.6	$2,713.6	$2,744.1
Dividends per common share	1.20	1.24	1.31	1.45	1.43
Year-end market price per share	24.94	17.61	16.43	16.02	18.67
Constant dollar information:					
Income from continuing operations	34.5	52.5	73.9	80.7	77.6
Income per share from continuing operations	.73	1.19	1.64	1.82	1.76
Net assets at year-end	1,449.6	1,406.3	1,492.3	1,512.9	1,529.2
Current cost information:					
Income from continuing operations	36.3	48.7	92.5	114.8	100.6
Income per share from continuing operations	.77	1.11	2.05	2.59	2.29
Net assets at year-end	1,621.8	1,618.3	1,704.9	1,637.8	1,682.6
Increase (decrease) in specific prices of inventories and property and equipment, net of inflation	(34.8)	(4.2)	48.9	(60.0)	(91.6)
Purchasing power gain on net monetary amounts owed	21.3	25.1	62.1	96.9	115.5
Average consumer price index	298.4	289.1	272.4	246.8	217.4

*transfer agents**

Common Stock certificates may be mailed to the following address for transfer:

First National Bank of Boston
P.O. Box 644
Boston, Massachusetts 02102

Common Stock certificates may be delivered to the following offices for transfer:

First National Bank of Boston
Stock Transfer Department
100 Federal Street
Boston, Massachusetts

First National Boston
Clearance Corporation
61 Broadway
7th Floor
New York, New York

FNB Financial Company
1 Wilshire Boulevard
8th Floor
Los Angeles, California

**Change of address and inquiries regarding dividend payments or related to common stock accounts should be sent directly to:*
The Greyhound Corporation
Shareholder Services Department
Greyhound Tower
Phoenix, Arizona 85077

stock exchanges

The principal market on which the common stock of The Greyhound Corporation is traded is the New York Stock Exchange. It also is traded on the Pacific, Midwest, Philadelphia and Cincinnati exchanges.

sales price range of common stock

	1983		1982	
Calendar Quarters:	High	Low	High	Low
First	25⅜	17⅛	15¾	13¾
Second	28	21¾	15⅛	12¾
Third	26⅞	20¾	16¼	12⅝
Fourth	27	21⅛	19	14⅝

dividends paid on common stock

	1983	1982
January	$ .30	$ .30
April	.30	.30
July	.30	.30
October	.30	.30
	$1.20	$1.20

corporate headquarters

The Greyhound Corporation
Greyhound Tower
Phoenix, Arizona 85077
(602) 248-4000

annual meeting

You are cordially invited to attend the annual meeting of shareholders to be held May 8, 1984, starting at 9:00 a.m., in the Casa Grande Room at The Arizona Biltmore 24th Street and Missouri Phoenix, Arizona

Exhibit E

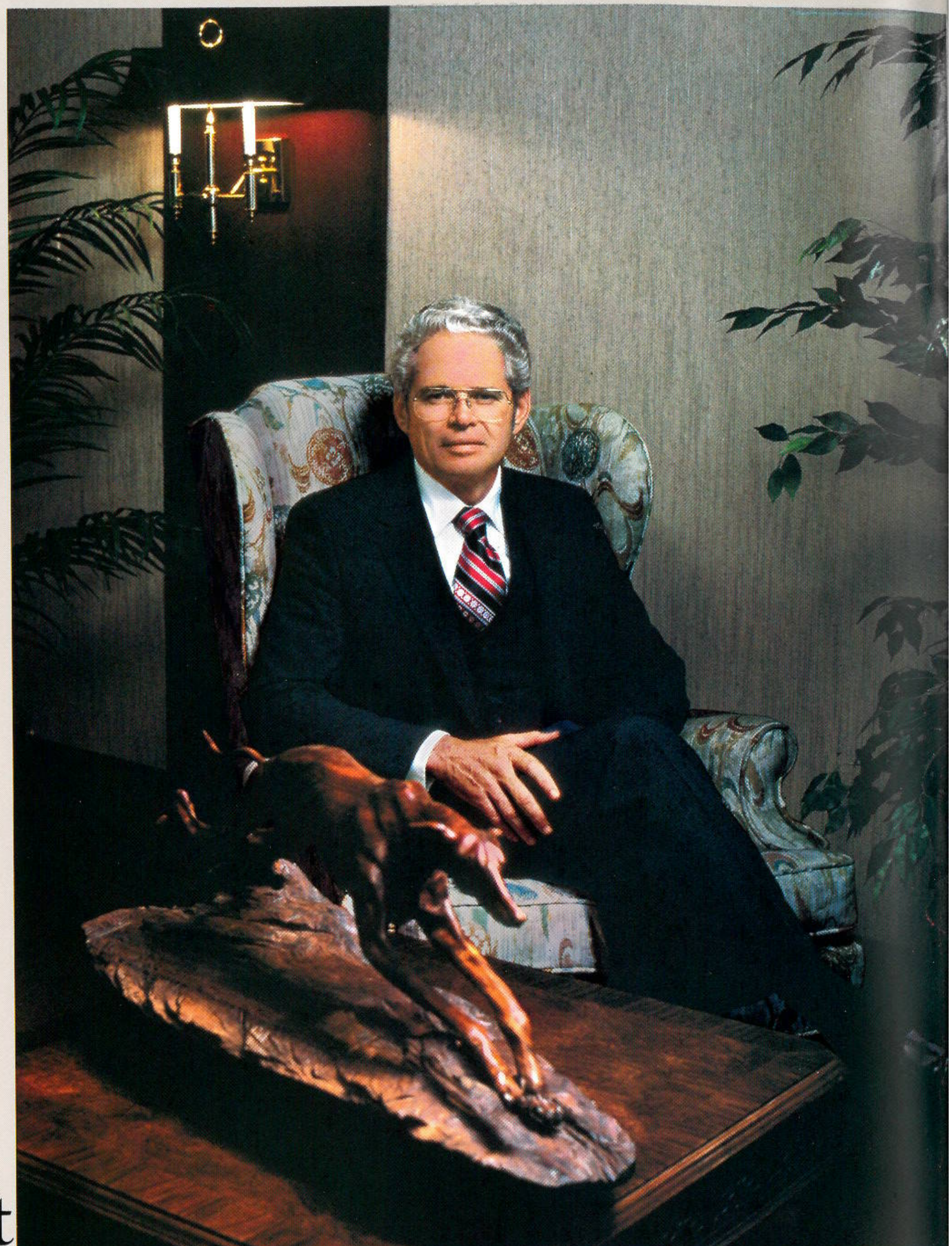
The challenge
for Greyhound today
is to strategically
manage its
environment

The Greyhound Corporation
1984 Annual Report

Contents

Financial Briefs

	1984	1983	1982	1981	1980
REVENUES (millions):					
Greyhound and consolidated subsidiaries	**$2,219**	$2,184	$2,308	$2,377	$2,265
Financial Group (not consolidated)	**538**	444	435	415	335
Combined	**$2,757**	$2,628	$2,743	$2,792	$2,600
INCOME (millions):					
Continuing operations, exclusive of unusual and extraordinary items:					
Greyhound and consolidated subsidiaries	**$ 82.3**	$ 49.8	$ 61.3	$ 68.3	$ 71.3
Financial Group	**33.7**	20.5	40.3	53.6	52.3
Equity in net income of ConAgra	**9.0**				
Income of continuing operations, exclusive of unusual and extraordinary items	**125.0**	70.3	101.6	121.9	123.6
Discontinued operations—principally net gain on disposal in 1983		20.5	4.6	7.5	(4.0)
Unusual item				8.1	
Extraordinary items		14.7	(3.1)		
NET INCOME (millions)	**$125.0**	$105.5	$103.1	$137.5	$119.6
NET INCOME PER SHARE (dollars)	**$ 2.56**	$ 2.22	$ 2.34	$ 3.05	$ 2.70
Average outstanding common and equivalent shares (millions)	**48.4**	47.0	44.0	45.1	44.3



John W. Teets

Message From Your Management

Fellow Shareholders:

I am pleased to report a year of excellent performance in 1984, culminating in the second highest earnings year in the company's history.

Net income rose 19% to $125 million, compared with $105.5 million for the prior year, and earnings per share rose to $2.56, compared with $2.22 for 1983. Equally important, 1984 earnings were achieved despite the very unsatisfactory results of Greyhound Lines, which will be discussed later.

- Return on equity rose to 11.2%, on its way to our goal of a minimum 15% return for the overall company and for all subsidiaries.
- In June, we initiated a debt swap in which we retired $13.5 million of debentures in exchange for 500,000 shares of common stock, thus reducing debt and increasing equity.
- Total debt was reduced by over $62 million, including the debt swap, resulting in a 12-year low of $232 million at year-end. This was partly a consequence of improved profitability, but also the result of improved asset management.
- Shareholder equity rose $40 million to $1.14 billion, the highest in the history of the company, and the debt-to-equity ratio improved to .20 to 1 at year-end 1984.

In short, 1984 was a year of overall good news and improved profitability for The Greyhound Corporation on nearly all fronts, the exception being Greyhound Lines.

Despite the almost 15% wage rollback negotiated with the union in the closing days of 1983, Greyhound Lines suffered an operating loss of over $1 million in 1984, a wholly unacceptable situation.

It is obvious that Greyhound Lines is confronting a new set of economic and competitive realities. The entire transportation industry, in fact, is suffering widespread dislocation and to endure, Greyhound Lines must become a different kind of company. To aid in that transition, we have made some major policy changes whose long-term effect will be to infuse new vitality into the bus operation.

- Early in 1985, we opened Greyhound Lines' nationwide system to licensing/franchising arrangements applicable not just to regular route service, but to charter and tour operations as well.
- We are selling many of our over-sized downtown terminals and garages and relocating those facilities to smaller, more convenient locations.
- We are continuing to cut back significantly on marginal routes, an effort which will accelerate under the franchising program.

The long and short of it is that Greyhound Lines must change, in recognition of the fact that the U.S. intercity bus industry as it has been known for 40 years is gone forever. The future of Greyhound Lines lies in becoming a company where resourcefulness and innovation *create* new service niches.

Recapping our other operations, I am pleased to report that 1984 was a very successful year for each of our business groups, with all of them contributing to our strong profit picture and some of them achieving new earnings records.

The Financial Group, which has been depressed in recent years due to worldwide economic conditions and continues to suffer from a high level of non-earning assets, had a strong rebound in profitability and, equally important, expects to maintain that momentum.

The net income of Verex, our residential mortgage insurance entity, is up more than 64% and they are writing some 30,000 policies per month versus 3,000 a month only three years ago.

And both Greyhound Leasing & Financial Corporation and Greyhound Capital Corporation responded to a strengthening economy in 1984, reporting earnings improvement of 49% and 44%, respectively.

The same kind of innovation that marked the Financial Group in 1984 is also at work in the Transportation Manufacturing Group. They are challenging themselves to expand beyond their traditional bus-building activities to become assemblers of all kinds of vehicles, from flatbeds to trailers. Exclusive of the effect on 1983 of an unusually large order for New Jersey Transit, operations of the Manufacturing Group exceeded 1983 both in net income and number of buses produced.

Our Services/Food Service Group made a good contribution to corporate income in 1984, while the Consumer Products Group set a new earnings record, its fifth in as many years.

Travelers Express, now classified as a services operation, reported a 58% gain in income, their eighth consecutive year of record profits, and recently surpassed American Express to become the second largest issuer of money orders in America after the U.S. Postal Service.

The bottom line is that we are very excited about what is going on at Greyhound. In 1984, management allocated a great deal of time to the kind of long-range strategic planning and fundamental improvement that can best be described as "growth by design." This is a concept which embraces not just expansion, but thoughtful pruning and continual renewal.

However trite it may sound, our approach has been to plan our work, and then work our plan!...as deliberately and meticulously as we can.

One measure of how successfully this "growth by design" concept is working is seen in the fact that in the past three years, we have identified and disposed of some 14 under-performing businesses and operations, representing $300 million in assets, but yielding less than $12 million in annual profit. Those resources now are being used to expand our higher-profit businesses and also are earmarked for acquisitions which fit our criteria.

Early in 1985, we announced the initial move in our acquisition program with the purchase of the Consumer Products Division of Purex Industries for $264 million. The division, which had 1984 sales of $500 million, manufactures a number of highly respected products including Purex bleach, Brillo soap pads and Sta-Puf fabric softener. It has a large private label business as well. The division is being combined with our Armour-Dial subsidiary whose product lines, distribution system and marketing organization provide an excellent fit with this acquisition. In combination, the entities create a Consumer Products Group having nearly $1 billion in sales.

The same conscientious planning and research that went into the Purex acquisition directs our on-going efforts in this area. This is a serious program for us because we believe that the underlying strength of Greyhound is its diversification. For many years, it has been our *business diversity* which smoothed out the peaks and troughs of the economy and allowed us to be profitable, despite some very painful wrenching which went on in the economy at large.

In 1984, we continued to add strength and diversity to our Board, electing five new outside directors. These were Daniel Gill, chairman and president of Bausch & Lomb; Judith Hofer, president and CEO of The May Company-California; Allen Paulson, chairman, president and CEO of Gulfstream Aerospace Corporation; Jack Reichert, chairman, president and CEO of Brunswick Corporation; and Robert Straetz, chairman of Textron, Inc.

At our May 1985 board meeting, four distinguished members will join the ranks of directors emeritus: Harold Stuart, Don Tatum, John Martin and Gerald Trautman. Their wisdom and experience, as well as their sensitivity in responding to opportunities for Greyhound in new markets and technologies, have proved invaluable in setting the corporation on its present growth path, and those special qualities of intellect and ability will continue to be available to the corporation.

For Greyhound, the challenge of the next few years will be to *strategically manage its environment*. No company can wholly determine the environment in which it will operate, but it *can* exploit circumstances, wringing from them the best alternatives and opportunities inherent in events. We believe we are doing this very successfully today, and that in 1985, we will be able to report even greater accomplishments. Greyhound is poised to become a very exciting company!

John W. Teets
Chairman of the Board and CEO
The Greyhound Corporation

Consumer Products

In 1984, the Consumer Products Group reported its fifth consecutive year of record profits with net income at $26.9 million, compared to $22.3 million the previous year.

The year was characterized by excellent growth across the board in soaps, canned meats and household products. In addition, significant progress was made in the development of new high-tech packaging techniques in the food area appropriate to a consumer population demanding more convenience foods.

In the soap area, both Dial and Tone improved their share of market in 1984. Shipments of Dial to the grocery store trade were up by over 47,000 cases, while Tone shipped 50,000 cases more than the prior year.

The improvement occurred despite a higher cost for both coconut oil and tallow which caused an inevitable increase in the costs of goods sold. Profit margins would have been considerably lower, but for the extensive Aurora plant modernization completed in 1982, which has enabled Dial to be one of the lowest-cost soapmakers in the industry.

In the second quarter of 1984, a new Dial formulation was introduced which resulted in a deodorant bar with twice the germ-killing ability and substantially boosted sales. Aided by an effective advertising campaign around the slogan, "Bye, bye dry...," Tone made similar strong gains in the very competitive arena of moisturizing beauty bars.

One of the most promising areas of activity for the Consumer Products Group in 1984 involved test marketing of a new soap, "Pure & Natural." Positioned to compete with Ivory, Pure & Natural, as the name implies, is a straightforward, basic bar...long-lasting, pleasantly scented and the all-round best value for consumers in the plain soap category.

In July, it went into test market in about 2% of the country and so exceeded expectations that it soon was expanded to 10% distribution. According to the marketing staff, the repeat purchase experience in Pure & Natural is superior to any product ever tested by the Group. If this pattern continues, Pure & Natural will go into national distribution.

Armour-Dial's new soap, "Pure & Natural" is the purest, mildest soap available and is performing well in test markets in approximately 10% of the country.

In the toiletries area, Dial antiperspirants and deodorants were up marginally in 1984. Major improvements to both products will be introduced in 1985 involving new formulations offering better tactile characteristics and no flaking.

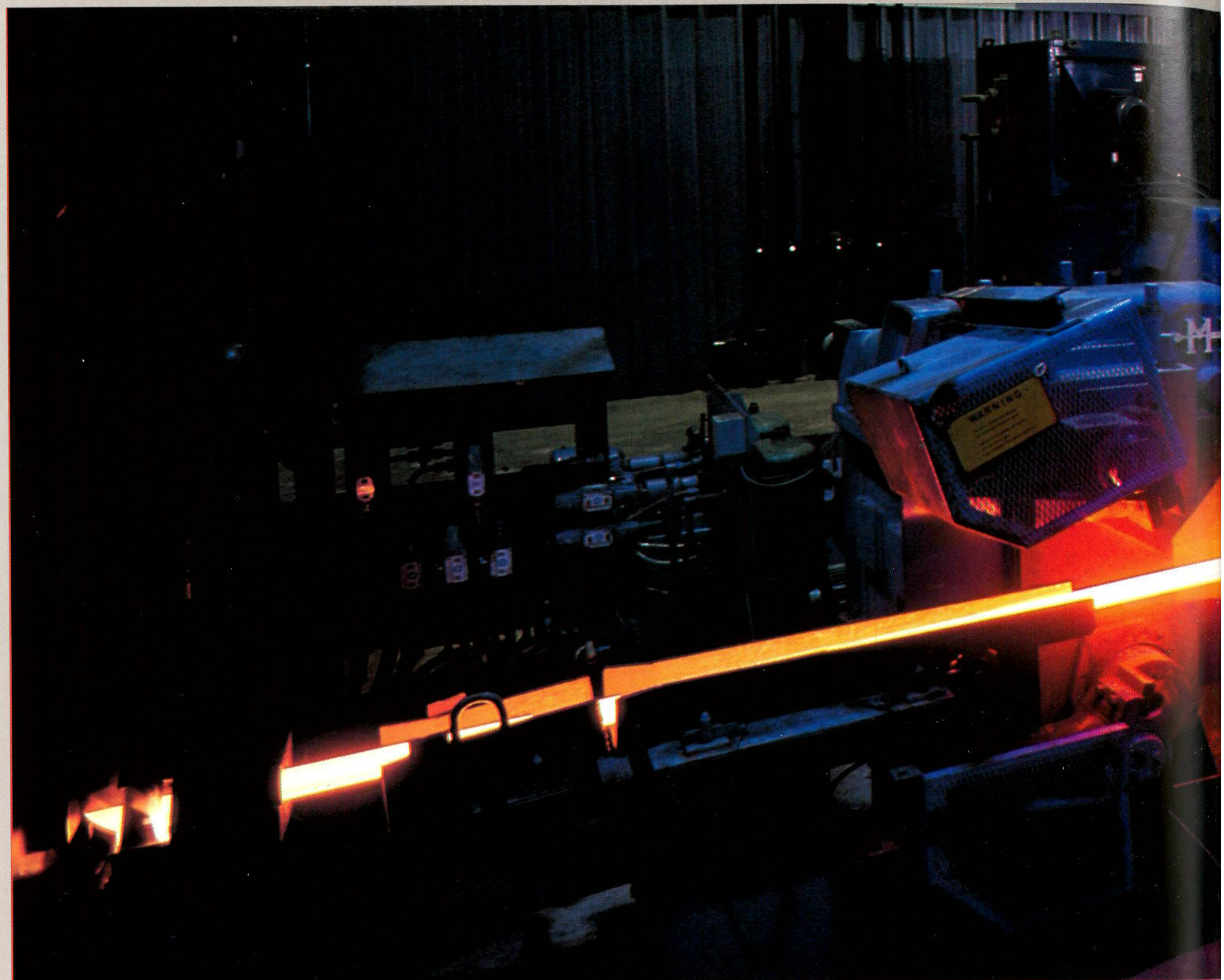
The Armour line of canned meats captured a larger share of the market in 1984 in an industry which experienced a general downturn. The volume in Armour chili, hash, potted meats and Vienna sausage were all up, even though an improved economy led more people to eat out and allowed them to choose more "upscale" meals when they ate at home.

Armour-Dial has found that the advent of the two-income family has had a profound effect on consumer food-buying patterns. On the whole, today's consumer wants more easily-prepared foods and is willing to pay more for the convenience. In this case, "convenience" refers not only to ease of preparation, but to ease of cleanup, as well...the "better things to do than wash dishes" syndrome. In addition, over 35% of U.S. households have a microwave oven in daily use.

In response to these trends, Armour-Dial has been developing not just new products, but *variations* on existing products. In 1984, Armour-Dial introduced its dried beef in a vacuum-sealed foil pouch and enjoyed a 19% jump in sales volume. Other packaging innovations under consideration include high-tech plastic containers for chili, beef stew and other products. These can go directly into the microwave with a plastic splash guard put in place after the consumer has removed the regular aluminum peel-top. The container becomes the serving bowl, eliminating cleanups, which is especially nice for quick weekend lunches and kids' after-school snacks.

The household products area reported good gains in its ammonia, floor care and spray starch lines. High-speed filling equipment in place at the Parsons Ammonia plant means production schedules can now be met with a single shift.

One of the characteristics of the Consumer Products Group over many years is the absence of jarring surprises...either positive or negative. This is a tribute to steady, sound management and consistent strategic planning. It is this commitment to planning and the ability to "work smart," as well as work hard, along with a commitment to being a strong contender in a fiercely competitive industry, which has allowed these last five years of record earnings for the Consumer Products Group.



Financial Services

After two years of declining profits, the Financial Group made a strong turnaround in 1984. Group net income rose to $33.9 million, up 62% from the $20.9 million reported for 1984. Equally important, we are confident that the upward momentum of the group will continue in 1985.

VEREX

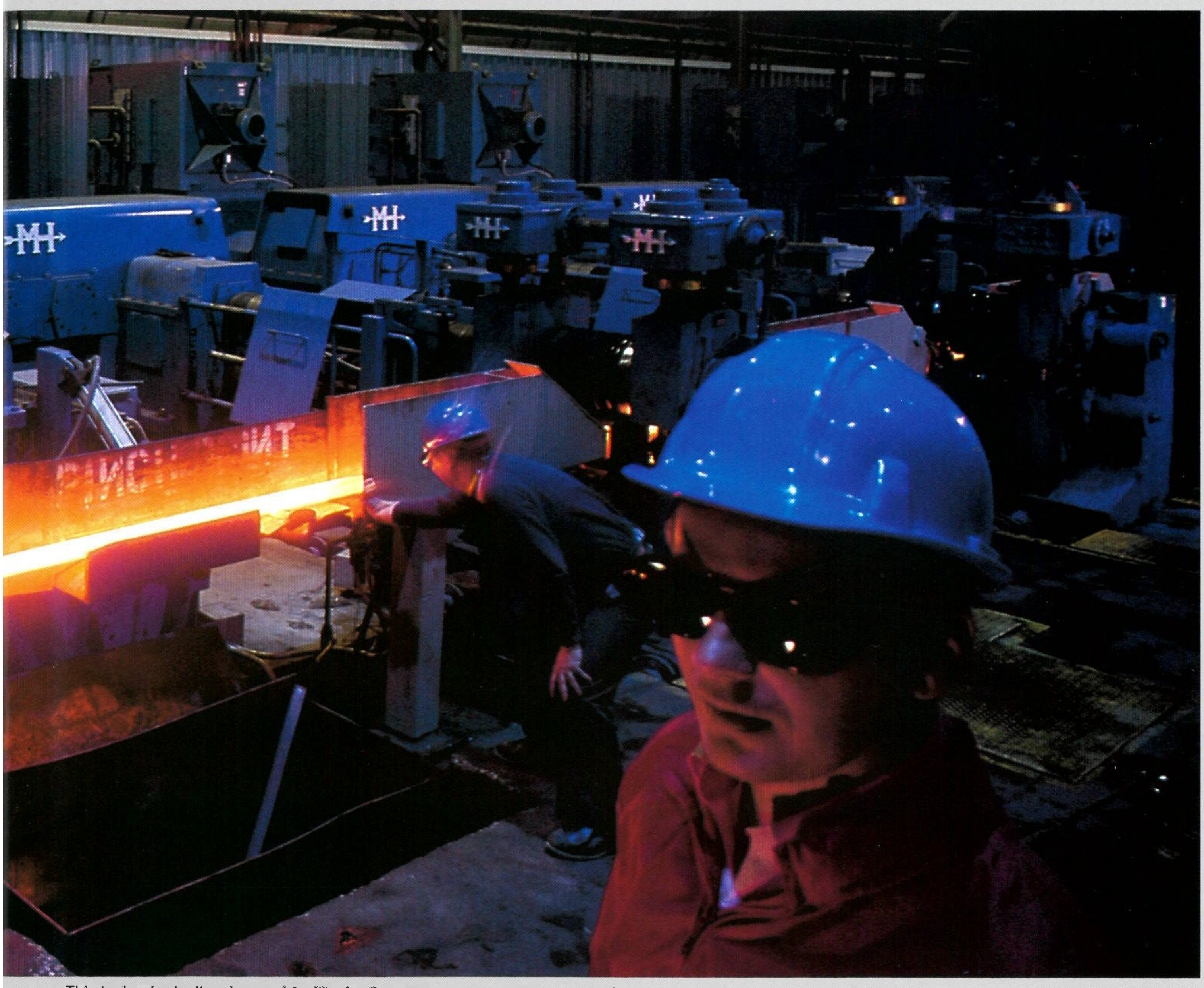
Operating in the best year for new housing starts since 1978, Verex turned in excellent 1984 earnings, with net income up 64%. New housing starts rose to 1.8 million during the year, while sales of existing homes leveled at 2.7 million. Together, the sale of new and existing homes accounted for some $200 billion in mortgage originations for the year 1984.

Verex enjoys an approximate 15% share of the private mortgage insurance market, making it the second largest such insurer in the nation. As an industry, the private mortgage insurance business has grown rapidly in recent years, a direct consequence of higher interest rates and financial deregulation. The latter created an abundance of new mortgage instruments, most of them considered by lenders to be more risky than the traditional fixed rate mortgage. As a result, where just three years ago only about 17% of mortgages were insured by private insurers, today 30% of all mortgage originations are insured by companies such as Verex.

In recent years, Verex has expanded into the area of insuring mortgage-backed securities. Since 1979, about $33.5 billion of tax-exempt revenue bonds have been issued by state and municipal agencies, including $8.5 billion in 1984, with the proceeds used for residential mortgages. Verex currently insures about $9.6 billion of these issues, up from $6.4 billion last year.

GREYHOUND LEASING & FINANCIAL CORPORATION

GL&FC reported a 49% improvement in net income for 1984 and made good progress on a number of fronts: New business booked in 1984 amounted to a record $434 million, the level of



This technologically advanced facility for the manufacture of stainless steel bars and rods was financed by Greyhound Leasing & Financial Corporation.

delinquencies and non-earning assets was reduced, and gains on sale of equipment coming off lease were up.

For the last two years, GL&FC has concentrated primarily on its financing business as opposed to tax-oriented leasing. In mid-1984, however, GL&FC reentered the leasing business and expects to increase that activity in 1985. In addition, it has a mandate to seek out profitable new growth areas for expansion.

The company's new business in 1984 was primarily financing-oriented, however, involving investor notes, limited partnership transactions and real estate receivables including time-share resorts and land and mortgage receivables.

In 1984, GL&FC reorganized along "lines of business," creating three divisions each with its own staff: commercial finance, real estate finance and international finance. This structure allows better focusing on the special problems and opportunities in each area and more astute decision-making.

GREYHOUND CAPITAL CORPORATION

In June of 1984, the former Greyhound Computer Corporation became Greyhound Capital Corporation, a name which more accurately reflects the expanding range of financial activities in which the company engages beyond the leasing of computers.

In 1984, GCC enjoyed excellent growth. Earnings rose 44% on a 30% gain in revenues, with all sectors of the company contributing to the improvement.

GCC has enhanced its capital structure through the placement of $25 million of subordinated debt and with the successful renegotiation of an expanded bank credit agreement for $120 million. The company also improved its internal operations; a new corporate Data Center was built and extensive use of micro-computers has reduced operating costs per transaction. These actions were necessary in order to handle the significant increase in volume and to provide a base for future expansion.

Note: Travelers Express, which previously was included in the Financial Group, has been reclassified to the Services/Food-service Group, with prior years' results appropriately restated.

Transportation Manufacturing

In 1984, the Transportation Manufacturing Group reported net income of $29.7 million, compared with $32.1 million the prior year. The 1983 results benefitted, however, from the completion of the majority of a record 700-bus order for New Jersey Transit. Exclusive of that unusual order, both the net income and the number of buses produced in 1984 exceeded prior year performance.

It was a year of great activity for the Group in terms of current production, new development work, improved productivity and diversification efforts.

In September of 1984, the Group introduced a new bus model, the MCI, a refinement on the successful MC-9, which set a record for North American intercity coach production of over 8,600 units delivered. Design improvements in the new MCI include 5-inch higher passenger windows and a 9-inch larger windshield that allow greater forward and side visibility for both driver and passenger. In addition, the MCI has improved passenger amenities, including overhead parcel racks, individual air vents and speakers over each seat. It is engineered with improved aerodynamics for increased fuel economy, and carries the industry's best warranty of 200,000 miles or 24 months, a strong statement of confidence in its superiority.

In the fall of 1985, the Group will deliver to the industry a 102-inch wide version of the new MCI. For many years, intercity buses on the nation's highways have been restricted to a 96-inch width. Recent legislation now allows a 102-inch vehicle.

While we expect the 102-inch bus to become the standard of the intercity bus industry within just a few years, there will continue to be a demand for the 96-inch bus. Thus, in 1985 the Group will market two products: a 96- and a 102-inch bus, both available in two- and three-axle versions.

The addition of what seems a "mere" six inches in width, in point of fact, adds tremendously to the comfort and roominess of passenger seats and to baggage space.

The "new look" MCI buses are coming off the assembly lines at Motor Coach Industries in Pembina, North Dakota and at Transportation Manufacturing in Roswell, New Mexico.

The intercity bus market, while still adjusting to the impact of deregulation, is nevertheless a growth area. Because of deregulation, every week sees many new entrants into the market, the majority of these in the charter and tour sectors. There are now 3,300 companies operating buses today in the U.S. That compares with only 1,520 companies in 1982. While the majority of the new entrants are purchasers of used buses, that activity creates a demand for new buses from established carriers who are replenishing their fleets.

A Greyhound-built bus is not only the finest engineered vehicle on the highway, but the most economical, as well. To help continue to contain manufacturing costs, a very sophisticated computer system utilizing MRP-II concepts was installed in 1984 and will be fully operational in 1985. It analyzes every element of bus manufacture right down to the purchase of the last bolt, and is a way of having every part at hand when you need it, neither a day early, adding to inventory carrying costs, nor a day late, resulting in costly production delays.

Shareholders will note the change in the group name from "Bus Manufacturing" to "Transportation Manufacturing." This reflects the Group's diversification efforts.

Strategic planning sessions focused management's attention on the fact that the group need not be limited to the building of intercity buses! There is no impediment, either in know-how or facilities, to their building essentially *anything on wheels*. This includes transit vehicles, trailers, flatbeds and almost any specialty vehicle that falls into the category of "rolling stock." One of the first contracts signed in this diversification effort is an agreement to build trailers used to haul autos from the manufacturer to the dealer's showroom. The trailers use a self-contained, computer-operated robot which picks up the car and automatically positions it within the trailer.

Finally, it should be mentioned that in 1985, Universal Coach Parts will celebrate its tenth anniversary. This segment of the Group supplies replacement parts for the 32,000 separate components that are original equipment on an MCI bus. In 1984, UCP opened a Los Angeles distribution center which services a ten-state area. This completes the North American network of five distribution centers to handle the over 16,000 MCI and TMC coaches now in service.

The new Aircraft Services International fixed-base operation at the Orlando, Florida, airport is the company's first facility servicing the general aviation industry.

Services/ Foodservice

In 1984, the Services/Foodservice Group reported net income of $37.8 million, compared to $31.7 million last year.

SERVICES

Florida Export turned in a fine performance in 1984, adding 11 new ships to the roster of cruise vessels on which it operates duty-free shops.

In March of 1984, Premier Cruise Lines, a subsidiary of Florida Export, launched its own cruise ship, the 21,000-ton S/S Royale sailing out of the Port of Canaveral on three- and four-day cruises. So successful is the Royale, that Florida Export may add a second ship to its line in 1986.

Florida Export's land-based duty-free operations also have expanded. A new shop opened in the Miami Airport in 1984, and four duty-free shops were opened in the Atlanta Airport in 1984, representing the first expansion of Florida Export's activities outside of Florida.

Aircraft Services International and Dispatch Services were consolidated in joint headquarters early in 1985 under the new name of Greyhound Airport Services Companies Group. They will share computer systems, marketing programs and administrative staff.

Consultants & Designers, which is the leading company in its field, reported good activity in supplying scientific personnel on temporary assignment to government and industry projects. New contracts negotiated in 1984 include the providing of technical staff for a major new telecommunications company which is setting up field locations in some 30 cities across the nation.

Greyhound Temporary Personnel turned in a fine performance in 1984, more than doubling prior year earnings and increasing revenues by 25%. Projections for 1985 include opening six new offices to provide skilled clerical, light industrial and permanent placement services to their expanding customer base.

Exhibitgroup and Exposition Services both turned in record performances for 1984. Exposition Services handled the decorating for major portions of the 1984 Olympics in Los Angeles, while Exhibitgroup was involved in the magnificent Vatican Exhibit.

One of the strongest performers in the Services Group was Travelers Express, which reported its eighth consecutive year of record earnings, posting a 58% gain in net income.

In 1984, Travelers Express processed over 440 million money

This attractive new Burger King restaurant located in a shopping mall in Sacramento, California, is one of several such facilities opened by Greyhound Food Management in 1984.

orders, share drafts and official checks, a volume which is projected to jump in 1985 to some 650 million items.

Recognizing the growing importance of Electric Funds Transfer in the nation's payment system, Travelers Express entered this market in 1982. With the acquisition of the QUANTUM network, Travelers Express Company now provides customers of financial institutions with access to automated teller machines throughout Michigan. During 1984, the QUANTUM network increased the number of ATMs by 83%, the transaction volume by 59% and the member financial institution base by 43%.

FOOD SERVICE

Greyhound Food Management reported a slight decline in earnings from last year due to continued softness in its bus terminal restaurant operations. In an effort to broaden its revenue base and reduce its dependency on transportation locations, GFM in recent years has been expanding into freestanding restaurants. Three such facilities were opened in 1984, all of them attractively appointed Burger Kings. GFM presently operates 32 Burger Kings and plans to open an additional six to eight franchises in 1985, at least four of which will be in non bus-related, highly desirable downtown locations.

While hamburgers remain a staple of the American fast-food diet, GFM has identified a growing consumer fondness for variety, specifically for pizza and chicken, and may make acquisitions in those areas to expand the base of its fast-food operations.

In the Contract Foodservice sector, GFM continues to take a leadership role. Twenty million dollars in new foodservice accounts were added during the year and, equally significant, these were in widely diversified fields which help lessen our dependence on the automotive industry.

Greyhound Support Services, Inc., (GSSI) provides food, housekeeping and maintenance services at remote construction sites worldwide. Obviously, such projects eventually are completed and enter a more dormant stage with a consequent leveling off in profitability for GSSI. To create a more permanent base business, GSSI hopes to branch out into the areas of hotel management and general building maintenance and operation in 1985, both in the U.S. and abroad.

In 1984, Glacier Park, Inc., completed the renovation of guest rooms and public areas at its seven hotels and motels located at this magnificent national park, and in 1985 will be seeking to increase meeting and convention business at the hotels.

Faber Enterprises, which operates restaurants, gift shops and newsstands in the Chicago area, is expanding, opening Doolittle's, a gourmet-hamburger restaurant, and a Burger King in the Sears Tower.

Transportation Services

The Transportation Services Group reported net income for 1984 of $20.5 million, compared to a loss for 1983 of $8.8 million.

A comparison of the two years is meaningless, however. First of all, the losses of 1983 include the cost...both in dollars and in lost time...of the 47-day strike against Greyhound Lines. Secondly, the profits of 1984 include the beneficial impact of nearly 15% in wage and benefit concessions negotiated into the new contract.

The $20.5 million of *group* net income in 1984 is made up of an approximately $9.5 million contribution to earnings by subsidiaries such as Greyhound Lines of Canada, Vermont Transit, Brewster Transport, Texas, New Mexico & Oklahoma bus line, our Saudi Arabia operations and other companies in which we have a minority interest. The balance of $11 million represents gains on the sale of real estate and other non-operating income.

This analysis of group results throws into sharp focus the fact that Greyhound Lines continues to face a difficult market. In 1984, both the number of passengers and passenger miles were down sharply at Greyhound Lines resulting in an operating loss by that subsidiary of over $1 million. Only the wage concessions and the sale of assets gave the impression of improvement.

In response to this very serious situation, and acknowledging that the dislocation in the entire transportation industry will almost certainly continue, we have taken a number of steps to help assure that Greyhound Lines successfully makes the transition to a new and different type of company:

- Early in 1985, we announced we would license and/or franchise bus operations, a way of shrinking costs while simultaneously expanding Greyhound Lines' route service. The franchising program applies not only to regular route service, but to charter and tour operations, as well. Routes abandoned under deregulation, routes never served by buses, routes presently served by independent carriers and routes from which Greyhound Lines wants to exit...all are open to licensing/franchising. Too costly for Greyhound to operate, these routes nevertheless can be attractive business opportunities for others and represent a valuable "feed" into Greyhound Lines' trunk system. The licensing/franchising program is a device which *expands the Greyhound reach even as it allows us to reduce costs,* and is the keystone of a Greyhound Lines in transition.

Greyhound's popular "Lucky Streak" service to the gambling casinos in Atlantic City, New Jersey uses a fleet of specially painted Americruisers.

• In addition, through a combination of sale/leaseback and outright sale, we are reducing the dedicated assets of Greyhound Lines presently tied up in costly, often over-sized downtown terminals and garages. Those downtown facilities located near expressways, such as the Indianapolis terminal, remain good locations for us and will be sold and leased back. Those downtown terminals which are buried in city congestion, however, will be sold and the operations moved to smaller satellite terminals closer to expressways and more accessible to customers. Disposition and/or development of these properties will be accomplished over a two- to three-year period and will involve many of the 124 company-owned terminals across the nation.

One step in this direction will be the consolidation in 1985 of our East and West accounting offices in a new building in West Des Moines with an appropriate annual savings.

We believe that Greyhound Lines has an exciting future as it sheds its outdated thinking and begins to see itself differently... identifying new service niches and creating others.

In November of 1984, for instance, we began a program of interfacing with People Express, bringing passengers from 22 cities directly to that airline's terminals in Newark; Detroit; Miami; Burlington, Vt.; and Portland, Maine. Barely a month into the program, it became obvious our revenue estimates were being doubled, and early in 1985 we expanded that bus/airline program, adding service to 12 new airports from 57 more cities. By the end of 1985, a total of 30 major airports will have Greyhound's Airport Express System.

In 1985, we will be introducing 47-passenger buses into our fleet aimed specifically at the charter market. This larger capacity vehicle is very popular with charter groups.

The future of Greyhound Lines involves finding new markets and new ways to grow, ways like our People Express service and the licensing/franchising program. The charter bus business in the U.S. is a $1 billion business and the package express industry is a $12 billion industry. Casino service is similarly growing. There is nothing to prevent us from expanding significantly in all these areas. It requires, however, innovation, energy and the vision to carve out new niches for ourselves. It also involves the realization that lean days are upon us. The fleet is 18% smaller than it was two years ago; staffing is down 15% in the same period. We may well shrink the system down still further. But if we do our job well, what remains will be a lean, healthy company for employees and shareholders and a new service-oriented company for our customers.

Board Of Directors

SAMUEL A. CASEY
Port Edwards, Wisconsin
Lawyer & Former Chief Executive Officer, Great Northern Nekoosa Corporation, a paper manufacturer and distributor

DANIEL E. GILL
Rochester, New York
Chairman & President, Bausch & Lomb Incorporated, manufacturer of health care products and scientific instruments

JESS HAY
Dallas, Texas
Chairman & Chief Executive Officer, Lomas & Nettleton Financial Corporation, a mortgage banking company

JUDITH K. HOFER
Los Angeles, California
President & Chief Executive Officer, May Company-California, retail department store division

FRANK R. D. HOLLAND
London, England
Retired Chairman & Chief Executive, C. E. Heath Public Limited Company

JOHN H. JOHNSON*
Chicago, Illinois
President, Johnson Publishing Company, Inc., and Chairman, Supreme Life Insurance Company

JOHN M. MARTIN*
Wilmington, Delaware
Retired Chairman, Hercules Incorporated

FRANK L. NAGEOTTE
Phoenix, Arizona
President & Chief Operating Officer, The Greyhound Corporation

ALLEN E. PAULSON
Savannah, Georgia
Chairman, President & Chief Executive Officer, Gulfstream Aerospace Corporation, producer of multi-engine fanjet and jetprop business aircraft

CHARLES J. PILLIOD, JR.
Akron, Ohio
Retired Chairman & Chief Executive Officer, The Goodyear Tire & Rubber Company

JACK F. REICHERT
Skokie, Illinois
Chairman, President & Chief Executive Officer, Brunswick Corporation, producer of marine power, recreation and defense products

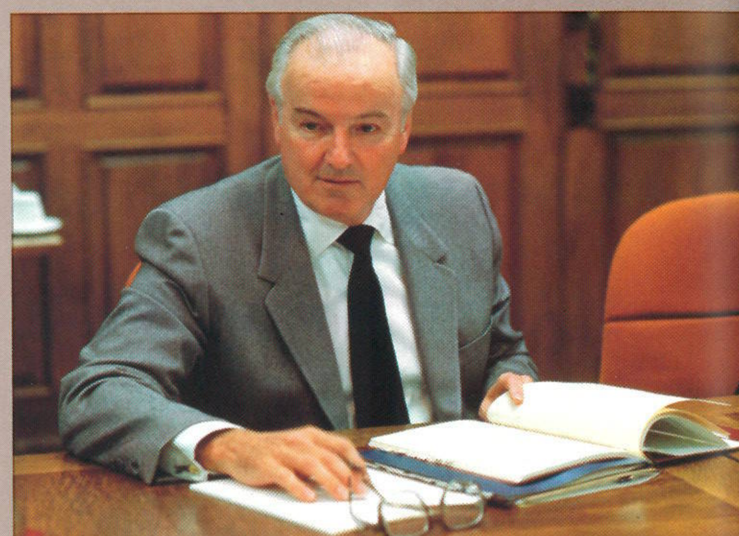
DENNIS C. STANFILL
Los Angeles, California
President, Stanfill, Doig & Co., Inc., private investments and venture capital firm

ROBERT P. STRAETZ
Providence, Rhode Island
Chairman, Textron Inc., diversified manufacturing company

HAROLD C. STUART
Tulsa, Oklahoma
Partner in the law firm of Doerner, Stuart, Saunders, Daniel & Anderson and Chairman & Chief Executive Officer, Southwestern Sales Corporation, investor in oil, real estate and broadcasting

DONN B. TATUM*
Los Angeles, California
Retired Chairman & Chief Executive Officer, Walt Disney Productions


John W. Teets


Frank L. Nageotte

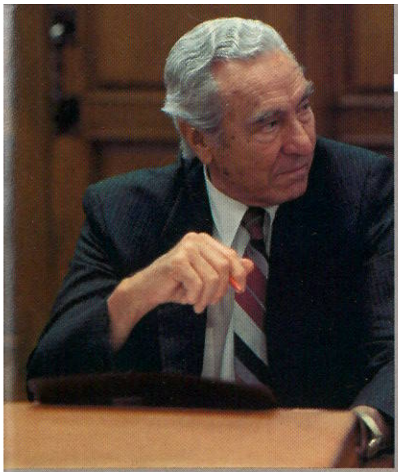
JOHN W. TEETS*
Phoenix, Arizona
Chairman of the Board & Chief Executive Officer, The Greyhound Corporation

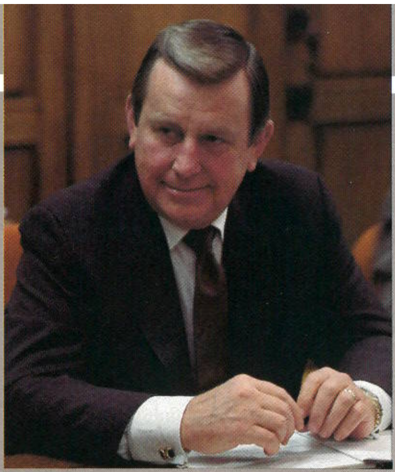
GERALD H. TRAUTMAN*
Phoenix, Arizona
Honorary Chairman, The Greyhound Corporation

Emeritus Directors

ROBERT MINGE BROWN
MARTHA W. GRIFFITHS

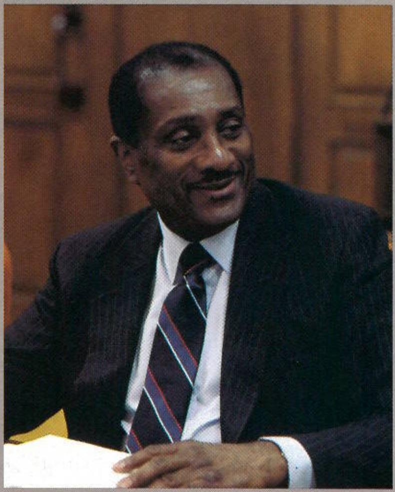
*Member Executive Committee

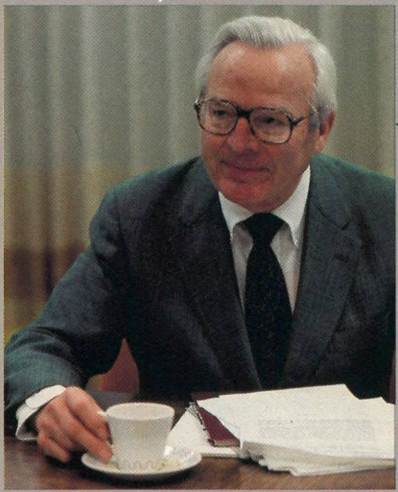

Gerald H. Trautman


Jess Hay


Dennis C. Stanfill


Harold C. Stuart

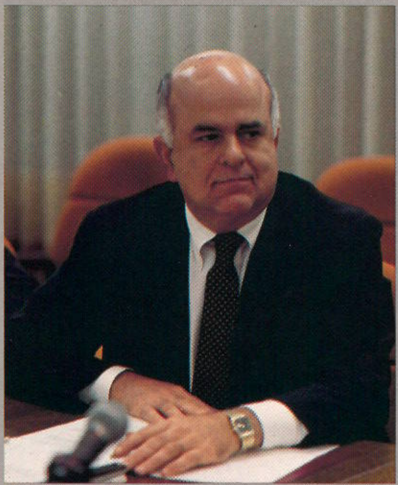

John H. Johnson

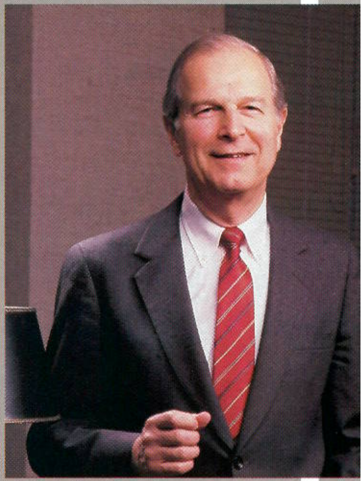

Samuel A. Casey


Jack F. Reichert

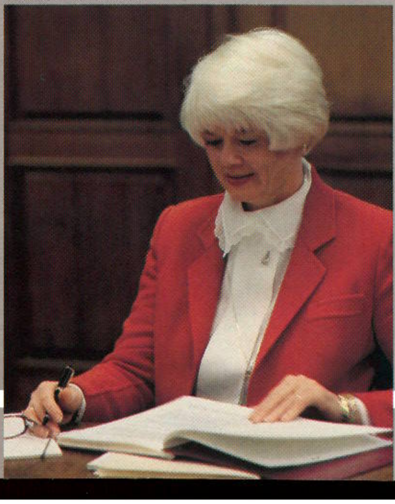

Charles J. Pilliod, Jr.

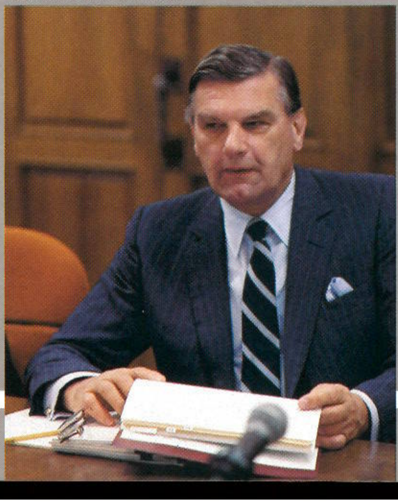

Donn B. Tatum

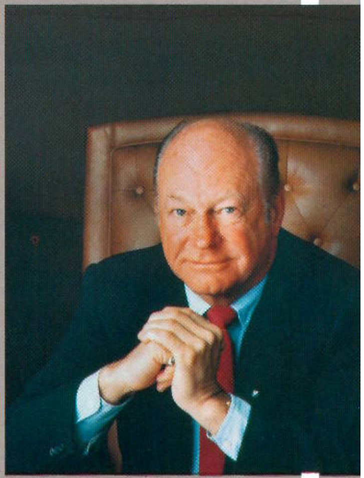

Daniel E. Gill


Robert P. Straetz


John M. Martin


Judith K. Hofer


Frank R. D. Holland


Allen E. Paulson

Description Of Business

The Greyhound Corporation and its subsidiaries constitute a diversified services company with groups for financial services, including equipment leasing and financing; business and consumer services, including food service; transportation manufacturing; and transportation services. The Company, through Armour-Dial, also engages in the manufacture and sale of consumer products. Company subsidiaries operate service or production facilities and maintain sales and service offices in the U.S. and in foreign countries. There are approximately 35,000 employees.

Armour-Dial, Inc., and subsidiaries manufacture and sell personal care products, including Dial soap, shelf-stable canned meats, and household products.

The Company's financial operations consist of companies engaged primarily in equipment financing and insurance services in the U.S. and abroad. The companies finance equipment such as aircraft, railroad cars and locomotives, other transport equipment, and general manufacturing equipment, and they own and lease IBM and other computer systems for business, educational and public uses. Through its insurance subsidiaries, the Company is a major private mortgage insurer and also engages in certain other insurance activities.

Services and food service subsidiaries provide services directed to business markets, including draft and official check clearing for credit unions, banks and others, temporary technical and clerical help services and convention and exhibition services; and other activities directed to consumer markets, including money order operations, gift, news and duty-free shops, and food service in Greyhound bus terminals, office buildings, industrial plants and other facilities. In addition, the Company provides food and housekeeping support services to government and industry projects.

The Company's transportation operations consist primarily of United States and Canada regular route, charter and tour intercity bus transportation, carrying passengers, baggage, packages and mail. Transportation manufacturing subsidiaries operate facilities in the United States and Canada and build bus shells, assemble intercity buses for sale to unaffiliated customers and to the Company's transportation subsidiaries, and fabricate, warehouse and sell bus parts.

Key Operations

CONSUMER PRODUCTS

Armour-Dial, Inc.—manufactures and markets a wide variety of grocery, personal care and household products for the consumer

Armour International Company—responsible for overseas marketing of all Armour-Dial consumer products

FINANCIAL

Greyhound Capital Corporation—computer leasing and sales in the U.S., Canada, and Europe

Greyhound Leasing & Financial Corporation—capital equipment leasing and other commercial financing, including real estate lending

Verex Corporation—a leading company in residential mortgage insurance and other financial services related to home financing

TRANSPORTATION MANUFACTURING

Transportation Manufacturing Corporation and **Motor Coach Industries**—bus manufacturing in Roswell, New Mexico, Winnipeg, Canada and Pembina, North Dakota

Universal Coach Parts—sale of bus repair and replacement parts

SERVICES/FOOD SERVICE

Consultants & Designers—technical and design services to business and industry

Florida Export Group—duty-free retail shops at Miami, Fort Lauderdale and Atlanta International Airports, a wholesale duty-free business for export and duty-free shops on cruise ships operating out of Miami and operation of a cruise ship out of Port Canaveral by *Premier Cruise Lines*

Greyhound Airport Services Companies Group—*Aircraft Service International* which provides ground handling services for major airlines in U.S. and Caribbean and designs, installs and operates fuel storage and distribution for airports, and *Dispatch Services* which provides ground handling services for major airlines at Miami International Airport and Freeport in the Bahamas

Greyhound Exposition Services—provides convention and exhibition services in Las Vegas, Los Angeles, Phoenix, San Diego and San Francisco

Greyhound Exhibitgroup—designs and manufactures convention and trade show exhibits and displays at facilities in Atlanta, Chicago, Cincinnati, Dallas, Las Vegas, Los Angeles, New York City and San Francisco

Greyhound Temporary Personnel—temporary and permanent office and blue collar help to business and industry

Travelers Express Company—provides money order services to retail establishments and the financial industry, draft clearing services to financial institutions and corporations, automated teller machine service and other consumer-oriented payment services

Faber Enterprises—restaurants and gift shops in major office buildings and transportation terminals in Chicago area

Greyhound Food Management—coordinator of Greyhound food service operations: restaurants and fast food operations; *Contract Food Service Division*, offering food service for industry, military installations and other commercial establishments; *Restaura*, providing food service management throughout Belgium; and *Glacier Park, Inc.*, providing hotel management in Glacier National Park, Montana

Greyhound Support Services—provides housekeeping, food service and other support services for large remote-site construction projects for industry and government agencies throughout the world

TRANSPORTATION SERVICES

Greyhound Lines, Inc.—world's largest intercity passenger carrier. Also provides a nationwide small package express service for commercial and individual shippers and centralized sales and coordination of all charter operations. Intercity bus subsidiaries are *Texas, New Mexico & Oklahoma Coaches* and *Vermont Transit Company*

Brewster Transport Company—sightseeing and tours in Canadian Rockies

Greyhound Lines of Canada—intercity bus service, package express and charter operations in Canada

Officers

THE GREYHOUND CORPORATION

JOHN W. TEETS
Chairman & Chief Executive Officer
FRANK L. NAGEOTTE
President & Chief Operating Officer

CORPORATE STAFF OFFICERS

ERMO S. BARTOLETTI
Vice President — Internal Auditing
JOE BLACK
Vice President — Special Markets
W. CARROLL BUMPERS
Vice President — Financial Operations
JAMES T. CORCORAN
Vice President — Government Affairs
ARMEN ERVANIAN
Vice President — Real Estate
STEPHEN P. FINN
Vice President — Information Systems
JAMES R. GRIMM
Vice President & Chief Financial Officer
F. EDWARD LAKE
Vice President — Treasurer
L. GENE LEMON
Vice President & General Counsel
DOROTHY A. LORANT
Vice President — Public Relations & Advertising
LEO S. McDONALD
Vice President — Convention Services
JOHN W. MEREDITH
Vice President — Corporate Planning
HARRY S. OAKES
Vice President — Office Systems
RICHARD C. STEPHAN
Vice President — Controller
PAUL A. WEBER
Vice President — Human Resources
RICHARD B. ZOLLER
Vice President — Investments
FREDERICK G. EMERSON
Secretary

CONSUMER PRODUCTS

Armour-Dial, Inc.
Phoenix, Arizona
EDWARD J. WALSH
President & Chief Executive Officer

Armour International Company
Phoenix, Arizona
WILLIAM T. BENNETT
President & Chief Executive Officer

FINANCIAL SERVICES

Greyhound Capital Corporation
Phoenix, Arizona
OLIE E. SWANKY
President & Chief Executive Officer

Greyhound Financial & Leasing Corporation AG
Zug, Switzerland
RICHARD S. GRIM
Managing Director

Greyhound Leasing & Financial Corporation, Phoenix, Arizona
ROBERT W. BERTRAND
President & Chief Executive Officer

Greyhound Realty Corporation
Phoenix, Arizona
ARMEN ERVANIAN
President & Chief Executive Officer

MCI Acceptance Corp.
Phoenix, Arizona
F. EDWARD LAKE
President, Chief Executive Officer & Treasurer

Verex Corporation
Madison, Wisconsin
ROBERT L. WALDO
President & Chief Executive Officer
FRED H. REICHELT
Executive Vice President & Chief Operating Officer

TRANSPORTATION MANUFACTURING

Motor Coach Industries, Inc.
Pembina, North Dakota
JOHN R. NASI
President & Chief Executive Officer

Motor Coach Industries Limited
Winnipeg, Manitoba, Canada
JOHN R. NASI
President & Chief Executive Officer

Transportation Manufacturing Corporation
Roswell, New Mexico
JOHN R. NASI
President & Chief Executive Officer

Universal Coach Parts, Inc.
Northlake, Illinois
JOSEPH H. RAZOOK
President & Chief Executive Officer

SERVICES/FOOD SERVICE

Group Headquarters
Phoenix, Arizona
EUGENE W. BRONSKI
Senior Vice President-Administration

Aircraft Service International, Inc.
Miami, Florida
WILLIAM H. YATES, JR.
President & Chief Executive Officer

Consultants & Designers Inc.
New York, New York
EDWARD J. BILOTTI
Chairman & President

Dispatch Services, Inc.
Miami, Florida
ROBERT H. HUBSCH
President & Chief Executive Officer

Florida Export Tobacco Co. Inc.
Miami, Florida
JEAN PIERRE MIQUEL
President & Chief Executive Officer

Greyhound Exhibitgroup Inc.
Chicago, Illinois
LEO S. McDONALD
President & Chief Executive Officer

Greyhound Exposition Services, Inc.
Las Vegas, Nevada
DAVID I. JAMISON
Chairman
NORTON D. RITTMASTER
President & Chief Executive Officer

Greyhound Temporary Personnel, Inc.
Lyndhurst, New Jersey
HARRIS I. COHEN
Chairman & President

Premier Cruise Lines, Ltd.
Miami, Florida
JEAN PIERRE MIQUEL
President & Chief Executive Officer

Travelers Express Company, Inc.
Minneapolis, Minnesota
ARTHUR S. MOORE
Chairman
CLARENCE A.E. ANDERSON, JR.
President & Chief Executive Officer

Greyhound Food Management, Inc.
Phoenix, Arizona
JOHN W. TEETS
Chairman & Chief Executive Officer
JOSEPH K. FASSLER
President & Chief Operating Officer

Faber Enterprises, Inc.
Chicago, Illinois
MILTON D. FABER
Chairman & Treasurer
DONALD R. MURPHY
President & Chief Executive Officer

Glacier Park, Inc.
Phoenix, Arizona
JOSEPH K. FASSLER
Chairman & Chief Executive Officer
MARTIN SCHULTZ
President & General Manager

Greyhound Support Services, Inc.
Phoenix, Arizona
EDWARD H. WILLIAMS
President & Chief Operating Officer

Post Houses, Inc.
Phoenix, Arizona
JOSEPH K. FASSLER
President & Chief Operating Officer

Restaura, S.A.
Brussels, Belgium
HUGO RALLI
President & Managing Director

TRANSPORTATION SERVICES

Greyhound Lines, Inc.
Phoenix, Arizona
FRANK L. NAGEOTTE
Chairman & Chief Executive Officer
FREDERICK DUNIKOSKI
President & Chief Operating Officer

Greyhound Lines of Canada Ltd.
Calgary, Alberta, Canada
JAMES A. KNIGHT
President & Chief Executive Officer

Brewster Transport Company Limited
Banff, Alberta, Canada
DAVID G. MORRISON
President & Chief Executive Officer

Texas, New Mexico & Oklahoma Coaches, Inc., Lubbock, Texas
ROBERT D. GREENHILL
President & Chief Executive Officer

Vermont Transit Co., Inc.
Burlington, Vermont
JOHN J. DWYER
President & Chief Executive Officer

The Greyhound Corporation
1984 Financial Information

Responsibility For Financial Reporting

To the Stockholders of
The Greyhound Corporation

The Company has prepared the financial statements and related notes, and other financial data, appearing in this Annual Report. The statements were developed using generally accepted accounting principles and policies considered appropriate in the circumstances. The statements reflect, where applicable, management's best estimates and judgments. The financial statements also include disclosures which are relevant to an understanding of the financial affairs of the Company.

To meet management's responsibility for financial reporting, internal control systems and procedures are designed to provide reasonable assurance as to the reliability of the financial records and compliance with corporate policy throughout the organization. These controls are augmented by an internal audit activity which monitors compliance with the corporate policies and the internal control systems and procedures.

Touche Ross & Co. has independently examined the financial statements. To express an opinion thereon they review and evaluate Greyhound's internal accounting controls and conduct such tests and other procedures as they deem necessary. The Board of Directors oversees the Company's financial reporting through its Audit Committee which regularly meets with management representatives and, jointly and separately, with the independent accountants and internal audit management to review accounting, auditing and financial reporting matters.

Richard C. Stephan

Richard C. Stephan
Vice President-Controller

Auditors' Report

To the Stockholders and
Board of Directors of
The Greyhound Corporation

We have examined the statements of consolidated financial condition of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1984 and 1983, and the related statements of income, common stock and other equity, and changes in financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Greyhound Corporation and consolidated subsidiaries at December 31, 1984 and 1983, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in consolidation policy described in Note A to the consolidated financial statements.

Touche Ross & Co.

Touche Ross & Co.

Phoenix, Arizona
February 28, 1985

Selected Financial and Statistical Data[1]

	1984	1983	1982	1981	1980
Operations (000 omitted)					
Sales and Revenues:					
Greyhound and Consolidated Subsidiaries	**$2,219,234**	$2,184,007	$2,307,707	$2,376,615	$2,265,194
Financial Group (not consolidated)	**537,483**	444,437	435,461	415,732	334,579
Combined Revenues	**$2,756,717**	$2,628,444	$2,743,168	$2,792,347	$2,599,773
Income of Greyhound and Consolidated Subsidiaries	**$ 82,288**	$ 49,824	$ 61,279	$ 68,254	$ 71,288
Net Income of Financial Group[2]	**33,756**	20,461	40,311	61,756	52,366
Equity in Net Income of ConAgra	**8,983**				
Income from Continuing Operations[2]	**125,027**	70,285	101,590	130,010	123,654
Income (Loss) from Discontinued Operations—principally net gain on disposal in 1983		20,537	4,569	7,512	(4,016)
Income before Extraordinary Items	**125,027**	90,822	106,159	137,522	119,638
Extraordinary Items[3]		14,677	(3,099)		
Net Income	**$ 125,027**	$ 105,499	$ 103,060	$ 137,522	$ 119,638
Income (Loss) Per Share:					
Common and equivalents:					
Continuing operations[2]	**$2.56**	$1.47	$2.30	$2.88	$2.79
Discontinued operations		.44	.11	.17	(.09)
Extraordinary items		.31	(.07)		
Net income	**2.56**	2.22	2.34	3.05	2.70
Assuming full dilution:					
Continuing operations	**2.52**	1.43	2.19	2.72	2.61
Discontinued operations		.42	.10	.15	(.08)
Extraordinary items		.30	(.07)		
Net income	**2.52**	2.15	2.22	2.87	2.53
Dividends Declared Per Common Share	**$1.20**	$1.20	$1.20	$1.20	$1.20
Average Outstanding Shares (000 omitted):					
Common and equivalents	**48,350**	47,007	43,976	45,149	44,338
Assuming full dilution	**49,626**	49,145	47,267	48,690	48,513
People					
Stockholders of Record	**93,543**	101,687	116,993	124,575	137,360
Employees (average)	**35,392**	33,624	38,182	40,241	41,929

(1) Prior-year amounts presented have been restated for the change in consolidation policy described in Note A to the consolidated financial statements.
(2) Includes unusual income of $8,117,000 or $.18 per share in 1981 resulting from settlement of litigation.
(3) See Note J to the consolidated financial statements.

	1984	1983	1982	1981	1980
Financial Position (000 omitted)					
Total Assets	**$2,346,724**	$2,202,624	$2,018,421	$2,050,867	$1,949,105
Investments in Financial Group Subsidiaries	**527,783**	437,941	401,559	364,797	354,151
Working Capital	**136,464**	133,030	190,610	203,293	224,130
Long-term Debt	**223,673**	262,976	330,423	355,627	435,384
Redeemable Preferred Stock	**6,596**	6,595	6,593	23,578	23,578
Other Liabilities, Deferred Items and Minority Interests	**204,044**	131,903	127,657	158,561	141,224
Common Stock and Other Equity	**1,141,989**	1,101,409	960,363	943,476	851,144

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results:
Greyhound is a diversified company which sells products and supplies services in many markets. Because of this diversity, components of its net income are affected, some favorably, others unfavorably, by general economic conditions and other fluctuations which occur in the various markets each year. Inflation has resulted in generally higher cost levels and, in instances where offsetting price increases could not be obtained because of competitive or other factors, reductions in income. Conversely, gains on sales of property and equipment have generally been favorably affected by inflation.

1984 vs. 1983:
Net income for 1984 was $125.0 million compared to $105.5 million in 1983. Net income for 1983 includes extraordinary gains totaling $14.7 million comprised of $11.5 million of benefits from deduction for tax purposes of previously expensed U.S. bus operating rights rendered worthless by deregulation, as well as a $3.2 million gain on extinguishment of debt. Exclusive of these extraordinary gains, 1983 income was $90.8 million. Income from continuing operations was also $125.0 million in 1984 compared to the strike-depressed $70.3 million in 1983.

The $54.7 million increase in income from continuing operations was due to improvements by all business segments except Transportation Manufacturing.

Consumer Products' net income was up 21% from last year's level principally due to increased sales volume and profits of soap and canned meats.

Financial's 1984 net income was 62% above last year's level, although adversely affected by nonearning assets, which continue to greatly exceed historical levels. Greyhound Leasing & Financial Corporation was up 49% from last year's depressed earnings due to the favorable effects of new business booked, a lower level of nonaccruing assets in 1984 than in 1983 and a lower provision for losses in 1984. However, a foreign leasing and financial subsidiary incurred increases in nonaccruing assets and loss provisions in 1984. Verex Corporation reported a 64% increase in income primarily on the strength of significantly increased business volumes. Greyhound Capital Corporation's net income was up 44% principally as a result of the effects of increasing volumes of new business recorded.

The Services and Food Service segment was up 19% for the year. Travelers Express Company, previously part of the unconsolidated Financial segment, is now included in the Services and Food Service segment, with prior-year data appropriately restated. The principal factors in the segment's 1984 performance were increased profits of convention service companies and a significant increase in the 1984 income of Travelers Express.

Transportation Services, which includes operations in the United States, Canada and Saudi Arabia, was profitable for 1984 compared to the strike-related losses of 1983. There is little basis of comparison between the two years due to the 47-day strike at Greyhound Lines late in 1983, but economic and competitive factors are impeding Greyhound Lines' return to satisfactory profit levels.

The Transportation Manufacturing segment was down 8% in 1984 as orders from bus operators have not returned to levels experienced prior to deregulation. Results for 1983 included benefits from producing the bulk of an unusually large 700-bus order for New Jersey Transit.

1983 vs. 1982:
Net income for 1983 was $105.5 million compared to $103.1 million in 1982. Net income for 1983 included extraordinary gains totaling $14.7 million comprised of $11.5 million of benefits from deduction for tax purposes of previously written-off U.S. bus operating rights rendered worthless by deregulation, as well as a $3.2 million gain on extinguishment of debentures. Net income for 1982 included an extraordinary charge of $3.1 million for the write-off of the remaining carrying value of U.S. bus operating rights. Exclusive of these items, 1983 income was $90.8 million compared with $106.2 million for 1982.

In December 1983, Greyhound sold the remaining assets of Armour Food Company. Income from discontinued operations in 1983 arose principally from net gain on disposal of these operations. Income from continuing operations was a strike-depressed $70.3 million in 1983 compared with $101.6 million in 1982.

The $31.3 million decline in earnings from continuing operations was due to the losses of Transportation Services and lower results of Financial and to a lesser extent a decline in Transportation Manufacturing's earnings. Partially offsetting were improvements in 1983 earnings of Consumer Products and Services and Food Service.

The decline in Transportation Services' earnings was due to over $25 million of losses incurred during the 47-day strike against Greyhound Lines in the fourth quarter of 1983.

Financial's 1983 net income was 49% less than that of 1982. The decline in this segment was primarily due to Greyhound

Leasing & Financial Corporation, which in addition to poor earnings primarily caused by a substantial increase in nonaccruing assets attributed to worldwide economic conditions, had to provide $6.4 million after-tax in the fourth quarter of 1983 to bolster its allowance for possible losses. Verex Corporation reported a 76% increase in operating profit on the strength of an increase in new premiums while Greyhound Capital Corporation was up 48% from 1982 levels.

Transportation Manufacturing's 1983 net income was down 14% from the prior-year level due to general softness in orders from bus operators who were still very cautious in the aftermath of deregulation.

Consumer Products' net income was up 12% from 1982's level due to increased sales volume and profits of soap, canned meats and household products.

The Services and Food Service segment was up 13% for the year despite a dip in Food Service results caused by the Greyhound Lines' strike which hurt in-terminal restaurants. Travelers Express was up 11% from 1982 levels. The segment also benefited from a gain on sale of its rent-a-car business and increased profits from convention services.

Liquidity and Capital Resources:
Primarily as a result of improved operating results, recovery of excess pension funds, receipt of amounts due from sale of discontinued operations and debt retired by exchange for or conversion into equity and after repurchases of its common shares, Greyhound and its consolidated subsidiaries were able to increase cash and short-term investments by $33 million while reducing indebtedness by approximately $63 million during 1984. As a result, Greyhound's debt-to-equity ratio decreased from .27 to 1 at December 31, 1983 to .20 to 1 at December 31, 1984. Management believes Greyhound's liquidity and credit availability will permit it to satisfy its ongoing corporate financing requirements and position it well for future expansion.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings, Greyhound strives to maintain current assets (principally cash, inventories and receivables) at the lowest practicable levels, while at the same time taking advantage of the payment terms offered by trade creditors. These efforts notwithstanding, working capital requirements can fluctuate significantly from seasonal factors as well as changes in levels and costs of inventories and receivables caused by numerous business factors.

Greyhound satisfies its short-term financing requirements from bank lines of credit, informal advances and the issuance of commercial paper. The following information pertains to such short-term debt:

	1984	1983	1982
	(000 omitted)		
Maximum amount of short-term debt outstanding during year	**$94,400**	$83,503	$176,726
Average daily short-term debt outstanding during year	**$32,873**	$31,194	$131,637
Average short-term interest rate at end of year*	**11.6%**	10.5%	11.2%
Weighted average interest rate on short-term debt outstanding during year*	**10.7%**	9.8%	13.1%

*Exclusive of the cost of maintaining compensating balances and, for commercial paper when outstanding, the cost of supporting bank credits.

At December 31, 1984 (in addition to other banking arrangements under which Greyhound is reasonably assured of credit availability and unused bank credit arrangements available to Greyhound's consolidated foreign subsidiaries) Greyhound and its consolidated subsidiaries had the following formal bank credit facilities available:

	(in millions)
Total bank credit:	
Short-term	$ 12.0
Long-term	140.0
Available unused bank credit	$152.0

Also, in January 1985 Greyhound entered into three new revolving credit agreements involving a number of participating banks which will permit it to borrow for general corporate purposes, including acquisitions, up to $500 million for periods of 3 to 8 years. In February 1985 Greyhound used these agreements to borrow (either directly or as support for other borrowings) $240 million for the purpose of providing funds in escrow pursuant to its agreement to purchase the Consumer Products Division of Purex Industries. Completion of the acquisition occurred in mid-March.

In recent years Greyhound's capital expenditures and additional investments have been financed substantially with internally generated funds (primarily income retained plus depreciation and sales of assets) and to a lesser extent with debt and capital leases. Capital spending has been reduced to some extent by obtaining, where appropriate, equipment and other property under operating leases.

Future capital asset needs requiring capital spending and any additional investment or working capital requirements are expected to be financed primarily with internally generated funds derived principally from retention of earnings plus depreciation, tax deferrals and sales of assets. Should such requirements exceed internal sources, Greyhound's available external financing sources, as set forth above, will be used.

The Financial Group subsidiaries, which are not consolidated for financial reporting purposes, are financed essentially by each respective subsidiary within the Group, augmented by additional Greyhound investment when necessary. The leasing and financing companies seek to invest substantial amounts of borrowed funds and accordingly obtain financing through long-term and short-term borrowings, funds generated from operations and tax deferrals. Other companies in the Group do not generally borrow substantial amounts. From time to time, the Financial Group subsidiaries make advances to or borrow from Greyhound depending upon the short-term cash requirements of the individual entities. With few exceptions, Greyhound does not guarantee debt obligations of the Financial Group.

Revenues and Income of Principal Business Segments[1]

(000 omitted)

	1984	1983	1982	1981	1980
SALES AND REVENUES:					
Transportation Services	**$ 861,774**	$ 829,632	$1,002,018	$1,045,953	$ 989,931
Transportation Manufacturing	**243,380**	281,942	281,282	269,879	227,135
Consumer Products	**464,524**	475,402	484,325	514,532	534,389
Services and Food Service	**706,386**	618,910	626,342	631,203	589,270
Financial	**537,483**	444,437	435,461	415,732	334,579
Intersegment eliminations	**(56,830)**	(21,879)	(86,260)	(84,952)	(75,531)
Combined	**$2,756,717**	$2,628,444	$2,743,168	$2,792,347	$2,599,773
OPERATING INCOME:					
Transportation Services	**$ 24,969**	$ (30,236)	$ 19,593	$ 71,436	$ 71,546
Transportation Manufacturing	**44,382**	59,716	72,110	64,769	44,489
Consumer Products	**42,692**	39,237	30,485	29,820	26,877
Services and Food Service	**57,362**	50,513	48,159	39,578	44,247
Financial[2]	**33,449**	8,531	45,754	86,583	68,407
Intersegment eliminations	**4,707**	5,365	(10,269)	(11,120)	(8,238)
Combined[2]	**$ 207,561**	$ 133,126	$ 205,832	$ 281,066	$ 247,328
NET INCOME:					
Transportation Services	**$ 20,520**	$ (8,824)	$ 20,212	$ 49,710	$ 53,996
Transportation Manufacturing	**29,653**	32,119	37,416	33,689	23,002
Consumer Products	**26,858**	22,282	19,931	17,509	15,541
Services and Food Service	**37,811**	31,654	28,113	20,246	22,002
Financial[2]	**33,939**	20,937	40,920	64,046	54,659
Intersegment eliminations	**2,502**	2,837	(4,078)	(5,006)	(3,316)
Income of Principal Business Segments[2]	**151,283**	101,005	142,514	180,194	165,884
Equity in net income of ConAgra	**8,983**				
Minority interests	**(5,304)**	(6,739)	(7,953)	(11,605)	(11,270)
Corporate interest and other costs	**(29,935)**	(23,981)	(32,971)	(38,579)	(30,960)
Income (Loss) from discontinued operations—principally net gain on disposal in 1983		20,537	4,569	7,512	(4,016)
Extraordinary items[3]		14,677	(3,099)		
Net Income	**$ 125,027**	$ 105,499	$ 103,060	$ 137,522	$ 119,638

(1) Prior-year amounts presented have been restated to include Travelers Express Company, Inc., previously a part of the Financial Group, in the Services and Food Service segment information.

(2) Financial Group operating income and net income includes an unusual item of $15,258,000 and $8,117,000, respectively, in 1981 resulting from settlement of litigation.

(3) See Note J to the consolidated financial statements.

Other Principal Business Segment Information (000 omitted)(1)

	Assets at Year-End			Capital Expenditures			Depreciation		
	1984	1983	1982	**1984**	1983	1982	**1984**	1983	1982
Transportation Services	**$ 496,722**	$ 483,194	$ 465,594	**$ 34,137**	$ 40,233	$ 37,894	**$ 27,028**	$ 26,113	$ 47,241
Transportation Manufacturing	**117,689**	99,967	143,081	**3,098**	1,283	1,507	**2,897**	2,867	2,859
Consumer Products	**341,321**	346,936	355,642	**7,497**	10,845	16,578	**10,407**	10,144	8,860
Services and Food Service	**625,686**	506,447	403,573	**33,457**	29,541	31,050	**17,920**	16,092	15,367
Intersegment eliminations	**(51,404)**	(58,514)	(63,623)	**(1,290)**	(3,311)	(16,680)	**(8,632)**	(8,072)	(7,597)
Identifiable to:									
Consolidated segments	**1,530,014**	1,378,030	1,304,267	**76,899**	78,591	70,349	**49,620**	47,144	66,730
Unconsolidated Financial segment	**591,916**	473,688	432,869						
Investment and receivables—ConAgra	**99,283**	229,119							
Corporate	**100,320**	86,714	68,839	**11,578**	8,851	2,044	**2,455**	2,020	1,905
Net assets of discontinued operations	**25,191**	35,073	212,446						
Consolidated	**$2,346,724**	$2,202,624	$2,018,421	**$ 88,477**	$ 87,442	$ 72,393	**$ 52,075**	$ 49,164	$ 68,635

(1) Prior-year amounts presented have been restated to include Travelers Express Company, Inc., previously a part of the Financial Group, in the Services and Food Service segment.

The Greyhound Corporation is a holding company with numerous subsidiaries whose principal business activities are categorized into five business segments for reporting purposes. The business activities included in each segment are set forth earlier in this annual report under "Description of Business."

Intersegment sales are priced generally on the same basis as sales to outside customers and include the following amounts:

	1984	1983	1982
		(000 omitted)	
Transportation Manufacturing	**$52,111**	$16,976	$80,421
Other	**4,719**	4,903	5,839
	$56,830	$21,879	$86,260

Operating income by segment for consolidated segments represents sales and revenues less operating costs before interest, corporate administrative expenses, minority interests and other items including equity in net income of unconsolidated affiliates, and income taxes. Consolidated revenues include the interest income of Travelers Express because, due to the nature of its business, interest is considered operating income. Operating income for the unconsolidated Financial Group segment represents revenues less operating costs before realized investment gains or losses, minority interests and other items, and income taxes. Due to the nature of its businesses, operating costs of the Financial Group include interest expense. The deduction of interest expense in determining Financial Group operating income, as well as a low effective income tax rate, contribute to a generally higher ratio of net income to operating income for this segment than for consolidated segments.

Net income by segment for consolidated segments includes operating income as defined above, plus interest income not included therein and other items including equity in net income of unconsolidated affiliates, less interest expense and income taxes. Net income for the Financial Group segment includes operating income as defined above, realized investment gains or losses and other items, less income taxes. Income taxes are provided by each segment based on its income before income taxes, and are reduced by its tax credits whether or not such credits would be currently available to each segment. Corporate interest and other costs are not allocated to individual segments, represent estimated expenses of an overall holding company nature, and are deducted separately, net of tax benefit, in determining net income.

Additional information pertaining to the unconsolidated Financial Group segment is included in the accompanying Summary Combined Statements of Financial Group Subsidiaries of Greyhound. See Note L to consolidated financial statements for information on affiliates accounted for on the equity method.

Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. Described below are those accounting policies which are particularly significant to The Greyhound Corporation ("Greyhound"), including those selected from acceptable alternatives.

Principles of Consolidation:
The consolidated financial statements include the accounts of Greyhound and its subsidiaries, except for its Financial Group subsidiaries. All material intercompany transactions and accounts are eliminated in consolidation.

Investments in Financial Group subsidiaries and in affiliates 20 to 50 percent owned are reflected in the accounts on the equity method. In addition, the investment in ConAgra, Inc. ("ConAgra") (15% owned) is included in the accounts on the equity method. Greyhound's membership both on the Board of Directors and on the Executive Committee of the Board of Directors of ConAgra and its substantial voting rights provide the ability to significantly influence the operating and financial affairs of ConAgra. Equity in net income of ConAgra is recognized after provisions for amortization of intangibles and for income taxes.

Summary financial information for the Financial Group, including significant accounting policies and footnotes, is presented elsewhere in these financial statements. This Group includes subsidiaries engaged in leasing and financing of industrial, commercial and computers and related equipment and insurance operations, principally residential mortgage insurance.

Inventories:
Generally inventories are stated at the lower of cost (on the first-in, first-out or average cost methods) or market. Certain raw materials used in the manufacture of soap (consumer products) are stated at cost on the last-in, first-out method.

Property and Equipment:
Owned assets are stated at cost and capital lease assets are stated at the present value of future rentals at lease inception.

Depreciation is provided principally by use of the straight-line method at annual rates as follows:

Buildings	2% to 5%
Buses	7.5%
Machinery and other equipment	5% to 33%
Capital leases and leasehold improvements	Lesser of lease term or useful life

Intangibles:
Intangibles are carried at cost less applicable amortization. Those which arose prior to October 31, 1970 will not be amortized unless there is deemed to be a permanent diminution in value of the related investments. Intangibles arising after October 31, 1970 are amortized on the straight-line method over the periods of expected benefit, but not in excess of forty years.

Pension Plans and Other Employee Benefits:
Pensions are generally funded on the basis of annual actuarial determinations of current service costs plus amortization in level annual amounts of unfunded prior service costs, including interest, over periods of thirty to forty years.

Cost of medical and life insurance benefits under employee group plans, including similar benefits for qualified retirees, generally is charged to income as incurred. The future benefits applicable to the retirees of discontinued operations were provided for on an estimated present value basis at the date of discontinuance.

Investment Tax Credits:
Tax credits, principally investment tax credits, are included in income in the year the credits are available as a reduction of federal income taxes.

Net Income Per Share:
Net income per common and equivalent share is based on net income after preferred stock dividend requirements and the weighted average number of common shares outstanding during each year after giving effect to stock options and warrants considered to be dilutive common stock equivalents. Net income per share assuming full dilution is based upon the foregoing and gives effect to the equivalent number of common shares issuable upon conversion of convertible debt.

Principal Business Segments and Other Information:
Certain reclassifications have been made to the financial statements to conform to 1984 classifications.

Revenues and income of principal business segments and other principal business segment information of Greyhound for the three years ended December 31, 1984, are presented in a previous section of this Annual Report. Segment data for the Services and Food Service segment has been restated to include the operations of Travelers Express Company, Inc., previously a part of the unconsolidated Financial Group.

Statement of Consolidated Financial Condition
(000 omitted)

ASSETS	December 31, 1984	1983
CURRENT ASSETS:		
Cash and short-term investments	$ 58,204	$ 25,660
Cash and temporary investments for payment service obligations	368,729	250,966
Receivables	232,828	191,517
Inventories	153,401	161,481
Due from ConAgra		107,178
Prepaid expenses and other current assets	47,813	60,222
Due from Financial Group subsidiaries, net	45,911	35,747
TOTAL CURRENT ASSETS	906,886	832,771
PROPERTY AND EQUIPMENT:		
Land	85,413	78,521
Buildings and leasehold improvements	294,889	285,208
Buses	193,600	224,340
Machinery and other equipment	346,186	308,080
	920,088	896,149
Less accumulated depreciation	389,433	380,229
	530,655	515,920
INVESTMENTS AND OTHER ASSETS:		
Investments in and long-term receivables due from:		
Financial Group subsidiaries	527,783	437,941
ConAgra	99,283	121,941
Other investments and assets	91,214	111,260
	718,280	671,142
DEFERRED INCOME TAXES	4,651	
INTANGIBLES, including $170,476 not subject to amortization	186,252	182,791
	$2,346,724	$2,202,624

See notes to consolidated financial statements and summary of significant accounting policies.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1984	1983
CURRENT LIABILITIES:		
Short-term bank and other loans	$ 3,754	$ 6,975
Payment service obligations	358,244	299,048
Accounts payable	159,906	152,296
Accrued compensation	59,234	69,235
Income and other taxes	62,873	40,108
Other current liabilities	122,287	107,755
Current portion of long-term debt	4,124	24,324
TOTAL CURRENT LIABILITIES	770,422	699,741
LONG-TERM DEBT, including subordinated debt of $26,116 and $31,191	223,673	262,976
OTHER LIABILITIES AND DEFERRED ITEMS:		
Pension and other benefits	128,322	34,465
Deferred income taxes		28,697
Other	50,983	44,731
	179,305	107,893
MINORITY INTERESTS — Greyhound Lines of Canada	24,739	24,010
COMMITMENTS AND CONTINGENT LIABILITIES (Notes E, I, J and K)		
$4.75 REDEEMABLE PREFERRED STOCK	6,596	6,595
COMMON STOCK AND OTHER EQUITY:		
Common stock	72,832	72,279
Additional capital	347,846	342,636
Retained income	765,471	699,842
Cumulative translation adjustments	(20,784)	(13,340)
Common stock in treasury, at cost	(23,376)	(8)
	1,141,989	1,101,409
	$2,346,724	$2,202,624

Consolidated Income Statement
(000 omitted)

	Year Ended December 31, 1984	1983	1982
REVENUES:			
Sales and revenues	**$2,201,121**	$2,169,400	$2,297,372
Other income	**18,113**	14,607	10,335
	2,219,234	2,184,007	2,307,707
OPERATING COSTS:			
Cost of sales and revenues	**2,047,261**	2,060,960	2,152,196
Interest	**19,643**	25,546	43,910
Corporate administrative	**16,791**	14,889	14,915
Minority interests and other, net	**(5,126)**	(7,188)	(3,102)
INCOME BEFORE INCOME TAXES	**140,665**	89,800	99,788
Income taxes	**58,377**	39,976	38,509
Income of Greyhound and consolidated subsidiaries	**82,288**	49,824	61,279
Net income of Financial Group	**33,756**	20,461	40,311
Equity in net income of ConAgra	**8,983**		
INCOME FROM CONTINUING OPERATIONS	**125,027**	70,285	101,590
Income from discontinued operations—principally net gain on disposal in 1983		20,537	4,569
Income before extraordinary items	**125,027**	90,822	106,159
Extraordinary items		14,677	(3,099)
NET INCOME	**$ 125,027**	$ 105,499	$ 103,060
INCOME PER SHARE:			
Common and equivalents:			
Continuing operations	**$2.56**	$1.47	$2.30
Discontinued operations		.44	.11
Extraordinary items		.31	(.07)
Net income	**$2.56**	$2.22	$2.34
Assuming full dilution:			
Continuing operations	**$2.52**	$1.43	$2.19
Discontinued operations		.42	.10
Extraordinary items		.30	(.07)
Net income	**$2.52**	$2.15	$2.22
DIVIDENDS DECLARED PER COMMON SHARE	**$1.20**	$1.20	$1.20
AVERAGE OUTSTANDING SHARES (000 omitted):			
Common and equivalents	**48,350**	47,007	43,976
Assuming full dilution	**49,626**	49,145	47,267

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Changes in Consolidated Financial Position
(000 omitted)

	Year Ended December 31, 1984	1983	1982
SOURCE OF FUNDS:			
From continuing operations:			
Income before extraordinary items	**$125,027**	$ 70,285	$101,590
Depreciation	**52,075**	49,164	68,635
Deferred income taxes	**6,772**	(3,352)	(15,894)
Undistributed net income of Financial Group	**(3,734)**	(4,988)	(21,263)
Other items, net	**(39)**	15,186	13,341
Total from continuing operations	**180,101**	126,295	146,409
From discontinued operations:			
Income—principally net gain on disposal in 1983		20,537	4,569
Noncash items—operations		13,696	15,011
Net assets from disposal		(214,274)	
Reductions in net assets of discontinued operations	**9,882**	163,677	45,924
Total from discontinued operations	**9,882**	(16,364)	65,504
Extraordinary items		14,677	(3,099)
Common stock issued	**19,372**	93,148	2,419
Additional long-term debt	**9,743**	2,200	22,205
Increase in short-term loans and commercial paper		3,073	
Disposals of businesses and property	**19,164**	27,101	69,172
Reduction in amounts due from ConAgra	**107,178**		
Recovery of excess pension plan assets	**95,312**		
Decrease in receivables and inventories		33,755	
Other investments sold to Financial Group, net	**41,884**		
Net change in payment service assets and obligations		21,453	
Utilization of prior year investment credit carryover attributable to Financial Group	**8,604**	6,694	4,748
Other items, net	**5,797**		
	497,037	312,032	307,358
USE OF FUNDS:			
Capital expenditures and leases capitalized	**88,477**	87,442	72,393
Dividends on common and preferred stock	**58,808**	57,579	52,828
Reductions of long-term debt	**47,246**	78,162	10,356
Decrease in short-term loans and commercial paper	**25,221**		38,211
Common stock acquired	**37,144**	28	24,152
Acquisition of minority shares by subsidiaries	**4,000**		17,647
Additional investment in Financial Group companies	**43,699**	30,413	10,529
Transfer of deferred income taxes to Financial Group	**35,000**		
Increase in receivables and inventories	**35,083**		22,400
Decrease in current accrued liabilities	**10,491**	2,040	7,238
Net change in payment service assets and obligations	**58,567**		3,070
Other transactions with Financial Group, net	**20,757**	4,437	19,773
Other items, net		47,699	31,377
	464,493	307,800	309,974
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	**$ 32,544**	$ 4,232	$ (2,616)

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Common Stock and Other Equity
(000 omitted)

	Year Ended December 31, 1984	1983	1982
COMMON STOCK, $1.50 par value, 70,000,000 shares authorized:			
Balance, beginning of year	**$ 72,279**	$ 68,064	$ 68,064
Shares issued	**553**	4,215	
Balance, end of year	**$ 72,832**	$ 72,279	$ 68,064
ADDITIONAL CAPITAL:			
Balance, beginning of year	**$342,636**	$279,826	$279,965
Conversion or exercise of debentures, warrants and stock options:			
Common shares issued	**5,201**	59,492	
Treasury common shares reissued	**(578)**	4,194	73
Net change in unamortized amount of restricted stock	**420**	(1,264)	
Other, net	**167**	388	(212)
Balance, end of year	**$347,846**	$342,636	$279,826
RETAINED INCOME:			
Balance, beginning of year	**$699,842**	$650,886	$600,132
Net income	**125,027**	105,499	103,060
Dividends on common and preferred stock	**(58,808)**	(57,579)	(52,828)
Net change in unrealized gains and losses on marketable equity securities	**(567)**	1,111	535
Other, net	**(23)**	(75)	(13)
Balance, end of year	**$765,471**	$699,842	$650,886
CUMULATIVE TRANSLATION ADJUSTMENTS:			
Balance, beginning of year	**$ (13,340)**	$ (11,922)	$
Unrealized translation losses:			
From initial application of FASB No. 52 at January 1, 1982			(3,794)
Current year	**(7,444)**	(1,418)	(8,128)
Balance, end of year	**$ (20,784)**	$ (13,340)	$ (11,922)
COMMON STOCK IN TREASURY, at cost:			
Balance, beginning of year	**$ (8)**	$ (26,491)	$ (4,685)
Purchased	**(37,144)**	(28)	(24,152)
Issuance relating to conversion or exchange of debentures and exercise of warrants and stock options	**13,776**	26,511	2,346
Balance, end of year	**$ (23,376)**	$ (8)	$ (26,491)

See notes to consolidated financial statements and summary of significant accounting policies.

Notes to Consolidated Financial Statements

Three Years Ended December 31, 1984

Note A — Changes in Business and Consolidation Policy:
The financial statements of prior periods have been restated to consolidate the accounts of Travelers Express Company, Inc. Previously this subsidiary was included in the financial statements on the equity method as a part of the unconsolidated Financial Group. The new consolidation policy is preferable because Travelers' business activities and financing more closely parallel those of consolidated operations.

On February 21, 1985 Greyhound executed a definitive contract to purchase the Consumer Products Division of Purex Industries for $264 million.

On December 18, 1983, Greyhound sold the assets of its subsidiary, Armour Food Company, to ConAgra. This transaction along with the prior 1983 sale of three facilities to another party constituted the disposition of Greyhound's Food business segment. The consideration received in these transactions included cash, notes receivable, 5.1 million shares of ConAgra common stock, and the assumption of certain liabilities by ConAgra.

In December 1983, Greyhound commenced disposition of Armour Handcrafts, Inc. This operation is classified as discontinued since it is the intention of Greyhound to dispose of the business. Handcrafts' net assets of $25,191,000 are included in prepaid expenses and other assets ($17,574,000) and other investments and assets ($7,617,000).

The gain on disposal in 1983 was reduced by a provision for the estimated loss on disposition of Handcrafts. The gain on sale of the Food segment included estimates for plant closing costs, the present value of a royalty agreement, the present value of future medical and life insurance benefits for prior retirees and actuarial gains on overfunded pension plans which reduced pension and other liabilities in 1983. In 1984 necessary approvals were obtained for the related pension plan terminations and proceeds of $95,312,000 were received. The recovery of these amounts substantially accounts for the change in liability for pensions and other benefits in 1984.

The net gain on disposal was $21,400,000 in 1983 after provision for income taxes of $16,800,000. Revenues from discontinued operations were $1.9 billion in 1983 and $2.3 billion in 1982.

During 1984, certain receivables from sales of assets of Armour were sold to a Financial Group subsidiary. The receivables had a carrying amount of $60,106,000 which included $30,567,000 due under a royalty agreement with ConAgra extending through 1988.

Note B — Inventories:
Year-end inventories consisted of the following:

	1984	1983
	(000 omitted)	
Raw materials	**$ 44,500**	$ 46,632
Work-in-process	**30,264**	25,841
Finished goods and supplies	**78,637**	89,008
Total inventories	**$153,401**	$161,481

Inventories of certain materials in the Consumer Products segment, aggregating $3,556,000 in 1984 and $1,396,000 in 1983, are stated at cost on the last-in, first-out method. If these inventories were stated on the basis used for pricing other raw materials, inventory valuations would have been increased $4,883,000 at the end of 1984 and $4,537,000 at the end of 1983.

Note C — Short-term Debt and Compensating Balances:
Greyhound satisfies its short-term financing requirements from bank lines of credit, informal bank advances and by the issuance of commercial paper.

Greyhound's short-term bank lines aggregating $27,741,000 at December 31, 1984 are subject to annual renewal and in most instances can be withdrawn at any time at the option of the banks. On $12,000,000 of these lines, compensating balances are required in an amount equal to five percent of the commitments. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

It is Greyhound's policy to support commercial paper outstanding with unused portions of short-term and revolving bank credit. In addition, Greyhound maintained unused portions of bank credits of $35,000,000 in 1984 under an agreement with a subsidiary to support its demand advances to Greyhound when outstanding.

Note D — Long-term Debt:
Long-term debt at year-end was as follows:

	1984	1983
	(000 omitted)	
Senior debt:		
Commercial paper supported by unused revolving credit	**$**	$ 22,000
Sinking fund debentures, net of unamortized discount:		
9⅜%, due 1991 to 2001	**68,798**	78,744
9⅞%, due 1990 to 2000	**51,379**	54,849
5% Cumulative income debentures		13,167
Real estate mortgages, and other obligations, due to 2014, 5% to 12%	**39,682**	31,872
Canadian revolving credit loans		8,842
Less current portion	**(2,949)**	(19,251)
	156,910	190,223
Subordinated debt:		
Convertible debentures (conversion price):		
6½%, due 1990 ($18.375)	**15,791**	20,866
6%, due 1986 ($46.00)	**10,325**	10,325
5%, due 1984 ($26.40)		4,034
Less current portion		(4,034)
	26,116	31,191
Capital lease obligations, 8.9% weighted-average imputed interest	**41,822**	42,601
Less current portion	**(1,175)**	(1,039)
	40,647	41,562
Total long-term debt	**$223,673**	$262,976

Domestic/Eurodollar revolving credit loans are available from participating banks under an agreement which provides for a total credit of $140,000,000. The entire commitment is available until June 30, 1987 on a revolving credit basis, with borrowings then converting into a term loan repayable in fifteen equal quarterly installments. Annually, at Greyhound's request and with the participating banks' consent, the term of the agreement may be extended for one-year periods. Interest is based upon the following rates: (i) for domestic dollar advances, the bank prime rate or ½ of 1 percent above the bank certificate of deposit rate plus reserves, or (ii) for Eurodollar advances, ½ of 1 percent above the London interbank offered rate plus reserves. The agreement also provides for a commitment fee based on a combination of factors involving commitment utilization. If the agreement is not extended the banks will receive additional interest on outstanding borrowings at varying amounts not to exceed ½ of 1 percent.

Annual maturities of long-term debt, including capital lease obligations, in the four years after 1985 will approximate $14,777,000 (1986), $8,383,000 (1987), $3,430,000 (1988) and $2,934,000 (1989).

Canadian revolving credit loans are available to Canadian transportation services and transportation manufacturing subsidiaries from banks under agreements which in the aggregate provide for loans up to the Canadian equivalent of $30,280,000. Loans are available on a revolving basis for two years at the end of which outstanding loans will be repayable over three-year to five-year terms.

In January 1985 Greyhound entered into three credit facilities with a number of bank participants which permit it to borrow, on a revolving credit basis, up to $500,000,000. Loans are available under these facilities for periods of 3 to 8 years with interest calculated on various floating-rate bases.

Note E — Common Stock and Other Equity:
Common stock issued and outstanding at December 31, 1984 was 48,554,362 and 47,436,223 shares, respectively. Shares reserved for issuance at December 31, 1984 were as follows:

	Shares	Conversion or Exercise Prices
Convertible debentures	1,083,839	$18.37 to $46.00
Stock options	3,385,529	11.50 to 22.81
Total shares reserved	4,469,368	

The conversion and exercise prices are subject to adjustment under certain circumstances.

Greyhound has 5,000,000 shares of Serial Preference Stock authorized, of which 442,352 shares are designated as $4.75 Redeemable Preferred Stock. The remaining 4,557,648 shares are available for issue. A subsidiary of Greyhound holds 206.582 shares of the Greyhound $4.75 preferred stock. The holders of the preferred stock are entitled to a liquidation preference of $100 per share and to annual cumulative sinking fund retirements of 6,000 shares. The shares presently held by the Greyhound subsidiary will be applied to this requirement. Shares held by others (235,770 shares) are therefore scheduled to be retired in the years 2019 to 2058. Additional preferred stock dividends are recorded to provide for ultimate redemption of the shares at stated value.

Treasury shares are reserved for issuance on conversion or exercise of the outstanding convertible debentures and stock options.

Certain subsidiaries are precluded from transferring funds over certain amounts to Greyhound in the form of advances or dividends pursuant to restrictions in long-term debt and capital lease agreements of the subsidiaries or other restrictions applicable to certain regulated Financial Group subsidiaries. At December 31, 1984, $295,236,000 of net assets of Financial Group subsidiaries were subject to such restrictions. The restrictions on the transfer of net assets of consolidated subsidiaries are not material.

Greyhound's long-term debt agreements also contain various restrictive covenants and require the maintenance of certain defined financial ratios with which Greyhound has complied. Greyhound has also agreed to support debt of one of the Financial Group subsidiaries under a working-capital maintenance agreement.

At December 31, 1984 retained income of $255,098,000 was unrestricted as to the payment of dividends by Greyhound.

Note F — Stock Options:
Greyhound has granted to officers and certain key employees restricted stock and stock options (substantially all stock options are incentive stock options under provisions of the Internal Revenue Code), under its Stock Option Plans as amended.

The 1983 Plan provides for four types of awards: (1) Stock Options (both Incentive Stock Options and Nonqualified Stock Options); (2) Stock Appreciation Rights (SARS); (3) Limited Stock Appreciation Rights (LSARS); and (4) Restricted Stock. The Plan authorizes the issuance of up to 2,500,000 shares of common stock; however, not more than a total of 500,000 shares may be awards of restricted stock and stock appreciation rights not related to stock options. The prior plan's options are exercisable at market value at date of grant and expire ten years after date of grant.

The stock options and SARS are exercisable 50% per year beginning one year from the date of grant at a price equal to 100 percent of the fair market value at the date of grant. For SARS and/or LSARS issued in tandem with stock options, as were the 1984 and 1983 issuances, the exercise of one will reduce, to the extent exercised, the number of shares represented by the other.

Limited stock appreciation rights are exercisable only for a limited period in the event of certain tenders or exchange offers for Greyhound's common stock.

Restricted stock awards (1,500 shares in 1984 and 62,300 shares in 1983) vest 60% three years from the date of the grant and at the rate of 20% per year thereafter. The holder of the restricted stock has the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the restricted stock.

Information with respect to options granted and exercised for the three years ended December 31, 1984 is as follows:

	Granted		Exercised	
	Shares	Average Price Per Share	Shares	Average Price Per Share
1982	450,200	$14.00	74,300	$13.52
1983	801,800	21.40	814,517	14.16
1984	589,000	22.81	269,392	14.75

Stock options on common shares cancelled during 1984, 1983 and 1982 at average exercise prices indicated were 40,400 ($17.69), 65,362 ($15.64), and 110,600 ($14.23), respectively.

At December 31, 1984 stock options with respect to 1,984,829 common shares were outstanding at an average price of $19.50 per share and 1,172,579 shares were exercisable at an average price of $17.22 per share.

Note G — Income Taxes:
The consolidated provision for income taxes for the three years ended December 31, 1984 consists of the following:

	1984	1983	1982
		(000 omitted)	
Currently payable:			
United States:			
Federal	**$35,618**	$23,617	$29,938
State	**2,773**	1,742	5,604
Foreign	**13,214**	17,969	18,861
	51,605	43,328	54,403
Deferred:			
United States	**5,234**	(3,858)	(14,914)
Foreign	**1,538**	506	(980)
	6,772	(3,352)	(15,894)
Provision for income taxes	**$58,377**	$39,976	$38,509

Deferred income taxes relate to the following principal timing differences:

	1984	1983	1982
		(000 omitted)	
Depreciation	**$ 2,008**	$ 5,616	$ 6,869
Sale-leaseback transactions	**(10,529)**	(11,888)	(18,617)
Investment tax credit carryforwards:			
Recognized in financial statements		(2,540)	(10,563)
Realized in tax return	**8,825**	5,259	2,634
Pension contributions	**4,511**	(1,707)	6,900
Uninsured loss accruals	**(567)**	(657)	(2,192)
All other	**2,524**	2,565	(925)
Total deferred income taxes	**$ 6,772**	$ (3,352)	$(15,894)

Eligible Consolidated and Financial Group subsidiaries are included in the consolidated federal income tax returns of Greyhound.

Certain benefits of tax losses and credits which would not have been currently available to Financial Group subsidiaries on a separate return basis have been credited to the Financial Group by Greyhound. These benefits are included in the determination of the Financial Group's income taxes. Accordingly, consolidated companies' currently payable and deferred provisions for income taxes do not reflect a reduction for such amounts, and they are recorded as adjustments to Greyhound's current and deferred tax liability accounts.

In June 1982 Greyhound made a $35,000,000 capital contribution to a Financial Group subsidiary through Greyhound's assumption of, and agreement to pay on behalf of the subsidiary, $35,000,000 of its deferred U.S. federal income taxes. In 1984 Greyhound transferred $35,000,000 in exchange for reassumption of such deferred taxes by this subsidiary.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1984	1983	1982
		(000 omitted)	
Computed income taxes at statutory federal income tax rates	**$64,706**	$41,308	$45,902
Investment tax credits	**(4,357)**	(2,344)	(9,449)
Statutory rate differences and tax-exempt income	**(4,599)**	(2,800)	(1,321)
Minority interests	**2,356**	2,881	3,378
State income taxes	**1,014**	935	2,331
Adjustment or refund of prior years' taxes			(801)
Other, including foreign tax credits	**(743)**	(4)	(1,531)
Provision for income taxes	**$58,377**	$39,976	$38,509

United States and foreign income before income taxes is as follows:

	1984	1983	1982
		(000 omitted)	
United States	**$108,521**	$52,857	$63,426
Foreign	**32,144**	36,943	36,362
Income before income taxes	**$140,665**	$89,800	$99,788

Note H — Pension Plans and Other Benefits:
Greyhound and its subsidiaries have pension plans covering substantially all employees. All amounts presented exclude discontinued operations. The cost of pension plans was $30,992,000 in 1984, $51,380,000 in 1983 and $66,600,000 in 1982, including $455,000, $1,086,000, and $1,615,000, respectively, attributable to unconsolidated Financial Group subsidiaries.

The decrease in pension expense in 1984 compared to 1983 pertained primarily to contractual changes in the Transportation Services Group and principally is the result of required employee contributions ($11,043,000), and the effects of dedicating certain assets of jointly-administered plans to vested future benefits ($6,761,000).

The decrease in pension expense in 1983 compared to 1982 also generally pertained to the Transportation Services Group and principally resulted from a change in accounting methods ($6,551,000) and changes in assumed salary progression and investment returns ($6,051,000). These changes increased 1983 net income by $.14 per share.

There were no substantial changes in 1982 as compared to 1981.

At January 1, 1984 and 1983 (the dates of the most recent actuarial valuations) accumulated pension plan benefits and market value of plan net assets available for benefits for all plans were as follows:

	1984	1983
	(000 omitted)	
Actuarial present value of accumulated pension plan benefits:		
Vested	**$724,679**	$728,835
Nonvested	**73,406**	64,437
Total accumulated benefits	**$798,085**	$793,272
Market value of pension trust fund net assets	**$864,262**	$808,778
Accruals for pension liabilities	**885**	885
Total plan assets and accruals	**$865,147**	$809,663

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was nine percent.

The cost of medical and life insurance benefits for retirees was $1,506,000 for the year ended December 31, 1984. Greyhound also makes defined contributions to union sponsored trusts based on active employees. These trusts provide benefits to Greyhound retirees as well as active employees.

Note I — Lease Obligations:
Certain buses, bus terminals, plants, offices and equipment are leased. The leases expire in periods ranging from one to 48 years and some provide for renewal options ranging from one to 30 years. Also, certain leases contain purchase options. Leases which expire are generally renewed or replaced by similar leases.

In 1984 it was determined that a major lease of buses resulting from a sale-leaseback transaction in late 1982 was an operating lease, not a capital lease as it had been classified in prior-year financial statements. The statement of consolidated financial condition and the statement of changes in consolidated financial position have been retroactively restated to account for the lease as an operating lease. The prior-year effect on the consolidated income statement of $1,867,000 or $.04 per share has been included in the current year's consolidated income statement.

Capital leases included in the cost of property and equipment aggregated $95,597,000 and $86,195,000 at December 31, 1984 and 1983, respectively, with related accumulated depreciation of $31,301,000 and $23,434,000. The carrying amount of buses included in these amounts is $52,745,000 and $43,014,000 at December 31, 1984 and 1983, respectively, with related accumulated depreciation of $7,406,000 and $1,667,000, respectively.

The carrying amount of buses at December 31, 1984 and 1983 has been reduced by $20,995,000 and $19,924,000, respectively, which is the unamortized portion of proceeds in excess of the carrying amount of buses from various sale-leaseback transactions.

At December 31, 1984 future minimum payments under capital leases and noncancellable operating leases with terms in excess of one year are as follows:

	Capital Leases	Operating Leases
	(000 omitted)	
1985	$ 4,767	$ 38,552
1986	4,735	35,534
1987	4,608	31,361
1988	4,355	27,042
1989	4,338	24,745
Thereafter	61,004	89,683
Total future minimum lease payments	$ 83,807	$246,917
Less imputed interest	41,985	
Present value of future minimum capital lease payments	$ 41,822	

Additional information regarding operating lease rentals is as follows:

	1984	1983	1982
	(000 omitted)		
Minimum rentals	**$52,028**	$49,070	$41,691
Contingent rentals	**19,237**	19,229	19,916
Total rentals	**$71,265**	$68,299	$61,607

Contingent rentals on operating leases are based primarily on sales and revenues for buildings and leasehold improvements and usage for other equipment. Other capital lease contingent rentals and sublease rental income were not material in any year.

Note J — Extraordinary Items:
The Bus Regulatory Reform Act of 1982 (the "Act") provided for increased ease of entry to provide regular bus transportation route service and therefore eliminated the continuing value of U.S. bus operating rights which had been included in intangibles. The remaining carrying value of these operating rights was therefore written off in 1982 as a result of this legislation.

In 1983 Greyhound determined, as a result of the 1982 legislation, that it was entitled to deduct, for income tax purposes, the above amount and additional amounts previously written off for financial reporting purposes of approximately $24,000,000. These amounts were deducted in Greyhound's 1982 income tax return. The deductibility and the exact amounts of these items may be subject to challenge by the Internal Revenue Service upon examination. Management, after consultation with legal counsel, believes that it will prevail in its position. The tax benefit ($11,469,000 or $.24 per share) of these deductions has been recognized as an extraordinary item in 1983.

Gains on extinguishment of debt of $3,208,000 or $.07 per share after taxes of $2,732,000 have also been included in extraordinary items in 1983. Similar gains in 1984 of $3,422,000 or $.07 per share have been included in other income in 1984.

Note K — Litigation:
Travelers Express Company did not receive payments for money orders written by an agent in early 1983 totaling approximately $18,200,000. In addition to an initial recovery in 1984, Greyhound expects to receive approximately $6,500,000 in 1985 from the $10,000,000 of cash and assets under control of the trustees in bankruptcy. Additional collections through other legal proceedings are expected in due course and, as the result of recent discovery of further information, additional lawsuits are being prepared. Management believes, based on opinions of legal counsel, that the loss, if any, arising from this incident will not have a material effect on the financial position of Greyhound, principally because of insurance coverage.

Greyhound and certain subsidiaries are parties to various actions, proceedings and pending claims including those arising from sales by Armour and Company of assets in 1983 resulting in termination of employment for many salaried and hourly paid workers.

Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve or may involve compensatory, punitive or other damages in substantial amounts. Litigation is subject to many uncertainties and it is reasonably possible that some of the legal actions, proceedings or claims referred to above could be decided against Greyhound. Although the amount of liability at December 31, 1984 with respect to these matters could not be ascertained, Greyhound believes that any resulting liability should not materially affect Greyhound's financial position.

Note L — Other Matters:
During 1983 changes were made in estimated salvage values and useful lives of certain buses and other property. The effect of these changes was to increase 1983 net income by $6,806,000 or $.15 per share.

Summarized unaudited financial information of ConAgra (giving effect to its acquisition of Armour Food Company assets in 1983) and of other affiliates is as follows:

Summarized Financial Condition:

	ConAgra		Other Affiliates	
	1984	1983	**1984**	1983
		(Pro Forma) (000 omitted)		
Financial Condition:				
Assets:				
Receivables	**$ 464,287**	$ 403,134	**$37,085**	$35,603
Inventory	**811,702**	691,490	**1,786**	3,106
Investments	**50,910**	34,307	**695**	3,645
Property and equipment	**348,826**	340,092	**29,908**	34,630
Other	**94,499**	61,589	**12,720**	11,530
	$1,770,224	$1,530,612	**$82,194**	$88,514
Liabilities:				
Current liabilities	**$1,029,379**	$ 831,925	**$23,943**	$26,774
Long-term debt	**241,558**	279,271	**6,867**	5,421
Other liabilities	**32,354**	9,407	**4,273**	3,505
Stockholders' equity	**466,933**	410,009	**47,111**	52,814
	$1,770,224	$1,530,612	**$82,194**	$88,514

The carrying amounts of the investment in ConAgra at December 31, 1984 and 1983 were $99,283,000 and $92,000,000, respectively, including unamortized goodwill of $31,496,000 and $32,296,000.

Greyhound's carrying amount of investments in other affiliates was $20,137,000 and $18,893,000 at December 31, 1984 and 1983, respectively.

Income Summary:

	ConAgra	Other Affiliates		
	1984	**1984**	1983	1982
		(000 omitted)		
Revenues	**$4,787,839**	**$101,681**	$127,258	$137,343
Cost and expenses:				
Cost of sales and operating expenses	**4,625,681**	**77,457**	92,987	101,012
Other	**39,847**	**1,093**	5,141	6,292
Income before income taxes	**122,311**	**23,131**	29,130	30,039
Outside stockholders' equity in net income	**68,874**	**12,782**	16,679	16,892
Greyhound equity in net income	**8,983**	**4,574**	6,543	6,734
Transportation Services		**2,578**	2,730	2,996
Services and Food Service		**1,996**	3,813	3,738
		$ 4,574	$ 6,543	$ 6,734

Greyhound's equity in net income is after applicable provisions for amortization of intangibles and for income taxes.

Of the amounts above, all of Services and Food Service net income, and $1,841,000 in 1984, $1,510,000 in 1983 and $1,483,000 in 1982 of Transportation Services net income was from foreign operations.

Condensed Quarterly Results

(000 omitted)
(Unaudited)[1]

	First Quarter **1984**	1983	Second Quarter **1984**	1983	Third Quarter **1984**	1983	Fourth Quarter **1984**	1983
Consolidated Sales and Revenues	**$503,940**	$538,208	**$583,016**	$594,516	**$587,218**	$608,594	**$545,060**	$442,689
Consolidated Operating Income (Loss)	**15,061**	20,653	**42,344**	49,743	**65,289**	67,515	**51,418**	(13,316)
Net Income of Financial Group	**6,782**	8,682	**10,507**	6,188	**10,052**	3,249	**6,415**	2,342
Equity in Net Income of ConAgra	**1,526**		**2,141**		**2,244**		**3,072**	
Income (Loss) from Continuing Operations	**12,094**	15,752	**34,129**	26,544	**42,231**	36,968	**36,573**	(8,979)
Discontinued Operations		(65)		285		(809)		21,126[2]
Extraordinary Items[3]				2,445		169		12,063
Consolidated Net Income	**$ 12,094**	$ 15,687	**$ 34,129**	$ 29,274	**$ 42,231**	$ 36,328	**$ 36,573**	$ 24,210
Income (Loss) Per Share:								
Common and equivalents:								
Income from continuing operations	**24¢**	35¢	**70¢**	57¢	**87¢**	77¢	**75¢**	(22)¢
Discontinued operations						(02)		46
Extraordinary items				05		01		25
Net income	**24¢**	35¢	**70¢**	62¢	**87¢**	76¢	**75¢**	49¢
Assuming full dilution:								
Income from continuing operations	**24¢**	33¢	**68¢**	56¢	**86¢**	75¢	**74¢**	(21)¢
Discontinued operations						(01)		43
Extraordinary items				05				25
Net income	**24¢**	33¢	**68¢**	61¢	**86¢**	74¢	**74¢**	47¢
As Previously Reported								
Consolidated Sales and Revenues	**$493,441**	$529,234	**$570,446**	$585,084	**$574,894**	$599,111		$432,232
Consolidated Operating Income (Loss)	**13,447**	20,042	**40,088**	48,752	**63,296**	66,838		(12,583)
Net Income of Financial Group	**9,384**	10,555	**13,462**	8,236	**13,217**	5,406		3,978

(1) Restated for the change in consolidation policy described in Note A to the consolidated financial statements.

(2) Principally net gain on disposal in fourth quarter of 1983.

(3) Tax benefits of $11,469,000 or 24 cents per share from deduction for tax purposes of U.S. bus operating rights previously written off and gain on extinguishment of debt of $3,208,000 or 7 cents per share in 1983.

Summary of Combined Financial Condition
(000 omitted)

ASSETS	December 31, 1984	1983
INVESTMENTS IN EARNING ASSETS:		
Direct finance lease and contract receivables, net of unearned income of $975,001 and $770,992	**$2,090,112**	$1,672,371
Operating lease equipment, net	**275,277**	189,186
Bonds and other fixed maturity investments, at amortized cost (market $254,275 and $211,071)	**276,976**	231,949
Equity securities, at quoted market	**41,622**	42,698
Short-term investments	**80,468**	98,141
Investments in Earning Assets	**2,764,455**	2,234,345
Cash	**25,959**	22,479
Other receivables	**78,084**	74,294
Tax benefits due from Greyhound	**18,916**	6,741
Deferred policy acquisition costs	**21,839**	19,003
Intangibles, at cost less amortization	**35,997**	37,488
Other assets	**133,056**	84,931
	$3,078,306	$2,479,281

LIABILITIES AND GREYHOUND EQUITY		
LIABILITIES:		
Long-term debt, including subordinated debt of $101,428 and $120,020	**$1,631,568**	$1,288,394
Commercial paper and short-term bank loans	**218,483**	120,246
Unearned premiums	**82,049**	62,079
Insurance losses and claims (Note 7)	**98,741**	93,742
Due to Greyhound, including $20,325 ($10,325 in 1983) subordinated long-term debt due in 1986-87	**66,236**	46,072
Other short-term liabilities	**180,554**	160,699
	2,277,631	1,771,232
DEFERRED TAX ITEMS	**291,127**	261,583
MINORITY INTERESTS	**2,090**	18,850
GREYHOUND EQUITY:		
Capital	**357,329**	278,630
Retained income	**157,301**	153,568
Net unrealized investment gains	**919**	1,360
Cumulative translation adjustments	**(8,091)**	(5,942)
	507,458	427,616
	$3,078,306	$2,479,281

See notes to summary combined statements.

Summary of Combined Income
(000 omitted)

	Year Ended December 31, 1984	1983	1982
REVENUES:			
Leasing and Financial:			
Finance lease and other income	**$246,063**	$204,846	$234,157
Operating lease rentals	**121,217**	97,847	87,096
Gain on disposals of equipment	**8,869**	5,437	2,984
Insurance:			
Premiums earned	**134,233**	110,652	84,906
Investment income, net of expenses	**27,101**	25,655	26,318
	537,483	444,437	435,461
OPERATING COSTS:			
Leasing and Financial:			
Interest	**190,580**	157,521	156,417
Depreciation	**82,343**	65,624	53,452
Other	**73,111**	75,061	73,596
Insurance:			
Losses and settlement expenses	**95,210**	85,160	63,700
Amortization of policy acquisition costs	**46,599**	39,636	39,197
Other	**16,191**	12,904	3,345
	504,034	435,906	389,707
OPERATING INCOME	**33,449**	8,531	45,754
Net realized investment gains	**3,038**	1,700	6
Minority interests and other, net	**(441)**	(459)	(78)
INCOME BEFORE INCOME TAXES	**36,046**	9,772	45,682
Income taxes (credit)	**2,290**	(10,689)	5,371
NET INCOME:			
Leasing and financial	**18,719**	12,880	31,088
Insurance	**15,220**	8,057	9,832
Minority interests	**(183)**	(476)	(609)
TOTAL FINANCIAL GROUP	**$ 33,756**	$ 20,461	$ 40,311

See notes to summary combined statements.

Summary of Changes in Combined Financial Position
(000 omitted)

	Year Ended December 31, 1984	1983	1982
SOURCE OF FUNDS:			
From operations	**$ 178,906**	$107,583	$128,649
Collections on finance receivables, less income amortization	**263,414**	228,131	220,675
Carrying amount of equipment sold	**26,766**	33,662	18,705
Total from operations, collections and equipment disposals	**469,086**	369,376	368,029
Additional long-term debt	**654,917**	219,253	265,080
Increase in commercial paper and short-term bank loans	**53,522**	2,884	25,468
Additional investment by Greyhound	**43,699**	30,413	10,529
Transfer of deferred income taxes from Greyhound	**35,000**		
Other transactions with Greyhound, net	**20,757**	4,437	19,773
Other sources of funds	**52,415**	80,060	34,442
	1,329,396	706,423	723,321
USE OF FUNDS:			
Investments in earning assets:			
Finance leases and contract receivables	**684,515**	441,312	408,462
Operating lease equipment	**188,739**	84,252	85,937
Fixed maturity and equity securities, net	**42,366**	81,742	11,545
Total investments, net	**915,620**	607,306	505,944
Reductions of long-term debt	**243,245**	79,847	133,517
Dividends paid to Greyhound	**30,022**	15,473	19,048
Earning assets acquired from Greyhound, net	**41,884**		
Other uses of funds	**95,145**	21,087	47,663
	1,325,916	723,713	706,172
INCREASE (DECREASE) IN CASH	**$ 3,480**	$ (17,290)	$ 17,149

See notes to summary combined statements.

Summary of Combined Greyhound Equity
(000 omitted)

	1984	1983	1982
Balance, beginning of year	**$427,616**	$391,234	$364,797
Net income	**33,756**	20,461	40,311
Dividends to Greyhound	**(30,022)**	(15,473)	(19,048)
Additional investment by Greyhound	**43,699**	30,413	10,529
Transfer of deferred income taxes from Greyhound	**35,000**		
Net change in unrealized gains and (losses) on marketable equity securities	**(441)**	1,110	528
Unrealized translation adjustments	**(2,149)**	(81)	(5,861)
Other	**(1)**	(48)	(22)
Balance, end of year	**$507,458**	$427,616	$391,234

See notes to summary combined statements.

Notes to Summary Combined Statements

Three Years Ended December 31, 1984

Note 1 — Summary of Significant Accounting Policies:
The accompanying financial information for the Financial Group is prepared on the Greyhound cost basis, which is the basis for recording investments in and net income of Financial Group subsidiaries in Greyhound's consolidated financial statements. This combined information has been prepared in accordance with generally accepted accounting principles. Prior-year financial information has been restated to eliminate Travelers Express Company, Inc. which is now included as a consolidated subsidiary in the Greyhound financial statements.

Intangibles are amortized primarily over forty years.

Leasing and Financial Subsidiaries:

Operating lease equipment, principally computer and related equipment, is depreciated on the sum-of-the-years-digits method over 6 to 8 years and for additions prior to 1982 on the declining balance method at annual rates ranging from 20 percent to 30 percent.

Investment tax credits arising from direct financing leases are deferred and amortized to revenues over the original terms of related leases on the sum-of-the-digits methods. Investment tax credits pertaining to operating lease equipment are deferred and amortized to revenue on a basis similar to the depreciation methods.

Prior-year financial information has been reclassified to recognize all amortization of investment tax credit as revenue. Previously a portion of investment tax credit amortization was recognized as a reduction of tax expense.

Insurance Subsidiaries:

Premiums earned are calculated generally on the straight-line basis over the periods of coverage.

Costs associated with the acquisition of insurance business are deferred and amortized over the term of the policies in the same manner as premiums earned are calculated. The deferral of costs is generally limited to one year for mortgage insurance.

Provisions for losses under mortgage insurance contracts are principally determined by a formula based upon reported delinquencies and management's estimate of other factors. Provisions for losses applicable to other insurance operations are determined on the basis of management's estimate of the anticipated ultimate loss ratio.

Bonds and other fixed maturity investments are carried at amortized cost, unless there is deemed to be a permanent diminution in value, in which case the loss is recorded in net realized investment gains (losses). Equity securities are carried at quoted market and changes in valuation allowances are recorded in Greyhound equity.

Note 2 — Direct Finance Lease and Contract Receivables:
The portfolio of a U.S. leasing and financial subsidiary at year-end includes the following nonaccruing accounts:

	1984	1983
	(000 omitted)	
Delinquent accounts and contracts which management has placed in a nonaccrual status	**$ 52,049**	$ 65,881
Repossessed domestic equipment	**35,541**	40,018
Nonaccruing amounts advanced in Mexico	**31,905**	41,147
	$119,495	$147,046

The subsidiary also had contracts of $10,000,000 and $16,000,000 at December 31, 1984 and 1983, respectively, classified as contracts restructured (including rate) for credit reasons. Had these and the above contracts been current in accordance with their original terms revenue would have been increased by $19,000,000 in 1984, $22,000,000 in 1983 and for similar contracts and equipment $14,000,000 in 1982.

At December 31, 1984 the portfolio of this subsidiary also included amounts advanced in Brazil ($51,000,000) and Ecuador ($21,000,000). All amounts originally advanced are U.S. dollar contracts. Scheduled principal repayments from Brazil of $3,600,000 and Ecuador of $500,000 were restructured in 1984. Generally, terms were extended and slight reductions in interest rates were experienced. Additional advances of $4,800,000 were made in connection with the restructurings.

A Financial Group foreign leasing and financial subsidiary has a concentration of secured loans in the shipping industry totaling $153,980,000. Increases in delinquencies and contracts rewritten have occurred due to the continued worldwide shipping recession. At December 31, 1984, this portfolio had delinquent contracts totaling approximately $37,300,000, compared with $21,400,000 in 1983 and contracts on which moratoria were granted (primarily reduced payments or extended terms on originally scheduled principal payments) aggregating approximately $39,000,000, compared with $30,400,000 in 1983. Income not recognized on such contracts totaled $5,379,000 in 1984, $3,700,000 in 1983 and $2,200,000 in 1982.

At December 31, 1984 and 1983 the allowance for losses for the above described Financial Group subsidiaries was $42,100,000 and $41,400,000, respectively. Management, after careful analysis of all of the foregoing and estimates of underlying collateral values, is of the opinion that the above allowance is adequate to provide for possible losses in the portfolio.

Finance lease and contract receivables due in the next five years for all Financial Group leasing subsidiaries will approximate $515,424,000 (1985), $467,654,000 (1986), $400,703,000 (1987), $341,234,000 (1988) and $276,307,000 (1989). Estimated residual value of equipment included in finance lease and contract receivables was $182,407,000 and $156,902,000 at December 31, 1984 and 1983, respectively.

Note 3 — Operating Lease Equipment:

At December 31, 1984 and 1983 the cost or stated amounts and carrying amounts by type of equipment are as follows:

Type of Equipment	Carrying Amount 1984	Carrying Amount 1983	Cost or Stated Amount 1984	Cost or Stated Amount 1983
	(000 omitted)			
IBM	**$261,963**	$168,054	**$428,965**	$303,759
Other	**13,314**	21,132	**39,524**	41,343
	$275,277	$189,186	**$468,489**	$345,102

Noncancellable rentals due under operating leases were approximately $223,785,000 at December 31, 1984. These amounts are due $120,940,000 (1985), $70,128,000 (1986) and $32,717,000 thereafter.

Note 4 — Long-term Debt:

Long-term debt, substantially all applicable to leasing and financial operations, was as follows at year-end:

	1984	1983
	(000 omitted)	
Senior debt:		
Revolving credit loans	**$ 221,050**	$ 216,189
Term loans, 4½% to 15.38%, due to 1989	**340,310**	290,162
Bank loans and commercial paper supported by unused revolving credit, or refinanced subsequent to year-end	**308,498**	154,718
9.70% Notes, due 1984		60,000
13⅝% Notes, due 1994	**75,000**	
14⅞% Notes, due 1991	**75,000**	75,000
16⅛% Notes, due 1992	**100,000**	100,000
Medium-term notes, due 1986 to 1991, 13.15% to 14.20%	**75,000**	
Sinking fund debentures:		
12½%, due 1991 to 2000	**99,418**	99,380
9¼%, due 1987 to 1992	**26,117**	37,820
Limited and nonrecourse installment notes, 9⅞% to 18½%, due to 1991	**50,328**	55,243
Other, 6% to 14⅝%, due to 2002	**159,419**	79,863
Subordinated debt:		
Commercial paper supported by unused subordinated revolving credit		70,000
Other, 4¾% to 17%, due to 1997	**101,428**	50,020
Total long-term debt	**$1,631,568**	$1,288,395

Revolving credit loans are borrowed under credit agreements aggregating $569,091,000 with an average interest rate at December 31, 1984 of 10.2 percent. The agreements generally require payment of a fee on the unused commitments and are renewable annually. However, if loans with any or all participating banks are not renewed, the subsidiaries may, at their option, repay the non-renewing banks' participation immediately or over thirty-month to eight-year periods following the date of termination. So long as the agreements are renewed and the subsidiaries comply with specified tests of financial condition, no repayments of principal are required, and generally additional advances may be obtained up to the amount of the unused credit.

Compensating balances under certain of the revolving credit agreements averaged $2,686,000 in 1984, of which $1,696,000 was provided by Greyhound. The Financial Group paid interest to Greyhound for the use of these funds. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

Annual maturities of long-term debt (other than amounts due under revolving credit agreements expected to be renewed) due in the next five years will approximate $101,813,000 (1985), $163,516,000 (1986), $158,046,000 (1987), $112,289,000 (1988) and $68,764,000 (1989).

Note 5 — Income Taxes:

The provision for income taxes for the three years ended December 31, 1984 consists of the following:

	1984	1983	1982
	(000 omitted)		
United States:			
Federal:			
Currently payable	**$ 5,903**	$ 6,371	$ 1,946
Benefits from inclusion in Greyhound's consolidated tax return	**(22,722)**	(23,516)	(23,403)
Deferred, principally as a result of leasing and financial operations	**15,411**	3,529	24,779
State	**692**	284	5
Foreign	**3,006**	2,643	2,044
Provision for income taxes	**$ 2,290**	$(10,689)	$ 5,371

Investment tax credits of $20,670,000 arising in 1984, $2,975,000 in 1983 and $8,944,000 in 1982 from leasing operations have been deferred. Amortization of deferred investment tax credits included in revenues was $11,988,000 in 1984, $10,949,000 in 1983 and $12,696,000 in 1982.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1984	1983	1982
	(000 omitted)		
Computed income taxes at statutory federal income tax rates	**$ 16,581**	$ 4,495	$21,014
Effects of investment tax credits in lease revenues	**(5,514)**	(5,037)	(5,841)
Statutory rate differences and tax exempt income	**(10,342)**	(11,812)	(10,333)
Minority interests	**84**	219	280
Other, principally state and foreign tax differences	**1,481**	1,446	251
Provision for income taxes	**$ 2,290**	$(10,689)	$ 5,371

United States and foreign income before income taxes is as follows:

	1984	1983	1982
	(000 omitted)		
United States	**$33,345**	$ 8,214	$42,258
Foreign	**2,701**	1,559	3,424
Income before income taxes	**$36,046**	$ 9,773	$45,682

Deferred tax items include $36,371,000 and $27,860,000 at December 31, 1984 and 1983, respectively, of deferred investment tax credits of leasing operations.

Note 6 — Relations with Greyhound:
The executive, financial, legal, tax, insurance and other corporate staff departments of Greyhound perform services for the Financial Group, and in some cases Greyhound also furnishes office space, data processing and office services at charges which are intended to provide no profit to Greyhound. The Financial Group domestic subsidiaries have compensating balance arrangements with Greyhound. In addition, the Financial Group subsidiaries have net advances due to or from Greyhound depending upon cash requirements of the entities. Net interest paid to Greyhound was $6,754,000 in 1984, $3,909,000 in 1983 and $4,136,000 in 1982.

A Financial Group subsidiary provides financing for certain installment sales of new buses produced by the Transportation Manufacturing Group, including certain buses leased by the Transportation Services Group. The financial statements of the Financial Group include receivables of $74,040,000 and $32,118,000 at December 31, 1984 and 1983, respectively, applicable to such transactions including $47,963,000 and $10,681,000, respectively, applicable to buses leased under operating leases by the Transportation Services Group. See Note G to consolidated financial statements for information regarding U.S. federal income tax matters.

Note 7 — Other Matters:
Other operating costs-leasing and financial include $1,996,000 representing provisions for losses on dispositions of affiliates in 1984.

In 1982, premiums earned and losses and settlement expenses were reduced by $25,400,000 and $42,000,000, respectively, as a result of a reinsurance contract entered into in that year.

The property and casualty insurance subsidiaries have ceded insurance to other insurance companies in order to limit their maximum loss through risk diversification. Certain insurance accounts, primarily premiums earned, losses and settlement expenses and the liability for insurance losses and claims of the special risk and reinsurance business, are stated net of amounts ceded under reinsurance policies. Insurance ceded by the subsidiaries does not relieve liability in the event of a failure by a reinsurance company to pay claims. Premiums ceded during 1984, 1983 and 1982 were $32,145,000, $50,009,000 and $71,262,000 respectively, and net contingent liability for insurance ceded was $58,487,000 at December 31, 1984.

Financial Reporting and Changing Prices

Statement No. 33 of the Financial Accounting Standards Board as amended requires the reporting of supplemental information about the effects of specific price changes (current costs) on financial statements.

Greyhound cautions against the use of this information for estimating the inflationary effect on future costs. As required, the 1984 amounts reported in the primary financial statements have been adjusted only for depreciation expense and the inventory components of costs in arriving at income from continuing operations as adjusted. Amounts for prior years presented have been similarly adjusted and are further restated in average 1984 dollars. Income from continuing operations amounts as adjusted each year are exclusive of any income tax provision adjustments.

The Standards Board expressed a need for experimentation in reporting the effects of changing prices and mandated only general guidelines. Therefore, this data may not be comparable with that of other companies. The information which follows provides the required disclosure of the effects of inflation on Greyhound's operations, certain assets and its purchasing power.

Current Cost Information:

The objective of this method is to reflect the effects of changes in specific prices of the resources actually used in Greyhound's operations, so that measures of these resources and their consumption reflect the current cost of replacing these resources, rather than the historical cost amounts actually expended to acquire them.

This method of reporting restates inventories and property and equipment in terms of what it would cost Greyhound to replace these items in specific current year costs. Accordingly, cost of sales was calculated on the basis of current production or acquisition costs, other than for products on a LIFO inventory valuation basis because use of such basis approximates current costs. Property and equipment and depreciation were restated utilizing various appropriate external price indices.

Effects of Changing Prices—1984 (000 omitted)

	Changes in Specific Prices (Current Costs)
Income from continuing operations, as reported	$125,027
Less adjustments to restate costs for the effects of inflation on:	
Cost of revenue items	(2,571)
Depreciation	(33,441)
Income from continuing operations, as adjusted	$ 89,015
Purchasing power gain on net monetary amounts owed (not included in adjusted income above)	$14,587
Increase in specific prices (current cost) of inventories and property and equipment(1)	$ 5,971
Effect of increase in the general price level (general inflation)	45,342
Increase in specific prices under increase in general price level during 1984	$ (39,371)

(1) At December 31, 1984, current cost of inventories was $159 million and current cost of property and equipment, net of accumulated depreciation, was $1,018 million.

Selected Financial Data Adjusted for the Effects of General Inflation — Stated in Average 1984 Dollars

	1984	1983	1982	1981	1980
	(in millions except per share and price index data)				
Sales and Revenues	**$2,219.2**	$2,277.9	$2,483.1	$2,714.1	$2,856.4
Dividends per common share	**1.20**	1.25	1.29	1.37	1.51
Year-end market price per share	**23.93**	26.01	18.37	17.14	16.71
Current cost information:					
Income from continuing operations	**89.0**	46.3	70.2	107.5	122.1
Income per share from continuing operations	**1.84**	.80	1.16	2.14	2.70
Net assets at year-end	**1,605.0**	1,692.5	1,687.3	1,778.0	1,707.7
Increase (decrease) in specific prices of inventories and property and equipment, net of inflation	**(39.4)**	(36.3)	(4.4)	51.0	(62.6)
Purchasing power gain on net monetary amounts owed	**14.6**	22.2	24.6	63.7	99.6
Average consumer price index	**311.1**	298.4	289.1	272.4	246.8

Transfer Agents*

Common Stock certificates may be mailed to the following address for transfer:

First National Bank of Boston
P.O. Box 644
Boston, Massachusetts 02102

Common Stock certificates may be delivered to the following offices for transfer:

First National Bank of Boston
Stock Transfer Department
100 Federal Street
Boston, Massachusetts

First National Boston
Clearance Corporation
61 Broadway
7th Floor
New York, New York

FNB Financial Company
1 Wilshire Boulevard
8th Floor
Los Angeles, California

**Change of address and inquiries regarding dividend payments or related to common stock accounts should be sent directly to:*
The Greyhound Corporation
Shareholder Services Department
Greyhound Tower
Phoenix, Arizona 85077

Stock Exchanges

The principal market on which the common stock of The Greyhound Corporation is traded is the New York Stock Exchange. It also is traded on the Pacific, Midwest, Philadelphia and Cincinnati exchanges.

Sales Price Range of Common Stock

	1984		1983	
Calendar Quarters:	High	Low	High	Low
First	26¼	21⅞	25⅜	17⅛
Second	25¼	19¾	28	21¾
Third	24⅛	18⅝	26⅞	20¾
Fourth	24⅞	21⅞	27	21⅛

Dividends Paid on Common Stock

	1984	1983
January	$ .30	$ .30
April	.30	.30
July	.30	.30
October	.30	.30
	$1.20	$1.20

Corporate Headquarters

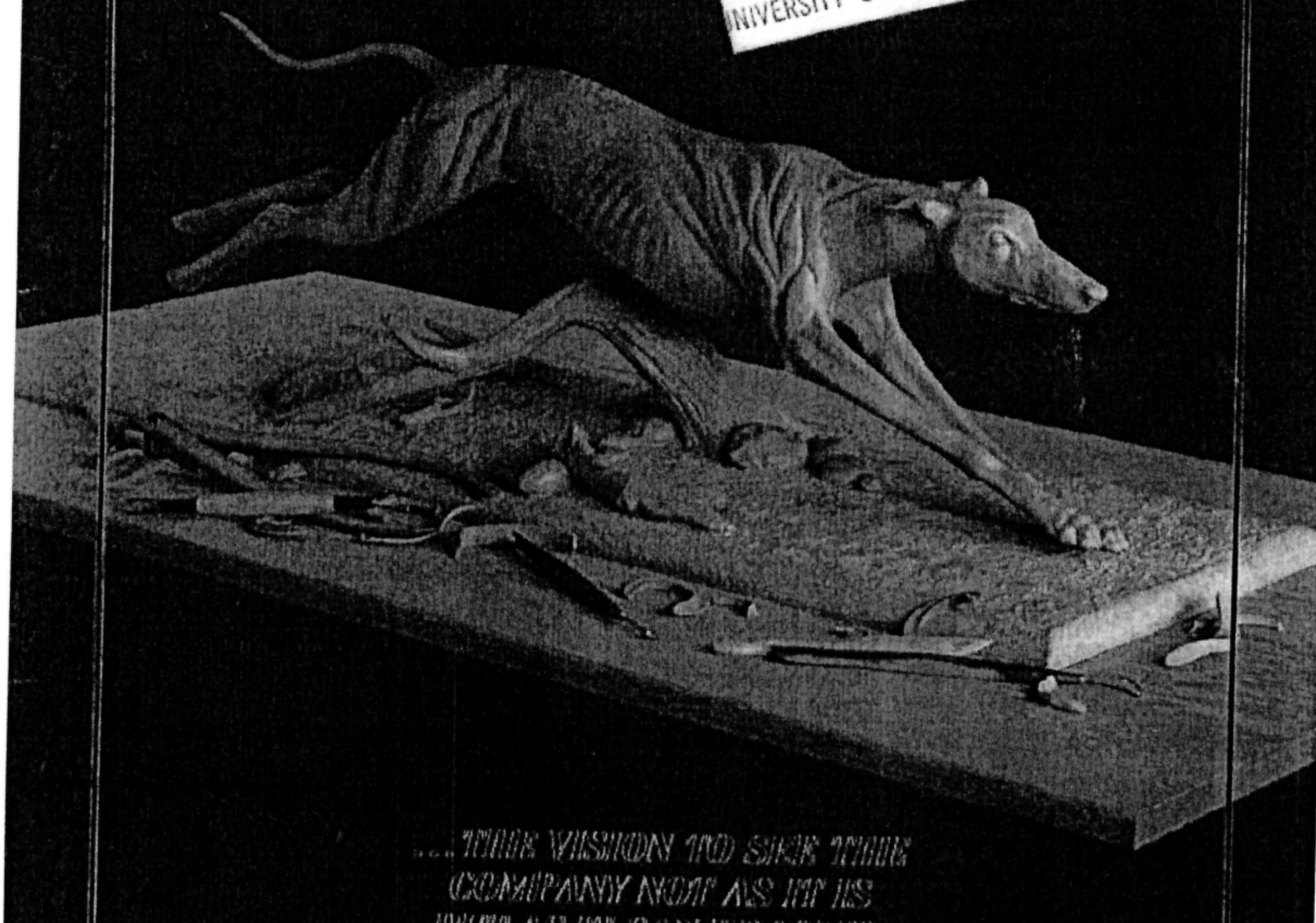
The Greyhound Corporation
Greyhound Tower
Phoenix, Arizona 85077
(602) 248-4000

Annual Meeting

You are cordially invited to attend the annual meeting of shareholders to be held May 14, 1985, starting at 9:00 a.m., in the Grand Ballroom at The Arizona Biltmore 24th Street and Missouri Phoenix, Arizona

Exhibit F

The Greyhound Corporation 1985 Annual Report



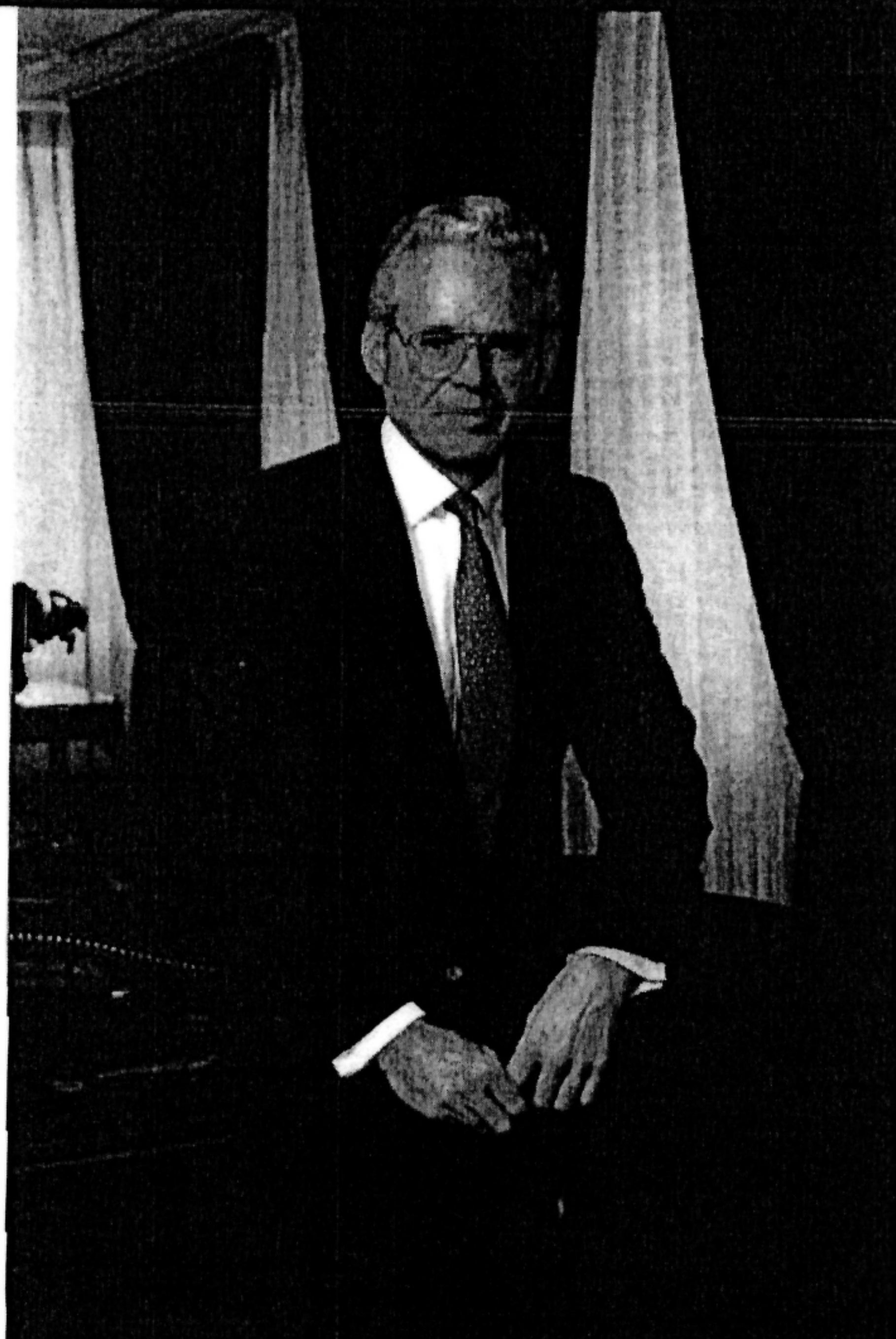
...THE VISION TO SEE THE
COMPANY NOT AS IT IS
BUT AS IT CAN BECOME.

Contents

Financial Briefs

	1985	1984	1983	1982	1981
REVENUES (millions):					
Greyhound and consolidated subsidiaries	**$2,621**	$2,219	$2,184	$2,308	$2,377
Financial Group (not consolidated)	**657**	538	444	435	415
Combined	**$3,278**	$2,757	$2,628	$2,743	$2,792
INCOME (millions):					
Exclusive of unusual and extraordinary items:					
Greyhound and consolidated subsidiaries	**$ 92.4**	$ 82.3	$ 49.8	$ 61.3	$ 68.3
Financial Group	**35.3**	33.7	20.5	40.3	53.6
Equity in net income of ConAgra	**11.9**	9.0			
Discontinued operations—principally net gain on disposal in 1983			20.5	4.6	7.5
Combined income, exclusive of unusual and extraordinary items	**139.6**	125.0	90.8	106.2	129.4
Unusual items—$(.41) and $.18 per share	**(19.5)**				8.1
Extraordinary items—$.31 and $(.07) per share			14.7	(3.1)	
NET INCOME (millions)	**$120.1**	$125.0	$105.5	$103.1	$137.5
NET INCOME PER SHARE (dollars)	**$2.48**	$2.56	$2.22	$2.34	$3.05
Average outstanding common and equivalent shares (millions)	**47.9**	48.4	47.0	44.0	45.1

Message From Your Management



JOHN W. TEETS

Fellow Shareholders:

I am pleased to report that 1985 was a very successful year for The Greyhound Corporation... a year of significant achievement on a number of fronts, even though some unexpected setbacks intervened to keep us from the record net results we were seeking.

Net income for the corporation was $120.1 million, or $2.48 per share, compared with $125 million, or $2.56 per share for the prior year. And exclusive of an unusual item, which will be discussed later, income did set new records: $139.6 million, or $2.89 per share, an increase of 12% from 1984.

One of our major goals was to continue our program of enhancing shareholder value. Along these lines, we repurchased over 1.8 million shares of our stock in 1985.

In August, the board of directors voted to increase the quarterly dividend on common stock to an annual rate of $1.32 from $1.20.

We also made progress toward our goal of a minimum 15% return on common shareholders' equity for the overall company and its subsidiaries. Exclusive of the unusual item, return on equity for 1985 rose to 12% from 11.2% the prior year. In addition, our investment in ConAgra stock appreciated further, to a year-end stock price of $42.50 per share. This raised unrecognized market appreciation to $107 million (pre-tax) above the recorded carrying value of our 5.1 million ConAgra shares, an increase of $67 million in 1985.

Reflecting these achievements was the strong performance of our stock in 1985, which was up 33.5% compared to a rise of 26% for the New York Stock Exchange Index.

On an operating basis, a number of developments occurred which point to even better years ahead for the corporation.

Among these is our ongoing program to remake Greyhound Lines. I use the word "remake" deliberately, as opposed to "reorganize."

The intercity bus system we operate today was built for a time, back in the early Seventies, when we carried 63 million passengers a year. Today, by contrast, we carry 33 million riders annually.

Our task—one on which we made excellent progress in 1985—is to remake Greyhound Lines, shrinking it to fit *today's* profile of a bus company. A company, in short, whose employee count, parity of wage rates, fares, fleet size and physical plant are appropriate to the marketplace. The improvement in Transportation Group results reported on page 12 comes, then, not from improved business, but from those belt-tightening actions we implemented in 1985 and which will continue into 1986, to assure that the resultant Greyhound Lines is a lean, competitive, profitable company, capable of functioning in today's real-world transportation climate.

Among the operations reporting a record year in 1985 was the Consumer Products Group. In March, we purchased the Consumer Products Division of Purex Industries for $264 million, combining it with our own Armour-Dial subsidiary. This has been a very exciting merger. Purex made a strong contribution to 1985 results, and Dial on its own had a 14% gain in net income. Together, these two entities are a formidable competitor, thanks to a high degree of compatibility in product lines, sales forces and distribution channels.

Reflecting the successful merging of the two, Armour-Dial changed its name to The Dial Corporation, effective January 1, 1986.

For the Transportation Manufacturing Group, 1985 was a year of major developments, including introduction of the new 102-inch, wide-body coach, long awaited by the intercity bus industry.

The effects of deregulation are still being felt in our bus-building operation, however, and our customers continue to be cautious about committing to major capital spending for fleet expansion. We saw some improvement in this situation in the fourth quarter with the introduction of the 102-inch bus.

In the meantime, the bus-building group is diversifying its activities. In 1985, it contracted to begin production, on a pilot basis, of a robot-controlled vehicle for hauling new cars to auto dealers. This flexibility and stretching of abilities is being encouraged within the Group.

As previously mentioned, in 1985 we encountered a major unanticipated setback which seriously affected Financial Group results. Greyhound Leasing & Financial Corporation, despite its stringent controls and its 20 years' experience in a broad range of financial agreements, was the victim of a very sophisticated and complex fraud.

In August of 1985, GL&FC launched an investigation of a series of lease financing transactions with a customer, Player & Willyard Partnership and its affiliates. This investigation revealed the extent of the fraud and legal action was immediately initiated. Approximately $45 million in cash, real estate and other assets has been recovered as a result of those actions, and recovery of the balance is being vigorously pursued, along with prosecution of the individuals involved.

However, due to uncertainties surrounding further recoveries, GL&FC established a special provision for losses of $19.5 million, or 41 cents per share (after-tax) in the third quarter.

Within the Financial Group, Greyhound Capital Corporation had record operating income in 1985 and, before the previously mentioned unusual item, Greyhound Leasing results were up slightly for the year.

The major challenge facing the corporation in 1986 is that of effecting a turnaround at Verex, our mortgage-insurance operation. While profitable in 1985, the bulk of Verex' earnings came from gains on its investment portfolio rather than from underwriting. Significant changes in the structure of the home mortgage business and in mortgage loan instruments have taken place in recent years. In addition, deflating home values in many parts of the country have led to a higher incidence of defaults and subsequent foreclosures. As a result, Verex, as a major insurer, is experiencing higher claims losses. To offset this, and assure an income level appropriate to this higher risk, Verex is significantly increasing premiums on new policies written.

The management of Verex is making other structural changes as well, involving further control of overhead and even more selective underwriting standards, all designed to assure acceptable operating results in 1986 and thereafter.

The Services/Foodservice Group made a good contribution to corporate profitability in 1985, despite the completion of major contracts in the Mideast by our Support Services Group. To compensate for the wind-down of these contracts, GSSI is expanding into new fields with the recent acquisition of Commercial Building Maintenance, a very successful California-based company purchased late in 1985.

Travelers Express turned in another record performance in 1985, their ninth consecutive year of record earnings. Travelers delivered an impressive 39% ROE and continues to be one of our best-managed and best-performing subsidiaries.

We are frequently asked by analysts what we are doing in the acquisition area. Because of our successful experience with Purex, interest is understandably high as to where we will turn our attention next. The fact is, however, that while we continue to investigate several potential acquisitions every month, price/earnings multiples are excessively high right now, and nothing we have seen is, in our opinion, an attractive buy in the best long-range interests of our shareholders.

As an overall concept, however, we see our acquisition growth as occurring in the services and consumer products sectors and we continue to be alert to opportunities in those areas.

The outlook for 1986 is very positive, and if we continue on our present course of prudent asset management and lean operations, we have a good shot at exceeding 1985 results. What has been accomplished to date in renewing Greyhound has been done with prudence and deliberation, making sure we were on sound ground before proceeding. We continue to call this strategy "growth by design." Looking back over the past three years...seeing where we are compared to where we were... is the best and most accurate yardstick of our progress, and is why we have no hesitation about saying that Greyhound is on an exciting growth trend.

John W. Teets
Chairman of the Board and
Chief Executive Officer

Consumer Products

The Consumer Products Group reported its sixth consecutive year of record earnings in 1985, with net income up 54% to $41.4 million from $26.9 million the prior year.

Results were enhanced, of course, by the acquisition in March of the Consumer Products Division of Purex Industries, which contributed $10.8 million to Group net income. Even exclusive of this contribution, however, net income of Dial was up 14%.

Reflecting the successful merger of these two entities...Dial and Purex...the former Armour-Dial, Inc. underwent a name change at the beginning of 1986 and is today The Dial Corporation.

In the soap area, both Dial and Tone improved their share of market in 1985. Dial continues to be the leading deodorant soap in the country, found in over one-third of American households. In 1985, Dial's 30% share of the deodorant soap market involved the shipment of 4.8 million cases. Similarly, Tone soap, our beauty bar, enjoyed a 7% increase in volume for the year.

Also in 1985, we introduced into national distribution our new basic bar soap, Pure & Natural. Pure & Natural fared extraordinarily well in test market, and in just a few months of national distribution has won a commendable share of market, nearly 4%.

One of the characteristics of the Consumer Products Group these days is a tangible sense of excitement, both because of current new product successes and because of the number of high potential products under development. Dial's R&D team recently put into test market a new version of Dial soap...a liquid antibacterial soap in a pump container.

Another promising entrant into the soap market is Imperial Leather, a luxury family soap which is highly regarded by the British consumer and which we are test marketing in the U.S.

Dial has a goal of bringing at least two new products into test market every year and hence is exploring everything from shampoos and window cleaners to dishwashing detergents, frozen soups and breakfast entrees.

The addition of Purex has both broadened and strengthened the product line. Over many years, Purex has carved a special niche for itself, providing products with a strong price/value relationship. In some 11 categories of laundry and household products, Purex annually produces over 55 million cases of consumer favorites such as Brillo soap pads, Dutch cleanser and Purex bleach and detergent.

In 1986, we are launching a number of line extensions of Dutch brand items, including detergent, bleach and fabric softener. In addition, all of the Purex brand products will benefit from new packaging and bold, stronger graphics designed to promote faster shelf recognition and a uniformity of "look," product to product.

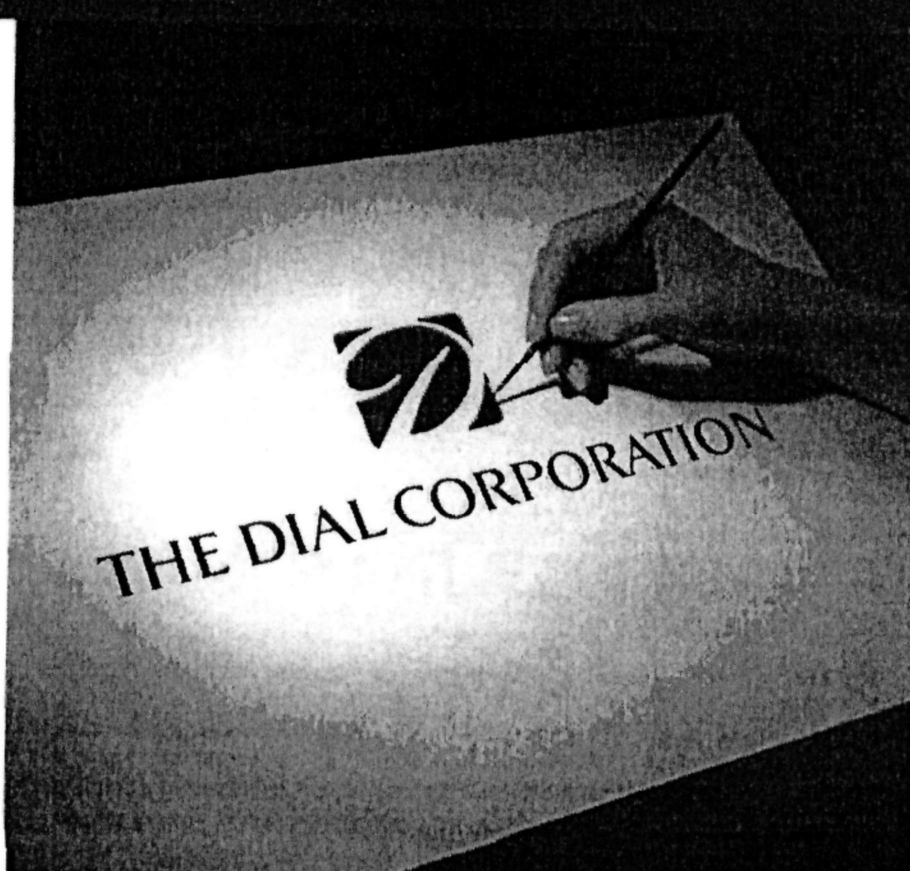
In the canned meat segment of our business, we experienced a slight decline in volume in 1985, shipping 8.4 million cases of product. An increase in prices enacted early in 1985 slowed sales somewhat, although this has been overcome as we turn into 1986.

Today, only about 30% of food is consumed in the home, reflecting the trend toward two-career families and smaller family units. Even when we do eat at home, we reach for quick and easy foods, and many of these convenience products involve microwaving. Over 50% of American households today have a microwave oven, and that number will rise to 70% by 1990. Small wonder, then, that Dial is very interested in the development of microwaveable products.

Late in 1985, Lunch Buckets* went into test market in the "7-11" chain. The nine popular entrees include beans 'n franks, chili and the most popular item in the line, lasagna, each in a plastic microwavable container which is both package and serving bowl. Lunch Buckets* have tested so well that we will expand distribution in 1986.

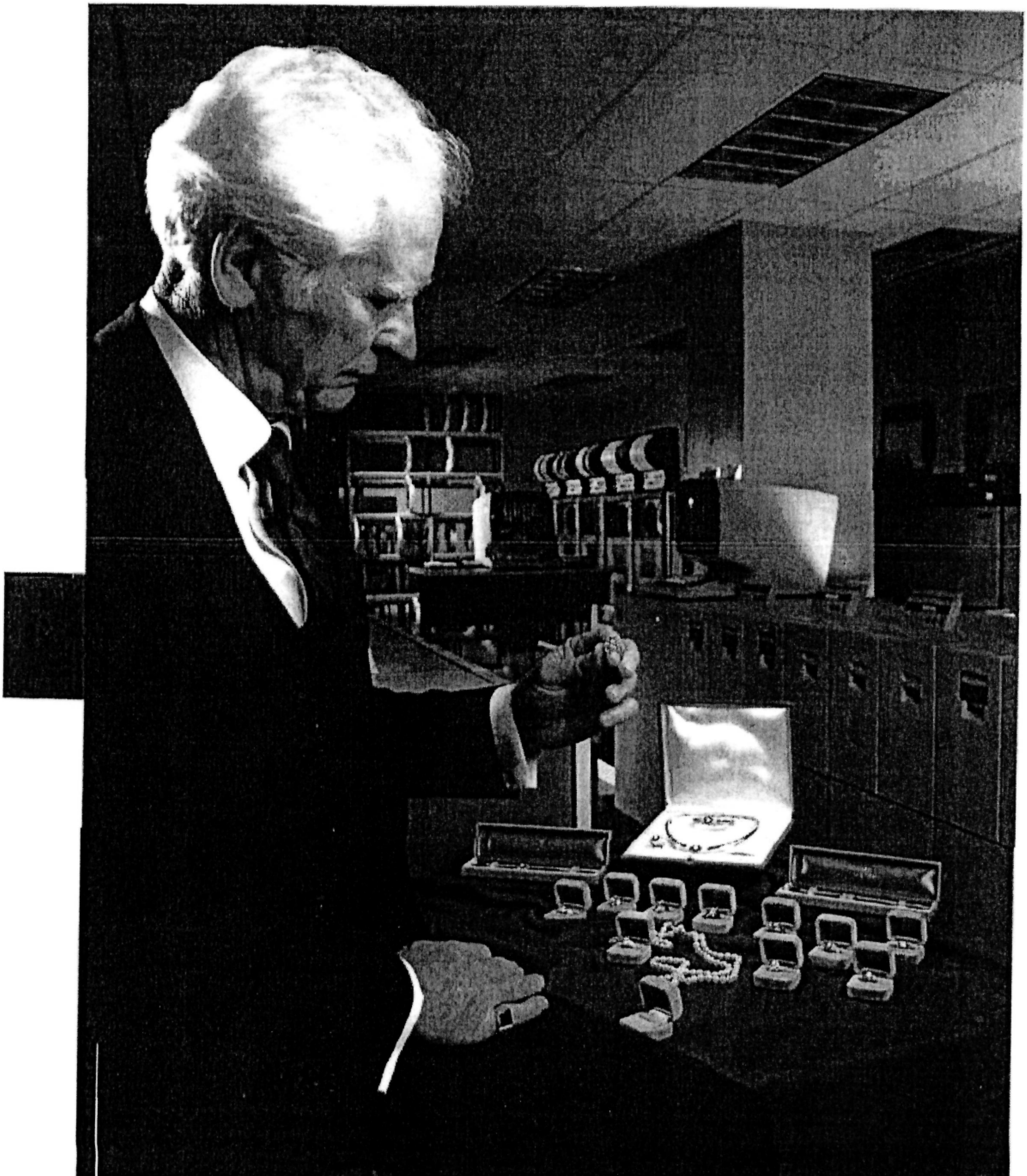
One of the food products which came with the Purex acquisition is Ellio's Frozen Pizza, the best-selling product of its kind on the East Coast. In recent months, Ellio's has begun distributing a new French bread pizza which is doing very well, and is contemplating a line extension involving several other frozen Italian pasta specialties, as well.

Historically, the Consumer Products Group has been one of our best performers, and the addition of Purex to the Group further enhances both the profit contribution and the growth prospects for this segment of our business.



Below: To reflect the successful merger of Dial and Purex, Armour-Dial was renamed The Dial Corporation. Opposite: A display of the major Dial and Purex products of The Dial Corporation found on supermarket shelves nationwide.


APPIAN WAY PIZZA
Roast Beef
Chili
Beef Stew
Hash
Treet
Dried Beef
Cream CORN STARCH
SweetHeart
PURE & NATURAL
Tone
dial
dial ROLL-ON
dial SOLID
Bo-Peep AMMONIA
StaPuf
BRUCE
purex toss'n soft
PUREX Blue Rain Drops
WATER SOFTENER
Magic Sizing
lemon trend
SweetHeart
PARSONS' AMMONIA
20% Increased Density
trend
heavy duty laundry detergent
Dutch
Laundry Detergent
Purex
Purex Bleach
Purex ALL FABRIC BLEACH
DENSE FORMULA
Purex
all temperature heavy duty detergent
PUREX StaPuf
New Density!
instant FELS
laundry detergent
LaFrance
PUREX diaper sweet
Old Dutch Cleanser
CAMEO
Supreme
Brillo
Dobie



Net income for the Financial Group declined 54% in 1985, to $16 million from $33.9 million the prior year.

Exclusive of the unusual item at Greyhound Leasing & Financial Corporation detailed below, Financial Group income was up 4% for 1985, to $35.5 million.

GREYHOUND CAPITAL CORPORATION

In 1985, GCC enjoyed excellent results. Net income was up 50% on a 33% gain in revenue. This was achieved despite an economic climate marked by great uncertainty over federal tax code changes.

GCC presently has a portfolio of $620 million in equipment, 61% of which is involved in operating leases, and the balance in finance leases. Presently the mix of equipment is 45% peripheral equipment, 43% communications equipment and 12% CPU's.

In 1985, GCC successfully remarketed nearly one-third of its portfolio continuing a fine growth record that has seen revenues rise 76% in two years and earnings more than double in the same period. Also in 1985, the company made excellent progress on a broad range of goals, including improvement of internal procedures and reduction of overhead costs.

GREYHOUND LEASING & FINANCIAL CORPORATION

In August of 1985, disquieted over irregularities arising in the relationship with one of its customers, Player and Willyard, GL&FC launched an investigation to ascertain the existence of certain leased equipment. That investigation eventually disclosed a very elaborate fraud by the customer and affiliated individuals and companies. In the third quarter, GL&FC established a $19.5 million after-tax reserve in connection with this matter, after recovery of approximately $45 million in cash, real estate and other assets from the principals involved in the fraud. Aggressive actions are continuing to recover the balance.

Prior to this setback, GL&FC was enjoying a year of solid operations, both in its traditional businesses and its new product sector, despite the spectre of changes in the tax code and possible repeal of the Investment Tax Credit.

New business amounted to $377 million in 1985. Also, gains on sales of equipment coming off lease were up substantially and included sale of a DC9-30 to Republic Airlines and a 747 to Korea Airlines. These items helped overcome significant writeoffs and increases in the level of non-accruing accounts caused by continuing problems in GL&FC's shipping portfolio and declining values of energy related assets.

In 1984, GL&FC reorganized along "lines of business" creating three divisions: commercial finance, real estate finance and international finance. In 1985, this structure was strengthened and refined, and contributed greatly to the Group's ability to compete effectively in a very difficult market.

The Commercial Finance Division was involved primarily in single investor, tax-oriented leasing in 1985, but also successfully launched various new products during the year, including Federal government equipment leasing and financing.

The Real Estate Division has three distinct functions: financing of commercial income-producing properties such as office buildings, shopping centers and apartment buildings; financing of equity note receivables; and lending to the recreational realty market. This segment had a fine year in 1985, and is a promising growth sector for GL&FC in the years ahead.

Lastly, there is the International Division, which did a very respectable job in 1985 of reducing the level of outstanding receivables in Latin America. In Mexico, where we have our greatest exposure, receivables from the private sector were reduced from $32 million to $25 million during 1985.

For GL&FC, the goals for 1986 are to expand activities in direct financing of capital equipment and real estate, to continue to develop new products and markets, to reduce the level of nonaccruing and repossessed assets, and to maximize recovery of the Player & Willyard losses.

VEREX

Verex' residential mortgage insurance activities encountered very difficult times in 1985 and, as a result, net income dropped 19% for the year. Verex is one of the largest entities in the industry, with $42 billion of insurance in force representing 852,000 loans. Structural changes in the lending environment and deflating home values in many areas of the country resulted in continued high loss ratios in 1985. This was partially offset by a substantial increase in realized gains from Verex' investment portfolio.

Looking to 1986, the same difficult industry conditions prevail. To compensate, Verex has further limited the kinds of business being written, concentrating on high quality mortgage vehicles. In addition, it is increasing premiums on new policies to a level more appropriate to the higher risks inherent in today's insurance environment.

Financial Services

Opposite: Greyhound Capital Corporation is major lessor of computer equipment used by the Zale Corporation, a nationally recognized manufacturer and retailer of fine jewelry. Below: Greyhound Leasing & Financial Corporation provided a leveraged lease for three Airbus A300 jet aircraft for Pan American World Airways.

The net income of the Transportation Manufacturing Group was down sharply in 1985, to $20.6 million from $29.7 million a year ago.

The decline primarily reflects a situation that developed in the first quarter, the carry-over effect of which hampered operations into the third quarter of the year. Specifically, there were start-up problems from suppliers involved in the production of the new MCI bus, a model introduced late in 1984. Delays in obtaining critical parts severely limited deliveries to customers early in 1985 and increased our production costs. Even though deliveries of the new MCI accelerated in subsequent months, and some degree of catch-up was achieved, it was not sufficient to reach last year's production or profitability levels due largely to delays in awards in the public bid sector.

Toward the end of 1985, however, results were aided by introduction of a breakthrough in intercity bus design... the revolutionary 102-inch-wide motor coach.

For many years, intercity buses operating on a majority of the nation's highways were restricted to 96 inches in width. The introduction by Greyhound of a 102-inch bus brought a new dimension of comfort, convenience and roominess to intercity bus travel. Greyhound Lines acquired 125 of the wide-body coaches in late 1985, and is planning to add 275 in 1986.

Greyhound's bus manufacturing companies now manufacture five models to meet every carrier's needs: the MC-9, which is still the most popular bus in history, having sold nearly 9,000 units to date; and the new MCI, available in either 96-inch or 102-inch widths, and with either two or three axles.

Since 1983, the intercity bus industry – and consequently our bus manufacturing operations – has continued to feel the aftereffects of deregulation, the fallout from which is neither all good nor all bad. On the plus side is the fact that there are now over 2,500 bus companies operating in the U.S., the majority of them new entrants into the charter and tour arena. This influx obviously creates a strong potential market for buses, both new and used. On the down side, however, is the fact that today's bus operator is unusually cautious about making capital investments in rolling stock right now. He faces huge premium increases for bus liability insurance and, to compensate, many operators are limiting the size of their fleets. In addition, there is the spectre of the potential loss of the Investment Tax Credit for new equipment. And finally, there is a surplus of used buses on the market, approximately 1,500 units at the end of 1985, making it difficult for purchasers of new buses to sell their used coaches.

To help smooth out the peaks and troughs of being a one-product manufacturer we have begun a program of prudent diversification. Last year, in conjunction with Dallas Smith Engineering Corp., we began production of a robot-controlled trailer, a computer-operated vehicle that transports cars from the auto maker directly to the dealer's showroom. The robot picks up the cars and automatically positions up to eight of them in a trailer for delivery. Delivery days are cut by half, and the cars arrive factory-fresh, completely protected from vandalism, dirt and handling damage.

Burlington Northern Railroad took delivery of the first units and began hauling new Fords to dealers early in 1986. The robot-trailer is still very much a *pilot* program for us, however, and like all such efforts, is being pursued with caution and deliberation.

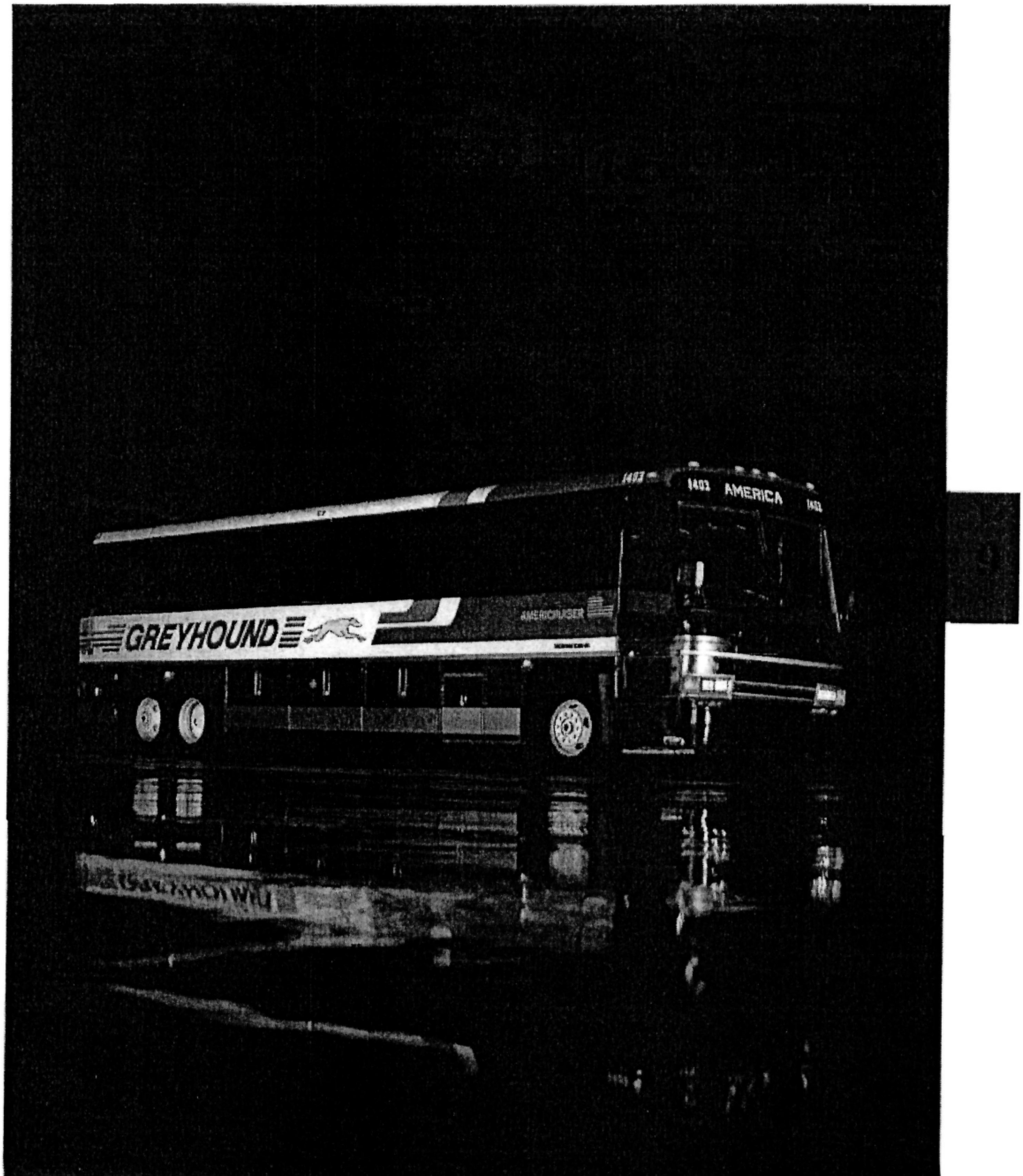
We also are exploring the developing need for what we call "special buses" ...vehicles whose features are custom-designed for a particular customer's needs. These special buses range from a full-galley installation (for luxury tour operators) to high-security prison vans (for law-enforcement departments).

Our reputation for quality, reliability and after-sale dependability in the production of Greyhound-built buses is so widespread and so respected that we have a competitive edge as we move into new areas, be they trailers, military vehicles or any other ground transport system.

In 1985, Universal Coach Parts, which supplies replacement parts for buses, successfully tested a program whereby five major customers were provided computer access to our mainframe for the purpose of instantly determining availability of parts, price and other data. The program has been so successful that in 1986, 50 customers will be added to the program.

Transportation Manufacturing

Below: A computer-controlled robot being produced by TMC under contract with Dallas Smith Engineering, picks up cars and automatically positions eight of them in a trailer for delivery to showrooms. Opposite: The 102"-wide MCI bus made its long-awaited debut in the Fall of 1985.



GREYHOUND
AMERICRUISER
AMERICA

The Services/Foodservice Group reported a 10% drop in earnings in 1985, with net income of $34.2 million, compared with $37.8 million the prior year.

SERVICES

The strongest performer in the Services/Foodservice Group for 1985 was Travelers Express, reporting its ninth consecutive year of record results, and posting a 13.3% gain in net income.

Travelers processed over 551 million money orders, share drafts and official checks in 1985 in its paper-based money transfer business, and materially expanded its electronic funds transfer network, QUANTUM.

In the paper-based transactions sector, share drafts now constitute 76% of volume with money orders at 23%. Travelers depends heavily on the latest computer technology to process this huge volume, and in 1986 has put a high priority on the development of a second processing system at another site in Minneapolis which also serves as a backup to our primary computer installation. In addition, Travelers opened up new processing centers in St. Louis and Atlanta in 1985 to handle its increased document volume and also now provides "on-line tracing" of transactions, enabling instant response to customer queries.

In the electronic funds transfer area, Travelers now operates four switching centers in Minneapolis; Los Angeles; Detroit and Marlton (N.J.). These centers control over 180 Automated Teller Machines for clients who include S&L's, credit unions and commercial banks. The QUANTUM network currently interfaces with 12,700 other ATM's represented by 11 other networks around the country, and this area of Traveler's business is expected to grow steadily in coming years.

Despite soft industry conditions, our convention services companies were able to report a slight improvement in net income for 1985. Greyhound Exposition Services produced approximately 1,200 of the 9,000 trade shows held during the year, including the International Baker's Show. Exhibitgroup produced a major new exhibit for U.S. Gypsum and an outstanding lobby display for the new Aramco headquarters in Houston. In 1986, Exhibitgroup will be constructing the State of California's exhibit for Expo '86 opening in May in Vancouver.

Both convention services entities caution, however, that 1986 is apt to be a difficult year inasmuch as a number of companies are curtailing their participation in trade shows and exhibits because of economic considerations.

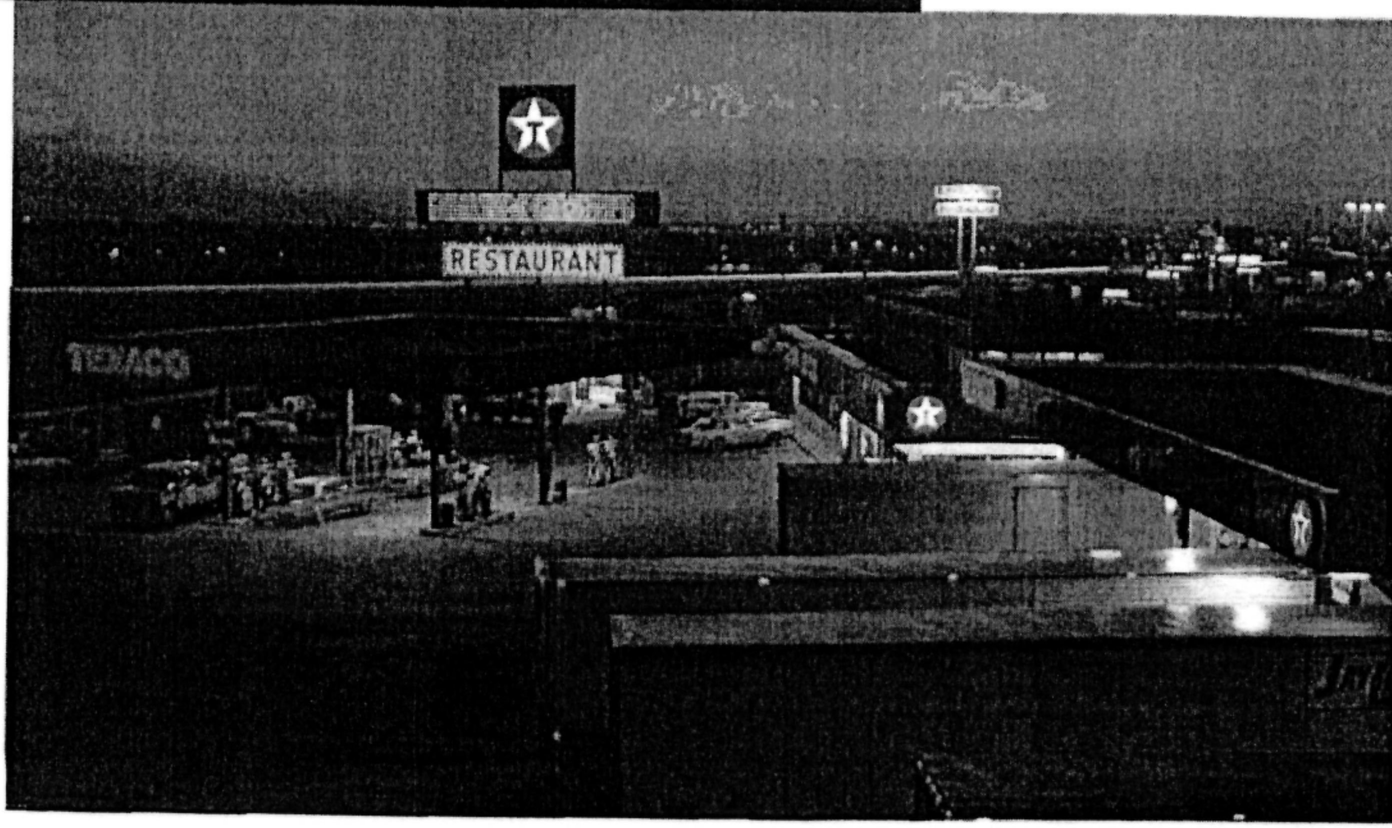
The Florida Export Group, whose activities embrace duty-free shops in international airports and cruise ship operations, had an expansive 1985. Florida Export now operates nine duty-free shops in the Miami Airport, three in the Atlanta Airport and two in Washington's Dulles Airport. In addition, it operates 32 duty-free shops on board 17 luxury liners cruising primarily in the Caribbean.

In March of 1984, Premier Cruise Lines, a Florida Export subsidiary, launched its own cruise ship, the 21,000-ton S/S Royale, offering three- and four-day cruises out of Port Canaveral. In November of 1985, a new ship joined the PCL fleet, the 40,000-ton S/S Oceanic, which will have its inaugural cruise in April 1986. In 1985, Premier Cruise Lines was named the official cruise line of Walt Disney World in recognition of not only the superb service it offers, but its unbeatable combination cruise/Disney vacations.

Consultants & Designers, which is a leader

Services/Foodservice

Below: Greyhound Food Management added this large Tulsa facility to its growing roster of major truck stop operations around the country. Opposite: The unique, easy-to-assemble "Ten Squared" structural system, shown here in a Levi Strauss and Company exhibit, was developed and produced by the San Francisco Division of Greyhound Exhibitgroup, Inc.



in the providing of scientific and technical personnel on temporary assignment to government and industries, suffered a decline in income for 1985. A slump in the high tech sector affected results during the year, as did early termination of certain small contracts.

C&D will be involved in 1986 in a major contract to supply drafting and engineering services for a new national phone company located in Denver and is looking for improved income in 1986.

In June of 1985, we sold Greyhound Temporary Personnel Inc. as part of our ongoing program of optimum asset management.

Greyhound's Airport Services Companies reported a decline in earnings for 1984, and are actively pursuing major new growth areas, including refueling and ground handling contracts in Europe, the U.K. and Canada. In 1985, the airport services companies were awarded a major contract to maintain and operate fuel storage facilities and hydrant systems for a majority of the airlines operating out of Los Angeles International Airport. In addition, they are considering expanding their off-airport fueling activities for companies having huge fleets of trucks or vans. The Group currently provides such a daily refueling service for the 3,000 vehicles of Bell South in East Florida.

FOODSERVICE

The Foodservice companies' profits were down 33% in 1985 due primarily to the completion of extensive contracts in the Middle East by Greyhound Support Services, Inc. To compensate for this diminution, GSSI has been looking for ways to expand its profit base, and in late 1985 acquired Commercial Building Maintenance, Inc., a San Francisco-based firm offering janitorial service in California, Utah and Oregon. GSSI also is looking at expanding into the military market, which is increasingly receptive to utilizing civilian suppliers in areas such as housing, equipment maintenance and other services.

The Contract Foodservice segment of our operations showed an 11.3% gain in 1985 fueled by $16 million of new business, 80% of it in the highly desirable white collar feeding area. For 1986, the goal is to add another $16 million of new business, at least half in white collar installations.

Three new programs were introduced to clients in 1985: a nutritional program called "Countdown to Wellness" which promotes awareness of calories, cholesterol and fats in the foods we eat; a special ethnic and holiday menu program; and a pilot program being tested at General Motors in Indianapolis, where a 7,200-square-foot health and fitness club has been opened in conjunction with our feeding facilities there.

The Public Service Division has made excellent progress in 1985 on a program for converting many of its bus terminal operations into leased operations. The decline in passenger levels at Greyhound Lines was the impetus for this program, and the conversion allows us to significantly cut costs while still remaining in the market.

In 1985, GFM opened six new Burger Kings, bringing our total fast-food facilities to 38. Plans for 1986 call for nine more Burger Kings to be opened. One of these will be located in an exciting waterfront development area on the Mississippi River in St. Louis. Our river barge location will include not only a Burger King, but a pizza parlor, seafood restaurant and ice cream shop.

GFM also expanded its truck stop facilities in 1985, adding an impressive new location in Tulsa. This could be an important growth area for GFM.

Glacier Park, Inc., which operates the seven hotels and motels in that popular national park, made good progress in 1985. The renovation program at the hotels has been completed and, aided by the influx of travelers to the Northwest expected at Expo '86, the coming year should be a good one for Glacier Park.

The story of the Transportation Group in 1985 is really the story of Greyhound Lines and of a major program of renewal. The success of that program... which actually spans not one, but three years of team effort, and which is continuing... resulted in group net income of $47.2 million (including $19.1 million of net gains on sales of Greyhound Lines Inc. facilities) compared to $20.5 million in 1984 (which included $4.2 million of such gains).

These past three years have been years of deliberate, thoughtful progression, taking what was a swiftly deteriorating business and attempting to reshape it into an efficient and profitable enterprise.

The renewal process began with the recognition that a bus system intended to transport over 65 million passengers a decade ago was too cumbersome and costly for a company that today carries 33 million passengers. In some terminals, for instance, the cost to sell tickets had risen to 70% of revenue! The tightening and condensing of that system moved rapidly in 1984 and 1985, bringing the company more in line with current competitive and economic realities. To date, sales and sale/ leasebacks of some 24 properties have been completed, realizing over $53 million. By year-end 1986, the goal is to realize an additional $95 million from such company-owned properties.

A major step in this down-sizing process occurred in May with the consolidation of our San Francisco and Cleveland accounting offices into a single, more cost efficient and technically advanced facility in West Des Moines.

Another major step is the closing of company-owned terminals as we serve passengers instead from commission agencies. Approximately 50 such closings are expected to occur in 1986.

The temptation, of course, is to construe downsizing as a cut in the quality of service, a withdrawal from the commitment to transportation, or both. The reality, however, is that *everyone* benefits from the retrenching: passengers are boarding our buses from newer, more convenient quarters; safer, non-urban locations are lifting the image of bus travel; terminal costs are being trimmed by as much as a third; and the inherent value of our downtown real estate is being converted into liquid assets which we are redirecting to yield a better return.

Turning to operations, nearly 50 years of regulation had effectively suppressed Lines' ability to generate data on profitability by schedule, route or terminal. Today, by contrast, field personnel can identify revenues and costs right down to the individual schedule. This permits not only flexibility in adding or deleting service, but the confidence of knowing that the changes being made are indeed the right ones.

Management, too, is different... sharper, more aggressive, more planning-oriented. They have learned that running a mature company in a mature industry requires more strategy, deliberation and fine tuning than the management of a growth company.

As a result, some of our best profit centers in 1985 were the new "niche" markets created by our regional field people... Airport Express Service, now in place in 30 airports around the country serving nearly 200 communities; Lucky Streak Service to the Atlantic City casinos; and our military and campus services.

We also introduced in April of 1985 a franchise program which is helping to reduce costs while still maintaining a comprehensive transportation system. We now have in place six franchisees, operating over 3,000 miles of route system in eight states, providing both regular route and charter services. Numerous additional franchise applications are currently being considered.

Greyhound Lines also opened its maintenance centers to independent carriers in 1985. For the first time, the company is a purveyor of maintenance services, repairs and component rebuilding for the buses of other intercity carriers.

As we look at Greyhound Lines at the end of 1985, turning into 1986, we see a company that has been radically changed, both by circumstances and by management fiat. Deregulation and the escalation of discount air fares forever changed the competitive environment of the intercity bus industry, and management's determination to carve a new company out of the old operation has moved Greyhound Lines in new directions.

There is no turning back – only the determination to forge ahead, and complete the transformation of Greyhound Lines into a tight, lean, cost-efficient, peak profit performer. We owe no less to shareholders and to those employees whose vision and loyalty embrace change as inevitable for survival.

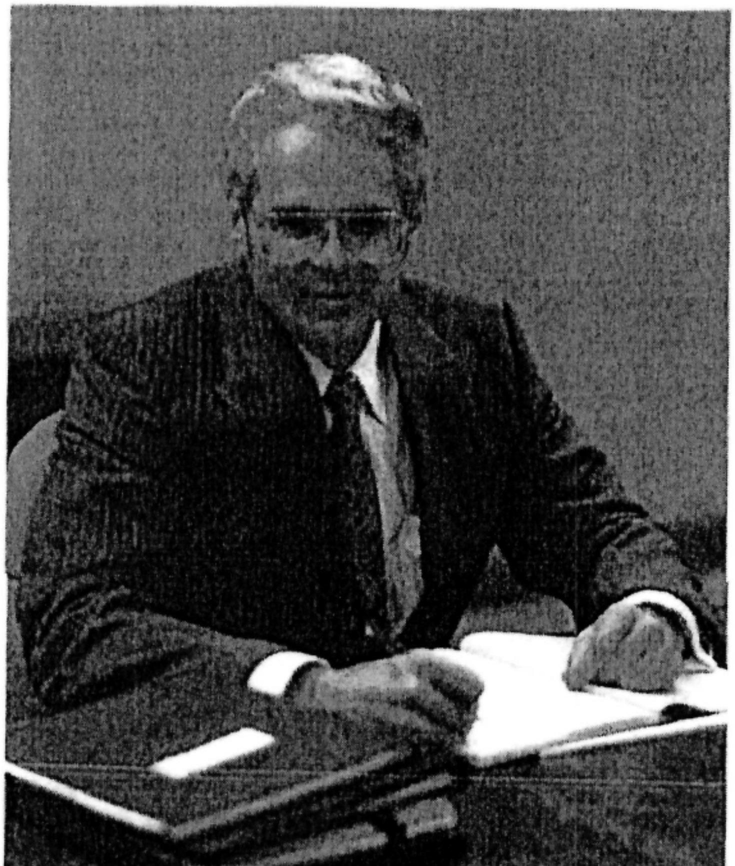
In 1986, the renewal process will continue at Greyhound Lines. The challenge is to continue to cut costs and down-size the company to fit the realities of today's intercity bus market. How forthrightly and effectively we deal with those realities will determine the future of Greyhound Lines.

Transportation Services

Below: Walter Koonce, vice president, left, and Joseph Howard, president, of Delta Bus Lines were among the first to sign up under the Greyhound Lines' franchise program that began in April, 1985. Opposite: Greyhound's increasingly profitable Airport Express Service is now in place at 30 airports around the country, serving nearly 200 communities.


PEOPLExpress
AIRPORT EXPRESS
1403
GREYHOUND
AMERICRUISER
GREYHOUND

JOHN W. TEETS



CHARLES J. PILLIOD, JR.

JESS HAY

Board Of Directors

JACK F. REICHERT

ALLEN E. PAULSON

SAMUEL A. CASEY*
Port Edwards, Wisconsin
Lawyer, Consulting Director and Former Chairman & Chief Executive Officer, Great Northern Nekoosa Corporation, a paper manufacturer and distributor

DANIEL E. GILL
Rochester, New York
Chairman & President, Bausch & Lomb Incorporated, manufacturer of health care products and scientific instruments

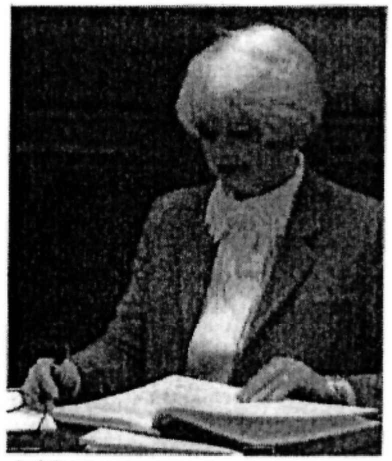
JESS HAY
Dallas, Texas
Chairman & Chief Executive Officer, Lomas & Nettleton Financial Corporation, a mortgage banking company

JUDITH K. HOFER
St. Louis, Missouri
President & Chief Executive Officer, Famous-Barr Co., retail department store division of The May Department Stores Co., Inc.

JOHN H. JOHNSON*
Chicago, Illinois
President, Johnson Publishing Company, Inc., and Chairman, Supreme Life Insurance Company

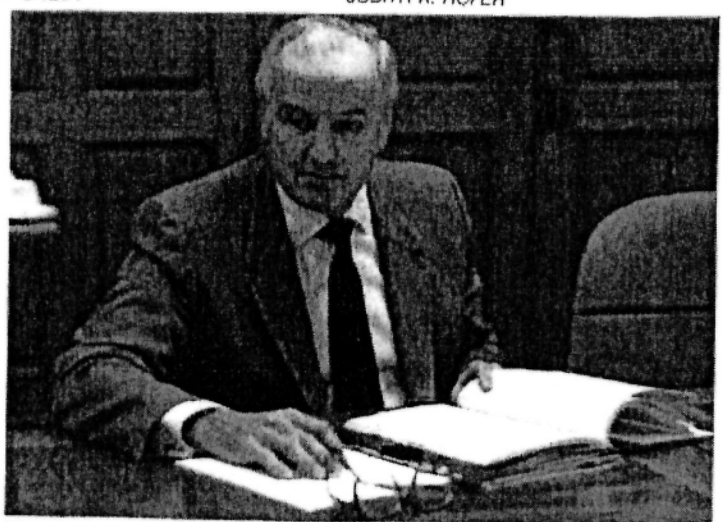
FRANK L. NAGEOTTE
Phoenix, Arizona
President, The Greyhound Corporation

SAMUEL A. CASEY



JUDITH K. HOFER

ROBERT P. STRAETZ



FRANK L. NAGEOTTE

DENNIS C. STANFILL

ALLEN E. PAULSON
Savannah, Georgia
Chairman, President & Chief Executive Officer, Gulfstream Aerospace Corporation, and Chairman, Wheeling Pittsburgh Steel Corp

CHARLES J. PILLIOD, JR.*
Akron, Ohio
Chairman of the Executive and Finance Committee of the Board and Former Chairman & Chief Executive Officer, The Goodyear Tire & Rubber Company

JACK F. REICHERT
Skokie, Illinois
Chairman, President & Chief Executive Officer, Brunswick Corporation, producer of marine power, recreation and defense products

DENNIS C. STANFILL*
Los Angeles, California
President, Stanfill, Bowen & Co., Inc., private investments and venture capital firm

ROBERT P. STRAETZ
Providence, Rhode Island
Chairman, Textron Inc., diversified manufacturing company

JOHN W. TEETS*
Phoenix, Arizona
Chairman of the Board & Chief Executive Officer, The Greyhound Corporation

*Member Executive Committee

Emeritus Directors

ROBERT MINGE BROWN
MARTHA W. GRIFFITHS
JOHN M. MARTIN
HAROLD C. STUART
DONN B. TATUM
GERALD H. TRAUTMAN
Honorary Chairman,
The Greyhound Corporation

JOHN H. JOHNSON

DANIEL E. GILL

Description Of Business

The Greyhound Corporation and its subsidiaries constitute a diversified services company with groups for financial services, including equipment leasing and financing; business and consumer services, including food service; transportation manufacturing; and transportation services. The Company, through The Dial Corporation, also engages in the manufacture and sale of consumer products. Company subsidiaries operate service or production facilities and maintain sales and service offices in the U.S. and in foreign countries. There are approximately 38,000 employees.

The Dial Corporation and its subsidiaries manufacture and sell personal care products, including Dial soap, shelf-stable food products, floor care products, laundry products, including Purex bleach, and household cleaning products.

The Company's financial operations consist of companies engaged primarily in asset-based financing and insurance services in the U.S. and abroad. The companies finance equipment such as aircraft, railroad cars, and locomotives, other transportation equipment and general manufacturing equipment, engage in real estate financing on a leverage lease or secured lending basis, and own and lease computers and other high technology equipment for business, educational and public uses. Through its insurance subsidiaries, the Company is a major private mortgage insurer and, to a lesser extent, also engages in certain other insurance activities.

Services and food service subsidiaries provide services directed to business markets, including draft and official check clearing for credit unions, banks and others, aircraft fueling and ground handling services, janitorial services, temporary technical help services and convention and exhibition services; and other services directed to consumer markets, including money order operations, cruise ships, gift, news and duty-free shops, and food service in Greyhound bus terminals, office buildings, industrial plants and other facilities. In addition, the Company provides food and housekeeping support services to government and industry projects.

The Company's transportation operations consist primarily of United States and Canada regular route, charter and tour intercity bus transportation, carrying passengers, baggage, packages and mail. Transportation manufacturing subsidiaries operate facilities in the United States and Canada and build bus shells, assemble intercity buses for sale to unaffiliated customers and to the Company's transportation subsidiaries, build specialty trailers, and fabricate, warehouse and sell bus parts.

Key Operations

CONSUMER PRODUCTS

The Dial Corporation – manufactures and markets a wide variety of grocery, personal care and household products for the consumer

Armour International Company – responsible for overseas marketing of all Dial consumer products

FINANCIAL

Greyhound Capital Corporation – sales, service, financing and leasing of high technology equipment. Also venture capital

Greyhound Leasing & Financial Corporation – capital equipment leasing and other commercial financing, including real estate lending

Verex Corporation – a lending company in residential mortgage insurance and other financial services related to home financing

TRANSPORTATION MANUFACTURING

Transportation Manufacturing Corporation and **Motor Coach Industries** – bus and trailer manufacturing in Roswell, New Mexico, Winnipeg, Canada and Pembina, North Dakota

Universal Coach Parts – sale of bus repair and replacement parts

SERVICES/FOOD SERVICE

Consultants & Designers – technical and design services to business and industry

Florida Export Group – duty-free retail shops at Miami, Washington D.C., Dulles, and Atlanta International Airports, a wholesale duty-free business for export and duty-free shops on cruise ships operating out of Miami and operation of cruise ships out of Port Canaveral by *Premier Cruise Lines.*

Greyhound Airport Services Companies Group – *Aircraft Service International* which provides ground handling services for major airlines in U.S. and designs, installs and operates fuel storage and distribution for airports, and *Dispatch Services* which provides ground handling services for major airlines at Miami International Airport and Freeport in the Bahamas

Greyhound Exposition Services – provides convention and exhibition services in Las Vegas, Los Angeles, Phoenix, San Diego and San Francisco

Greyhound Exhibitgroup – designs and manufactures convention and trade show exhibits and displays at facilities in Atlanta, Chicago, Cincinnati, Dallas, Las Vegas, Los Angeles, New York City, Phoenix and San Francisco

Travelers Express Company – provides money order services to retail establishments and the financial industry, draft clearing services to financial institutions and corporations, automated teller machine service and other consumer-oriented payment services

Faber Enterprises – restaurants and gift shops in major office buildings and transportation terminals in Chicago area

Greyhound Food Management – coordinator of Greyhound food service operations: restaurants and fast food operations; Contract Food Service Division, offering food service to industry, military installations and other commercial establishments; *Restaura*, providing food service management throughout Belgium; and *Glacier Park, Inc.*, providing hotel management in Glacier National Park, Montana

Greyhound Support Services – provides housekeeping, food service and other support services for large remote-site construction projects for industry and government agencies throughout the world and building maintenance services through *Commercial Building Maintenance Company,* San Francisco

TRANSPORTATION SERVICES

Greyhound Lines, Inc. – world's largest intercity passenger carrier. Also provides a nationwide small package express service for commercial and individual shippers and centralized sales and coordination of all charter operations. Intercity bus subsidiaries are *Texas, New Mexico & Oklahoma Coaches* and *Vermont Transit Company.*

Brewster Transport Company – sightseeing and tours in Canadian Rockies

Greyhound Lines of Canada – intercity bus service, package express and charter operations in Canada

Officers

THE GREYHOUND CORPORATION

JOHN W TEETS*
Chairman & Chief Executive Officer
FRANK L. NAGEOTTE*
President

CORPORATE STAFF OFFICERS

ERMO S. BARTOLETTI*
Vice President – Internal Auditing
JOE BLACK
Vice President – Special Markets
W. CARROLL BUMPERS*
Vice President – Financial Operations
JAMES T. CORCORAN
Vice President – Government Affairs
ARMEN ERVANIAN
Vice President – Real Estate
JAMES R. GRIMM*
Vice President & Chief Financial Officer
RALPH A. KORN
Vice President – Insurance
F. EDWARD LAKE*
Vice President – Treasurer
L. GENE LEMON*
Vice President & General Counsel
DOROTHY A. LORANT*
Vice President – Public Relations & Advertising
LEO S. MC DONALD
Vice President – Convention Services
JOHN W. MEREDITH
Vice President – Corporate Planning
HARRY S. OAKES
Vice President – Office & Information Systems
RICHARD C. STEPHAN*
Vice President – Controller
PAUL A. WEBER*
Vice President – Human Resources
RICHARD B. ZOLLER
Vice President – Investments
FREDERICK G. EMERSON*
Secretary

CONSUMER PRODUCTS

The Dial Corporation
Phoenix, Arizona
EDWARD J. WALSH*
President & Chief Executive Officer

Armour International Company
Phoenix, Arizona
WILLIAM T. BENNETT
President & Chief Executive Officer

FINANCIAL SERVICES

Greyhound Capital Corporation
Phoenix, Arizona
OLIE E. SWANKY*
President & Chief Executive Officer

Greyhound Financial & Leasing Corporation AG
Zug, Switzerland
RICHARD S. GRIM
Managing Director

Greyhound Leasing & Financial Corporation, Phoenix, Arizona
ROBERT W. BERTRAND*
President & Chief Executive Officer

Greyhound Realty Corporation
Phoenix, Arizona
ARMEN ERVANIAN
President & Chief Executive Officer

MCI Acceptance Corp.
Phoenix, Arizona
F. EDWARD LAKE
President, Chief Executive Officer & Treasurer

Verex Corporation
Madison, Wisconsin
ROBERT L. WALDO
Chairman
FRED H. REICHELT*
President & Chief Executive Officer

TRANSPORTATION MANUFACTURING

Motor Coach Industries, Inc.
Pembina, North Dakota
JOHN R. NASI*
President & Chief Executive Officer

Motor Coach Industries Limited
Winnipeg, Manitoba, Canada
JOHN R. NASI
President & Chief Executive Officer

Transportation Manufacturing Corporation
Roswell, New Mexico
JOHN R. NASI
President & Chief Executive Officer

Universal Coach Parts, Inc.
Northlake, Illinois
JOSEPH H. RAZOOK
President & Chief Executive Officer

SERVICES/FOOD SERVICE

Group Headquarters
Phoenix, Arizona
EUGENE W. BRONSKI
Senior Vice President-Administration

Consultants & Designers Inc.
New York, New York
EDWARD J. BILOTTI
Chairman & President

Greyhound Airport Services Companies Group
Miami, Florida
ROBERT H. HUBSCH
Chairman
WILLIAM H. YATES, JR.
President & Chief Executive Officer

Florida Export Tobacco Co. Inc.
Miami, Florida
JEAN PIERRE MIQUEL
President & Chief Executive Officer

Greyhound Exhibitgroup Inc.
Chicago, Illinois
LEO S. McDONALD
President & Chief Executive Officer

Greyhound Exposition Services, Inc.
Las Vegas, Nevada
NORTON D. RITTMASTER
President & Chief Executive Officer

Premier Cruise Lines, Ltd.
Miami, Florida
JEAN PIERRE MIQUEL
President & Chief Executive Officer

Travelers Express Company, Inc.
Minneapolis, Minnesota
ARTHUR S. MOORE
Chairman
CLARENCE A.E. ANDERSON, JR.*
President & Chief Executive Officer

Greyhound Food Management, Inc.
Phoenix, Arizona
JOHN W. TEETS
Chairman & Chief Executive Officer
JOSEPH K. FASSLER*
President & Chief Operating Officer

Faber Enterprises, Inc.
Chicago, Illinois
MILTON D. FABER
Chairman & Treasurer
DONALD R. MURPHY
President & Chief Executive Officer

Glacier Park, Inc.
Phoenix, Arizona
JOSEPH K. FASSLER
Chairman & Chief Executive Officer
MARTIN SCHULTZ
President & General Manager

Greyhound Support Services, Inc.
Phoenix, Arizona
EDWARD H. WILLIAMS
President & Chief Operating Officer

Restaura, S.A.
Brussels, Belgium
HUGO RALLI
President & Managing Director

TRANSPORTATION SERVICES

Greyhound Lines, Inc.
Phoenix, Arizona
FRANK L. NAGEOTTE
Chairman & Chief Executive Officer
FREDERICK DUNIKOSKI*
President & Chief Operating Officer

Greyhound Lines of Canada Ltd.
Calgary, Alberta, Canada
JAMES A. KNIGHT*
President & Chief Executive Officer

Brewster Transport Company Limited
Banff, Alberta, Canada
DAVID G. MORRISON
President & Chief Executive Officer

Texas, New Mexico & Oklahoma Coaches, Inc., Lubbock, Texas
ROBERT D. GREENHILL
President & Chief Executive Officer

Vermont Transit Co., Inc.
Burlington, Vermont
JOHN J. DWYER
President & Chief Executive Officer

**Also Executive Officer as defined by Securities and Exchange Commission Regulations.*

The Greyhound Corporation
1985 Financial Information

Responsibility For Financial Reporting

To the Stockholders of
The Greyhound Corporation

The Company has prepared the financial statements and related notes, and other financial data, appearing in this Annual Report. The statements were developed using generally accepted accounting principles and policies considered appropriate in the circumstances. They reflect, where applicable, management's best estimates and judgments. The financial data also includes disclosures and explanations which are relevant to an understanding of the financial affairs of the Company.

To meet management's responsibility for financial reporting, internal control systems and procedures are designed to provide reasonable assurance as to the reliability of the financial records and compliance with corporate policy throughout the organization. These controls are augmented by an internal audit activity which monitors compliance with corporate policies and internal control systems and procedures.

Touche Ross & Co. has independently examined the financial statements. To express an opinion thereon they review and evaluate Greyhound's internal accounting controls and conduct such tests of the accounting records and other auditing procedures as they deem necessary. The Board of Directors oversees the Company's financial reporting through its Audit Committee which regularly meets with management representatives and, jointly and separately, with the independent accountants and internal audit management to review accounting, auditing and financial reporting matters.

Richard C. Stephan

Richard C. Stephan
Vice President-Controller

Auditors' Report

To the Stockholders and
Board of Directors of
The Greyhound Corporation

We have examined the statements of consolidated financial condition of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1985 and 1984, and the related statements of income, common stock and other equity, and changes in financial position for each of the three years in the period ended December 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Greyhound Corporation and consolidated subsidiaries at December 31, 1985 and 1984, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Touche Ross & Co

Phoenix, Arizona
March 11, 1986

Selected Financial and Statistical Data

	1985	1984	1983	1982	1981
Operations (000 omitted)					
Sales and Revenues:					
Greyhound and Consolidated Subsidiaries	$2,621,541	$2,219,234	$2,184,007	$2,307,707	$2,376,615
Financial Group (not consolidated)	656,750	537,483	444,437	435,461	415,732
Combined Revenues	$3,278,291	$2,756,717	$2,628,444	$2,743,168	$2,792,347
Income of Greyhound and Consolidated Subsidiaries(1)	$ 92,405	$ 82,288	$ 49,824	$ 61,279	$ 68,254
Net Income of Financial Group(2)	15,822	33,756	20,461	40,311	61,756
Equity in Net Income of ConAgra	11,861	8,983			
Income from Continuing Operations	120,088	125,027	70,285	101,590	130,010
Income from Discontinued Operations—principally net gain on disposal in 1983			20,537	4,569	7,512
Income before Extraordinary Items	120,088	125,027	90,822	106,159	137,522
Extraordinary Items(3)			14,677	(3,099)	
Net Income	$ 120,088	$ 125,027	$ 105,499	$ 103,060	$ 137,522
Income (Loss) Per Share:					
Common and equivalents:					
Continuing operations(2)	$2.48	$2.56	$1.47	$2.30	$2.88
Discontinued operations			.44	.11	.17
Extraordinary items			.31	(.07)	
Net income	2.48	2.56	2.22	2.34	3.05
Assuming full dilution:					
Continuing operations	2.44	2.52	1.43	2.19	2.72
Discontinued operations			.42	.10	.15
Extraordinary items			.30	(.07)	
Net income	2.44	2.52	2.15	2.22	2.87
Dividends Declared Per Common Share	$1.26	$1.20	$1.20	$1.20	$1.20
Average Outstanding Shares (000 omitted):					
Common and equivalents	47,933	48,350	47,007	43,976	45,149
Assuming full dilution	49,012	49,626	49,145	47,267	48,690
People					
Stockholders of Record	84,737	93,543	101,687	116,993	124,575
Employees (average)	36,942	35,392	33,624	38,182	40,241

(1) Includes net gains (after-tax) on sale of property by Greyhound Lines, Inc. of $19,094,000 or $.40 per share in 1985 and $4,171,000 or $.09 per share in 1984, from an ongoing restructuring program involving downsizing of terminal and garage facilities.

(2) Includes an unusual loss (after-tax) of $19,440,000 or $.41 per share in 1985 resulting from a special provision by Greyhound Leasing & Financial Corporation (see Note 6 of notes to the summary combined statements of the Financial Group) and includes unusual income (after-tax) in 1981 of $8,117,000 or $.18 per share resulting from settlement of litigation.

(3) Comprised of tax benefits of $11,469,000 or $.24 per share from deduction for tax purposes of U.S. bus operating rights previously written off and gain on extinguishment of debt ($3,208,000 or $.07 per share) in 1983 and write-off of the remaining carrying value of U.S. bus operating rights in 1982.

	1985	1984	1983	1982	1981
Financial Position (000 omitted)					
Total Assets	$2,931,491	$2,366,755	$2,224,881	$2,042,903	$2,050,867
Investments in Financial Group Subsidiaries	626,847	527,783	437,941	401,559	364,797
Working Capital	135,228	136,464	133,030	190,610	203,293
Long-term Debt	605,325	223,673	262,976	330,423	355,627
Redeemable Preferred Stock	6,597	6,596	6,595	6,593	23,578
Other Liabilities, Deferred Items and Minority Interests	217,162	224,075	154,160	152,139	158,561
Common Stock and Other Equity	1,160,258	1,141,989	1,101,409	960,363	943,476
Book Value Per Common Share (dollars)	$24.99	$24.07	$22.86	$22.06	$20.93

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results:

Greyhound is a diversified company which sells products and supplies services in many markets. Because of this diversity, components of its net income are affected, some favorably, others unfavorably, by general economic conditions and other fluctuations which occur in the various markets each year. Inflation has resulted in generally higher cost levels and, in instances where offsetting price increases could not be obtained because of competitive or other factors, reductions in income. Conversely, gains on sales of property and equipment have generally been favorably affected by inflation.

1985 vs. 1984:

Greyhound reported net income for 1985 of $120.1 million compared to $125.0 million for 1984. Earnings for 1985 have been charged with a previously reported special provision for losses of $19.5 million (after-tax) made by Greyhound Leasing & Financial Corporation, a Financial Group subsidiary of Greyhound. Exclusive of this unusual item, income for 1985 was a record $139.6 million, up 12% from the $125.0 million reported last year.

Consolidated revenues for 1985 were $2.6 billion, compared with $2.2 billion for 1984, reflecting the acquisition of the Consumer Products Division of Purex Industries on March 1, 1985. Combined revenues, which include revenues of the unconsolidated Financial Group, rose to $3.3 billion for 1985 compared to $2.8 billion for 1984.

Net income of Consumer Products was up 54% from last year's level reflecting another record year by The Dial Corporation (formerly Armour-Dial), with net income up 14% before the strong contribution of Purex since its acquisition. Dial's record year was primarily due to generally lower raw material costs and increased sales volume of soap products.

The Transportation Services segment reported 1985 net income more than double that of the prior year. The improvement was principally due to an encouraging improvement in operating results at Greyhound Lines, Inc., where a major belt-tightening is taking place, and to net gains on dispositions of properties, resulting from an ongoing restructuring program involving downsizing of facilities, which added $19.1 million to 1985 results, compared to $4.2 million in 1984. However, Greyhound Lines continues to be negatively affected by declining ridership, cut-rate airline fares, and high wage scales. The improved 1985 operating earnings resulted from strict operating controls and downsizing, not from improved business levels.

Exclusive of the unusual item reported by Greyhound Leasing & Financial Corporation, the Financial Group posted a 4% improvement in comparative net income. Within the segment, Greyhound Capital had an excellent year, with net income up 50%, on the strength of increased volumes of new business. Greyhound Leasing's results, before the unusual item, were up slightly. Verex Corporation reported a 19% decline in net income for 1985 due to poor underwriting results caused by higher claims losses in its mortgage insurance business, offset by an increase in realized investment gains and other income. The previously reported sale of the domestic Pine Top insurance companies in March 1985, for an amount approximating book value, was aborted in early December due to purchaser's failure to perform post-closing obligations. Financial Group results for 1985 include amounts provided for Pine Top's 1985 losses.

The Transportation Manufacturing segment, while solidly profitable, was down 30% for the year. Delays in the receipt of parts from outside suppliers for the new MCI bus plagued production into the third quarter of 1985, causing increased costs.

The Services and Food Service segment was down 10% for the year, despite another fine performance by Travelers Express in its payment services activities. The decline was caused primarily by the completion of major contracts by a Saudi Arabian affiliate.

1984 vs. 1983:

Net income for 1984 was $125.0 million compared to $105.5 million in 1983. Net income for 1983 included extraordinary gains totaling $14.7 million comprised of $11.5 million of benefits from deduction for tax purposes of previously expensed U.S. bus operating rights rendered worthless by deregulation, as well as a $3.2 million gain on extinguishment of debt. Exclusive of these extraordinary gains, 1983 income was $90.8 million. Income from continuing operations was also $125.0 million in 1984 compared to the strike-depressed $70.3 million in 1983.

The $54.7 million increase in income from continuing operations was due to improvements by all business segments except Transportation Manufacturing.

Consumer Products' net income was up 21% in 1984 principally due to increased sales volume and profits of soap and canned meats.

Financial's 1984 net income was 62% above the 1983 level, although adversely affected by nonearning assets, which continue to greatly exceed historical levels. Greyhound Leasing & Financial Corporation was up 49% from 1983's depressed earnings due to the favorable effects of new business booked, a lower level of nonaccruing assets in 1984 than in 1983, and a lower provision for losses in 1984. However, a foreign leasing and financial subsidiary incurred increases in nonaccruing assets and loss provisions in 1984. Verex Corporation reported a 64% increase in income primarily on the strength of significantly increased business volumes. Greyhound Capital Corporation's net income was up 44% principally as a result of the effects of increasing volumes of new business recorded.

The Services and Food Service segment was up 19% in 1984. The principal factors in the segment's 1984 performance were increased profits of convention service companies and a significant increase in the 1984 income of Travelers Express.

Transportation Services was profitable for 1984 compared to the strike-related losses of 1983. There is little basis of comparison between the two years due to the 47-day strike at Greyhound Lines late in 1983.

Liquidity and Capital Resources:
Greyhound and consolidated subsidiaries' debt at December 31, 1985 was $624 million, as compared to $232 million at December 31, 1984. The increase in debt is primarily attributable to Greyhound's acquisition of the Consumer Products Division of Purex Industries in March of 1985. Other capital expenditure requirements, additional investment in Financial Group subsidiaries and repurchase of common shares also contributed to the increase in debt. Despite higher debt, Greyhound's debt to capital ratio was .34 to 1 at December 31, 1985. Management believes that such level of debt to capital is acceptable and that Greyhound has sufficient additional debt capacity to satisfy its ongoing corporate financing requirements.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings, Greyhound strives to maintain current assets (principally cash, inventories and receivables) at the lowest practicable levels, while at the same time taking advantage of the payment terms offered by trade creditors. These efforts notwithstanding, working capital requirements can fluctuate significantly from seasonal factors as well as changes in levels and costs of inventories and receivables caused by numerous business factors.

During 1985, Greyhound satisfied a substantial portion of its working capital and other financing requirements with short-term bank lines of credit, informal advances and the issuance of commercial paper. Essentially all of these short-term borrowings were supported by long-term revolving bank credit agreements. In addition, on March 3, 1986 Greyhound issued $150 million of 10½% subordinated debentures due 2006. The proceeds from that offering were used to reduce variable-rate, short-term borrowings. As a result, substantially all short-term borrowings are classified as long-term senior or subordinated debt. The following information pertains to Greyhound's short-term debt:

	1985	1984	1983
	(000 omitted)		
Maximum amount of short-term debt outstanding during year	$453,792	$94,400	$83,503
Average daily short-term debt outstanding during year	$293,604	$32,873	$31,194
Average short-term interest rate at end of year*	8.4%	11.6%	10.5%
Weighted average interest rate on short-term debt outstanding during year*	8.5%	10.7%	9.8%

*Exclusive of the cost of maintaining compensating balances and payment of commitment fees on long-term revolving bank credit agreements used to support such borrowings.

At December 31, 1985, after giving effect to the 10½% subordinated debentures issued subsequent to year-end but excluding revolving credit agreements available to certain consolidated subsidiaries, Greyhound had the following formal bank credit facilities available:

	(in millions)
Total bank credit:	
Short-term	$ 12.0
Long-term	640.0
	652.0
Less amounts utilized or required to support certain short-term borrowings	289.8
Available unused bank credit	$362.2

Capital spending has been reduced to some extent by obtaining, where appropriate, equipment and other property under operating leases. Future capital asset needs requiring capital spending and any additional investment or working capital requirements are expected to be financed primarily with internally generated funds derived principally from retention of earnings plus depreciation, tax deferrals and sales of assets. Should such requirements exceed internal sources, Greyhound's available external financing sources, as set forth above, will be used.

The Financial Group subsidiaries, which are not consolidated for financial reporting purposes, are essentially self-financed, augmented by additional Greyhound investment when necessary. Such companies generally seek to obtain substantial amounts of borrowed funds in their businesses and accordingly obtain financing through long-term and short-term borrowings, funds generated from operations and tax deferrals. From time to time, Financial Group subsidiaries make advances to or borrow from Greyhound depending upon the short-term cash requirements of the individual entities. With few exceptions, Greyhound does not guarantee debt obligations of its Financial Group subsidiaries.

Revenues and Income of Principal Business Segments

(000 omitted)

	1985	1984	1983	1982	1981
SALES AND REVENUES:					
Consumer Products	$ 843,283	$ 464,524	$ 475,402	$ 484,325	$ 514,532
Transportation Services	866,721	861,774	829,632	1,002,018	1,045,953
Transportation Manufacturing	246,315	243,380	281,942	281,282	269,879
Services and Food Service	709,687	706,386	618,910	626,342	631,203
Financial	656,750	537,483	444,437	435,461	415,732
Intersegment eliminations	(44,465)	(56,830)	(21,879)	(86,260)	(84,952)
Combined	$3,278,291	$2,756,717	$2,628,444	$2,743,168	$2,792,347
OPERATING INCOME:					
Consumer Products	$ 77,329	$ 42,692	$ 39,237	$ 30,485	$ 29,820
Transportation Services[1]	54,388	24,969	(30,236)	19,593	71,436
Transportation Manufacturing	36,365	44,382	59,716	72,110	64,769
Services and Food Service	52,047	57,362	50,513	48,159	39,578
Financial	6,034	33,449	8,531	45,754	71,325
Unusual items[2]	(36,000)				15,258
Intersegment eliminations	1,877	2,568	3,817	(14,836)	(17,378)
Combined	$ 192,040	$ 205,422	$ 131,578	$ 201,265	$ 274,808
NET INCOME:					
Consumer Products	$ 41,364	$ 26,858	$ 22,282	$ 19,931	$ 17,509
Transportation Services[1]	47,180	20,520	(8,824)	20,212	49,710
Transportation Manufacturing	20,611	29,653	32,119	37,416	33,689
Services and Food Service	34,189	37,811	31,654	28,113	20,246
Financial	35,481	33,939	20,937	40,920	55,929
Unusual items[2]	(19,440)				8,117
Intersegment eliminations	2,387	2,502	2,837	(4,078)	(5,006)
Income of Principal Business Segments	161,772	151,283	101,005	142,514	180,194
Equity in net income of ConAgra	11,861	8,983			
Minority interests	(4,948)	(5,304)	(6,739)	(7,953)	(11,605)
Corporate interest and other costs	(48,597)	(29,935)	(23,981)	(32,971)	(38,579)
Income from discontinued operations—principally net gain on disposal in 1983			20,537	4,569	7,512
Extraordinary items[3]			14,677	(3,099)	
Net Income	$ 120,088	$ 125,027	$ 105,499	$ 103,060	$ 137,522

(1) Includes net gains on sale of property by Greyhound Lines, Inc. in 1985 and 1984 of $25,723,000 and $5,435,000, respectively (operating income) and $19,094,000 and $4,171,000, respectively (net income) from an ongoing restructuring program involving downsizing of terminal and garage facilities.

(2) Unusual loss in 1985 resulted from a special provision by Greyhound Leasing & Financial Corporation (see Note 6 of notes to the summary combined statements of the Financial Group) and unusual income in 1981 resulted from settlement of litigation.

(3) Comprised of tax benefits of $11,469,000 from deduction for tax purposes of U.S. bus operating rights previously written off and gain on extinguishment of debt of $3,208,000 in 1983 and write-off of the remaining carrying value of U.S. bus operating rights in 1982.

Other Principal Business Segment Information (000 omitted)

	Assets at Year-End			Capital Expenditures			Depreciation		
	1985	1984	1983	1985	1984	1983	1985	1984	1983
Consumer Products	$ 694,628	$ 341,321	$ 346,936	$ 15,562	$ 7,497	$ 10,845	$ 16,396	$ 10,407	$ 10,144
Transportation Services	473,757	496,722	483,194	45,321	34,137	40,233	25,556	27,028	26,113
Transportation Manufacturing	155,117	117,689	99,967	3,287	3,098	1,283	3,113	2,897	2,867
Services and Food Service[1]	775,451	625,686	506,447	57,017	33,457	29,541	19,493	17,920	16,092
Intersegment eliminations	(25,701)	(31,373)	(36,257)	(978)	(1,290)	(3,311)	(6,260)	(8,632)	(8,072)
Consolidated segments	2,073,252	1,550,045	1,400,287	120,209	76,899	78,591	58,298	49,620	47,144
Unconsolidated Financial segment	633,720	591,916	473,688						
Investment and receivables (1983) – ConAgra	109,805	99,283	229,119						
Corporate	114,714	125,511	121,787	4,608	11,578	8,851	3,033	2,455	2,020
Consolidated	$2,931,491	$2,366,755	$2,224,881	$124,817	$ 88,477	$ 87,442	$ 61,331	$ 52,075	$ 49,164

(1) Assets of Services and Food Service include $464,330,000 (1985), $368,729,000 (1984), and $250,966,000 (1983) of cash and temporary investments for payment services obligations.

The Greyhound Corporation is a holding company with numerous subsidiaries whose principal business activities are categorized into five business segments for reporting purposes. The business activities included in each segment are set forth earlier in this annual report under "Description of Business."

Intersegment sales are priced generally on the same basis as sales to outside customers and include the following amounts:

	1985	1984	1983
		(000 omitted)	
Transportation Manufacturing	$39,824	$52,111	$16,976
Other	4,641	4,719	4,903
	$44,465	$56,830	$21,879

Operating income by segment for consolidated segments represents sales and revenues less operating costs before interest expense, corporate administrative expenses, minority interests and other items including equity in net income of unconsolidated affiliates, and income taxes. Operating income for the unconsolidated Financial Group segment represents revenues less operating costs before realized investment gains or losses, minority interests and other items, and income taxes. Due to the nature of its businesses, operating costs of the Financial Group include interest expense. The deduction of interest expense in determining Financial Group operating income and a low effective income tax rate principally due to the effects of investment tax credits and tax-exempt income contribute to a generally higher ratio of net income to operating income for this segment than for consolidated segments.

Net income by segment for consolidated segments includes operating income as defined above, plus intercompany interest income not included therein and other items including equity in net income of unconsolidated affiliates, less interest expense and income taxes. Net income for the Financial Group segment includes operating income as defined above, realized investment gains or losses and other items, less income taxes. Income taxes are provided by each segment based on its income before income taxes, reduced by tax credits applicable to it. Corporate interest and other costs not allocated to individual segments represent expenses considered to be of an overall holding company nature, and are deducted separately, net of tax benefit, in determining net income.

Additional information pertaining to the unconsolidated Financial Group segment is included in the accompanying Summary Combined Statements of Financial Group Subsidiaries of Greyhound. See Note L to consolidated financial statements for information on affiliates accounted for on the equity method.

Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. Described below are those accounting policies which are particularly significant to The Greyhound Corporation ("Greyhound"), including those selected from acceptable alternatives.

Principles of Consolidation:

The consolidated financial statements include the accounts of Greyhound and its subsidiaries, except for its Financial Group subsidiaries. All material intercompany transactions and accounts are eliminated in consolidation.

Investments in Financial Group subsidiaries and in affiliates 20 to 50 percent owned are reflected in the accounts on the equity method. In addition, the investment in ConAgra, Inc. ("ConAgra") (15% owned) is included in the accounts on the equity method. Greyhound's membership both on the Board of Directors and on the Executive Committee of the Board of Directors of ConAgra and its substantial voting rights provide the ability to significantly influence the operating and financial affairs of ConAgra. Equity in net income of ConAgra is recognized after provisions for amortization of intangibles and for income taxes.

Summary financial information for the Financial Group, including significant accounting policies and footnotes, is presented elsewhere in these financial statements. This Group includes subsidiaries engaged in leasing and financing of real estate and industrial, commercial, computer and computer-related equipment as well as insurance operations, principally residential mortgage insurance.

Inventories:

Generally inventories are stated at the lower of cost (on the "first-in, first-out" or average cost methods) or market. Certain raw materials used in the manufacture of soap (consumer products) are stated at cost on the last-in, first-out method.

Property and Equipment:

Owned assets are stated at cost and capital lease assets are stated at the present value of future rentals at lease inception.

Depreciation is provided principally by use of the straight-line method at annual rates as follows:

Buildings	2% to 5%
Buses	7.5%
Machinery and other equipment	5% to 33%
Capital leases and leasehold improvements	Lesser of lease term or useful life

Intangibles:

Intangibles are carried at cost less applicable amortization. Those which arose prior to October 31, 1970 will not be amortized unless there is deemed to be a permanent diminution in value of the related investments. Intangibles arising after October 31, 1970 are amortized on the straight-line method over the periods of expected benefit, but not in excess of forty years.

Pension Plans and Other Employee Benefits:

Pension expense is provided on the basis of annual actuarial determinations of current service costs plus amortization in level annual amounts of unfunded prior service costs, including interest, over periods of thirty to forty years. Funding policies are similarly based but reflect later recognition of certain actuarial gains.

Cost of medical and life insurance benefits under employee group plans, including similar benefits for qualified retirees, is generally charged to income as incurred. Such benefits applicable to eligible retirees of discontinued businesses were recorded on an estimated present value basis at the date of discontinuance.

Tax Credits:

Tax credits, principally investment tax credits, are included in income in the year the credits are available as a reduction of federal income taxes.

Net Income Per Share:

Net income per common and equivalent share is based on net income after preferred stock dividend requirements and the weighted average number of common shares outstanding during each year after giving effect to stock options and warrants considered to be dilutive common stock equivalents. Net income per share assuming full dilution is based upon the foregoing and gives effect to the equivalent number of common shares issuable upon conversion of convertible debt.

Principal Business Segments and Other Information:

Certain reclassifications have been made to the financial statements to conform to 1985 classifications.

Revenues and income of principal business segments and other principal business segment information of Greyhound for the three years ended December 31, 1985, are presented in a previous section of this Annual Report.

Statement of Consolidated Financial Condition

(000 omitted)

ASSETS	December 31, 1985	December 31, 1984
CURRENT ASSETS:		
Cash and short-term investments	$ 38,738	$ 58,204
Cash and temporary investments for payment service obligations	464,330	368,729
Receivables	271,430	232,828
Inventories	236,600	153,401
Prepaid expenses and other current assets	59,406	47,813
Due from Financial Group subsidiaries, net	6,873	45,911
TOTAL CURRENT ASSETS	1,077,377	906,886
PROPERTY AND EQUIPMENT:		
Land	98,288	85,413
Buildings and leasehold improvements	359,793	294,889
Buses	173,184	220,469
Machinery and other equipment	468,626	346,186
	1,099,891	946,957
Less accumulated depreciation	403,683	396,271
	696,208	550,686
INVESTMENTS AND OTHER ASSETS:		
Investments in and long-term receivables due from Financial Group subsidiaries	626,847	527,783
Investment in ConAgra	109,805	99,283
Other investments and assets	87,508	91,214
	824,160	718,280
DEFERRED INCOME TAXES	24,596	4,651
INTANGIBLES, including $170,476 not subject to amortization, net of accumulated amortization of $10,481 and $3,536	309,150	186,252
	$2,931,491	$2,366,755

See notes to consolidated financial statements and summary of significant accounting policies.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1985	1984
CURRENT LIABILITIES:		
Short-term bank and other loans	$ 3,824	$ 3,754
Payment service obligations	494,710	358,244
Accounts payable	210,775	159,906
Accrued compensation	67,761	59,234
Income and other taxes	19,821	62,873
Other current liabilities	130,009	122,287
Current portion of long-term debt	15,249	4,124
TOTAL CURRENT LIABILITIES	942,149	770,422
LONG-TERM DEBT, including subordinated debt of $159,623 and $26,116	605,325	223,673
OTHER LIABILITIES AND DEFERRED ITEMS:		
Pension and other benefits	105,432	128,322
Other	86,387	71,014
	191,819	199,336
MINORITY INTERESTS — Greyhound Lines of Canada	25,343	24,739
COMMITMENTS AND CONTINGENT LIABILITIES (Notes E, I, J and K)		
$4.75 REDEEMABLE PREFERRED STOCK	6,597	6,596
COMMON STOCK AND OTHER EQUITY:		
Common stock	72,832	72,832
Additional capital	343,129	347,846
Retained income	824,560	765,471
Cumulative translation adjustments	(23,245)	(20,784)
Common stock in treasury, at cost	(57,018)	(23,376)
	1,160,258	1,141,989
	$2,931,491	$2,366,755

Consolidated Income Statement
(000 omitted)

	Year Ended December 31, 1985	1984	1983
REVENUES:			
Sales and revenues	**$2,561,663**	$2,201,121	$2,169,400
Other income	**59,878**	18,113	14,607
	2,621,541	2,219,234	2,184,007
OPERATING COSTS:			
Cost of sales and revenues	**2,399,535**	2,047,261	2,060,960
Interest	**48,763**	19,643	25,546
Corporate and administrative	**32,271**	26,171	19,374
Minority interests and other, net	**(2,423)**	(14,506)	(11,673)
INCOME BEFORE INCOME TAXES	**143,395**	140,665	89,800
Income taxes	**50,990**	58,377	39,976
Income of Greyhound and consolidated subsidiaries	**92,405**	82,288	49,824
Net income of Financial Group, including unusual charge of $19,440 in 1985	**15,822**	33,756	20,461
Equity in net income of ConAgra	**11,861**	8,983	
INCOME FROM CONTINUING OPERATIONS	**120,088**	125,027	70,285
Income from discontinued operations—principally net gain on disposal			20,537
Income before extraordinary items	**120,088**	125,027	90,822
Extraordinary items			14,677
NET INCOME	**$ 120,088**	$ 125,027	$ 105,499
INCOME PER SHARE:			
Common and equivalents:			
Continuing operations	**$2.48**	$2.56	$1.47
Discontinued operations			.44
Extraordinary items			.31
Net income	**$2.48**	$2.56	$2.22
Assuming full dilution:			
Continuing operations	**$2.44**	$2.52	$1.43
Discontinued operations			.42
Extraordinary items			.30
Net income	**$2.44**	$2.52	$2.15
DIVIDENDS DECLARED PER COMMON SHARE	**$1.26**	$1.20	$1.20
AVERAGE OUTSTANDING SHARES (000 omitted):			
Common and equivalents	**47,933**	48,350	47,007
Assuming full dilution	**49,012**	49,626	49,145

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Changes in Consolidated Financial Position

(000 omitted)

	Year Ended December 31, 1985	1984	1983
SOURCE OF FUNDS:			
From continuing operations:			
Income before extraordinary items	**$120,088**	$125,027	$ 70,285
Depreciation	**61,331**	52,075	49,164
Deferred income taxes	**(2,547)**	6,772	(3,352)
Undistributed net income of Financial Group	**1,104**	(3,734)	(4,988)
Other items, net	**11,556**	(39)	15,186
Total from continuing operations	**191,532**	180,101	126,295
From discontinued operations, net—includes income of $20,537, principally net gain on disposal, in 1983		9,882	(16,364)
Extraordinary items			14,677
Common stock issued	**12,640**	19,372	93,148
Additional long-term debt including short-term borrowings classified as long-term debt	**412,662**	9,743	24,200
Increase (decrease) in short-term loans	**70**	(3,221)	(18,927)
Disposals of businesses and property	**41,419**	19,164	27,101
Net decrease (increase) in payment service assets and obligations	**40,865**	(58,567)	21,453
Reduction in amounts due from ConAgra		107,178	
Recovery of excess pension plan assets	**19,077**	95,312	
Investments sold to Financial Group, net		41,884	
Other transactions with Financial Group, net	**9,024**	(10,757)	(4,437)
	727,289	410,091	267,146
USE OF FUNDS:			
Capital expenditures and leases capitalized	**124,817**	88,477	87,442
Dividends on common and preferred stock	**60,820**	58,808	57,579
Payments of long-term debt including short-term borrowings classified as long-term debt	**27,079**	69,246	78,162
Common stock purchased for treasury	**51,172**	37,144	28
Acquisition of Purex:			
Property and equipment	**125,268**		
Working capital	**27,868**		
Excess of purchase price over fair value of net assets	**34,067**		
Other, net (primarily other intangibles)	**85,506**		
Additional long-term investment in Financial Group companies, net	**70,263**	53,699	30,413
Transfer of deferred income taxes to Financial Group		35,000	
Increase (decrease) in receivables and inventories	**56,334**	35,083	(33,755)
Decrease in current accrued liabilities	**52,702**	10,491	2,040
Other items, net	**30,859**	(10,401)	41,005
	746,755	377,547	262,914
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	**$ (19,466)**	$ 32,544	$ 4,232

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Common Stock and Other Equity
(000 omitted)

	Year Ended December 31, 1985	1984	1983
COMMON STOCK, $1.50 par value, 70,000,000 shares authorized:			
Balance, beginning of year	**$ 72,832**	$ 72,279	$ 68,064
Shares issued		553	4,215
Balance, end of year	**$ 72,832**	$ 72,832	$ 72,279
ADDITIONAL CAPITAL:			
Balance, beginning of year	**$347,846**	$342,636	$279,826
Conversion, exchange or exercise of debentures, warrants or stock options:			
Common shares issued		5,201	59,492
Treasury common shares reissued	**(4,208)**	(578)	4,194
Net change in unamortized amount of restricted stock	**(683)**	420	(1,264)
Other, net	**174**	167	388
Balance, end of year	**$343,129**	$347,846	$342,636
RETAINED INCOME:			
Balance, beginning of year	**$765,471**	$699,842	$650,886
Net income	**120,088**	125,027	105,499
Dividends on common and preferred stock	**(60,820)**	(58,808)	(57,579)
Net change in unrealized gains and losses on marketable equity securities	**(159)**	(567)	1,111
Other, net	**(20)**	(23)	(75)
Balance, end of year	**$824,560**	$765,471	$699,842
CUMULATIVE TRANSLATION ADJUSTMENTS:			
Balance, beginning of year	**$ (20,784)**	$ (13,340)	$ (11,922)
Unrealized translation losses	**(2,461)**	(7,444)	(1,418)
Balance, end of year	**$ (23,245)**	$ (20,784)	$ (13,340)
COMMON STOCK IN TREASURY, at cost:			
Balance, beginning of year	**$ (23,376)**	$ (8)	$ (26,491)
Purchases of additional shares	**(51,172)**	(37,144)	(28)
Reissued on conversion, exchange or exercise of debentures, warrants or stock options	**17,530**	13,776	26,511
Balance, end of year	**$ (57,018)**	$ (23,376)	$ (8)

See notes to consolidated financial statements and summary of significant accounting policies.

Notes to Consolidated Financial Statements

Three Years Ended December 31, 1985

Note A – Acquisition and Changes in Business:

On March 21, 1985 Greyhound purchased, effective March 1, 1985, the Consumer Products Division of Purex Industries, Inc. consisting of Purex Corporation and Ellio's Pizza, Inc. (Purex). The purchase price plus transaction costs totalled $272,709,000 and on the purchase accounting method exceeded fair value of net assets acquired by $34,067,000. This amount is being amortized over forty years. Other intangibles included in the acquisition aggregated $91,525,000 and are being amortized over their applicable lives. Greyhound utilized long-term floating rate credit agreements as support for short-term borrowings to fund the acquisition and on March 3, 1986 issued $150,000,000 of 10½% subordinated debentures due May 15, 2006 to reduce such debt.

Operating results of Purex are included in consolidated income from March 1, 1985. The following table summarizes unaudited, pro forma operating results for Greyhound assuming that Purex had been acquired at the beginning of 1984 and giving effect to financing costs and purchase accounting adjustments.

	Year Ended December 31,	
	1985	1984
Consolidated revenues (000 omitted)	$2,691,384	$2,694,348
Net income (000 omitted)	118,432	125,201
Net income per share	$2.45	$2.57

On December 18, 1983, Greyhound sold the assets of Armour Food Company to ConAgra. This transaction along with the prior 1983 sale of three plants to another party constituted the disposition of Greyhound's Food business segment. The consideration received in these transactions included cash, notes receivable, 5,100,000 shares of ConAgra common stock, and the assumption of certain liabilities by ConAgra.

Also in December 1983, Armour Handcrafts, Inc. was classified as discontinued since Greyhound intends to dispose of the business. Handcrafts' net assets are included in prepaid expenses and other assets ($13,348,000) and other investments and assets ($8,439,000).

The gain on disposal of the Food segment in 1983 was reduced by a provision for the estimated loss on disposition of Handcrafts. The net gain on disposal of discontinued operations was $21,400,000 in 1983 after provision for income taxes of $16,800,000. Revenues from discontinued operations were $1.9 billion in 1983.

Note B – Inventories:

Year-end inventories consisted of the following:

	1985	1984
	(000 omitted)	
Raw materials	$110,009	$ 44,500
Work-in-process	34,591	30,264
Finished goods and supplies	92,000	78,637
Total inventories	$236,600	$153,401

Inventories of certain materials in the Consumer Products segment, aggregating $6,006,000 in 1985 and $3,556,000 in 1984, are stated at cost on the last-in, first-out method. If these inventories were stated on the basis used for pricing other raw materials, inventory valuations would have been increased $949,000 at the end of 1985 and $4,883,000 at the end of 1984.

Note C – Short-term Debt and Compensating Balances:

Greyhound satisfies its short-term financing requirements with bank lines of credit, informal bank advances and by the issuance of commercial paper.

Greyhound's short-term bank lines aggregating $24,385,000 at December 31, 1985 are subject to annual renewal and in most instances can be withdrawn at any time at the option of the banks. On $12,000,000 of these lines, compensating balances are required in an amount equal to five percent of the commitments. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

It is Greyhound's policy to support commercial paper and informal advances outstanding principally with unused portions of long-term revolving bank credit. In addition, Greyhound maintained unused portions of long-term bank credits of $35,000,000 in 1985 under an agreement with a subsidiary to support its demand advances to Greyhound when outstanding.

Note D – Long-term Debt:

Long-term debt at year-end was as follows:

	1985	1984
	(000 omitted)	
Senior debt:		
Short-term borrowings supported by unused long-term revolving credits:		
Promissory notes	$175,000	$
Commercial paper	79,756	
Sinking fund debentures, net of unamortized discount:		
9⅜%, due 1993 to 2001	54,048	68,798
9⅞%, due 1990 to 2000	51,400	51,379
Real estate mortgages, and other obligations, due to 2014, 5% to 12%	40,828	39,682
Canadian revolving credit loans	6,009	
Less current portion	(3,176)	(2,949)
	403,865	156,910
Subordinated debt:		
Promissory notes and commercial paper refinanced subsequent to year-end	150,000	
Convertible debentures (conversion price):		
6½%, due 1990 ($18.375)	9,623	15,791
6%, due 1986 ($46.00)	10,325	10,325
Less current portion	(10,325)	
	159,623	26,116
Capital lease obligations, 9.8% weighted-average imputed interest	43,585	41,822
Less current portion	(1,748)	(1,175)
	41,837	40,647
Total long-term debt	$605,325	$223,673

Revolving credit loans are available from participating banks under four agreements which provide for total credit of $640,000,000. On $140,000,000 of credit commitments, borrowings are available until June 30, 1987 on a revolving basis, with outstanding borrowings then converting into a term loan repayable in fifteen equal quarterly installments. Annually, at Greyhound's request and with the participating banks' consent, the term of the agreement may be extended for one-year periods. On $360,000,000 of credit commitments, borrowings are available on a revolving basis on the entire commitment to January 31, 1989 and thereafter on a reducing basis until January 31, 1993. On $75,000,000 and $65,000,000 of credit commitments, borrowings are available on a revolving basis to maturity dates of January 31, 1988 and January 31, 1990, respectively.

The interest rates applicable to borrowings under these agreements are, at Greyhound's option, indexed to the bank prime rate, the bank certificate of deposit rate, or the London interbank offering rate, plus varying percentage increments over such indices during the period of each credit agreement. The agreements also provide for commitment fees based on a combination of factors involving commitment utilization.

Greyhound, in the event that it becomes advisable, intends to exercise its rights under these agreements to borrow for the purpose of refinancing short-term borrowings; accordingly, a substantial portion of short-term borrowings has been classified as long-term debt.

Canadian revolving credit loans are available to Canadian transportation services and transportation manufacturing subsidiaries from banks under agreements which in the aggregate provide for loans up to the Canadian equivalent of $28,612,000. On one-half of such credit commitments, loans are available on a revolving basis to December 31, 1986 with outstanding loans then converting to a term loan repayable over three years. On the remaining one-half of such commitments, loans are available on a revolving basis to December 31, 1987 with outstanding loans then converting to a term loan repayable over five years.

On March 3, 1986 Greyhound completed a public offering of $150,000,000 of 10½% subordinated debentures due May 15, 2006. The proceeds from the offering were used to reduce variable rate, short-term borrowings, accordingly, as of December 31, 1985 the refinanced amounts are reflected as long-term subordinated debt.

After giving effect to the new public debt offering described above, annual maturities (other than amounts supported by unused revolving credits which are expected to be renewed) of long-term debt, including capital lease obligations, in the four years after 1986 will approximate $8,725,000 (1987), $3,949,000 (1988), $3,459,000 (1989) and $16,936,000 (1990).

Greyhound's long-term debt agreements also contain various restrictive covenants and require the maintenance of certain defined financial ratios with which Greyhound has complied. Greyhound has also agreed to support debt of one of the Financial Group subsidiaries under a working-capital maintenance agreement.

Note E – Preferred Stock and Common Stock and Other Equity:
Common stock issued and outstanding at December 31, 1985 was 48,554,362 and 46,422,531 shares, respectively. Shares reserved for issuance at December 31, 1985 were as follows:

	Shares	Conversion or Exercise Prices
Convertible debentures	748,165	$18.37 to $46.00
Stock options	2,916,939	13.38 to 30.63
Total shares reserved	3,665,104	

The conversion and exercise prices are subject to adjustment under certain circumstances.

Greyhound has 5,000,000 shares of Serial Preference Stock authorized, of which 436,348 shares are designated as $4.75 Redeemable Preferred Stock. The remaining 4,563,652 shares are available for issue. A subsidiary of Greyhound holds 200,582 shares of the Greyhound $4.75 preferred stock. The holders of the preferred stock are entitled to a liquidation preference of $100 per share and to annual cumulative sinking fund redemptions of 6,000 shares. The shares presently held by the Greyhound subsidiary will be applied to this requirement. Shares held by others (235,766 shares) are therefore scheduled to be redeemed in the years 2019 to 2058. Additional preferred dividend amounts are being recorded to provide for ultimate redemption of the shares at stated value.

Treasury shares are reserved for issuance on conversion or exercise of the outstanding convertible debentures or stock options.

Certain subsidiaries are precluded from transferring funds in excess of stipulated amounts to Greyhound in the form of advances or dividends pursuant to restrictions in long-term debt and capital lease agreements of the subsidiaries or other restrictions applicable to certain regulated Financial Group subsidiaries. At December 31, 1985, $354,891,000 of net assets of Financial Group subsidiaries were subject to such restrictions. The restrictions on the transfer of net assets of consolidated subsidiaries are not material.

At December 31, 1985, retained income of $134,115,000 was unrestricted as to the payment of dividends by Greyhound.

Note F – Stock Options:
Greyhound has granted to officers and certain key employees restricted stock and stock options (substantially all stock options are incentive stock options under provisions of the Internal Revenue Code), under its 1983 and 1973 Stock Option Plans as amended.

The 1983 Plan provides for four types of awards: (1) Stock Options (both Incentive Stock Options and Nonqualified Stock Options); (2) Stock Appreciation Rights (SARS); (3) Limited Stock Appreciation Rights (LSARS); and (4) Restricted Stock. The Plan authorizes the issuance of up to 2,500,000 shares of common stock; however, not more than a total of 500,000 shares may be subject to awards of restricted stock and stock appreciation rights not related to stock options.

The stock options and SARS are exercisable 50% a year beginning one year from the date of grant at a price equal to 100 per cent of the fair market value at the date of grant. For SARS and/or LSARS issued in tandem with stock options, as were all issuances under the 1983 Plan, the exercise of one will reduce, to the extent exercised, the number of shares represented by the others.

Limited stock appreciation rights are exercisable only for a limited period in the event of certain tenders or exchange offers for Greyhound's common stock.

Restricted stock awards (43,100 shares in 1985, 1,500 shares in 1984 and 62,300 shares in 1983) vest 60% three years from the date of the grant and at the rate of 20% per year thereafter. The holder of the restricted stock has the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the restricted stock.

The 1973 Plan's stock options are exercisable at market value at date of grant and expire ten years after date of grant.

Information with respect to options granted and exercised for the three years ended December 31, 1985 is as follows:

	Granted		Exercised	
	Shares	Average Price Per Share	Shares	Average Price Per Share
1983	801,800	21.40	814,517	14.16
1984	589,000	22.81	269,392	14.75
1985	494,300	27.47	463,340	16.52

Stock options on common shares cancelled during 1985, 1984 and 1983 at average exercise prices indicated were 115,950 ($21.91), 40,400 ($17.69) and 65,362 ($15.64), respectively.

At December 31, 1985, stock options with respect to 1,899,839 common shares were outstanding at an average price of $22.15 per share of which 1,148,439 shares were exercisable at an average price of $19.74 per share.

Note G — Income Taxes:

The consolidated provision for income taxes for the three years ended December 31, 1985 consists of the following:

	1985	1984	1983
		(000 omitted)	
Currently payable:			
United States:			
Federal	$ 32,192	$ 35,618	$ 23,617
State	3,289	2,773	1,742
Foreign	18,056	13,214	17,969
	53,537	51,605	43,328
Deferred:			
United States	(2,664)	5,234	(3,858)
Foreign	117	1,538	506
	(2,547)	6,772	(3,352)
Provision for income taxes	$ 50,990	$ 58,377	$ 39,976

Deferred income taxes relate to the following principal timing differences:

	1985	1984	1983
		(000 omitted)	
Depreciation	$ 6,389	$ 2,008	$ 5,616
Sale-leaseback transactions	(5,994)	(10,529)	(11,888)
Investment tax credit carryforwards		8,825	2,719
Pension contributions	2,784	4,511	(1,707)
Loss accruals	(2,987)	(567)	(657)
All other	(2,739)	2,524	2,565
Total deferred income taxes	$(2,547)	$ 6,772	$ (3,352)

Eligible consolidated and Financial Group subsidiaries are included in the consolidated federal income tax returns of Greyhound.

Certain benefits of tax losses and credits which would not have been currently available to Financial Group subsidiaries on a separate return basis have been credited to the Financial Group by Greyhound. These benefits are included in the determination of the Financial Group's income taxes and this policy has been documented by written agreements between Greyhound and certain subsidiaries. Accordingly, consolidated companies' currently payable and deferred provisions for income taxes do not reflect a reduction for such amounts, and they are recorded as adjustments to Greyhound's current and deferred tax liability accounts.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1985	1984	1983
		(000 omitted)	
Computed income taxes at statutory federal income tax rates	$ 65,962	$ 64,706	$ 41,308
Statutory rate differences and tax-exempt income	(12,070)	(4,599)	(2,800)
Investment tax credits, net of related basis adjustments	(7,605)	(3,861)	(2,283)
Minority interests	2,175	2,356	2,881
State income taxes	1,849	1,014	935
Other, net	679	(1,239)	(65)
Provision for income taxes	$ 50,990	$ 58,377	$ 39,976

United States and foreign income before income taxes is as follows:

	1985	1984	1983
		(000 omitted)	
United States	$119,567	$108,521	$52,857
Foreign	23,828	32,144	36,943
Income before income taxes	$143,395	$140,665	$89,800

Note H — Pension and Other Benefits:

Greyhound and its subsidiaries have pension plans covering substantially all employees. All of the following amounts exclude discontinued operations. Pension expense was $27,069,000 in 1985, $30,992,000 in 1984 and $51,380,000 in 1983, including $449,000, $455,000 and $1,086,000, respectively, attributable to unconsolidated Financial Group subsidiaries.

The decrease in pension expense in 1984 compared to 1983 resulted primarily from contractual changes in the Transportation Services Group ($11,043,000), and the effects of dedicating certain assets of jointly-administered plans to vested future benefits ($6,761,000).

At January 1, 1985 and 1984 (the dates of the most recent actuarial valuations) accumulated pension plan benefits and market value of plan net assets available for benefits for all plans were as follows:

	1985	1984
	(000 omitted)	
Actuarial present value of accumulated pension plan benefits:		
Vested	$713,432	$724,679
Nonvested	66,395	73,406
Total accumulated benefits	$779,827	$798,085
Market value of pension trust fund net assets	$896,900	$864,262
Accruals for pension liabilities	966	885
Total plan assets and accruals	$897,866	$865,147

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was nine percent.

The cost of medical and life insurance benefits for retirees was $1,326,000 and $1,506,000 for the years ended December 31, 1985 and 1984, respectively. Greyhound also made defined contributions of $11,456,000 in 1985 and $10,569,000 in 1984 to certain union sponsored trusts which provided benefits to approximately 6,500 retirees and 8,200 active employees in 1985.

Note I – Lease Obligations:
Certain buses, bus terminals, plants, offices and equipment are leased. The leases expire in periods ranging from one to 47 years, and some provide for renewal options ranging from one to 30 years. Also, certain leases contain purchase options. Leases which expire are generally renewed or replaced by similar leases.

Capital leases included in the cost of property and equipment aggregated $88,205,000 and $82,121,000 at December 31, 1985 and 1984, respectively, with related accumulated depreciation of $38,056,000 and $29,212,000. The capitalized value of buses included in these amounts was $38,562,000 and $39,269,000 at December 31, 1985 and 1984, respectively, with related accumulated depreciation of $9,769,000 and $5,317,000, respectively.

The capitalized value of buses at December 31, 1985 and 1984 has been reduced by $18,800,000 and $20,995,000, respectively, representing the unamortized portion of proceeds in excess of the carrying amount of buses from various sale-leaseback transactions.

At December 31, 1985, future minimum payments under capital leases and noncancellable operating leases with terms in excess of one year are as follows:

	Capital Leases	Operating Leases
	(000 omitted)	
1986	$ 5,637	$ 59,218
1987	5,421	53,644
1988	5,029	45,433
1989	4,942	37,300
1990	4,881	34,369
Thereafter	58,019	100,517
Total future minimum lease payments	83,929	$330,481
Less imputed interest	40,344	
Present value of future minimum capital lease payments	$ 43,585	

Additional information regarding operating lease rentals is as follows:

	1985	1984	1983
	(000 omitted)		
Minimum rentals	$58,983	$52,028	$49,070
Contingent rentals	14,849	19,237	19,229
Total rentals	$73,832	$71,265	$68,299

Contingent rentals on operating leases are based primarily on sales and revenues for buildings and leasehold improvements and usage for other equipment. Capital lease contingent rentals and sublease rental income were not material in any year.

Note J – Litigation and Claims:
Several derivative complaints have been filed against each member and certain former members of Greyhound's Board of Directors, certain present or former officers of Greyhound and of Greyhound Leasing & Financial Corporation, and against Greyhound and Greyhound Leasing & Financial Corporation as nominal defendants. The complaints variously allege negligence, mismanagement and breaches of fiduciary duty and seek recovery in behalf of Greyhound for compensatory and other damages incurred by Greyhound as a result of certain equipment leasing transactions with the Player & Willyard partnership of Vernal, Utah, and as a result of certain shipping loans.

A fidelity insurance claim was filed during 1985 for a foreign Financial Group subsidiary as a result of illegal acts by former employees. The claim is to compensate the subsidiary for loan losses and foregone revenues, as well as possible future revenue and loan losses related to its shipping loans. The primary insurers have acknowledged liability and agreed to pay their portion ($1,000,000) of the claim, and representatives of the excess insurers have the claim under review. Excess policies of Greyhound provide fidelity coverage for Greyhound and its subsidiaries of $49,000,000. Management believes that the ultimate recovery under this claim will be substantial. Results for 1985 include $21,000,000 (not subject to tax provision) or $.44 per share recorded as an insurance receivable, representing a portion of losses provided to date. Independent legal counsel of Greyhound has opined that the possibility of recovery of less than the recorded amount is remote.

Travelers Express Company recovered funds in January, 1986 from the bankruptcy of an agent who failed to make payment for money orders written in early 1983 totaling approximately $18,200,000. Provision has been made in 1985 for amounts not expected to be recovered from the bankruptcy even though several additional actions to recover such funds are continuing.

Greyhound and certain subsidiaries are parties to various actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve or may involve compensatory, punitive or other damages in substantial amounts. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims referred to above could be decided against Greyhound. Although the amount of liability at December 31, 1985 with respect to these matters was not ascertainable, Greyhound believes that any resulting liability should not materially affect Greyhound's financial position.

Note K – Extraordinary Items:

In 1983 Greyhound determined, as a result of deregulation, that it was entitled to deduct, in its 1982 income tax return, approximately $24,000,000 of U.S. bus operating rights previously written off for financial reporting purposes. These deductions are being challenged by Internal Revenue Service. Management, after consultation with legal counsel, believes that it will ultimately sustain the deduction of these amounts. The tax benefit ($11,469,000 or $.24 per share) of these deductions was recognized as an extraordinary item in 1983.

Gains on extinguishment of debt of $3,208,000 or $.07 per share after taxes of $2,732,000 were also included in extraordinary items in 1983. Similar gains of $3,422,000 or $.07 per share were included in other income in 1984.

Note L – Other Matters:

Summarized unaudited financial information of ConAgra and of other affiliates is as follows:

Summarized Financial Condition:

	ConAgra		Other Affiliates	
	1985	1984	1985	1984
	(000 omitted)			
Financial Condition				
Assets:				
Receivables	$ 516,672	$ 464,287	$18,353	$37,085
Inventory	808,894	811,702	1,010	1,786
Investments	70,618	50,910	838	695
Property and equipment	410,939	348,826	21,646	29,908
Other	98,522	94,499	5,971	12,720
	$1,905,645	$1,770,224	$47,818	$82,194
Liabilities:				
Current liabilities	$1,043,991	$1,029,379	$12,113	$23,943
Long-term debt	301,829	241,558	7,025	6,867
Other liabilities	64,946	32,354	3,878	4,273
Stockholders' equity	494,879	466,933	24,802	47,111
	$1,905,645	$1,770,224	$47,818	$82,194

Greyhound's carrying amount of investment in ConAgra at December 31, 1985 and 1984 was $109,805,000 and $99,283,000, respectively, including unamortized goodwill of $30,663,000 and $31,496,000.

Greyhound's carrying amount of investments in other affiliates was $9,312,000 and $20,137,000 at December 31, 1985 and 1984, respectively. The decline in the carrying amount was due primarily to receipt of liquidating dividends from Saudi Arabian affiliates.

Income Summary—ConAgra:

	1985	1984
	(000 omitted)	
Revenues	$5,630,129	$4,787,839
Cost and expenses:		
Cost of sales and operating expenses	5,420,437	4,625,681
Other	39,763	39,847
Income before income taxes	169,929	122,311
Outside shareholders' equity in net income	82,458	68,874
Greyhound's equity in net income	$ 11,861	$ 8,983
Dividends received by Greyhound	$ 4,603	$ 4,016

Income Summary—Other Affiliates:

	1985	1984	1983
	(000 omitted)		
Revenues	$ 46,162	$101,681	$127,258
Cost and expenses:			
Cost of sales and operating expenses	37,217	77,457	92,987
Other	5,368	1,093	5,141
Income before income taxes	3,577	23,131	29,130
Outside shareholders' equity in net income	2,274	12,782	16,679
Greyhound's equity in net income	1,489	4,574	6,543
Transportation Services	1,258	2,578	2,730
Services and Food Service	231	1,996	3,813
	$ 1,489	$ 4,574	$ 6,543

Greyhound's equity in net income is after applicable provisions for amortization of intangibles and for income taxes.

Of the amounts above, all of Services and Food Service's equity in net income, and $708,000 in 1985, $1,841,000 in 1984 and $1,510,000 in 1983 of Transportation Services' equity in net income was from foreign operations.

Condensed Quarterly Results

(000 omitted)
(Unaudited)

	First Quarter 1985	First Quarter 1984	Second Quarter 1985	Second Quarter 1984	Third Quarter 1985	Third Quarter 1984	Fourth Quarter 1985	Fourth Quarter 1984
Consolidated Sales and Revenues	$527,600	$503,940	$726,893	$583,016	$704,761	$587,218	$662,287	$545,060
Consolidated Operating income	26,916	14,190	56,824	41,367	78,547	65,119	59,719	51,297
Income of Greyhound and Consolidated Subsidiaries	9,503	3,786	22,416	21,481	36,609	29,935	23,877	27,086
Net Income (Loss) of Financial Group[1]	7,398	6,782	13,575	10,507	(11,751)	10,052	6,600	6,415
Equity in Net Income of ConAgra	2,156	1,526	2,873	2,141	2,543	2,244	4,289	3,072
Consolidated Net Income	$ 19,057	$ 12,094	$ 38,864	$ 34,129	$ 27,401	$ 42,231	$ 34,766	$ 36,573
Net Income Per Share[1]: Common and equivalents	39¢	24¢	80¢	70¢	56¢	87¢	73¢	75¢
Assuming full dilution	39¢	24¢	78¢	68¢	56¢	86¢	71¢	74¢

(1) The loss in the third quarter of 1985 was due to an unusual charge of $19,440,000 (after-tax) or $.41 per share made by Greyhound Leasing & Financial Corporation (see Note 6 of notes to the summary combined statements of the Financial Group).

Summary of Combined Financial Condition
(000 omitted)

ASSETS	December 31, 1985	1984
INVESTMENTS IN EARNING ASSETS:		
Investment in financing transactions, including leveraged leases (net), less unearned income of $1,017,023 and $975,001	$2,227,546	$2,090,112
Operating lease equipment, net	376,529	275,277
Bonds and other fixed maturity investments, at amortized cost (market $327,512 and $254,275)	333,092	276,976
Equity securities, at quoted market	75,580	41,622
Short-term investments	76,463	80,468
Investments in Earning Assets	3,089,210	2,764,455
Cash	14,256	25,959
Other receivables	132,483	78,084
Tax benefits due from Greyhound	16,751	18,916
Deferred policy acquisition costs	15,755	21,839
Intangibles, at cost less amortization	33,977	35,997
Other assets	246,642	133,056
	$3,549,074	$3,078,306
LIABILITIES AND GREYHOUND EQUITY		
LIABILITIES:		
Long-term debt, including subordinated debt of $130,035 and $101,428	$2,003,808	$1,631,568
Short-term bank loans	114,495	218,483
Unearned premiums	90,001	82,049
Insurance losses and claims (Note 8)	146,015	98,741
Due to Greyhound, net--including $20,325 subordinated long-term debt in 1984	6,873	66,236
Other short-term liabilities	239,408	180,554
	2,600,600	2,277,631
DEFERRED TAX ITEMS	319,531	291,127
MINORITY INTERESTS	2,096	2,090
GREYHOUND EQUITY:		
Capital	477,931	357,329
Retained income	156,200	157,301
Net unrealized investment gains	696	919
Cumulative translation adjustments	(7,980)	(8,091)
	626,847	507,458
	$3,549,074	$3,078,306

See notes to summary combined statements.

Summary of Combined Income
(000 omitted)

	Year Ended December 31, 1985	1984	1983
REVENUES:			
Leasing and Financial:			
Finance lease and other income	**$311,497**	$246,063	$204,846
Operating lease rentals	**162,011**	121,217	97,847
Gain on disposal of assets	**17,454**	8,869	5,437
Insurance:			
Premiums earned	**138,040**	134,233	110,652
Investment income, net of expenses	**27,748**	27,101	25,655
	656,750	537,483	444,437
OPERATING COSTS:			
Leasing and Financial:			
Interest	**232,670**	190,580	157,521
Depreciation	**111,089**	82,343	65,624
Other	**109,285**	73,111	75,061
Insurance:			
Losses and settlement expenses	**129,887**	95,210	85,160
Amortization of policy acquisition costs	**41,825**	46,599	39,636
Other	**25,960**	16,191	12,904
	650,716	504,034	435,906
OPERATING INCOME before unusual item	**6,034**	33,449	8,531
UNUSUAL ITEM—special provision for loss (Note 6)	**(36,000)**		
OPERATING INCOME (LOSS)	**(29,966)**	33,449	8,531
Net realized investment gains	**9,686**	3,038	1,700
Minority interests and other, net	**3,881**	(441)	(459)
INCOME (LOSS) BEFORE INCOME TAXES	**(16,399)**	36,046	9,772
Income taxes (credit)	**(32,221)**	2,290	(10,689)
NET INCOME	**$ 15,822**	$ 33,756	$ 20,461

See notes to summary combined statements.

Summary of Changes in Combined Financial Position

(000 omitted)

	Year Ended December 31, 1985	1984	1983
SOURCE OF FUNDS:			
From operations	$ 216,926	$ 178,906	$107,583
Collections on lease and other financing contracts, less income amortization	344,156	263,414	228,131
Carrying amount of equipment sold	58,751	26,766	33,662
Total from operations, collections and equipment disposals	619,833	469,086	369,376
Additional long-term debt	617,138	654,917	219,253
Increase in commercial paper and short-term bank loans		53,522	2,884
Additional long-term investment by Greyhound, net	70,263	53,699	30,413
Transfer of deferred income taxes from Greyhound		35,000	
Other transactions with Greyhound, net		10,757	4,437
Other sources of funds	150,001	52,415	80,060
	1,457,235	1,329,396	706,423
USE OF FUNDS:			
Leasing and Financial investments:			
Finance leases, leveraged leases (net) and other financing contracts	680,399	684,515	441,312
Operating lease equipment	232,351	188,739	84,252
Total leasing and financial investments	912,750	873,254	525,564
Increase in fixed maturity and equity securities, net	107,572	42,366	81,742
Reductions of long-term debt	333,446	243,245	79,847
Decrease in commercial paper and short-term bank loans	31,732		
Dividends paid to Greyhound	16,926	30,022	15,473
Earning assets acquired from Greyhound, net		41,884	
Other transactions with Greyhound, net	9,024		
Other uses of funds	57,488	95,145	21,087
	1,468,938	1,325,916	723,713
INCREASE (DECREASE) IN CASH	$ (11,703)	$ 3,480	$ (17,290)

See notes to summary combined statements.

Summary of Combined Greyhound Equity

(000 omitted)

	1985	1984	1983
Balance, beginning of year	$507,458	$427,616	$391,234
Net income	15,822	33,756	20,461
Dividends to Greyhound	(16,926)	(30,022)	(15,473)
Additional equity investment by Greyhound:			
Cash	58,888	43,699	30,413
Other assets	21,375		
Transfer of deferred income taxes		35,000	
Conversion of intercompany balances	40,339		
Net change in unrealized gains and (losses) on marketable equity securities	(223)	(441)	1,110
Unrealized translation adjustments	111	(2,149)	(81)
Other	3	(1)	(48)
Balance, end of year	$626,847	$507,458	$427,616

See notes to summary combined statements.

Notes to Summary Combined Statements

Three Years Ended December 31, 1985

Note 1 – Summary of Significant Accounting Policies:
The accompanying financial information for the Financial Group is prepared on the Greyhound cost basis, which is the basis for recording investments in and net income of Financial Group subsidiaries in Greyhound's consolidated financial statements. This combined information has been prepared in accordance with generally accepted accounting principles.

Intangibles are amortized primarily over forty years.

Leasing and Financial Subsidiaries:

Operating lease equipment, principally computer and related equipment, is generally depreciated on the sum-of-the-years'-digits method over 5 to 8 years.

Investment tax credits are deferred. Investment tax credits arising from direct financing leases and leveraged leases are amortized to revenues on bases which parallel the amortization of related unearned income. Investment tax credits pertaining to operating lease equipment are amortized to revenue, generally over five years, on a basis similar to the depreciation method.

Insurance Subsidiaries:

Premiums earned are calculated generally on the straight-line basis over the terms of the coverage.

Costs associated with the acquisition of insurance business are deferred and amortized over the term of the policies in the same manner as premiums earned are calculated. The deferral of costs is generally limited to one year for mortgage insurance.

Provisions for losses under mortgage insurance contracts are principally determined by a formula based upon reported delinquencies and management's estimate of other factors. Provisions for losses applicable to other insurance operations are determined on the basis of management's estimate of the anticipated ultimate loss ratio.

Bonds and other fixed maturity investments are carried at amortized cost, unless there is deemed to be a permanent diminution in value, in which case the loss is recorded in net realized investment gains (losses). Equity securities are carried at quoted market and changes in valuation allowances are recorded in Greyhound equity.

Note 2 – Investment in Financing Transactions:
The portfolio of a U.S. leasing and financial subsidiary at year-end includes the following nonaccruing accounts:

	1985	1984
	(000 omitted)	
Delinquent accounts and contracts which management has placed in a nonaccrual status	$ 68,234	$ 52,049
Repossessed assets	45,807	35,541
Nonaccruing amounts advanced in Mexico	15,297	31,905
	$129,338	$119,495

Exclusive of the restructured loans in Latin America described below, the subsidiary also had contracts of $5,000,000 and $10,000,000 at December 31, 1985 and 1984 respectively, classified as contracts restructured (including rate) for credit reasons. Had these and the above contracts (exclusive of repossessed assets) been current in accordance with their original terms, revenue would have been increased by $11,000,000 in 1985, $10,000,000 in 1984 and $13,000,000 in 1983.

At December 31, 1985, the portfolio of this subsidiary also included amounts advanced in Brazil ($50,800,000) and Ecuador ($19,500,000). All amounts originally advanced are U.S. dollar contracts. Scheduled principal repayments in 1985 from Brazil of $6,100,000 and Ecuador of $3,700,000 were restructured in 1984. Generally, terms were extended and slight reductions in interest rates were experienced.

A Financial Group foreign leasing and financial subsidiary has a concentration of secured loans in the shipping industry totaling $164,103,000. Increases in delinquencies and contracts rewritten have occurred due to the continued worldwide shipping recession. At December 31, 1985, this portfolio had delinquent contracts totaling approximately $44,500,000, compared with $37,300,000 in 1984 and contracts on which moratoria were granted (primarily reduced payments or extended terms on originally scheduled principal payments) aggregating approximately $75,700,000, compared with $39,000,000 in 1984. Income not recognized on such contracts totaled $5,056,000 in 1985, $5,379,000 in 1984 and $3,700,000 in 1983.

At December 31, 1985 and 1984, the allowance for losses on investment in financing transactions for the Financial Group leasing subsidiaries was $72,422,000 and $43,574,000, respectively. Management, after careful analysis of all of the foregoing and estimates of underlying collateral values, is of the opinion that the above allowance is adequate to provide for possible losses in the portfolio.

Amounts due from investment in financing transactions (exclusive of estimated residual value of assets) in the next five years for all Financial Group leasing subsidiaries will approximate $521,817,000 (1986), $441,240,000 (1987), $398,071,000 (1988), $290,221,000 (1989) and $213,454,000 (1990). Estimated residual value of assets included in investment in financing transactions, was $394,413,000 (of which $218,185,000 relates to leveraged leases) and $182,407,000 at December 31, 1985 and 1984, respectively. Additional lease and other income recognized to offset initial direct costs of financing transactions was $16,397,000 (of which $13,703,000 relates to leveraged leases) in 1985, $3,412,000 in 1984 and $1,069,000 in 1983.

Included in investment in financing transactions is $21,000,000 of estimated insurance proceeds from a fidelity insurance claim described in Note J of notes to consolidated financial statements.

Note 3 – Operating Lease Equipment:

At December 31, 1985 and 1984, the cost or stated amounts and carrying amounts by type of equipment are as follows:

Type of Equipment	Carrying Amount 1985	Carrying Amount 1984	Cost or Stated Amount 1985	Cost or Stated Amount 1984
	(000 omitted)			
IBM	$360,085	$261,963	$611,053	$428,965
Other	16,444	13,314	47,058	39,524
	$376,529	$275,277	$658,111	$468,489

Noncancellable rentals due under operating leases were approximately $294,633,000 at December 31, 1985. These amounts are due $161,134,000 (1986), $98,915,000 (1987) and $34,584,000 thereafter.

Note 4 – Long-term Debt:

Long-term debt, principally applicable to leasing and financial operations, was as follows at year-end:

	1985	1984
	(000 omitted)	
Senior debt:		
Revolving credit loans	$ 283,579	$ 221,050
Term loans, 4½% to 15.25% due to 1991	345,242	340,310
Bank loans and commercial paper supported by unused revolving credits	335,393	308,498
Medium-term notes, due 1986 to 1994, 10% to 16⅛%	475,000	325,000
Sinking fund debentures:		
12½%, due 1991 to 2000	99,456	99,418
9¼%, due 1988 to 1992	24,990	26,117
Limited and nonrecourse installment notes, 9⅞% to 18½%, due to 1991	46,007	50,328
Other, 6% to 18%, due to 2002	264,106	159,419
Subordinated debt, 4¾% to 17%, due to 1997	130,035	101,428
Total long-term debt	$2,003,808	$1,631,568

Revolving credit loans are borrowed under credit agreements aggregating $722,457,000 with an average interest rate at December 31, 1985 of 9.6 percent. Floating rate obligations aggregating $225,000,000 at December 31, 1985 were subject to interest rate conversion agreements with an effective weighted average fixed rate of 13.4%. The revolving agreements generally require payment of a fee on the unused commitments and are renewable annually. However, if loans with any or all participating banks are not renewed, the subsidiaries may, at their option, repay the nonrenewing banks' participation immediately or over thirty-month to eight-year periods following the date of termination. So long as the agreements are renewed and the subsidiaries comply with specified tests of financial condition, no repayments of principal are required, and generally additional advances may be obtained up to the amount of the unused credit.

Annual maturities of long-term debt (other than amounts due under revolving credit agreements expected to be renewed) due in the next five years will approximate $187,298,000 (1986), $270,207,000 (1987), $137,515,000 (1988), $93,805,000 (1989) and $102,747,000 (1990).

Note 5 – Income Taxes:

The provision (credit) for income taxes for the three years ended December 31, 1985 consists of the following:

	1985	1984	1983
	(000 omitted)		
United States:			
Federal:			
Currently payable	$17,646	$ 5,903	$ 6,371
Benefits from inclusion in Greyhound's consolidated tax return	(45,555)	(26,922)	(23,516)
Deferred, principally as a result of leasing and financial operations	(6,645)	19,611	3,529
State	1,071	692	284
Foreign	1,262	3,006	2,643
Provision (credit) for income taxes	$(32,221)	$ 2,290	$(10,689)

Investment tax credits of $46,298,000 arising in 1985, $20,884,000 in 1984 and $3,518,000 in 1983 from leasing operations have been deferred. Amortization of deferred investment tax credits included in revenues was $20,439,000 in 1985, $11,988,000 in 1984 and $10,949,000 in 1983.

A reconciliation of the provision (credit) for income taxes and the amount that would be computed using statutory federal income tax rates on income (loss) before income taxes is set forth below:

	1985	1984	1983
	(000 omitted)		
Computed income taxes at statutory federal income tax rates	$ (7,544)	$ 16,581	$ 4,495
Effects of investment tax credits in lease revenue	(9,402)	(5,514)	(5,037)
Statutory rate differences and tax-exempt income	(13,713)	(10,342)	(11,812)
Other, principally state and foreign tax differences	(1,562)	1,565	1,665
Provision (credit) for income taxes	$(32,221)	$ 2,290	$(10,689)

United States and foreign income (loss) before income taxes is as follows:

	1985	1984	1983
	(000 omitted)		
United States	$(17,758)	$33,345	$ 8,214
Foreign	1,359	2,701	1,559
Income (loss) before income taxes	$(16,399)	$36,046	$ 9,773

Deferred tax items include $43,178,000 and $36,371,000 at December 31, 1985 and 1984, respectively, of deferred investment tax credits of leasing operations. Deferred investment tax credits related to leveraged leases are classified as unearned income.

Note 6 — Unusual Item:
In 1985, Greyhound Leasing & Financial Corporation launched an investigation of its transactions with Player & Willyard to determine the existence and the extent of equipment purchased by Greyhound Leasing and represented by Player & Willyard as having been subleased to two major U.S. corporations. Results of that investigation turned up a sophisticated and complex fraud. The investigation disclosed that almost no equipment existed with respect to those purported lease financing transactions. Greyhound Leasing has determined that a substantial portion of the funds advanced were used instead to acquire other property.

Approximately $45 million in cash, real estate, and other assets have been recovered as a result of Greyhound Leasing's actions against Player & Willyard. However, due to uncertainties surrounding further recoveries, an unusual charge of $36,000,000 ($19,440,000 or $.41 per share after-tax) was made to 1985 earnings by Greyhound Leasing.

Note 7 — Relations with Greyhound:
The executive, financial, legal, tax, insurance and other corporate staff departments of Greyhound perform services for the Financial Group, and in some cases Greyhound also furnishes office space, data processing and office services at charges which are intended to provide no profit to Greyhound. The Financial Group domestic subsidiaries have compensating balance arrangements with Greyhound. In addition, the Financial Group subsidiaries have net advances due to or from Greyhound depending upon cash requirements of the entities. Net interest paid to Greyhound was $859,000 in 1985, $6,754,000 in 1984 and $3,909,000 in 1983.

A Financial Group subsidiary provides financing for certain installment sales of new buses produced by the Transportation Manufacturing Group, including certain buses leased by the Transportation Services Group. The financial statements of the Financial Group include receivables of $111,480,000 and $74,040,000 at December 31, 1985 and at 1984, respectively, applicable to such transactions including $80,451,000 and $47,963,000, respectively, applicable to buses leased under operating leases by the Transportation Services Group. See Note G of consolidated financial statements for information regarding U.S. federal income tax matters.

Note 8 — Other Matters:
The property and casualty insurance subsidiaries have ceded insurance to other insurance companies in order to limit their maximum loss through risk diversification. Certain insurance accounts, primarily premiums earned, losses and settlement expenses and the liability for insurance losses and claims of the special risk and reinsurance business, are stated net of amounts ceded under reinsurance policies. Insurance ceded by the subsidiaries does not relieve liability in the event of a failure by a reinsurance company to pay claims. Premiums ceded during 1985, 1984 and 1983 were $16,668,000, $32,145,000 and $50,009,000, respectively, and net contingent liability for insurance ceded was $70,446,000 at December 31, 1985.

Financial Reporting and Changing Prices

Statement No. 33 of the Financial Accounting Standards Board as amended requires the reporting of supplemental information about the effects of specific price changes (current costs) on financial statements.

The objective of the current cost method is to reflect the effects of changes in specific prices of the resources actually used in Greyhound's operations, so that measures of these resources and their consumption reflect the current cost of replacing these resources, rather than the historical cost amounts actually expended to acquire them.

This method of reporting restates inventories and property and equipment in terms of what it would cost Greyhound to replace these items in specific current year costs. Accordingly, cost of sales is recalculated on the basis of current production or acquisition costs, other than for products on a LIFO inventory valuation basis because use of such basis approximates current costs. Property and equipment and depreciation is restated utilizing various appropriate external price indices.

Greyhound cautions against the use of this information for estimating the inflationary effect on future costs. As required, the 1985 amounts reported in the primary financial statements have been adjusted only for depreciation expense and the inventory components of costs in arriving at net income as adjusted. Amounts for prior years presented have been similarly adjusted and are further restated in average 1985 dollars. Net income amounts as adjusted each year are exclusive of any income tax provision adjustments.

The Standards Board expressed a need for experimentation in reporting the effects of changing prices and mandated only general guidelines. Therefore, this data may not be comparable with that of other companies. The information which follows provides the required disclosure of the effects of inflation on Greyhound's operations, certain assets and its purchasing power.

Effects of Changing Prices—1985 (000 omitted)

	Changes in Specific Prices (Current Costs)
Income from continuing operations, as reported	$ 120,088
Less adjustments to restate costs for the effects of inflation on:	
Cost of revenue items	(536)
Depreciation	(29,747)
Income from continuing operations, as adjusted	$ 89,805
Unrealized gain from decline in purchasing power of net amounts owed	$ 23,339
Decrease in specific prices (current cost) of inventories and property and equipment[1]	$ 7,427
Effect of increase in the general price level (general inflation)	48,557
Decrease in specific prices of inventories and property and equipment, net of inflation	$ 55,984

[1] At December 31, 1985, current cost of inventories was $238 million and current cost of property and equipment, net of accumulated depreciation, was $1.1 billion.

Selected Financial Data Adjusted for the Effects of General Inflation — Stated in Average 1985 Dollars

	1985	1984	1983	1982	1981
	(In millions except per share and price index data)				
Sales and Revenues	$2,621.5	$2,299.1	$2,359.9	$2,572.5	$2,811.8
Dividends per common share	1.26	1.24	1.30	1.34	1.42
Year-end market price per share	31.86	24.79	26.95	19.03	17.76
Current cost information:					
Income from continuing operations	89.8	92.2	48.0	72.7	111.4
Income per share from continuing operations	1.87	1.91	.83	1.20	2.22
Net assets at year-end	1,555.4	1,662.8	1,753.4	1,748.0	1,842.0
Increase (decrease) in specific prices of inventories and property and equipment, net of inflation	(56.0)	(40.8)	(37.6)	(4.6)	52.8
Unrealized gain from decline in purchasing power of net amounts owed	23.3	15.1	23.0	25.5	66.0
Average consumer price index	322.2	311.1	298.4	289.1	272.4

Transfer Agents*

Common Stock certificates may be mailed to the following address for transfer:

First National Bank of Boston
P.O. Box 644
Boston, Massachusetts 02102

Common Stock certificates may be delivered to the following offices for transfer:

First National Bank of Boston
Stock Transfer Department
100 Federal Street
Boston, Massachusetts

First National Boston
Clearance Corporation
55 Broadway
3rd Floor
New York, New York

FNB Financial Company
1 Wilshire Boulevard
8th Floor
Los Angeles, California

*Change of address and inquiries regarding dividend payments or related to common stock accounts should be sent directly to:
The Greyhound Corporation
Shareholder Services Department
418 Greyhound Tower
Phoenix, Arizona 85077

Stock Exchanges

The principal market on which the common stock of The Greyhound Corporation is traded is the New York Stock Exchange. It also is traded on the Pacific, Midwest, Philadelphia and Cincinnati exchanges.

Sales Price Range of Common Stock

	1985		1984	
Calendar Quarters:	High	Low	High	Low
First	29⅛	24⅛	26¼	21⅞
Second	30⅜	26⅛	25¼	19¾
Third	30⅛	26¼	24⅛	18⅝
Fourth	34½	23⅞	24⅞	21⅞

Dividends Declared on Common Stock

	1985	1984
February	$ .30	$ .30
May	.30	.30
August	.33	.30
November	.33	.30
	$1.26	$1.20

Regular quarterly dividends are paid on the first business day of the second month after declaration.

Corporate Headquarters

The Greyhound Corporation
Greyhound Tower
Phoenix, Arizona 85077
(602) 248-4000

Annual Meeting

You are cordially invited to attend the annual meeting of shareholders to be held May 13, 1986, starting at 9:00 a.m., in the Crystal Ballroom at The Registry Resort
7171 North Scottsdale Road
Scottsdale, Arizona

Exhibit G

The Greyhound Corporation

Growth By Design

1986 Annual Report

Consumer Products
Financial Services
Transportation Services
Transportation Manufacturing
Services/Food Services

Cover:

The letter "G"
is the symbol for
The Greyhound Corporation
on the
New York Stock
Exchange.
Since 1982, the price of
Greyhound common stock
has increased
over 145 percent.

Contents

financial briefs

	1986	1985	1984	1983	1982
REVENUES (millions):					
Greyhound and consolidated subsidiaries	**$2,648**	$2,622	$2,219	$2,184	$2,308
Financial Group (not consolidated)	**440**	443	378	319	318
Combined	**$3,088**	$3,065	$2,597	$2,503	$2,626
INCOME (millions):					
Income from continuing operations:					
Exclusive of major nonrecurring and unusual items:					
Greyhound and consolidated subsidiaries	**$ 67.2**	$ 92.4	$ 82.3	$ 49.8	$ 61.3
Financial Group	**14.3**	35.3	33.7	20.5	40.3
Major nonrecurring (1986) and unusual (1985) items, net—$.29 and $(.41) per share	**13.0**	(19.5)			
Income from continuing operations	**94.5**	108.2	116.0	70.3	101.6
Discontinued operations:					
Before net gains on disposals	**2.2**	11.9	9.0	(.9)	4.6
Net gains on disposals	**89.5**			21.4	
Extraordinary items—$.31 and $(.07) per share				14.7	(3.1)
NET INCOME (millions)	**$186.2**	$120.1	$125.0	$105.5	$103.1
INCOME PER SHARE (dollars):					
Continuing operations	**$ 2.08**	$ 2.23	$ 2.38	$ 1.47	$ 2.30
Net income	**$ 4.12**	$ 2.48	$ 2.56	$ 2.22	$ 2.34
Average outstanding common and equivalent shares (millions)	**44.9**	47.9	48.4	47.0	44.0

Message from your management

Fellow Shareholders;

The financial data in this year's annual report provides a tangible record of our business results for 1986. It fails, however, to communicate the profound, and often wrenching, changes that were made to recast the corporation in a new growth mold.

Net income for the corporation was $186.2 million, or $4.12 per common share, compared with $120.1 million, or $2.48 per share for the prior year. Results for 1986 include several major non-recurring items and 1985 includes an unusual charge. Exclusive of these items, 1986 earnings were $83.7 million, or $1.84 per common share, compared with $139.6 million, or $2.89 per common share last year.

1986 and early 1987 was a time of decisive change at Greyhound: we sold Greyhound Capital Corporation and announced the pending sales of Greyhound Lines and Verex. In doing so, we completed our task of turning Greyhound into a primarily consumer products/services entity.

The decision to sell Greyhound Lines was not undertaken lightly. And precisely because its roots reach so deeply into the history and culture of Greyhound, that decision deserves amplification here.

As shareholders, you know that the years since deregulation have been exceedingly difficult. Fare wars, the defection of passengers to the airlines, a passenger count that plummeted from 65 million riders to 33 million in less than a decade…these elements created a huge overhead burden in facilities. Compounding this was a wage structure 30% to 50% higher than our competitors.

For Greyhound Lines, the legacy of deregulation has been a total inability to be a low-cost provider of bus transportation. The situation also demonstrated unequivocally that Greyhound Lines—which so many people insisted was infinitely capable of absorbing this kind of "financial stress"—was not indestructible!

It is important to say upfront, however, that there are no villains in this recap of facts. Just the convergence of events and forces which, in the coming together, hurt almost everyone concerned.

We exhausted every avenue in an attempt to retain Greyhound Lines. In 1986, we converted 120 company-owned terminals to commission agencies, trimming a huge overhead burden. We also created four "stand alone" regional bus companies and a new travel and charter company.

But the one element of this "New Greyhound Lines" we could NOT control was the winning of a new labor contract…the keystone securing the renewal. In February of 1986, an offer to freeze wages was rejected by the union. In October, in a deteriorating market, a second offer involving concessions was presented with the understanding that, if it was rejected, it would prompt the sale of the company. That offer was subsequently rejected, and on December 23, we announced the sale of Greyhound Lines to an investor group headquartered in Dallas for approximately $350 million total consideration. The actions we took in 1986 in hopes of keeping Greyhound Lines were precisely what made it such an attractive acquisition, and which commanded that $350 million price tag. For our part, we are pleased to put Lines in the hands of people who can continue the operation.

Our sale of Greyhound Lines brings us $290 million in cash and equivalents with the balance in securities, including a 25% interest in the new holding company established by the investor group. This 25% equity interest in no way constitutes a MANAGING role in the bus company, however, and it comes with a "standstill" agreement that precludes our acquiring more stock in the company or buying back Greyhound Lines.

Furthermore, the sale does not include all of Greyhound Lines' valuable terminal and other properties, certain of which were retained by the corporation. Through the end of 1986, we have realized over $166 million from the sale of such properties, and we continue to hold 23 major parcels which will be sold or developed in coming years.

With the sale of Greyhound Lines, a transportation era ended. And with the sale of Greyhound Capital Corporation and pending sale of Verex, we are significantly contracting our financial services operations as well. The decision to sell Greyhound Capital reflects our conviction that a computer leasing company did not fit our long-range strategy for Greyhound. By contrast, the decision to retain Greyhound Financial Corporation reflects our belief that its real estate financing activities are a good growth vehicle, one that builds on existing strengths and expertise and fits our services profile.

And so concludes a three-year task of restructuring Greyhound, shedding those businesses that had insufficient growth potential or which were no longer consistent with our long-term growth strategy.

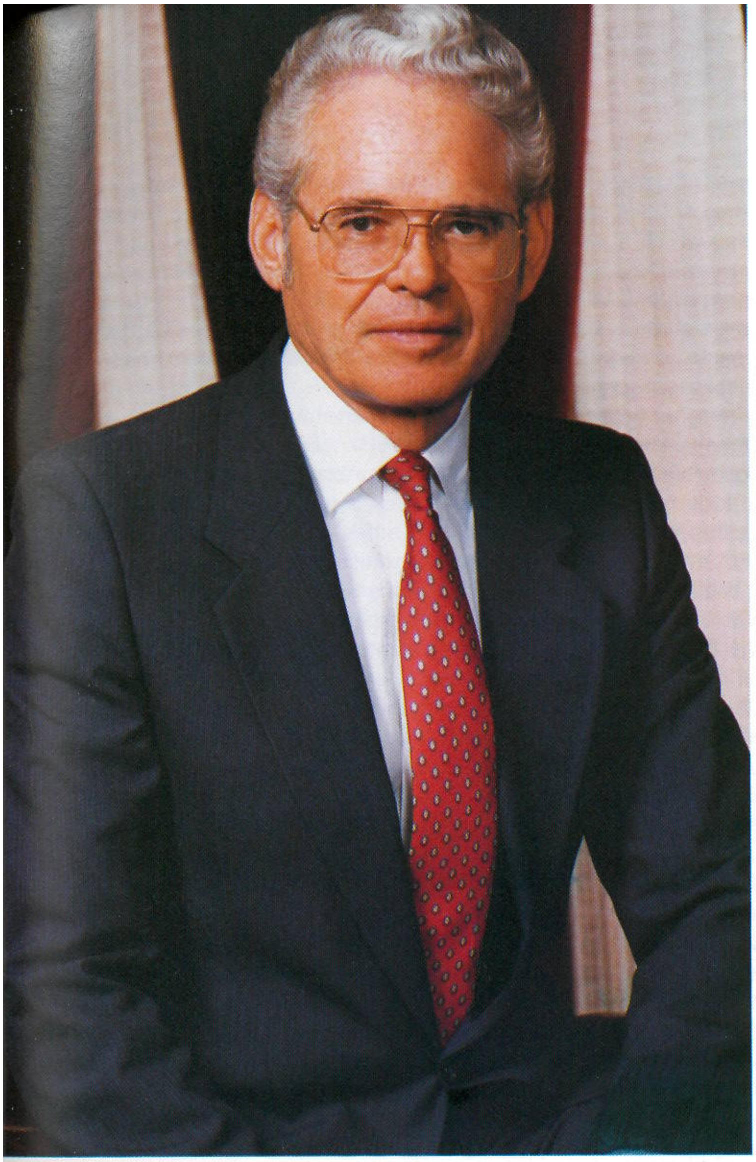
The Greyhound Corporation today is primarily a consumer products/services company. The challenge now is to build on this lean and hard-muscled base. Each of our remaining companies has the opportunity to grow internally through greater market penetration, and through prudent acquisition. While there is always the possibility that an acquisition might represent a new field for Greyhound, we are tending to look at acquisitions in areas we know best and can most quickly bring to full profit contribution.

An integral part of this restructuring has been a corresponding cut in overhead at the corporate level. Reflecting the sale of so many major subsidiaries, corporate overhead was cut substantially in early 1987.

Looking at operations, the Consumer Products Group…though strongly profitable…did not perform up to standards. Dial is, however, an exciting company which in November was reorganized to maximize its tremendous potential. A career employee, Andrew S. Patti, was named president and chief operating officer of The Dial Corporation. The company was realigned along major product lines and the profitability of each of its three divisions can now be tracked precisely, product by product, thanks to individual control systems now in place. Also in place are separate marketing and controller staffs. The Consumer Products area is a leading contender for acquisition monies and resource allocation in the months ahead.

Travelers Express, which turned in its tenth consecutive record performance in 1986, is another company which has demonstrated the ability to maximize returns, to smoothly effect acquisitions, and to expand in the kind of thoughtful and deliberate manner that minimizes risk. This is the case, too, with our cruise ship enterprise. It is gratifying to realize that Premier Cruise Lines, which only began operating in 1983, today makes a solid and growing contribution to after-tax profits.

Early in 1987, we decided to make a significant investment



JOHN W. TEETS

in our bus manufacturing operation with the announcement that we have agreed to purchase the U.S. transit bus-building operations of General Motors. The significance of this acquisition is two-fold; when completed, we will be one of the largest manufacturers of transit buses in America, in addition to our current role as the largest producer of intercity buses. In the acquisition, we will acquire a thriving parts business as well, and the importance of that aspect cannot be overlooked. There are over 26,000 General Motors buses currently in use whose parts requirements we will be supplying. This aspect of the purchase meshes perfectly with our own Universal Coach Parts subsidiary, which supplies parts for intercity buses. The acquisition could effectively double our parts business, both in revenue and income.

Our bus-manufacturing subsidiary won a fiercely-contested bid in 1986 to build 395 intercity buses for New Jersey Transit, an order which the customer subsequently raised to 415 buses. The revenue from this order, plus the 275 buses expected to be ordered by Greyhound Lines' new owners and an overall improved business climate, indicate a solid year for our bus-manufacturing business in 1987.

We remain in the intercity bus industry primarily through Greyhound Lines of Canada, the largest intercity carrier in that country, which carries more than six million passengers a year and still operates in a regulated environment that protects our route structure. Though net income was down in 1986, Lines of Canada had a good year aided by Expo 86. In 1986, Lines of Canada essentially maintained its passenger load despite a sluggish Canadian economy, while it increased charter miles by 40% and charter revenue by 43%.

Less cheerful right now is the situation faced by our Foodservice Group which is caught in the fallout of depressed conditions in the automotive field which accounts for many of its feeding contracts, and in addition is being hurt by declining sales at its Burger King restaurants located in bus terminals. The solution, at least, is easily defined: Greyhound Food Management must grow by acquisition. It must augment its cyclical businesses with more stable operations and work at developing more "recession proof" accounts. The quickest route to recovery for GFM is the acquisition route to regain former levels of revenue and profit.

Looking at our financial picture, The Greyhound Corporation is in excellent shape. In April, we sold our 15% equity in ConAgra... (an equity interest very similar in structure to the 25% equity we acquired through the sale of Greyhound Lines). When sold, our 5.1 million shares of ConAgra common stock contributed an after tax profit of $89.5 million over and above the gain we realized when we sold Armour Food Company to ConAgra in 1983.

In other areas, we made good progress on our return on equity goals. Under a stock repurchase program approved by the Board of Directors, we purchased 7.6 million of our own shares throughout the year (17%) at an average price of $32.65 per share. As of this writing, we have 38.3 million shares outstanding.

We also maintained our commitment to a strong, active Board with the addition of Donald E. Guinn, chairman and CEO of Pacific Telesis Group, one of the largest ($9 billion) telecommunications entities in the nation, and an executive of unusual depth and ability.

In 1986, Charles J. Pilliod Jr. resigned from the board to become Ambassador to Mexico, and two of our emeritus directors, Martha W. Griffiths and Robert Minge Brown, reached mandatory retirement age. We appreciate the strength and diversity of experience they brought to the Greyhound Board of Directors.

In closing, it is important to note that what we have done with the company in 1986 is an important preliminary to the life of the corporation from this time forward. In 1986, we turned outward from our roots to embrace new challenges. And this had to involve letting go. However reluctantly, a company has to let go of its past if it is to have a hand free to reach for its future.

Being a sound enterprise demands an endless quest for renewal. Our future is boundless provided we realize that in 1987 and beyond we need to draw on what lies unrecognized in ourselves and invest it in the exciting enterprise of ushering Greyhound into its next growth era. The excitement lies in knowing there is more for us to do...more places for us to go...and more for us to be!

John W. Teets,

Chairman and Chief Executive Officer

Consumer products

The Consumer Products Group represents a very exciting segment of our business, characterized by new products, tighter controls over the diverse segments of the business and a high level of management enthusiasm. Despite a decline in 1986 net income to $34.1 million from $41.4 million, due primarily to poor strategy in the marketing of our Laundry/Household Products line which has since been corrected, consumer products will be a major growth area for us. For 1987, we are aiming at record group results and have every confidence of reaching that goal.

In 1986, The Dial Corporation undertook a major realignment that touches every aspect of the operation... management, production, controls, marketing. Central to this reorganization was the redefining of Dial's activities along three discrete lines: Personal Care Products, Foods, and Household and Laundry products: each a distinct profit center, and each a "stand alone" activity that allows close tracking of costs, product excellence, profitability, growth expectations and, especially, accountability.

In the Personal Care area (soaps, deodorants and antiperspirants), sales rose 5.8% in 1986. Dial is the leading deodorant soap in the country enjoying a 13% share of market while Tone, our complexion bar, has a 2.4% share of market. Together, they accounted for the shipment of over 6.2 million cases of soap in 1986. Pure & Natural, our basic bar soap which was introduced late in 1985, is showing good growth momentum with a 3% share of market.

In 1987, two new products will expand distribution. Liquid Dial is an antibacterial soap in a convenient pump container which has done very well in test market. A new translucent Dial deodorant stick will also be introduced. In addition, we will continue the test marketing of Nutrelle, our new skin-care soap containing vitamin E.

An area which is showing good growth potential is the institutional segment of the personal care business. This is the segment that handles production of guest-size Dial and Tone soaps for hotel chains and which has begun designing and assembling amenities packages for hotel guests.

In the Foods area, the Armour Star brand of shelf-stable canned meats improved its share of market to 28.1% in 1986, shipping 8.6 million cases of Treet, Chili, Vienna Sausage and other meat specialties. Nevertheless, as an industry, canned meats are a declining market with consumers and in order to continue to maximize results we must introduce new products and line extensions, as well as make selective price increases in 1987.

Among the new products ready for test marketing is a premium chili developed to meet regional taste preferences. For our non-food store customers, we are introducing a new canned meat line under the Hartford House label.

Shareholders will recall that among the fine products acquired in the 1985 purchase of Purex was Ellio's Frozen Pizza. Following up on our successful French bread pizza introduction in 1986, we will further expand the Ellio's line with microwaveable pizzas in 1987.

A major story for 1987 is the rollout of our highly successful microwaveable food product—Lunch Buckets entrees and soups. Originally thought to be limited to convenience store sales, Lunch Buckets has proved to have broader consumer appeal. Fifteen varieties of Lunch Buckets, including lasagna, pasta 'n chicken, chili and New England clam chowder, are going into supermarkets in selected cities in April. Over $300 million was spent on microwaveable food products in 1986, and we anticipate that this excellent product, whose plastic container is both a package and serving bowl, could become a major new product success for us in 1987.

The Purex line of laundry and household products represents some of the finest brands in America... Brillo, Dutch cleanser, Purex bleach, Sno Bol, and StaPuf among them. New products to look for in 1987 include lemon-scented Brillo pads, a new fresh-scented Purex bleach, and a heavy-duty liquid detergent with a wide mouth cap for easy, measured pouring.

While the Household and Laundry segment was profitable in 1986, we made a basic error in strategy by attempting to market the Purex line the same way we market our Dial brands, and failing to recognize the unique differences of each. In addition, goals centered on volume sold rather than the more meaningful profit margin per case. This has been corrected. Purex is again being supported with strong trade spending, and target goals for 1987 are based on profitability as well as case sales, with accountability for profits assigned to specific individuals.

Our private label business in household and laundry products is an important avenue to increased earnings. To hone this business and maximize its results, we are dropping nearly 100 marginal accounts in order to concentrate on major accounts, and reducing the 17 brands and 100 sizes we now produce to a more manageable 8 brands and 29 sizes.

In short, the Consumer Products Group is an exciting business that is "on the move." 1987 will be a particularly fine year for its existing product line and throughout the year we will be scrutinizing the kinds of acquisitions that will allow us to both build on our existing strengths and correct our deficiencies.

Financial services

Net income for the Financial Group was $42.1 million for 1986 compared with $16 million the prior year. Current year results include non-recurring items (detailed below) relevant to our European shipping portfolio, and a gain on the sale of Greyhound Capital Corporation, while prior year results include an unusual charge of $19.5 million at Greyhound Leasing & Financial Corporation. Exclusive of these items, Financial Group income for 1986 was $14.3 million compared to $35.3 million a year ago.

No group of companies under the corporate umbrella has experienced more far-reaching change than has the Financial Group in 1986. The financial services companies came in for a great deal of scrutiny as we analyzed the emerging mix of businesses at Greyhound, studied the impact of the new tax laws on our financial companies, and sought insight into what the future held for such operations in terms of growth, profitability and resource consumption.

In mid-1986, we announced that consideration was being given to the sale of Greyhound Leasing & Financial Corporation

(GL&FC), but that the option was tentative, at best, inasmuch as a strong cash flow and sound underlying assets argued in favor of retaining the operation.

Ultimately, that is precisely what occurred. In December, we announced the decision to retain the company and restructure its activities to take advantage of niches where we could compete and to delete those businesses that were irrevocably changed from our perspective. Accordingly, commercial equipment leasing activities were phased down with a corresponding reduction (54%) in the workforce, since the new tax laws, taken with our cost of funds and leveraging disadvantages and the need for a reasonable return, simply made us uncompetitive.

The primary focus of business at GL&FC was then redirected to real estate financing where we can achieve a minimum 15% Return on Equity and where we can build on the existing skills of our staff. Our principal activities in this area involve the financing of assets in real estate limited partnerships and the development of financial instruments secured by real estate.

Reflecting this reorientation, early in 1987 GL&FC shortened its name to Greyhound Financial Corporation (GFC). The name change obviously is more than cosmetic. It heralds the emergence of a totally new financial services enterprise; one with excellent prospects for growth and profitability over the long term.

For 1986, GFC reported a good turnaround from a loss of $3 million in 1985 (including the $19.5 million unusual charge) to a net income in 1986 of $18.1 million. Efforts are continuing at GFC to reduce the level of non-accruing assets caused primarily by Latin American problems and declining values of energy and shipping related assets. GFC is successfully managing its Latin American portfolio, reducing the non-accruing assets and putting non-earning assets back into an earnings stance. This effort continues to have a high priority in 1987.

Greyhound Financial & Leasing Corporation AG (GAG), our international financial company, continues to experience problems in its shipping portfolio. Mid-way through 1986, a $43.8 million special provision for European shipping losses (net of $12.7 million of tax benefits) was made reflecting depressed market conditions and an increased level of nonperforming loans. GAG is also involved in general equipment and real estate financing and related activity primarily in the U.K. An experienced and capable new managing director has been installed and we look for improved international results in 1987.

The same long-range analysis and scrutiny that were directed at GFC in 1986 also were directed at Greyhound Capital Corporation (GCC), but with a different outcome. In October, GCC was sold to Bell Atlantic of Philadelphia for a price which resulted in a gain of $79.7 million. While GCC was consistently profitable and had made a good contribution to corporate results, its core business no longer meshed with management's long-range plans for the corporation.

As we advised last year in the annual report, 1986 would be a difficult year for Verex, our residential mortgage insurance company, and so it was. 1987 will be similarly depressed. For the past two years, we have been experiencing unusually high claims losses generated by the book of business written before 1985. Obviously, these claims are originating primarily in those states where severe downturns in farming, auto production, oil drilling and other industries have led to widespread inability to keep up with mortgage payments.

In response, in 1986, we initiated a number of steps to cope with the situation. To forestall people walking away from their mortgage obligations, we prevailed on many banks to rewrite mortgage instruments, reducing interest rates to more manageable current market levels. We also ceased writing new business in high risk states and began more stringent review of claims.

Nevertheless, Verex was barely above breakeven in 1986, and early in 1987 we entered into negotiations for its sale at a price well above Verex' book value.

In the future, the Financial Services Group's new business will comprise primarily the real estate activity of GFC, which we believe will make a very positive contribution to our results over the foreseeable future.

transportation manufacturing

Transportation Manufacturing faced one of the most difficult years in its history in 1986. Net income was $13.4 million compared with $20.6 million the prior year.

The decline stems from reduced bus orders from independent carriers, many of whom telescoped their orders for new buses into the closing days of 1985, just before the rescinding of the Investment Tax Credit and expiration of energy tax credits. To compensate, the bus manufacturing subsidiaries reduced costs in all areas, cut shifts and kept a tight control on inventory levels.

On the plus side, in September, our Motor Coach Industries plant in Pembina, North Dakota announced it had won the second biggest intercity coach order in the history of the industry—395 buses for New Jersey Transit, which the customer subsequently raised to 415 buses. Production on the order will begin in April 1987, and should be completed by the end of 1987 or early 1988.

The finished buses will join a fleet of 700 MCI coaches already in service for New Jersey Transit which were produced by us in 1982 and 1983...the largest bus order in the history of the industry. They are used to carry long-distance commuters between New York and outlying communities.

In its core intercity bus business, the group anticipates a pick-up in orders in 1987. As a result of improved prospects for the tourism industry, tour and charter customers appear more able to make capital investments in new buses in 1987, creating a more stable base for our bus-building activities. In addition, Greyhound Lines' new owners expect to add 275 new motor coaches to their fleet, the same as Greyhound Lines took in 1986. We also expect to benefit from the improved conditions in the liability insurance market which previously discouraged investment in new buses.

In March 1987, we signed a definitive agreement to purchase the U.S. transit bus business of General Motors. This acquisition will make us one of the largest builders of transit buses in the U.S., in addition to our long-standing position as the number one maker of intercity buses.

The RTS transit vehicle is a high quality bus enjoying an excellent reputation among the municipalities that comprise its principal customers. The acquisition, which includes design, tooling, equipment and inventory (but not the U.S. production facility), involves engineering expertise of a new dimension for us. Specifically, GM's RTS transit buses are built in five-foot modular sections which are welded together to produce different sized buses for different customers. Modular engineering techniques could conceivably be applied to intercity coaches as well.

Production of the RTS bus will be moved from Pontiac, Michigan to a location where we can be a low-cost producer and a strong competitive factor in the industry. Transit bus building activities should be underway by October 1987.

The acquisition also brings us an exciting parts business and will effectively double the revenue and income of our Universal Coach Parts subsidiary, making us the largest supplier in North America of parts for ALL buses. At some point too, UCP could become a supplier of truck and auto parts as well.

Services/foodservice

The Services/Foodservice Group performance in 1986 was essentially even with last year, $34.1 million compared with $34.2 million in 1985.

SERVICES

Travelers Express reported its tenth consecutive year of record profits in 1986, primarily from its paper-based transactions activities. Travelers processed over 626 million money orders, share drafts and official checks during the year, a volume increase of over 13%.

During late 1985 and 1986, Travelers Express made four money order acquisitions: Associated Financial Express, Mobile Check Exchange, First Security Money Order Company and the money order segment of Valley National Bank.

Late in 1985, two very promising expansions to the product line came on stream: Financial Forms and Supplies is an internally developed entity offering a full line of both standard and custom-designed paper products used by financial institutions ...everything from balance sheets to printing of share drafts. Custom Computer Applications was acquired to provide custom-designed computer software to credit unions.

In the electronic funds transfer field, our QUANTUM system is now among the top 25 switching networks in the U.S., with 110 financial institutions operating on our system, the majority of them credit unions. In 1986, QUANTUM experienced a 75% increase in transaction volume to over 10 million money transfers. While not yet making a contribution to earnings, QUANTUM shows great promise for the future.

For 1987, Travelers Express expects to achieve another year of record earnings and will continue its expansion program through additions to the product line, prudent acquisitions and expansion of facilities.

Although still solidly profitable, our convention services companies were down slightly in 1986 reflecting continued softness in the industry at large.

Greyhound Exhibitgroup, Inc. (GEX) is America's largest exhibit designer and builder, and recently acquired an important new presence in the South and the Southwest with the acquisition of David H. Gibson Company of Dallas. Gibson is a pioneer in the highly technical and specialized field of architectural models and in the design of real estate marketing center concepts. Among Gibson's worldwide clientele are the developers of Canary Wharf, a multi-million dollar development underway in London.

Major projects for GEX in 1986 included a spectacular laser light show to introduce the new 1987 truck models of General Motors. They also completed a two-year project for GTE involving that company's new 23,000 foot demonstration and sales facility in the Dallas INFOMART.

Greyhound Exposition Services (GES), the nation's third largest convention services company, produced more than 750 shows in 1986, including 40 of the largest trade shows in America. These included the mammoth Consumer Electronics Show in Las Vegas, with its 900 exhibitors and 150,000 visitors. Not far behind was COMDEX-86, a computer dealers' exposition with nearly 140,000 attendees.

For 45 years, the San Francisco Sports and Boat Show has been handled by GES. In that period, the show has grown from 20 display booths in 1942, to a 10-day, 600-exhibit gala...all meticulously choreographed by GES.

In spite of record revenues for the year, Consultants & Designers (C&D), a leader in providing scientific and technical personnel on temporary assignment to government and industry, reported a slight decline in income in 1986. C & D's 1987 prospects for earnings growth are good, however, as the company has expanded its graphics operation to serve the aerospace complexes within the Los Angeles basin. In addition, this company is involved on a growing basis with the National Science Foundation and its programs. C & D also is continuing to grow in the telecommunication field and now supports all of the nation's regional telephone companies. Equally encouraging for future growth are recent reports by the Federal government that it will continue research and development on a number of major programs such as the Supercollider and others, where C & D is already supplying support personnel.

Despite the problems created by additional airline mergers in 1986, the Greyhound Airport Services Companies reported a gain in earnings for 1986.

In 1985, the airport services companies were awarded a major contract to maintain and operate the hydrant fueling systems and storage facilities for a majority of airlines operating out of the Los Angeles International Airport. Results for 1986 included the first full year of operation under that contract, which is the largest single fuel-handling contract in the world. It calls for controlling and/or dispensing one billion gallons of fuel annually. Our airport services companies also were awarded a contract to maintain and operate the new fuel storage and hydrant system at the Fort Lauderdale/Hollywood International Airport.

1986 saw many airlines move strongly toward establishing a "hub and spoke" concept of service, under which an airline seeks to become the dominant carrier in a particular "hub" city through which a majority of its flights move to other cities on its route network. This concept led to a substantial business increase in a number of cities. In Cincinnati, for example, we saw a 400%

increase in the volume of fuel dispensed with similar increases experienced in Memphis and Pittsburgh. These gains should continue and expand in 1987.

The airport services companies are continuing to pursue refueling and ground handling contracts in Canada and Europe, with operations in the U. K. expected to start-up in 1987. Additional growth also is anticipated both through new airport operations in the U.S. and through acquisitions.

Our former Florida Export Group has been renamed to the more appropriate Greyhound Leisure Services, Inc. (GLSI), to embrace the various services we provide to the cruise/vacation/travel market, a four billion dollar business worldwide.

GLSI today is a multi-faceted operation comprising:

- International Cruise Shops, with duty-free boutiques and shops on board 15 liners cruising the Caribbean.
- Airport duty-free shops in four major airports... National and Dulles airports in Washington, D.C., Baltimore and Miami.
- Aeroplex, with its gift shops in 17 leading hotels and 10 major airports around the country.
- Premier Cruise Lines, which operates two luxury cruise ships, the S/S Royale and the S/S Oceanic.

GLSI made a fine contribution to group results in 1986 aided by the acquisition in May of Aeroplex and the exceptional year enjoyed by our two cruise ships. In 1986, GLSI grew 66%.

Aeroplex operates 84 retail gift shops that generate $60 million in sales of gifts, books, newspapers, apparel and sundries. Its acquisition represented a reaching out by GLSI beyond the duty-free industry and into general retail mechandising. One of its most unique shops is the Ozark Shop in St. Louis Airport which features only hand-fashioned country merchandise.

Premier Cruise Lines deserves high marks for a well-conceived, well-run operation. The Royale, which was put into service in 1984, launched us into the three and four-day cruise market, a venture which was so successful that in April 1986, we launched a second ship, the Oceanic. Between them, the two ships generated over $57 million in revenue in 1986.

Premier is the official cruise line of Walt Disney World, offering weeklong cruise/Disney combination vacation packages. And innovation is the key to Premier's success. Family cruises are encouraged and six to eight trained counselors provide a fun and entertainment program just for kids. At least three favorite Disney characters are on board every cruise.

For adults, top name stars entertain at night and the casino, dining salons, fitness center and private Out Island hideaway are the best in the Caribbean cruise market.

In the duty-free area, GLSI will be expanding its activities in 1987, adding to its airport operations, negotiating for a new duty-free facility in downtown Washington D.C., and competing for the duty-free contract on a major new ship being launched shortly.

Another of the new names under the Greyhound umbrella, and a new addition to our Services activities, is Greyhound Travel International (GTI). GTI was formerly the international sales arm of Greyhound Lines. In September, however, GTI purchased Jetsave, a British-based tour and travel company, from British Caledonian Airways. The decision was then made to incorporate GTI into our Services group where it has a close affinity with our other travel and leisure related businesses.

Jetsave is the UK's preeminent packager of tours and charters to the U.S., Canada and the Bahamas. Its most popular package is the two-week "America Brochure" offering Disney World, Orlando and a cruise to the Bahamas. Jetsave also offers motor coach tours of the U.S. and Canada. In conjunction with Premier Cruise Lines, Jetsave in 1987 will begin offering Britons the best all-inclusive U.S. vacation package in the market... Orlando, Disney World, the Bahamas plus a gala cruise on the Royale or Oceanic.

FOODSERVICE

The foodservice industry in America experienced an extremely difficult operating environment in 1986. Elements as seemingly unrelated as oil prices, building occupancy rates, foreign auto imports, and fewer bus passengers, combined to depress our foodservice results, and Greyhound Food Management closed 1986 with net income of $1.8 million compared to $4.6 million the prior year.

In the Contract Foodservice area, many of GFM's foodservice clients in the automotive industry retrenched in the face of competition from foreign imports. Automakers eliminated overtime and extra shifts which meant fewer workers on auto assembly lines, which in turn translated to fewer workers to be fed at our in-plant facilities. Studies indicate that by 1991, nearly 850,000 new jobs will be created in the U.S. involving the Japanese auto industry alone, with Korea showing every indication of becoming a major player as well. High priority for GFM over the coming months is to become a leading provider of foodservice at these important auto plants in the years ahead.

Despite competitive pressure, GFM added 19 new accounts valued at $16 million in 1986, the majority (80%) of these in the non-automotive, non-industrial sector. We recognize, however, that the most effective way to grow our business today is by acquisition and in October acquired the white collar feeding accounts of H.A. Pope and Sons, Inc. of St. Louis which include clients in banking, investments and corporation headquarters. Prudent acquisitions will continue to be pursued by GFM in 1987.

Recently, the Contract Foodservice Division changed its name to Restaura, reflecting management's concentration on building accounts in the upscale, white-collar feeding sector. This segment of the foodservice industry is less susceptible to the cyclical "boom-bust" profile of the industrial sector.

In the Public Service Division, GFM's company-operated restaurants in bus terminals have been reduced to five, in response to the sharp decline in bus ridership. All others are on lease arrangements that in 1986 yielded $1.4 million in royalties and a $1.1 million decline in overhead. The plan is to systematically sell these facilities to our lessees and be entirely out of bus terminal restaurants by 1990.

Our Burger King franchises, both in free-standing and bus terminal locations, now number 38. Many of these are located in downtown office buildings and these were adversely affected in 1986 by the continued crisis in occupancy rates. Depending on the city, as much as 40% of office space is lying vacant in the nation today. This situation is particularly acute in cities such as Denver, Houston and Dallas where depressed oil prices have added to the problem of unoccupied buildings. To compensate, we have halted expansion of fast food units, cut labor costs, sought rent relief and closed marginal units.

Fast food continues to be the way America eats, however, and in February of 1986, we acquired Cassano's, a 63-unit pizza chain located in Dayton. Plans call for expansion of the chain into Cincinnati, Columbus and Indiana with a goal of 331 units by 1989. Cassano's strength is in two areas: the product is hearth-baked using only genuine ingredients such as real imported and domestic cheeses. Further, it specializes in the fastest-growing segments of the pizza business, take-out (30%) and free delivery (70% of the operation).

The truck stop program turned in a good performance in 1986 and eight GFM truck stop facilities are now in place. Four more will be added in 1987 creating a network of food/fuel/repair stops at strategically-spaced cross-country sites.

Finally, Greyhound Support Services Inc. has been reorienting its business in recent years in anticipation of the completion of its food/housing/logistical contracts in the Middle East. By the end of 1987, all contracts will have wound down in Saudi Arabia and in Alaska. Helping replace that income flow, GSSI acquired Commercial Building Maintenance early in 1986...a janitorial service serving major office buildings on the west coast, and expects to expand in this industry through additional acquisitions in 1987.

transportation services

On December 23, 1986, The Greyhound Corporation announced it would sell Greyhound Lines to an investor group headed by Fred Currey of Dallas, Texas. The decision was painful. Greyhound Lines' history and traditions so pervade the corporation that we reflected long and hard before making that decision. In the end, however, it was an action we had to take for the benefit of all concerned, as is explained below.

For 1986, net income of the Transportation Services Group was $34.1 million compared with $47.2 million in 1985. Current year results included a one-time charge of $14.8 million for the cost of terminal conversions and excluding this item, group results were up 4% in 1986.

The improvement was not due to gains in operations, however, but to gains on the sale of Greyhound Lines properties, which aggregated $24.3 million in 1986 on the sale of some 25 facilities.

We entered 1986 with a big job to do. Passenger counts were down to 33 million and earnings were clearly the by-product of stringent cost-cutting actions, rather than from improved operating conditions. To help stabilize the situation, we offered Greyhound Lines employees a three-year extension of the then-current contract. In January employees voted to reject this wage-freeze offer. Despite the outcome of the vote, in an effort to retain Greyhound Lines, we began our own major restructuring of the company, downsizing it to fit our diminished level of business.

A keystone of this plan was the conversion of over-large, costly company-operated terminals to commission agencies. In barely five months, 120 such terminals in major cities were converted to commission sales outlets, with a potential savings of over $20 million annually. In quick succession, with a view to creating a leaner, more competitive bus system, other major changes were enacted as well:

- Four independent regional companies were carved out of the former national company, each able to respond quickly to local market conditions and offer better service to passengers.
- A new charter and tour company was formed to enhance our share of this growing $1 billion industry.
- Many terminals were relocated to smaller, more efficient sites with better access for passengers.
- Two major telephone information centers were established in Charlotte, N.C. and Omaha, Neb.
- Airport express service was expanded; new business niches created; innovative fare programs like the $59 Money Saver were devised.

Industry conditions continued to deteriorate through 1986, however, and it became increasingly obvious that the company's offer of a three-year wage freeze, which had been rejected by employees in January, could not possibly be offered again.

With the then-current contract expiring on October 31, the company entered formal labor negotiations with the Union, culminating in the offer of a two-year pact involving wage concessions in return for job security, profit sharing and other considerations.

In an effort to be up-front and to communicate to employees the gravity of the situation, management had been very candid in stating that failure to reach a settlement would likely prompt the sale of Greyhound Lines.

Despite this candor and despite pleas by most of the Union leadership urging ratification of the contract, the offer was rejected by the membership on December 8. Fifteen days later, the company announced Greyhound Lines' business would be sold for approximately $350 million in total consideration, not including certain real estate, which was retained by Greyhound.

The desire to retain Greyhound Lines, and the actions implemented to make it a low-cost, competitive transportation company, simply were not enough without the necessary wage concessions. Those actions were, however, what made Greyhound Lines an attractive acquisition for a buyer, and helped realize its inherent value for shareholders.

To the extent that, as the chairman's letter expresses it, we must "turn outward from our roots" the sale of Greyhound Lines is distressing. To the extent that we were able to turn it into an attractive property and realize its inherent value for shareholders, the sale of Greyhound Lines is a singular achievement!

We continue in the intercity bus industry through our Greyhound Lines of Canada subsidiary, a company still able to operate in an environment that offers some measure of protection for our investment in routes and facilities and through two U.S. subsidiaries operating in the New England area and the Southwest.

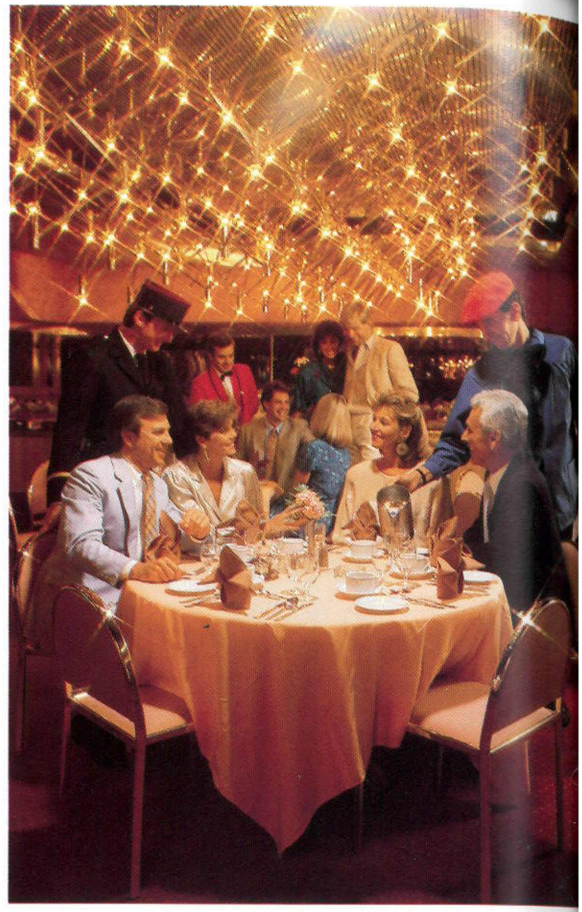
Lines of Canada is the largest carrier in that country, with 26% of the bus ridership. In 1987, it has two key labor contracts up for renegotiation. Those negotiations will necessarily have concessions as an element of the talks in order to allow Lines of Canada to remain competitive in the Canadian bus industry.

pictorial review

Fifteen varieties of Lunch Buckets, a line of convenient microwaveable entrees and soups in plastic containers that serve both as package and serving bowl, will be in supermarkets in selected cities in April.

More people continue to reach for Dial than any other deodorant soap; and Tone, a skin care soap with cocoa butter, is becoming increasingly popular.

Purex products, among the finest brands in America, make the family laundry and other household cleaning tasks far easier for today's homemaker.



Premier Cruise Lines, the official cruise line of Walt Disney World, offers today's best bargain in luxury family vacations: three- and four-day cruises to the Bahamas on the S/S Royale or S/S Oceanic combined with a free three-day visit to Walt Disney World and Epcot Center, including hotel accommodations, car rental and other amenities.

Growth in accounts in the upscale, white-collar feeding sector is the goal of Restaura, the recently renamed contract foodservice division of Greyhound Food Management.

Filled with all manner of handcrafted country products, the unique Ozark Country Shop, operated by Greyhound Leisure Services, is a popular shopping place for travelers passing through the St. Louis Airport.

With 11 IBM 3890 document processors, each capable of handling 33 drafts per second, Travelers Express Company processed 626 million paper items in 1986. During the year, the company became the largest money order processor in the U.S., surpassing both the U.S. Postal Service and American Express. It also is the largest volume processor of credit union share drafts.

Typical of the real estate financing operations of Greyhound Financial Corporation are, left, the 63-unit Park Plaza Resort in Park City, Utah, for which GFC provided a $6 million line of credit to finance timeshare receivables, and a $30 million leveraged lease with Westinghouse Electric Corporation involving the sale and leaseback of five buildings including this attractive facility in Orlando, Florida, below.

Greyhound Lines of Canada now has 40 Combo buses that transport both passengers and increased package express payloads over its route network.

Travel to EXPO 86 in Vancouver proved to be an important source of additional regular passenger and charter business for Greyhound Lines of Canada during 1986.

TV monitors showing video tapes to entertain and inform passengers are among the amenities on board the newest charter and tour buses being built by Greyhound's bus manufacturing companies.

Manufacture of 415 buses for New Jersey Transit will begin in mid 1987. Shown here are buses being manufactured in 1982 and 1983 as part of a previous order for that company.

description of business

The Greyhound Corporation and its subsidiaries are engaged primarily in the manufacture of consumer products and in the provision of a wide variety of services to business and consumer markets, increasingly in the leisure services area. The Company also is a leader in the bus manufacturing industry and provides transportation and financial services. Company subsidiaries operate service or production facilities and maintain sales and service offices in the U.S. and Canada, and conduct business in other foreign countries, primarily in Europe.

The Company, through The Dial Corporation, manufactures and markets a variety of personal care products, household and laundry products and shelf-stable food products to customers, including supermarkets, drug stores, wholesalers, mass merchandisers and other outlets. Many of the products hold significant market shares, including *Dial* soap which is the leading deodorant soap in the U.S. The segment has a large private label business in bleach, fabric softener and detergent products.

Services and foodservice subsidiaries provide services directed to business markets, including draft and official check clearing for credit unions, banks and others, aircraft fueling and ground handling services, janitorial services, temporary technical help services and convention and exhibition services; and other services directed to consumer markets, including money order operations, cruise ships, gift, news and duty-free shops, and food services in industrial plants, office buildings, bus terminals and other facilities. In addition, the Company provides food and housekeeping support services to government and industry projects.

The Company's transportation service operations consist primarily of regular route, charter and tour intercity bus transportation, carrying passengers, baggage, packages and mail throughout Canada, in the New England area and in several southwestern states. Financial service operations are varied, the primary being asset-based real estate financing.

Transportation manufacturing subsidiaries operate facilities in the United States and Canada and build bus shells, assemble buses, build specialty trailers, and fabricate, warehouse and sell bus parts. The Company will be the largest manufacturer of intercity and transit buses in the country following its purchase of General Motors' U.S. transit bus business.

key operations

CONSUMER PRODUCTS

The Dial Corporation – manufactures and markets a wide variety of grocery, personal care and household products for the consumer under the Dial, Purex and Armour Star labels, among other well-known brands.

FINANCIAL

Greyhound Financial Corporation – engaged in financing commercial and industrial property, primarily income-producing properties such as office buildings and shopping centers, secured loans on receivables from recreational real estate projects, equity note receivables and similar assets.

TRANSPORTATION MANUFACTURING

Transportation Manufacturing Corporation and **Motor Coach Industries** – manufacture buses at plants in Roswell, New Mexico; Pembina, North Dakota and Winnipeg, Canada.

Universal Coach Parts – sale of bus repair and replacement parts.

SERVICES/FOOD SERVICE

Consultants & Designers – technical and design services to business and industry.

Greyhound Airport Services Companies – *Aircraft Service International* which provides ground handling services for major airlines in U.S. and designs, installs and operates fuel storage and distribution for airports, and *Dispatch Services Group* which provides ground handling services for major airlines at Miami International Airport and Freeport in the Bahamas.

Greyhound Exposition Services – provides convention and exhibition services in Las Vegas, Los Angeles, Phoenix, San Diego and San Francisco.

Greyhound Exhibitgroup – designs and manufactures convention and trade show exhibits and displays at facilities in Atlanta, Chicago, Cincinnati, Dallas, Las Vegas, Los Angeles, New York City, Phoenix and San Francisco.

Greyhound Leisure Services – duty-free retail shops at airports in Miami, Washington D.C., and Baltimore; a wholesale duty-free business for export; duty-free shops on cruise ships operating out of Miami and operation of cruise ships out of Port Canaveral by *Premier Cruise Lines*. Also operates a chain of retail gift shops and boutiques in major airports and hotels around the country.

Travelers Express Company – provides money order services to retail establishments and the financial industry, draft clearing services to financial institutions and corporations, automated teller machine service and other consumer-oriented payment services.

Faber Enterprises – restaurants and gift shops in major office buildings and transportation terminals in Chicago and Dallas.

Greyhound Food Management – coordinator of Greyhound foodservice operations: restaurant, fast food and truck stop operations; *Restaura Foodservice Division* offering foodservice to industry, military installations and other commercial establishments; *Restaura* S.A., providing foodservice management throughout Belgium; *Glacier Park, Inc.*, providing hotel management in Glacier National Park, Montana; and *Cassano's Inc.*, a fast-food pizza chain in Ohio.

Greyhound Support Services – provides housekeeping, foodservice and other support services for large remote-site construction projects for industry and government agencies throughout the world and building maintenance services through *Commercial Building Maintenance Company*, San Francisco.

TRANSPORTATION SERVICES

Greyhound Lines of Canada – intercity bus service, package express and charter operations in Canada.

Brewster Transport Company – sightseeing and tours in Canadian Rockies.

Texas, New Mexico & Oklahoma Coaches – tours to Carlsbad Caverns and intercity bus service linking key southwestern cities.

Vermont Transit Company – intercity bus service between cities in Maine, Massachusetts, New Hampshire, New York and Vermont.

board of directors

SAMUEL A. CASEY*
Port Edwards, Wisconsin
Lawyer, Consulting Director & Former Chairman & Chief Executive Officer, Great Northern Nekoosa Corporation, a paper manufacturer and distributor

DANIEL E. GILL
Rochester, New York
Chairman & President, Bausch & Lomb Incorporated, manufacturer of health care products and scientific instruments

DONALD E. GUINN
San Francisco, California
Chairman & Chief Executive Officer, Pacific Telesis Group, a telecommunications and diversified holding company

JESS HAY
Dallas, Texas
Chairman & Chief Executive Officer, Lomas & Nettleton Financial Corporation, a mortgage banking company

JUDITH K. HOFER
St. Louis, Missouri
President & Chief Executive Officer, Famous-Barr Co., retail department store division of The May Department Stores Co., Inc.

JOHN H. JOHNSON*
Chicago, Illinois
President, Johnson Publishing Company, Inc., and Chairman, Supreme Life Insurance Company

FRANK L. NAGEOTTE
Phoenix, Arizona
President, The Greyhound Corporation

ALLEN E. PAULSON
Savannah, Georgia
Chairman, President & Chief Executive Officer, Gulfstream Aerospace Corporation

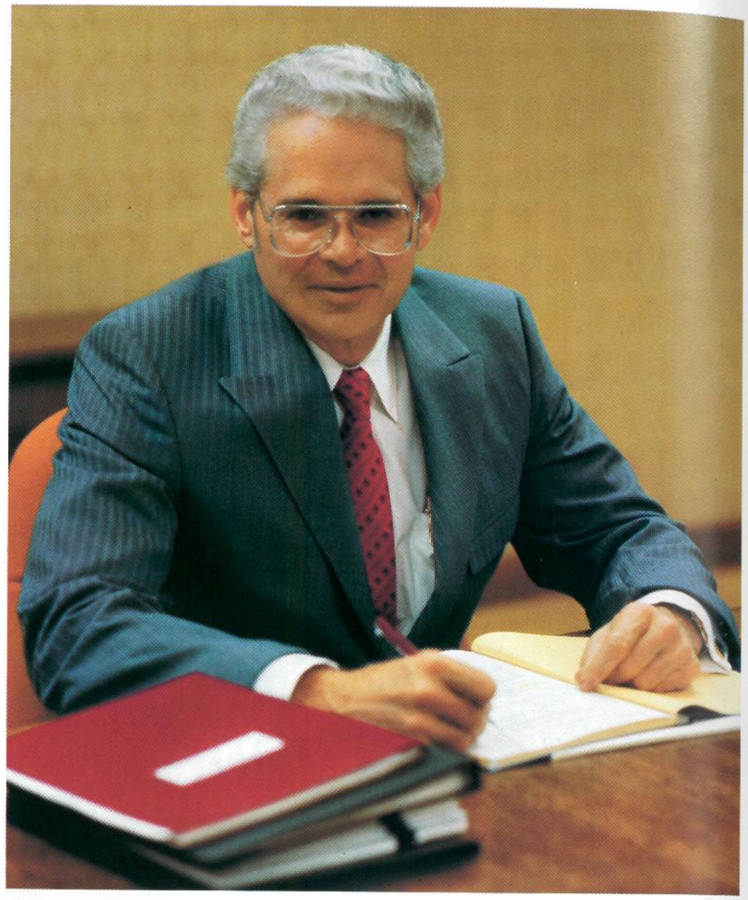
JACK F. REICHERT
Skokie, Illinois
Chairman, President & Chief Executive Officer, Brunswick Corporation, producer of marine power, recreation and defense products

DENNIS C. STANFILL*
Los Angeles, California
President, Stanfill, Bowen & Co., Inc., private investments and venture capital firm

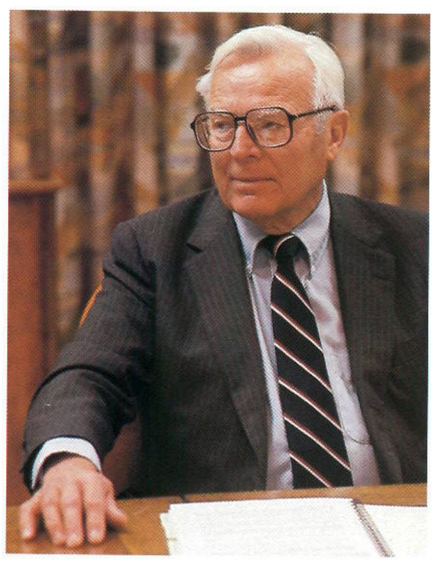
ROBERT P. STRAETZ
Providence, Rhode Island
Chairman, Textron Inc., diversified manufacturing company

JOHN W. TEETS*
Phoenix, Arizona
Chairman of the Board & Chief Executive Officer, The Greyhound Corporation

*Member Executive Committee



JOHN W. TEETS

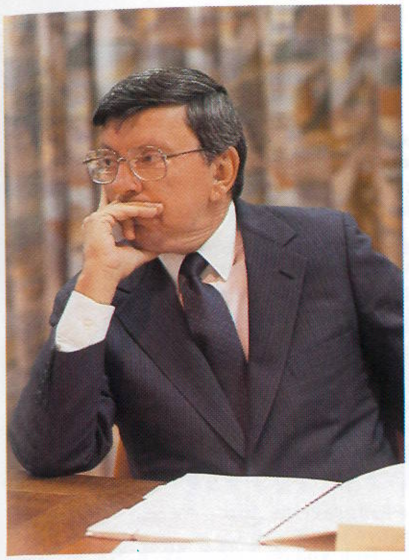


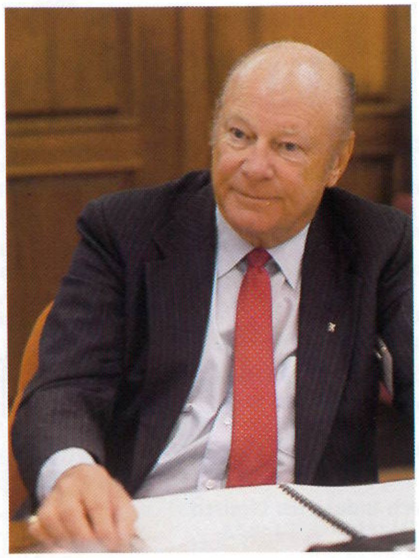
SAMUEL A. CASEY

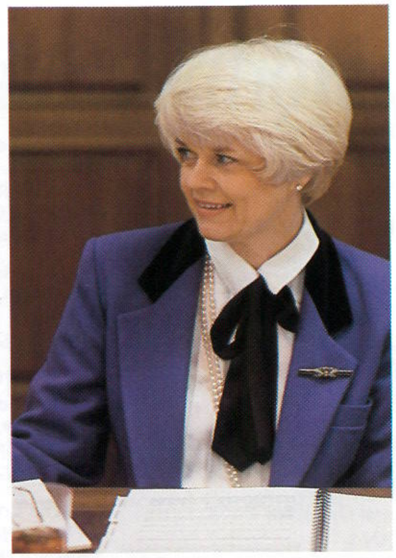
JESS HAY

Emeritus Directors

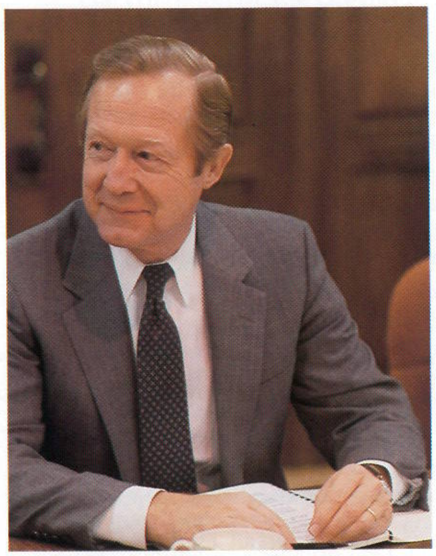
JOHN M. MARTIN
HAROLD C. STUART
DONN B. TATUM
GERALD H. TRAUTMAN
Honorary Chairman, The Greyhound Corporation

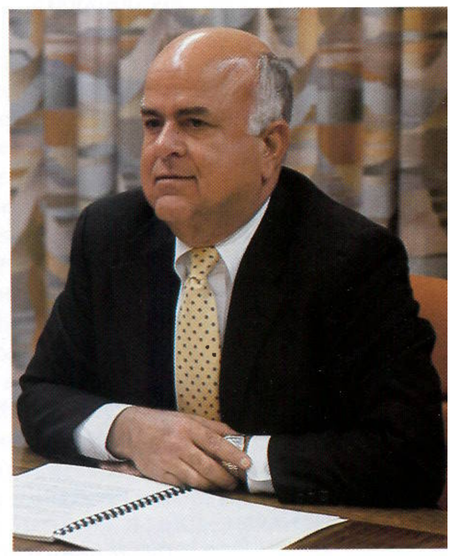

JACK F. REICHERT


ALLEN E. PAULSON


JUDITH K. HOFER


FRANK L. NAGEOTTE


DENNIS C. STANFILL


DANIEL E. GILL


DONALD E. GUINN


JOHN H. JOHNSON


ROBERT P. STRAETZ

Officers

THE GREYHOUND CORPORATION

JOHN W. TEETS*
Chairman & Chief Executive Officer
FRANK L. NAGEOTTE*
President

CORPORATE STAFF OFFICERS
JOE BLACK
Senior Vice President—Urban Affairs
ERMO S. BARTOLETTI*
Vice President—Internal Auditing
W. CARROLL BUMPERS*
Vice President—Financial Operations
JAMES T. CORCORAN
Vice President—Government Affairs
ARMEN ERVANIAN
Vice President—Real Estate
JAMES R. GRIMM*
Vice President & Chief Financial Officer
RALPH A. KORN
Vice President—Insurance
F. EDWARD LAKE*
Vice President—Treasurer
L. GENE LEMON*
Vice President & General Counsel
DOROTHY A. LORANT*
Vice President—Public Relations & Advertising
LEO S. MC DONALD
Vice President—Convention Services
JOHN W. MEREDITH
Vice President—Corporate Planning
HARRY S. OAKES
Vice President—Office & Information Systems
RICHARD C. STEPHAN*
Vice President—Controller
ROBERT A. LANG*
Vice President—Human Resources
RICHARD B. ZOLLER
Vice President—Investments
FREDERICK G. EMERSON*
Secretary

CONSUMER PRODUCTS

The Dial Corporation
Phoenix, Arizona
ANDREW S. PATTI*
President & Chief Executive Officer

FINANCIAL SERVICES

Greyhound Financial & Leasing Corporation AG
Zug, Switzerland
BERNARD A. ROTH
Managing Director

Greyhound Financial Corporation
Phoenix, Arizona
SAMUEL EICHENFIELD*
President & Chief Executive Officer

Greyhound Realty Corporation
Phoenix, Arizona
ARMEN ERVANIAN
President & Chief Executive Officer

MCI Acceptance Corp.
Phoenix, Arizona
F. EDWARD LAKE
President, Chief Executive Officer & Treasurer

Verex Assurance, Inc.
Madison, Wisconsin
FRED H. REICHELT*
President & Chief Executive Officer

TRANSPORTATION MANUFACTURING

Motor Coach Industries, Inc.
Pembina, North Dakota
JOHN R. NASI*
President & Chief Executive Officer

Motor Coach Industries Limited
Winnipeg, Manitoba, Canada
JOHN R. NASI
President & Chief Executive Officer

Transportation Manufacturing Corporation
Roswell, New Mexico
JOHN R. NASI
President & Chief Executive Officer

Universal Coach Parts, Inc.
Northlake, Illinois
JOSEPH H. RAZOOK
President & Chief Executive Officer

SERVICES/FOOD SERVICE

Group Headquarters
Phoenix, Arizona
EUGENE W. BRONSKI
Senior Vice President-Administration

Consultants & Designers Inc.
New York, New York
EDWARD J. BILOTTI
Chairman & President

Greyhound Airport Services Companies Group
Miami, Florida
ROBERT H. HUBSCH
Chairman
WILLIAM H. YATES, JR.
President & Chief Executive Officer

Greyhound Leisure Services, Inc.
Miami, Florida
JEAN PIERRE MIQUEL
President & Chief Executive Officer

Greyhound Exhibitgroup Inc.
Chicago, Illinois
LEO S. McDONALD
Chairman & Chief Executive Officer
GERALD S. HOWARD
President & Chief Operating Officer

Greyhound Exposition Services, Inc.
Las Vegas, Nevada
NORTON D. RITTMASTER
President & Chief Executive Officer

Premier Cruise Lines, Ltd.
Miami, Florida
JEAN PIERRE MIQUEL
President & Chief Executive Officer

Travelers Express Company, Inc.
Minneapolis, Minnesota
CLARENCE A.E. ANDERSON, JR.*
President & Chief Executive Officer

Greyhound Food Management, Inc.
Phoenix, Arizona
JOHN W. TEETS
Chairman & Chief Executive Officer
JOSEPH K. FASSLER*
President & Chief Operating Officer

Faber Enterprises, Inc.
Chicago, Illinois
MILTON D. FABER
Chairman & Treasurer
HUGO RALLI
President & Chief Executive Officer

Glacier Park, Inc.
Phoenix, Arizona
JOSEPH K. FASSLER
Chairman & Chief Executive Officer
MARTIN SCHULTZ
President & General Manager

Greyhound Support Services, Inc.
Phoenix, Arizona
EDWARD H. WILLIAMS
President & Chief Operating Officer

Restaura, S.A.
Brussels, Belgium
ROBERT A. MARTIN
President & Managing Director

TRANSPORTATION SERVICES

Greyhound Lines of Canada Ltd.
Calgary, Alberta, Canada
JAMES A. KNIGHT*
President & Chief Executive Officer

Brewster Transport Company Limited
Banff, Alberta, Canada
DAVID G. MORRISON
President & Chief Executive Officer

Texas, New Mexico & Oklahoma Coaches, Inc., Lubbock, Texas
ROBERT D. GREENHILL
President & Chief Executive Officer

Vermont Transit Co., Inc.
Burlington, Vermont
JOHN J. DWYER
President & Chief Executive Officer

*Also Executive Officer as defined by Securities and Exchange Commission Regulations.

1986 financial information

responsibility for financial reporting

**To the Stockholders of
The Greyhound Corporation**

The Company has prepared the financial statements, related notes and other financial data appearing in this Annual Report. The statements were developed using generally accepted accounting principles and policies considered appropriate in the circumstances. They reflect, where applicable, management's best estimates and judgments. The financial data also include disclosures and explanations which are relevant to an understanding of the financial affairs of the Company.

To meet management's responsibility for financial reporting, internal control systems and procedures are designed to provide reasonable assurance as to the reliability of the financial records and compliance with corporate policy throughout the organization. These controls are augmented by an internal audit activity which monitors compliance with corporate policies and internal control systems and procedures.

Touche Ross & Co. has independently examined the financial statements. To express an opinion thereon they review and evaluate Greyhound's internal control systems and procedures and conduct such tests of the accounting records and other auditing procedures as they deem necessary. The Board of Directors oversees the Company's financial reporting through its Audit Committee which regularly meets with management representatives and, jointly and separately, with the independent accountants and internal audit management to review accounting, auditing and financial reporting matters.

Richard C. Stephan

Richard C. Stephan
Vice President-Controller

auditors' report

**To the Stockholders and
Board of Directors of
The Greyhound Corporation**

We have examined the statements of consolidated financial condition of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1986 and 1985, and the related statements of income, common stock and other equity, and changes in financial position for each of the three years in the period ended December 31, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Greyhound Corporation and consolidated subsidiaries at December 31, 1986 and 1985, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1986, in conformity with generally accepted accounting principles applied on a consistent basis except for the change, with which we concur, in the method of accounting for pension cost as described in Note H of notes to the consolidated financial statements.

Touche Ross & Co.

Touche Ross & Co.

Phoenix, Arizona
March 12, 1987

Selected Financial and Statistical Data

	1986	1985	1984	1983	1982
Operations (000 omitted)					
Sales and Revenues:					
Greyhound and Consolidated Subsidiaries	**$2,647,428**	$2,621,541	$2,219,234	$2,184,007	$2,307,707
Financial Group (not consolidated)(1)	**440,315**	443,504	377,572	318,498	317,847
Combined Revenues	**$3,087,743**	$3,065,045	$2,596,806	$2,502,505	$2,625,554
Income of Greyhound and Consolidated Subsidiaries(2)	**$ 52,331**	$ 92,405	$ 82,288	$ 49,824	$ 61,279
Net Income of Financial Group(3)	**42,123**	15,822	33,756	20,461	40,311
Income from Continuing Operations	**94,454**	108,227	116,044	70,285	101,590
Discontinued Operations:					
Before net gains on disposals	**2,212**	11,861	8,983	(863)	4,569
Net gains on disposals	**89,492**			21,400	
Income before Extraordinary Items	**186,158**	120,088	125,027	90,822	106,159
Extraordinary Items(4)				14,677	(3,099)
Net Income	**$ 186,158**	$ 120,088	$ 125,027	$ 105,499	$ 103,060
Income (Loss) Per Share:					
Common and equivalents:					
Continuing operations	**$2.08**	$2.23	$2.38	$1.47	$2.30
Discontinued operations	**2.04**	.25	.18	.44	.11
Extraordinary items				.31	(.07)
Net income	**4.12**	2.48	2.56	2.22	2.34
Assuming full dilution:					
Continuing operations	**2.07**	2.20	2.34	1.43	2.19
Discontinued operations	**2.02**	.24	.18	.42	.10
Extraordinary items				.30	(.07)
Net income	**4.09**	2.44	2.52	2.15	2.22
Dividends Declared Per Common Share	**$1.32**	$1.26	$1.20	$1.20	$1.20
Average Outstanding Shares (000 omitted):					
Common and equivalents	**44,884**	47,933	48,350	47,007	43,976
Assuming full dilution	**45,337**	49,012	49,626	49,145	47,267
People					
Stockholders of Record	**74,194**	84,737	93,543	101,687	116,993
Employees (average)	**35,922**	36,942	35,392	33,624	38,182

(1) Adjusted to exclude revenues of Greyhound Capital Corporation.

(2) Includes net gains (after-tax) on sale of property by Greyhound Lines, Inc. of $24,305,000 or $.54 per share in 1986, $19,094,000 or $.40 per share in 1985 and $4,171,000 or $.09 per share in 1984, from an ongoing restructuring program involving cost reductions and downsizing of facilities; and a net charge (after-tax) of $14,796,000 or $.33 per share for severance pay and other expenses associated with Greyhound Lines' conversion of 123 company operated terminals to independent commission agencies in 1986.

(3) Includes a net credit (after-tax) of $27,831,000 or $.62 per share in 1986 made up of gain on sale of Greyhound Capital Corporation of $79,741,000 or $1.78 per share less special loss provisions of $51,910,000 or $1.16 per share, and in 1985 an unusual loss (after-tax) of $19,440,000 or $.41 per share resulting from a special provision by Greyhound Financial Corporation (see Note 5 of notes to the summary combined statements of the Financial Group).

(4) Comprised of tax benefits of $11,469,000 or $.24 per share from deduction for tax purposes of U.S. bus operating rights previously written off and gain on extinguishment of debt of $3,208,000 or $.07 per share in 1983 and write-off of the remaining carrying value of U.S. bus operating rights in 1982.

	1986	1985	1984	1983	1982
Financial Position (000 omitted)					
Total Assets	**$2,963,731**	$2,931,491	$2,366,755	$2,224,881	$2,042,903
Investments in Financial Group Subsidiaries	**532,225**	626,847	527,783	437,941	401,559
Working Capital	**180,261**	135,228	136,464	133,030	190,610
Long-term Debt	**607,090**	605,325	223,673	262,976	330,423
Redeemable Preferred Stock	**6,599**	6,597	6,596	6,595	6,593
Other Liabilities, Deferred Items and Minority Interests	**313,535**	217,162	224,075	154,160	152,139
Common Stock and Other Equity	**1,054,407**	1,160,258	1,141,989	1,101,409	960,363
Book Value Per Common Share (dollars)	**$26.72**	$24.99	$24.07	$22.86	$22.06

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results:

Greyhound is a diversified company which sells products and supplies services in many markets. Because of this diversity, components of its net income are affected, some favorably, others unfavorably, by general economic conditions and other fluctuations which occur in the various markets each year. Inflation has not materially affected operations in recent years although gains on sales of longer-term assets have generally been favorably affected.

The U. S. Tax Reform Act of 1986 (Act) will have a significant favorable effect on the deferred tax credit balances of Greyhound's Financial Group offset partially by the effects on deferred tax debit balances of Greyhound and its consolidated subsidiaries, all of which were recorded in previous years at rates higher than those established by the Act. Adjustments for the effects on recorded deferred taxes, including the effect on balances previously established at higher rates, will depend on the conclusions reached by the Financial Accounting Standards Board in its project on accounting for income taxes. The Act's impact on 1987 earnings is expected to be minimally positive, due to the effect of reduced statutory corporate rates offset by the elimination of investment tax credit, new alternative minimum tax requirements, and the effects of other changes.

The Act and other competitive factors have adversely affected Greyhound's Financial Group's ability to finance equipment for others. As a result Greyhound Financial Corporation restructured its operations to primarily focus on its continuing real estate financing business. As more fully disclosed in Note 2 of summary combined statements of the Financial Group, political and economic events in Latin America in early 1987 could have unfavorable effects on future results.

1986 *vs.* 1985:

Greyhound reported net income for 1986 of $186.2 million compared with $120.1 million for 1985. Earnings for 1986 included several major nonrecurring items which resulted in a net gain (after taxes) of $102.5 million. These items included gains on sale of ConAgra shares ($89.5 million) and sale of Greyhound Capital Corporation ($79.7 million), less special provisions for Greyhound Lines' terminal conversion program costs ($14.8 million), European shipping loan losses ($43.8 million) and anticipated loss related to Pine Top Insurance Company-Illinois ($8.1 million). Prior year results included an unusual charge of $19.5 million resulting from a special loss provision made by Greyhound Financial Corporation. Exclusive of the major nonrecurring items and the unusual item, income for 1986 was $83.7 million, compared with $139.6 million reported last year.

Consolidated revenues for 1986 were $2.6 billion, essentially the same as in 1985. Combined revenues, which include revenues of the unconsolidated Financial Group, were $3.1 billion, essentially the same as in 1985.

Net income of the Consumer Products Group was down 17% from last year. The Dial Corporation's lower earnings were due to increased marketing costs on branded products in the household/laundry area to counter major spending by competitors on new products. Private label profitability also was adversely affected by these unfavorable marketing conditions.

The Transportation Services Group's net income, excluding the one-time charge for terminal conversions, was up 4% in 1986. This improvement was due to net gains on dispositions of Greyhound Lines' properties, which aggregated $24.3 million in 1986, compared with $19.1 million for 1985. Before the gains and the charge for terminal conversions, Group earnings were down 12% due to declining ridership, discount air fares and high wage scales. Greyhound has an agreement to sell the U.S. intercity bus operations of Greyhound Lines, Inc., scheduled to close in mid-March of 1987.

Transportation Manufacturing Group net income was down 35% from 1985 as intercity coach orders were soft throughout the year, and unanticipated delays were encountered in the robotic trailer program.

The Services and Food Service Group's net income for 1986 was essentially even with a year ago. Travelers Express, which specializes in payment services, was up and Premier Cruise Lines, which in April launched its second cruise ship, the S/S Oceanic, showed substantial improvement over 1985. These gains were offset by a decline in Food Service results primarily caused by softness in contract feeding operations.

Excluding the major nonrecurring items in 1986 and the unusual charge in 1985, Financial Group net income was down 59% from a year ago. This decline was due largely to increased underwriting losses at Verex caused by higher claims losses. In January 1987, Greyhound announced that it had entered into negotiations for the sale of Verex on favorable terms. Group results have been unfavorably affected by additional provisions for losses, principally those related to European shipping loan losses, and by the fact that only nine months of Greyhound Capital Corporation profits were included in 1986 results. Greyhound Financial Corporation's earnings for 1986 were up 10% from 1985 results before the unusual charge.

Other factors unfavorably affecting overall 1986 results were the repeal of the investment tax credit, litigation costs, higher professional fees and increases in insurance premiums. A major revamping of existing insurance programs including a substantial increase in self-insurance retention amounts has been implemented effective January 1, 1987.

1985 *vs.* 1984:

Greyhound reported net income for 1985 of $120.1 million compared with $125.0 million for 1984. Earnings for 1985 were charged with a previously reported special provision for losses of $19.5 million (after-tax) made by Greyhound Financial Corporation (known then as Greyhound Leasing & Financial Corporation), a Financial Group subsidiary of Greyhound. Exclusive of this unusual item, income for 1985 was $139. 6 million, up 12% from the $125.0 million reported for 1984.

Consolidated revenues for 1985 were $2.6 billion, compared with $2.2 billion for 1984, reflecting the acquisition of the Consumer Products Division of Purex Industries on March 1, 1985. Combined revenues, which include revenues of the unconsolidated Financial Group, rose to $3.1 billion for 1985 compared to $2.6 billion for 1984.

Net income of Consumer Products was up 54% from 1984's level reflecting The Dial Corporation's increase in net income and the contribution of Purex from the date of its acquisition. Dial's increase was due primarily to generally lower raw material costs and increased sales volume of soap products.

The Transportation Services Group reported 1985 net income more than double that of the prior year. The improvement was principally due to better operating results at Greyhound Lines, Inc. and to net gains on dispositions of properties, which added $19.1 million to 1985 results, compared to $4.2 million in 1984.

Exclusive of the unusual item reported by Greyhound Financial Corporation, the Financial Group posted a 4% improvement over 1984 income. Within the group, Greyhound Capital Corporation (which was sold in 1986) had an excellent year, with net income up 50%, on the strength of increased volumes of new business. Greyhound Financial's results, before the unusual item, were up slightly. Verex Corporation reported a 19% decline in net income for 1985 due to poor underwriting results caused by higher claims losses in its mortgage insurance business, offset by an increase in realized investment gains and other income. Pine Top, which was subject to an aborted sale in 1985, reported significant provisions for losses on its reinsurance activities for 1985.

The Transportation Manufacturing Group, while solidly profitable, was down 30% from 1984. Delays in the receipt of parts from outside suppliers for the new MCI bus plagued production into the third quarter of 1985, causing increased costs.

The Services and Food Service Group was down 10% from 1984, despite another fine performance by Travelers Express in its payment services activities. The overall decline was caused primarily by the completion of major contracts by a Saudi Arabian affiliate.

Liquidity and Capital Resources:

Greyhound and consolidated subsidiaries' debt at December 31, 1986 was $625 million, as compared to $624 million at December 31, 1985. Cash flow from the sales of Greyhound Capital Corporation, Greyhound's investment in ConAgra and other assets was substantially utilized for capital expenditures ($157 million) and treasury share purchases ($247 million).

Greyhound's debt to capital ratio was also relatively unchanged at .36 to 1 at December 31, 1986 compared with .34 to 1 at December 31, 1985. Management believes that such level of debt to capital is acceptable and that Greyhound has sufficient additional debt capacity to satisfy its ongoing corporate financing requirements.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings, Greyhound strives to maintain current assets (principally cash, inventories and receivables) at the lowest practicable levels, while at the same time taking advantage of the payment terms offered by trade creditors. These efforts notwithstanding, working capital requirements can fluctuate significantly from seasonal factors as well as changes in levels and costs of inventories and receivables caused by numerous business factors.

During 1986, Greyhound satisfied a substantial portion of its working capital and other financing requirements with short-term bank lines of credit and the issuance of commercial paper and promissory notes. Essentially all of these short-term borrowings were supported by long-term revolving bank credit agreements. At December 31, 1986, excluding revolving credit agreements available to certain consolidated subsidiaries, Greyhound had $575.0 million of long-term formal bank credit facilities available of which $295.7 million were not being used to support short-term borrowings.

Capital spending has been reduced to some extent by obtaining, where appropriate, equipment and other property under operating leases. Future capital asset needs requiring capital spending and any additional investment or working capital requirements are expected to be financed primarily with internally generated funds. Should such requirements exceed internal sources, Greyhound's available external financing sources, described above, will be used.

Greyhound has elected to redeem on March 20, 1987 all of the outstanding 9⅜% and 9⅞% sinking fund debentures. Funds for this redemption are expected to come from the proceeds of the pending sale of the operations of Greyhound Lines, Inc. or from short-term borrowings supported by unused long-term revolving credits.

The Financial Group subsidiaries are essentially self-financed, augmented by additional Greyhound investment when necessary. With few exceptions, Greyhound does not guarantee debt obligations of its Financial Group subsidiaries.

Revenues and Income of Principal Business Segments
(000 omitted)

	1986	1985	1984	1983	1982
SALES AND REVENUES:					
Consumer Products	**$ 848,867**	$ 843,283	$ 464,524	$ 475,402	$ 484,325
Transportation Services	**817,945**	866,721	861,774	829,632	1,002,018
Transportation Manufacturing	**223,332**	246,315	243,380	281,942	281,282
Services and Food Service	**814,443**	709,687	706,386	618,910	626,342
Financial(1)	**440,315**	443,504	377,572	318,498	317,847
Intersegment eliminations	**(57,159)**	(44,465)	(56,830)	(21,879)	(86,260)
Combined	**$3,087,743**	$3,065,045	$2,596,806	$2,502,505	$2,625,554
OPERATING INCOME:					
Consumer Products	**$ 65,350**	$ 77,329	$ 42,692	$ 39,237	$ 30,485
Transportation Services(2)	**57,231**	54,388	24,969	(30,236)	19,593
Transportation Manufacturing	**21,530**	36,365	44,382	59,716	72,110
Services and Food Service	**59,429**	52,047	57,362	50,513	48,159
Financial(3) & (4)	**(133,610)**	(48,324)	21,329	(55)	40,224
Intersegment eliminations	**5,564**	1,877	2,568	3,817	(14,836)
Combined	**$ 75,494**	$ 173,682	$ 193,302	$ 122,992	$ 195,735
NET INCOME:					
Consumer Products	**$ 34,146**	$ 41,364	$ 26,858	$ 22,282	$ 19,931
Transportation Services(2)	**34,146**	47,180	20,520	(8,824)	20,212
Transportation Manufacturing	**13,376**	20,611	29,653	32,119	37,416
Services and Food Service	**34,102**	34,189	37,811	31,654	28,113
Financial(3) & (4)	**42,123**	16,041	33,939	20,937	40,920
Intersegment eliminations	**3,297**	2,387	2,502	2,837	(4,078)
Income of Principal Business Segments	**161,190**	161,772	151,283	101,005	142,514
Minority interests	**(5,321)**	(4,948)	(5,304)	(6,739)	(7,953)
Corporate interest and other costs	**(61,415)**	(48,597)	(29,935)	(23,981)	(32,971)
Income from discontinued operations—principally net gain on disposal in 1986 and 1983	**91,704**	11,861	8,983	20,537	4,569
Extraordinary items(5)				14,677	(3,099)
Net Income	**$ 186,158**	$ 120,088	$ 125,027	$ 105,499	$ 103,060

(1) Adjusted to exclude revenues of Greyhound Capital Corporation.

(2) Includes net gains on sale of property by Greyhound Lines, Inc. in 1986, 1985 and 1984 of $39,304,000, $25,723,000 and $5,435,000, respectively (operating income), and $24,305,000, $19,094,000 and $4,171,000, respectively (net income), from an ongoing restructuring program involving cost reductions and downsizing of facilities. Also includes a charge of $27,400,000 (operating income) and $14,796,000 (net income) in 1986 for severance pay and other expenses associated with Greyhound Lines' conversion of 123 company operated terminals to independent commission agencies.

(3) Operating income and net income in 1986 include special loss provisions of $71,500,000 and $51,910,000, respectively. Operating income excludes results of Greyhound Capital Corporation (sold as of September 30, 1986) and gain on sale thereof in 1986. Net income includes $79,741,000 gain on sale of Greyhound Capital Corporation in 1986 and net income of Greyhound Capital Corporation of $8,550,000 (1986), $12,095,000 (1985), $7,893,000 (1984), $5,481,000 (1983), and $3,831,000 (1982). Operating income does not include realized investment gains of insurance subsidiaries. Net income includes $21,874,000 (1986), $9,786,000 (1985), $3,038,000 (1984), $1,700,000 (1983), and $6,000 (1982) of such after-tax gains.

(4) Operating income and net income in 1985 include an unusual loss of $36,000,000 and $19,440,000, respectively, from a special provision by Greyhound Financial Corporation (see Note 5 of the notes to the summary combined statements of the Financial Group).

(5) Comprised of tax benefits of $11,469,000 from deduction for tax purposes of U.S. bus operating rights previously written off and gain on extinguishment of debt of $3,208,000 in 1983 and write-off of the remaining carrying value of U.S. bus operating rights in 1982.

Other Principal Business Segment Information (000 omitted)

	Assets at Year-End 1986	1985	1984	Capital Expenditures 1986	1985	1984	Depreciation 1986	1985	1984
Consumer Products	$ 686,198	$ 694,628	$ 341,321	$ 34,533	$ 15,562	$ 7,497	$ 17,049	$ 16,396	$ 10,407
Transportation Services	516,743	473,757	496,722	70,771	45,321	34,137	25,375	25,556	27,028
Transportation Manufacturing	127,516	155,117	117,689	1,528	3,287	3,098	3,269	3,113	2,897
Services and Food Service[1]	916,150	775,451	625,686	50,375	57,017	33,457	25,718	19,493	17,920
Intersegment eliminations	(22,538)	(25,701)	(31,373)	(4,678)	(978)	(1,290)	(6,960)	(6,260)	(8,632)
Consolidated segments	2,224,069	2,073,252	1,550,045	152,529	120,209	76,899	64,451	58,298	49,620
Unconsolidated Financial segment	532,225	633,720	591,916						
Investment—ConAgra		109,805	99,283						
Corporate	207,437	114,714	125,511	4,770	4,608	11,578	3,584	3,033	2,455
Consolidated	$2,963,731	$2,931,491	$2,366,755	$157,299	$124,817	$ 88,477	$ 68,035	$ 61,331	$ 52,075

(1) Assets of Services and Food Service include $513,063,000 (1986), $464,330,000 (1985) and $368,729,000 (1984) of cash and temporary investments held for payment service obligations.

The Greyhound Corporation is a holding company with numerous subsidiaries whose principal business activities are categorized into five business segments for reporting purposes. The business activities included in each segment are set forth earlier in this annual report under "Description of Business."

Intersegment sales are priced generally on the same basis as sales to outside customers and include the following amounts:

	1986	1985	1984
	(000 omitted)		
Transportation Manufacturing	$51,751	$39,824	$52,111
Other	5,408	4,641	4,719
	$57,159	$44,465	$56,830

Operating income by segment for consolidated segments represents sales and revenues less operating costs before interest expense, corporate administrative expenses, minority interests and other items including equity in net income of unconsolidated affiliates, and income taxes. Operating income for the unconsolidated Financial Group segment represents revenues less operating costs before realized investment gains or losses, minority interests and other items, and income taxes. Due to the nature of its businesses, operating costs of the Financial Group include interest expense. The deduction of interest expense in determining Financial Group operating income, a low effective income tax rate due principally to the effects of investment tax credit amortization and tax-exempt income, and the required exclusion of realized investment gains from operating income contribute to a generally higher ratio of net income to operating income for this segment than for consolidated segments. In addition, the gain on sale of Greyhound Capital Corporation (GCC) and net income of GCC to date of sale (effective September 30, 1986) have been included in net income but not in operating income.

Net income by segment for consolidated segments includes operating income as defined above, plus intercompany interest income not included therein and other items including equity in net income of unconsolidated affiliates, less interest expense and income taxes. Net income for the Financial Group segment includes operating income as defined above, realized investment gains or losses and other items, less income taxes. Income taxes are provided by each segment based on its income before income taxes, reduced by tax credits applicable to it. Corporate interest and other costs not allocated to individual segments represent expenses considered to be of an overall holding company nature, and are deducted separately, net of tax benefit, in determining net income.

Additional information pertaining to the unconsolidated Financial Group segment is included in the accompanying Summary Combined Statements of Financial Group Subsidiaries of Greyhound.

Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. Described below are those accounting policies which are particularly significant to The Greyhound Corporation ("Greyhound"), including those selected from acceptable alternatives.

Principles of Consolidation:
The consolidated financial statements include the accounts of Greyhound and its subsidiaries, except for its Financial Group subsidiaries. All material intercompany transactions and accounts are eliminated in consolidation.

Investments in Financial Group subsidiaries and in affiliates (not significant) are reflected in the accounts on the equity method. Equity in net income of ConAgra, included in discontinued operations, was recognized after making provisions for amortization of intangibles and for income taxes.

Summary financial information for the Financial Group, including significant accounting policies and footnotes, is presented elsewhere in these financial statements. This Group includes subsidiaries engaged in leasing and financing of real estate and industrial and commercial equipment as well as insurance operations, principally residential mortgage insurance.

Inventories:
Generally inventories are stated at the lower of cost (on the first-in, first-out or average cost methods) or market.

Property and Equipment:
Owned assets are stated at cost and capital lease assets are stated at the present value of future rentals at lease inception.

Depreciation is provided principally by use of the straight-line method at annual rates as follows:

Buildings	2% to 5%
Buses	7.5%
Machinery and other equipment	5% to 33%
Capital leases and leasehold improvements	Lesser of lease term or useful life

Intangibles:
Intangibles are carried at cost less applicable amortization. Those which arose prior to October 31, 1970 will not be amortized unless there is deemed to be a permanent diminution in value of the related investments. Intangibles arising after October 31, 1970 are amortized on the straight-line method over the periods of expected benefit, but not in excess of forty years.

Pension Plans and Other Employee Benefits:
Trusteed, noncontributory pension plans cover substantially all employees. Benefits are based primarily on final average salary and years of service. Greyhound and its U.S. subsidiaries' net periodic pension cost for 1986 was based on the provisions of Statement of Financial Accounting Standards (SFAS) No. 87; in 1985 and 1984 pension cost was based on the provisions of APB Opinion No. 8. Net periodic pension cost for foreign based pension plans continued to be based on the provisions of APB Opinion No. 8 in 1986. Funding policies provide that payments to pension trusts shall be equal to the minimum funding required by applicable regulations plus additional amounts which may be approved by Greyhound from time to time.

Cost of medical and life insurance benefits under employee group plans, including similar benefits for qualified retirees, is generally charged to income as incurred. Such benefits applicable to eligible retirees of discontinued businesses were recorded on an estimated present value basis at the date of discontinuance.

Tax Credits:
Tax credits are included in income in the year the credits are available as a reduction of federal income taxes.

Net Income Per Share:
Net income per common and equivalent share is based on net income after preferred stock dividend requirements and the weighted average number of common shares outstanding during each year after giving effect to stock options considered to be dilutive common stock equivalents. Net income per share assuming full dilution is based upon the foregoing and gives effect to the equivalent number of common shares issuable upon conversion of convertible debt.

Principal Business Segments and Other Information:
Revenues and income of principal business segments and other principal business segment information of Greyhound for the three years ended December 31, 1986, are presented in a previous section of this Annual Report.

The Financial Group information has been restated for the changes described in Note 1 of notes to summary combined statements.

Certain reclassifications have been made to the prior years' financial statements to conform to 1986 classifications.

Statement of Consolidated Financial Condition
(000 omitted)

ASSETS	December 31, 1986	1985
CURRENT ASSETS:		
Cash and short-term investments	$ 64,491	$ 38,738
Cash and temporary investments (at cost, which approximates market) held for payment service obligations	513,063	464,330
Receivables	298,981	271,430
Inventories	213,622	236,600
Prepaid expenses and other current assets	72,204	59,406
Due from Financial Group subsidiaries, net		6,873
TOTAL CURRENT ASSETS	1,162,361	1,077,377
PROPERTY AND EQUIPMENT:		
Land	91,238	98,288
Buildings and leasehold improvements	352,002	359,793
Buses	142,738	173,184
Machinery and other equipment	525,922	468,626
	1,111,900	1,099,891
Less accumulated depreciation	390,291	403,683
	721,609	696,208
INVESTMENTS AND OTHER ASSETS:		
Investments in and long-term receivables due from Financial Group subsidiaries	532,225	626,847
Investment in ConAgra		109,805
Other investments and assets	168,715	87,508
	700,940	824,160
DEFERRED INCOME TAXES	46,140	24,596
INTANGIBLES, including $170,476 not subject to amortization, net of accumulated amortization of $19,260 and $10,481	332,681	309,150
	$2,963,731	$2,931,491

See notes to consolidated financial statements and summary of significant accounting policies.

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1986	1985
CURRENT LIABILITIES:		
Short-term bank and other loans	**$ 8,734**	$ 3,824
Payment service obligations	**532,999**	494,710
Accounts payable	**202,977**	210,775
Accrued compensation	**59,495**	67,761
Income and other taxes	**9,374**	19,821
Other current liabilities	**148,043**	130,009
Due to Financial Group subsidiaries, net	**10,993**	
Current portion of long-term debt	**9,485**	15,249
TOTAL CURRENT LIABILITIES	**982,100**	942,149
LONG-TERM DEBT, including subordinated debt of $157,606 and $159,623	**607,090**	605,325
OTHER LIABILITIES AND DEFERRED ITEMS:		
Pension and other benefits	**108,499**	105,432
Other	**177,737**	86,387
	286,236	191,819
MINORITY INTERESTS – Greyhound Lines of Canada	**27,299**	25,343
COMMITMENTS AND CONTINGENT LIABILITIES (Notes E, I and J)		
$4.75 REDEEMABLE PREFERRED STOCK	**6,599**	6,597
COMMON STOCK AND OTHER EQUITY:		
Common stock	**72,832**	72,832
Additional capital	**337,028**	343,129
Retained income	**947,345**	824,560
Cumulative translation adjustments	**(16,132)**	(23,245)
Common stock in treasury, at cost	**(286,666)**	(57,018)
	1,054,407	1,160,258
	$2,963,731	$2,931,491

Consolidated Income Statement
(000 omitted)

	Year Ended December 31, 1986	1985	1984
REVENUES:			
Sales and revenues	**$2,583,956**	$2,561,663	$2,201,121
Other income	**63,472**	59,878	18,113
	2,647,428	2,621,541	2,219,234
OPERATING COSTS:			
Cost of sales and revenues	**2,438,324**	2,399,535	2,047,261
Interest	**69,085**	45,413	19,643
Unallocated corporate and other costs	**61,801**	32,271	26,385
Equity in income of affiliates and other items	**(1,326)**	(3,802)	(19,841)
Minority interests	**5,321**	4,729	5,121
INCOME BEFORE INCOME TAXES	**74,223**	143,395	140,665
Income taxes	**21,892**	50,990	58,377
Income of Greyhound and consolidated subsidiaries	**52,331**	92,405	82,288
Net income of Financial Group	**42,123**	15,822	33,756
INCOME FROM CONTINUING OPERATIONS	**94,454**	108,227	116,044
Income from discontinued operations—including net gain on disposal of $89,492 in 1986 (after tax provision of $39,079)	**91,704**	11,861	8,983
NET INCOME	**$ 186,158**	$ 120,088	$ 125,027
INCOME PER SHARE:			
Common and equivalents:			
Continuing operations	**$2.08**	$2.23	$2.38
Discontinued operations	**2.04**	.25	.18
Net income	**$4.12**	$2.48	$2.56
Assuming full dilution:			
Continuing operations	**$2.07**	$2.20	$2.34
Discontinued operations	**2.02**	.24	.18
Net income	**$4.09**	$2.44	$2.52
DIVIDENDS DECLARED PER COMMON SHARE	**$1.32**	$1.26	$1.20
AVERAGE OUTSTANDING SHARES (000 omitted):			
Common and equivalents	**44,884**	47,933	48,350
Assuming full dilution	**45,337**	49,012	49,626

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Changes in Consolidated Financial Position

(000 omitted)

	Year Ended December 31, 1986	1985	1984
SOURCE OF FUNDS:			
From continuing operations:			
Income	**$ 94,454**	$108,227	$116,044
Depreciation	**68,035**	61,331	52,075
Deferred income taxes	**(50,411)**	(2,547)	6,772
Undistributed net income of Financial Group	**(16,415)**	1,104	(3,734)
Other items, net	**5,440**	22,078	7,244
Total from continuing operations	**101,103**	190,193	178,401
Discontinued operations—ConAgra:			
Equity in net income	**2,212**	11,861	8,983
Undistributed net income	**(1,424)**	(10,522)	(7,283)
Net gain on sale of investment	**89,492**		
Carrying amount of investment when sold	**111,229**		
Discontinued operations—other, net			9,882
Common stock issued	**10,819**	12,640	19,372
Additional long-term debt including short-term borrowings classified as long-term debt	**18,028**	412,662	9,743
Increase (decrease) in short-term loans	**4,910**	70	(3,221)
Proceeds on assumption of interest rate swaps	**79,236**		
Reduction of investment in Financial Group upon sale of Greyhound Capital Corporation	**143,657**		
Disposals of businesses and property	**61,441**	41,419	19,164
Reduction in amounts due from ConAgra			107,178
Recovery of excess pension plan assets		19,077	95,312
Investments sold to Financial Group, net			41,884
Other transactions with Financial Group, net	**17,866**	9,024	(10,757)
	638,569	686,424	468,658
USE OF FUNDS:			
Capital expenditures and leases capitalized	**157,299**	124,817	88,477
Common stock purchased for treasury	**246,621**	51,172	37,144
Dividends on common and preferred stock	**59,849**	60,820	58,808
Payments of long-term debt including short-term borrowings classified as long-term debt	**24,917**	27,079	69,246
Acquisition of businesses:			
Purex		272,709	
Other	**13,681**		
Additional long-term investment in Financial Group companies, net	**38,391**	70,263	53,699
Net decrease (increase) in payment service assets and obligations	**10,444**	(40,865)	58,567
Transfer of deferred income taxes to Financial Group			35,000
Increase (decrease) in receivables and inventories	**(1,325)**	56,334	35,083
Decrease in current accrued liabilities	**37,411**	52,702	10,491
Other items, net	**25,528**	30,859	(10,401)
	612,816	705,890	436,114
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	**$ 25,753**	$(19,466)	$ 32,544

See notes to consolidated financial statements and summary of significant accounting policies.

Statement of Common Stock and Other Equity
(000 omitted)

	Year Ended December 31, 1986	1985	1984
COMMON STOCK, $1.50 par value, 100,000,000 shares authorized:			
Balance, beginning of year	**$ 72,832**	$ 72,832	$ 72,279
Shares issued			553
Balance, end of year	**$ 72,832**	$ 72,832	$ 72,832
ADDITIONAL CAPITAL:			
Balance, beginning of year	**$ 343,129**	$347,846	$342,636
Conversion or exercise of debentures or stock options:			
Common shares issued			5,201
Treasury common shares reissued	**(5,687)**	(4,208)	(578)
Net change in unamortized amount of restricted stock	**(467)**	(683)	420
Other, net	**53**	174	167
Balance, end of year	**$ 337,028**	$343,129	$347,846
RETAINED INCOME:			
Balance, beginning of year	**$ 824,560**	$765,471	$699,842
Net income	**186,158**	120,088	125,027
Dividends on common and preferred stock	**(59,849)**	(60,820)	(58,808)
Net change in unrealized gains and losses on marketable equity securities	**(3,497)**	(159)	(567)
Other, net	**(27)**	(20)	(23)
Balance, end of year	**$ 947,345**	$824,560	$765,471
CUMULATIVE TRANSLATION ADJUSTMENTS:			
Balance, beginning of year	**$ (23,245)**	$(20,784)	$(13,340)
Unrealized translation gains (losses)	**5,297**	(2,461)	(7,444)
Realized upon sale of foreign entities	**1,816**		
Balance, end of year	**$ (16,132)**	$(23,245)	$(20,784)
COMMON STOCK IN TREASURY, at cost:			
Balance, beginning of year	**$ (57,018)**	$(23,376)	$ (8)
Purchases of additional shares	**(246,621)**	(51,172)	(37,144)
Reissued on conversion or exercise of debentures or stock options	**16,973**	17,530	13,776
Balance, end of year	**$(286,666)**	$(57,018)	$(23,376)

See notes to consolidated financial statements and summary of significant accounting policies.

Notes to Consolidated Financial Statements

Three Years Ended December 31, 1986

Note A – Acquisitions and Dispositions:

In April of 1986 Greyhound sold its 5,100,000 shares (15% ownership) of the common stock of ConAgra Inc. for $244,800,000 realizing an after-tax gain of $89,492,000. Accordingly, equity in net income of ConAgra to date of sale and gain on disposal of ConAgra shares have been classified as results of discontinued operations. In October of 1986 Greyhound sold Greyhound Capital Corporation for approximately $140,000,000. This sale resulted in an after-tax gain of $79,741,000 which, along with the net income of Greyhound Capital Corporation to date of sale, has been presented on the equity method of accounting in the combined statements of the Financial Group.

During 1986 Greyhound purchased three small Services and Food Service companies for a total of $13,681,000.

Greyhound purchased, effective March 1, 1985, the Consumer Products Division of Purex Industries, Inc. consisting of Purex Corporation and Ellio's Pizza, Inc. The purchase price plus transaction costs totalled $272,709,000 and on the purchase accounting method (based on the final valuation study concluded in 1986) exceeded fair value of net assets acquired by $26,082,000 ($34,067,000 in 1985). This amount is being amortized over forty years. Other intangibles included in the acquisition aggregated $114,043,000 ($91,525,000 in 1985) and are being amortized over their applicable lives.

Greyhound has entered into an agreement to sell the U.S. intercity bus operations of Greyhound Lines, Inc. for cash, securities and other consideration. The sale does not include Greyhound Lines of Canada, a majority-owned intercity carrier headquartered in Calgary, nor does it include certain real estate property of Greyhound Lines, Inc. The sale is scheduled to close in mid-March of 1987.

Greyhound also has entered into negotiations for the possible sale of Verex Corporation and its subsidiaries, and has entered into an agreement in principle to purchase from General Motors Corporation its North American transit bus manufacturing and related parts business.

Note B – Inventories:

Year-end inventories consisted of the following:

	1986	1985
	(000 omitted)	
Raw materials	**$ 79,876**	$110,009
Work-in-process	**29,158**	34,591
Finished goods and supplies	**104,588**	92,000
Total inventories	**$213,622**	$236,600

Effective January 1, 1986 the method of pricing certain raw materials, previously on the LIFO method, used in the manufacturing of soap (Consumer Products) was changed to the lower of cost (on the first-in, first-out method) or market. The effect of this change is not material to 1986 or prior years' earnings.

Note C – Short-term Debt and Compensating Balances:

Greyhound satisfies its short-term financing requirements with bank lines of credit and by the issuance of commercial paper and promissory notes.

Greyhound's short-term bank lines aggregating $27,089,000 at December 31, 1986, are subject to annual renewal and in most instances can be withdrawn at any time at the option of the banks. On $12,000,000 of these lines, compensating balances are required in an amount equal to five percent of the commitments. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

It is Greyhound's policy to support commercial paper and promissory notes outstanding with unused portions of long-term revolving bank credit. In addition, Greyhound allocates unused portions of long-term bank credits under an agreement with a consolidated subsidiary to support its demand advances (up to $35,000,000) to Greyhound when outstanding ($10,000,000 at December 31, 1986).

The following information pertains to Greyhound's short-term debt (including short-term obligations reclassified as long-term debt):

	1986	1985	1984
	(000 omitted)		
Maximum amount of short-term debt outstanding during year	**$497,020**	$453,792	$94,400
Average daily short-term debt outstanding during year	**$361,933**	$293,604	$32,873
Average short-term interest rate at end of year*	**6.7%**	8.4%	11.6%
Weighted average interest rate on short-term debt outstanding during year*	**7.1%**	8.5%	10.7%

*Exclusive of the cost of maintaining compensating balances and payment of commitment fees on long-term revolving bank credit agreements used to support such borrowings. Also, interest rate swap agreements, as discussed in Note D, have effectively fixed future interest rates on $150,000,000 of short-term obligations at 8.1%.

Note D — Long-term Debt:
Long-term debt at year-end was as follows:

	1986	1985
	(000 omitted)	
Senior debt:		
Short-term borrowings supported by unused long-term revolving credits:		
Promissory notes	**$210,000**	$175,000
Commercial paper	**59,285**	79,756
Sinking fund debentures, net of unamortized discount:		
9⅜%, due 1993 to 2001	**54,071**	54,048
9⅞%, due 1990 to 2000	**51,422**	51,400
Real estate mortgages, and other obligations, due to 2014, 6% to 12%	**42,060**	40,828
Canadian revolving credit loans		6,009
Less current portion	**(7,630)**	(3,176)
	409,208	403,865
Subordinated debt:		
10½% debentures, due 2006	**150,000**	150,000
Convertible debentures (conversion price):		
6½%, due 1990 ($18.38)	**7,606**	9,623
6% paid in 1986		10,325
Less current portion		(10,325)
	157,606	159,623
Capital lease obligations, 9.1% weighted-average imputed interest	**42,131**	43,585
Less current portion	**(1,855)**	(1,748)
	40,276	41,837
Total long-term debt	**$607,090**	$605,325

Revolving credit loans are available from participating banks under three agreements which provide for total credit of $575,000,000. On $140,000,000 of credit commitments, borrowings are available until June 30, 1988 on a revolving basis, with outstanding borrowings then converting into a term loan repayable in fifteen equal quarterly installments. Annually, at Greyhound's request and with the participating banks' consent, the term of the agreement may be extended for one-year periods. On $360,000,000 of credit commitments, borrowings are available on a revolving basis on the entire commitment to January 31, 1989 and thereafter on a reducing basis until January 31, 1993. On $75,000,000 of credit commitments, borrowings are available on a revolving basis to the maturity date of January 31, 1988.

The interest rates applicable to borrowings under these agreements are, at Greyhound's option, indexed to the bank prime rate, the bank certificate of deposit rate, or the London interbank offering rate, plus varying percentage increments over such indices during the period of each credit agreement. The agreements also provide for commitment fees based on a combination of factors involving commitment utilization.

Greyhound, in the event that it becomes advisable, intends to exercise its rights under these agreements to borrow for the purpose of refinancing short-term borrowings; accordingly, a substantial portion of short-term borrowings has been classified as long-term debt.

In December 1986, Greyhound assumed several interest rate swap agreements with above market fixed rate commitments, on $350,000,000 notional amount, and received $79,236,000 as consideration. On $200,000,000 notional amount, Greyhound entered into reverse interest rate swap agreements which fix the future net payments against the cash proceeds received, at a discount rate of 9.9%. The remaining $150,000,000 notional amount will be used to effectively fix future interest rates on such amount of floating rate obligations at 8.1% through 1991, after taking into consideration the cash proceeds received in December.

Canadian revolving credit loans are available to Canadian transportation services and transportation manufacturing subsidiaries from banks under agreements which in the aggregate provide for loans up to the Canadian equivalent of $28,964,000.

Greyhound has elected to redeem on March 20, 1987 all of the outstanding 9⅜% and 9⅞% sinking fund debentures.

Annual maturities (other than amounts supported by unused revolving credits which are expected to be renewed) of long-term debt, including capital lease obligations, in the four years after 1987 will approximate $5,301,000 (1988), $4,741,000 (1989), $15,228,000 (1990) and $8,295,000 (1991).

Greyhound's long-term debt agreements also contain various restrictive covenants and require the maintenance of certain defined financial ratios with which Greyhound has complied. Greyhound has also agreed to provide financial support to four Financial Group subsidiaries under two tax allocation agreements and two other operating agreements.

Note E — Preferred Stock and Common Stock and Other Equity:
At December 31, 1986 there were 48,554,362 shares of common stock issued and 39,465,619 shares of common stock outstanding. Shares reserved for issuance at December 31, 1986 were as follows:

	Shares	Conversion or Exercise Prices
Convertible debentures	413,931	$18.38
Stock options	2,333,391	$13.38 to $31.81
Total shares reserved	2,747,322	

The conversion and exercise prices are subject to adjustment under certain circumstances.

Greyhound has 5,000,000 shares of Serial Preference Stock authorized, of which 430,352 shares are issued and designated as $4.75 Redeemable Preferred Stock and 600,000 shares are designated but not issued as Junior Preferred Stock without par value. The holders of the preferred stock are entitled to a liquidation preference of $100 per share and to annual cumulative sinking fund redemptions of 6,000 shares. Shares presently held by Greyhound will be applied to this requirement. Shares held by others (235,762 shares) are therefore scheduled to be redeemed in the years 2019 to 2058.

In April 1986 Greyhound declared a dividend of one Preferred Stock Purchase Right (Right) on each outstanding share of its common stock. The Rights contain provisions to protect shareholders in the event of an unsolicited attempt to acquire Greyhound which is not believed to be in the best interest of shareholders. The Rights are represented by the common share certificate and are not exercisable, or transferable apart from the common until such a situation arises. The Rights may be redeemed by Greyhound at $.05 per Right prior to the time any person or group has acquired 20% or more of Greyhound's shares.

Certain subsidiaries are precluded from transferring funds in excess of stipulated amounts to Greyhound in the form of advances or dividends pursuant to restrictions in long-term debt and capital lease agreements of the subsidiaries or other restrictions applicable to certain regulated Financial Group subsidiaries. At December 31, 1986, $191,000,000 of net assets of Financial Group subsidiaries were subject to such restrictions. The restrictions on the transfer of net assets of consolidated subsidiaries are not material.

At December 31, 1986, retained income of $146,000,000 was unrestricted as to the payment of dividends by Greyhound.

Note F — Stock Options:
Greyhound has granted to officers and certain key employees restricted stock and stock options under its 1983 and 1973 Stock Option Plans as amended. Substantially all stock options are incentive stock options under provisions of the Internal Revenue Code.

The 1983 Plan provides for four types of awards: (1) Stock Options (both Incentive Stock Options and Nonqualified Stock Options); (2) Stock Appreciation Rights (SARS); (3) Limited Stock Appreciation Rights (LSARS); and (4) Restricted Stock. The Plan authorizes the issuance of up to 2,500,000 shares of common stock; however, not more than a total of 500,000 shares may be subject to awards of restricted stock and stock appreciation rights not related to stock options.

The stock options and SARS are exercisable 50% a year beginning one year from the date of grant. Limited stock appreciation rights fully vest at date of grant and are exercisable only for a limited period (in the event of certain tenders or exchange offers for Greyhound's common stock). For the SARS and/or LSARS issued in tandem with stock options, the exercise of one reduces, to the extent exercised, the number of shares represented by the other(s).

Restricted stock awards (38,200 shares in 1986, 43,100 shares in 1985, and 1,500 shares in 1984) vest 60% three years from the date of the grant and at the rate of 20% per year thereafter. The holder of the restricted stock has the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the restricted stock.

The 1973 Plan's stock options are exercisable at market value at date of grant and expire ten years after date of grant.

Information with respect to options granted and exercised for the three years ended December 31, 1986 is as follows:

	Granted		Exercised	
	Shares	Average Price Per Share	Shares	Average Price Per Share
1986	419,800	$31.81	498,758	$19.45
1985	494,300	27.47	463,340	16.52
1984	589,000	22.81	269,392	14.75

Stock options were cancelled during 1986, 1985 and 1984 (at average exercise prices indicated) with respect to 91,900 shares ($27.59), 115,950 shares ($21.91) and 40,400 shares ($17.69), respectively.

At December 31, 1986, stock options with respect to 1,728,981 common shares were outstanding at an average price of $24.98 per share of which 1,126,056 shares were exercisable at an average price of $22.17 per share.

Note G — Income Taxes:
The consolidated provision for income taxes for the three years ended December 31, 1986 consists of the following:

	1986	1985	1984
	(000 omitted)		
Currently payable:			
United States:			
Federal	**$ 57,803**	$ 37,735	$ 37,476
State	**3,201**	3,289	2,773
Foreign	**11,299**	12,513	11,356
	72,303	53,537	51,605
Deferred:			
United States	**(50,491)**	(2,664)	5,234
Foreign	**80**	117	1,538
	(50,411)	(2,547)	6,772
Provision for income taxes	**$ 21,892**	$ 50,990	$ 58,377

Deferred income taxes relate to the following principal timing differences:

	1986	1985	1984
	(000 omitted)		
Depreciation	**$(15,251)**	$ 8,940	$ 4,184
Sale-leaseback transactions	**1,864**	(5,994)	(10,529)
Interest rate swaps	**(36,449)**		
Pension related items	**2,907**	2,784	4,511
Purchase accounting adjustments	**3,342**	498	
Installment sale of buses	**2,711**	2,923	(1,471)
Equity in income of affiliates	**(222)**	(5,027)	1,179
Loss accruals	**(10,224)**	(2,987)	(567)
Investment tax credit carryforwards			8,825
All other	**911**	(3,684)	640
Total deferred income taxes	**$(50,411)**	$(2,547)	$ 6,772

Eligible consolidated and Financial Group subsidiaries are included in the consolidated federal income tax returns of Greyhound.

Certain benefits of tax losses and credits which would not have been currently available to Financial Group subsidiaries on a separate return basis, have been credited to the Financial Group by Greyhound. These benefits are included in the determination of the Financial Group's income taxes and this policy has been documented by written agreements between Greyhound and certain subsidiaries. Accordingly, consolidated companies' currently payable and deferred provisions for income taxes do not reflect a reduction for Financial Group amounts. They are recorded in the consolidated balance sheet when paid to the Financial Group subsidiary.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

	1986	1985	1984
	(000 omitted)		
Computed income taxes at statutory federal income tax rates	**$ 34,143**	$ 65,962	$ 64,706
Statutory rate differences and tax-exempt income	**(10,985)**	(12,070)	(4,599)
Investment tax credits, net of related basis adjustments	**(5,890)**	(7,605)	(3,861)
Minority interests	**2,448**	2,175	2,356
State income taxes	**1,872**	1,849	1,014
Other, net	**304**	679	(1,239)
Provision for income taxes	**$ 21,892**	$ 50,990	$ 58,377

United States and foreign income before income taxes is as follows:

	1986	1985	1984
	(000 omitted)		
United States	**$ 53,102**	$119,567	$108,521
Foreign	**21,121**	23,828	32,144
Income before income taxes	**$ 74,223**	$143,395	$140,665

The 1986 Tax Reform Act retroactively repealed investment tax credit on assets added after January 1, 1986, except those asset acquisitions qualifying under the transitional rules. The related basis adjustment was also increased with respect to ITC available in 1986 on transition assets. These changes reduced net income for 1986 by approximately $3,433,000 compared to the prior law.

Note H – Pension and Other Benefits:

Net periodic pension cost for 1986 included the following components:

	(000 omitted)
U.S. Plans:	
Service cost benefits earned during the period	$ 6,984
Interest cost on projected benefit obligation	12,865
Actual return on plan assets	(15,939)
Net amortization and deferral	(2,717)
Other items, primarily defined contribution and multi-employer plans	7,220
Net pension cost	$ 8,413
Foreign Plans:	
Net pension cost	$ 3,445

As a result of adopting SFAS No. 87, 1986 pension expense was reduced by $7,300,000. Under APB Opinion No. 8, pension expense was $27,069,000 in 1985 and $30,992,000 in 1984.

The following table indicates the plans' funded status and amount recognized in the Greyhound's Statement of Consolidated Financial Position at December 31, 1986:

	Overfunded Plans	Underfunded Plans
	(000 omitted)	
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 44,712	$ 23,807
Accumulated benefit obligation	$ 53,141	$ 28,203
Projected benefit obligation	$ 81,604	$ 33,588
Market value of plan assets, primarily equity and fixed-income securities	117,160	14,715
Plan assets over (under) projected benefit obligation	35,556	(18,873)
Unrecognized transition (asset) obligation	(31,029)	10,729
Unrecognized net loss	8,869	4,333
Prepaid (accrued) pension cost	$ 13,396	$ (3,811)

Weighted-average assumptions used were:

	December 31, 1986	January 1, 1986
Discount rates	7.75-9%	9-10.25%
Rates of increase in compensation levels	4-6.5%	4-7%
Long-term rate of return on assets	9.5%	9.5%

There are restrictions on the use of excess pension plan assets in the event of change of control of Greyhound.

The actuarial present value of accumulated plan benefits for Greyhound's defined benefit plans at January 1, 1985 determined under SFAS No. 36 was $137,891,000 including vested benefits of $120,588,000. The actuarial present value of accumulated plan benefits was calculated on an ongoing basis using 9% weighted average assumed rate of return. Net assets of $192,202,000 were available for those benefits.

Foreign pension plans are not required to determine the actuarial value of accumulated benefits and the current value of net plan assets available for benefits on the same basis as the domestic plans described above. However, in the aggregate the market value of the foreign pension plan assets was sufficient to cover the estimated vested benefits as of the most recent valuations.

During 1986, several partial settlements were effected in various plans. A gain was recognized of approximately $11,317,000, which was equal to a pro-rata portion of the excess of the plan assets over the projected benefit obligation at the settlement dates.

The cost of medical and life insurance benefits for retirees was $1,290,000 and $1,326,000 for the years ended December 31, 1986 and 1985, respectively. Greyhound also made defined contributions of $13,022,000 in 1986 and $11,456,000 in 1985 to certain union sponsored trusts which provided benefits to approximately 7,200 retirees and 7,300 active employees in 1986.

Note I — Lease Obligations:
Certain buses, bus terminals, plants, offices and equipment are leased. The leases expire in periods ranging from one to 46 years, and some provide for renewal options ranging from one to 30 years. Also, certain leases contain purchase options. Leases which expire are generally renewed or replaced by similar leases.

Capital leases included in the cost of property and equipment aggregated $128,082,000 and $88,205,000 at December 31, 1986 and 1985, respectively, with related accumulated depreciation of $42,057,000 and $38,056,000, respectively. The capitalized value of buses included in these amounts was $79,795,000 and $38,562,000 at December 31, 1986 and 1985, respectively, with related accumulated depreciation of $12,989,000 and $9,769,000, respectively.

The capitalized value of buses at December 31, 1986 and 1985 has been reduced by $15,902,000 and $18,800,000, respectively, representing the unamortized portion of proceeds in excess of the carrying amount of buses from various sale-leaseback transactions.

At December 31, 1986, future minimum payments under capital leases and noncancellable operating leases with terms in excess of one year are as follows:

	Capital Leases	Operating Leases
	(000 omitted)	
1987	$ 5,558	$ 73,109
1988	5,152	66,423
1989	5,021	54,580
1990	4,933	45,150
1991	5,313	41,886
Thereafter	52,600	103,766
Total future minimum lease payments	78,577	$384,914
Less imputed interest	36,446	
Present value of future minimum capital lease payments	$ 42,131	

Operating lease future minimum payments consider the effect of interest rate swap agreements which effectively fix certain lease payments that fluctuate with bank prime.

Additional information regarding operating lease rentals is as follows:

	1986	1985	1984
	(000 omitted)		
Minimum rentals	**$72,654**	$58,983	$52,028
Contingent rentals	**12,518**	14,849	19,237
Total rentals	**$85,172**	$73,832	$71,265

Contingent rentals on operating leases are based primarily on sales and revenues for buildings and leasehold improvements and usage for other equipment. Capital lease contingent rentals and sublease rental income were not material in any year.

Note J — Litigation and Claims:
Several derivative complaints have been filed against certain members and former members of Greyhound's Board of Directors, certain present or former officers of Greyhound and of Greyhound Financial Corporation, and against Greyhound and Greyhound Financial Corporation as nominal defendants. The complaints variously allege negligence, mismanagement and breaches of fiduciary duty and seek recovery on behalf of Greyhound for compensatory and other damages incurred by Greyhound as a result of certain equipment leasing transactions with the Player & Willyard partnership of Vernal, Utah, and as a result of certain shipping loans. The several complaints have been dismissed and one complaint is being appealed and the plaintiffs in two others are seeking to have their appeals dismissed.

A lawsuit was filed by Greyhound during 1986 against certain fidelity insurance companies for their failure to pay on a claim filed in 1985 for a foreign Financial Group subsidiary. The claim is to compensate the subsidiary for loan losses and foregone revenues, as well as possible future revenue and loan losses related to its shipping loans. The primary insurers have acknowledged liability and agreed to pay their portion of the claim and an excess insurer has agreed to settle for its policy limits. This would bring collections on the claim up to $1.9 million when paid. Representatives of the other excess insurers have the claim under review. Excess policies of Greyhound provide fidelity coverage for Greyhound and its subsidiaries of $49,000,000. Management believes that the ultimate recovery under this claim will be substantial. Results for 1985 include $21,000,000 (not subject to tax provision) or $.44 per share recorded as an insurance receivable, representing a portion of losses provided to date. Independent legal counsel of Greyhound has opined that the possibility of recovery of less than the recorded amount is remote.

Greyhound and certain subsidiaries are parties to various actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve or may involve compensatory, punitive or other damages in substantial amounts. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims referred to above could be decided against Greyhound. Although the amount of liability at December 31, 1986 with respect to these matters was not ascertainable, Greyhound believes that any resulting liability should not materially affect Greyhound's financial position.

Condensed Quarterly Results
(000 omitted)
(Unaudited)

	First Quarter 1986	1985	Second Quarter 1986	1985	Third Quarter 1986	1985	Fourth Quarter 1986	1985
Consolidated Sales and Revenues[1]	**$579,831**	$527,600	**$685,084**	$726,893	**$709,563**	$704,761	**$672,950**	$662,287
Consolidated Operating Income	**30,683**	26,916	**32,005**	56,824	**75,041**	78,547	**71,375**	59,719
Income of Greyhound and Consolidated Subsidiaries[2]	**3,008**	9,503	**2,831**	22,416	**25,218**	36,609	**21,274**	23,877
Net Income (Loss) of Financial Group[3]	**5,038**	7,398	**(45,746)**	13,575	**3,005**	(11,751)	**79,826**	6,600
Income (loss) from continuing operations	**8,046**	16,901	**(42,915)**	35,991	**28,223**	24,858	**101,100**	30,477
Discontinued operations[4]	**2,212**	2,156	**89,492**	2,873		2,543		4,289
Consolidated Net Income	**$ 10,258**	$ 19,057	**$ 46,577**	$ 38,864	**$ 28,223**	$ 27,401	**$101,100**	$ 34,766
Income (Loss) Per Share:								
Common and equivalents:								
Income from continuing operations	**$ 0.16**	$ 0.35	**$ (0.91)**	$ 0.74	**$ 0.62**	$ 0.51	**$ 2.30**	$ 0.63
Discontinued operations	**0.05**	0.04	**1.90**	0.06		0.05		0.10
Net income	**$ 0.21**	$ 0.39	**$ 0.99**	$ 0.80	**$ 0.62**	$ 0.56	**$ 2.30**	$ 0.73
Assuming full dilution:								
Income from continuing operations	**$ 0.16**	$ 0.35	**$ (0.89)**	$ 0.73	**$ 0.62**	$ 0.51	**$ 2.28**	$ 0.62
Discontinued operations	**0.05**	0.04	**1.87**	0.05		0.05		0.09
Net income	**$ 0.21**	$ 0.39	**$ 0.98**	$ 0.78	**$ 0.62**	$ 0.56	**$ 2.28**	$ 0.71

(1) First quarter 1985 revenues include only one month of Purex sales.

(2) Second quarter 1986 earnings were adversely affected by a provision of $14,796,000 (after-tax) or $0.33 per share for severance pay and other expenses associated with Greyhound Lines' conversion of 123 company operated terminals to independent commission agencies.

(3) The loss in the second quarter of 1986 was due to special loss provisions of $51,900,000 (after-tax) or $1.16 per share of which $43,800,000 was for losses on European shipping loans and $8,100,000 was for anticipated losses related to Pine Top Insurance Company (Illinois); income in the fourth quarter of 1986 benefited from the gain on the sale of Greyhound Capital Corporation of $79,741,000 (after-tax) or $1.78 per share; and the loss in the third quarter of 1985 was due to an unusual charge of $19,440,000 (after-tax) or $.41 per share made by Greyhound Financial Corporation (see Note 5 of notes to the summary combined statements of the Financial Group).

(4) Income in the second quarter of 1986 represents gain on the sale of 5,100,000 shares of ConAgra Inc. common stock.

Summary of Combined Financial Condition
(000 omitted)

ASSETS	December 31, 1986	1985
INVESTMENTS IN EARNING ASSETS:		
Investment in financing transactions, including leveraged leases (net), less unearned income of $907,546 and $940,659	**$1,872,968**	$1,950,479
Bonds and other fixed maturity investments, at amortized cost (market $344,228 and $327,512)	**343,886**	333,092
Equity securities, at quoted market	**51,857**	75,580
Short-term investments	**67,377**	76,463
Investments in Earning Assets	**2,336,088**	2,435,614
Cash	**31,392**	21,953
Other receivables	**41,261**	118,883
Tax benefits due from Greyhound	**12,545**	16,581
Other receivables due from Greyhound, net	**10,993**	
Net investment in Greyhound Capital Corporation		66,013
Deferred policy acquisition costs	**14,630**	15,755
Intangibles, at cost less amortization	**32,955**	33,977
Other assets	**210,757**	228,005
	$2,690,621	$2,936,781
LIABILITIES AND GREYHOUND EQUITY		
LIABILITIES:		
Long-term debt, including subordinated debt of $64,679 and $80,035	**$1,461,528**	$1,544,462
Long-term advances due to Greyhound, net	**8,621**	
Short-term bank loans	**36,281**	93,487
Unearned premiums	**71,344**	90,001
Insurance losses and claims (Note 8)	**139,804**	146,015
Other payables due to Greyhound, net		9,174
Other liabilities	**177,886**	160,462
	1,895,464	2,043,601
DEFERRED TAX ITEMS	**271,553**	266,333
GREYHOUND EQUITY:		
Capital	**468,053**	477,931
Retained income	**62,074**	156,200
Net unrealized investment gains (losses)	**(2,800)**	696
Cumulative translation adjustments	**(3,723)**	(7,980)
	523,604	626,847
	$2,690,621	$2,936,781

See notes to summary combined statements.

Summary of Combined Income
(000 omitted)

	Year Ended December 31, 1986	1985	1984
REVENUES:			
Leasing and Financial:			
Finance lease and other income	**$243,398**	$260,575	$207,600
Gain on disposal of assets	**23,447**	17,141	8,638
Insurance:			
Premiums earned	**141,792**	138,040	134,233
Investment income, net of expenses	**31,678**	27,748	27,101
	440,315	443,504	377,572
OPERATING COSTS:			
Leasing and Financial:			
Interest	**175,706**	179,597	151,852
Provision for doubtful accounts	**93,629**	54,878	10,784
Recorded insurance proceeds—fidelity claim		(21,000)	
Other	**47,909**	44,681	35,048
Unusual item—special provision for loss (Note 5)		36,000	
Insurance:			
Losses and settlement expenses	**187,608**	129,887	95,210
Amortization of policy acquisition costs	**39,530**	41,825	46,599
Other	**29,543**	25,960	16,750
	573,925	491,828	356,243
OPERATING INCOME (LOSS)	**(133,610)**	(48,324)	21,329
Net realized investment gains	**21,874**	9,786	3,038
Minority interests and other, net		4,000	(125)
INCOME (LOSS) BEFORE INCOME TAXES	**(111,736)**	(34,538)	24,242
Income taxes (credit)	**(65,568)**	(38,265)	(1,621)
INCOME (LOSS) FROM COMBINED OPERATIONS	**(46,168)**	3,727	25,863
Net income of Greyhound Capital Corporation—including gain on sale of $79,741 in 1986 (after net tax benefit of $26,993)	**88,291**	12,095	7,893
NET INCOME	**$ 42,123**	$ 15,822	$ 33,756

See notes to summary combined statements.

Summary of Changes in Combined Financial Position
(000 omitted)

	Year Ended December 31, 1986	1985	1984
SOURCE OF FUNDS:			
From operations	**$198,285**	$104,123	$102,685
Collections on lease and other financing contracts, less income amortization	**356,693**	287,469	226,700
Carrying amount of equipment sold	**63,660**	42,352	16,112
Total from operations, collections and equipment disposals	**618,638**	433,944	345,497
Carrying amount of Greyhound Capital Corporation when sold	**63,916**		
Additional long-term debt	**113,583**	400,524	411,511
Increase in commercial paper and short-term bank loans			32,560
Additional long-term investment by Greyhound, net	**38,391**	70,263	53,699
Transfer of deferred income taxes from Greyhound			35,000
Other transactions with Greyhound, net		8,298	
Other sources of funds	**101,517**	74,494	2,915
	936,045	987,523	881,182
USE OF FUNDS:			
Leasing and financial investments	**381,759**	575,634	531,855
Increase in fixed maturity and equity securities, net	**42,634**	103,601	34,723
Reductions of long-term debt	**208,128**	214,656	162,755
Decrease in commercial paper and short-term bank loans	**57,205**	10,250	
Reduction of Greyhound's investment upon the sale of Greyhound Capital Corporation	**143,657**		
Dividends paid to Greyhound	**25,708**	16,926	30,022
Earning assets acquired from Greyhound, net			41,884
Other transactions with Greyhound, net	**17,866**		2,448
Other uses of funds	**49,649**	57,441	91,859
	926,606	978,508	895,546
INCREASE (DECREASE) IN CASH	**$ 9,439**	$ 9,015	$(14,364)

See notes to summary combined statements.

Summary of Combined Greyhound Equity
(000 omitted)

	1986	1985	1984
Balance, beginning of year	**$626,847**	$507,458	$427,616
Net income	**42,123**	15,822	33,756
Dividends to Greyhound	**(25,708)**	(16,926)	(30,022)
Sale of Greyhound Capital Corporation	**(143,657)**		
Additional equity investment by Greyhound:			
Cash and other assets	**29,770**	80,263	43,699
Transfer of deferred income taxes			35,000
Conversion of intercompany balances		40,339	
Net change in unrealized gains and (losses) on marketable equity securities	**(3,496)**	(223)	(441)
Unrealized translation adjustments	**(116)**	111	(2,149)
Other	**(2,159)**	3	(1)
Balance, end of year	**$523,604**	$626,847	$507,458

See notes to summary combined statements.

Notes to Summary Combined Statements

Three Years Ended December 31, 1986

Note 1 — Summary of Significant Accounting Policies:
The accompanying financial information for the Financial Group is prepared on the Greyhound cost basis, which is the basis for recording investments in and net income of Financial Group subsidiaries in Greyhound's consolidated financial statements. This combined information has been prepared in accordance with generally accepted accounting principles. For comparability, all combined statements have been restated to account for Greyhound Capital Corporation (GCC), sold in 1986, on the equity basis method of accounting.

Intangibles are amortized primarily over forty years.

Leasing and Financial Subsidiaries:

Investment tax credits are deferred. Investment tax credits arising from direct financing leases and leveraged leases are amortized to revenues on bases which parallel the amortization of related unearned income.

Insurance Subsidiaries:

Premiums earned are calculated generally on the straight-line basis over the terms of the coverage.

Costs associated with the acquisition of insurance business are deferred and amortized over the term of the policies in the same manner as premiums earned are calculated. The deferral of costs is generally limited to one year for mortgage insurance.

Provisions for losses under mortgage insurance contracts are determined principally by a formula based upon reported delinquencies and management's estimate of other factors. Provisions for losses applicable to other insurance operations are determined on the basis of management's estimate of the anticipated ultimate loss ratio.

Bonds and other fixed maturity investments are carried at amortized cost, unless there is deemed to be a permanent diminution in value, in which case the loss is recorded in net realized investment gains (losses). Equity securities are carried at quoted market, and changes in valuation allowances are recorded in Greyhound equity.

In June 1986 Pine Top Insurance Company-Illinois (Pine Top) was placed under the control of the Illinois Department of Insurance for orderly rehabilitation. As a result Greyhound made a provision of $8,100,000 (after-tax) for anticipated losses resulting from this action. The Illinois Department of Insurance has now placed Pine Top in liquidation. The December 31, 1986 balance sheet no longer includes Pine Top. Greyhound believes on advice of counsel that the provision for anticipated losses will be sufficient to cover any losses which it may incur with respect to Pine Top.

Note 2 — Investment in Financing Transactions:
The portfolio of a U.S. financial subsidiary at year-end includes the following nonaccruing accounts:

	1986	1985
	(000 omitted)	
Delinquent accounts and contracts which management has placed in a nonaccrual status	**$ 55,752**	$ 68,234
Repossessed assets	**37,628**	45,807
Nonaccruing amounts advanced in Mexico	**14,437**	15,297
	$107,817	$129,338

Exclusive of the restructured loans in Latin America described below, the subsidiary also had contracts of $3,500,000 and $5,000,000 at December 31, 1986 and 1985, respectively, classified as contracts restructured (including rate) for credit reasons. Had these and the above contracts (exclusive of repossessed assets) been current in accordance with their original terms, revenue would have been increased by $7,000,000 in 1986, $11,000,000 in 1985 and $10,000,000 in 1984. Income recognized on these amounts was approximately $2,000,000, $2,000,000 and $3,000,000 in 1986, 1985 and 1984, respectively.

At December 31, 1986, the portfolio of this subsidiary also included amounts advanced in Brazil ($50,900,000) and Ecuador ($21,400,000). All amounts originally advanced are U.S. dollar contracts. The Brazilian loan maturities for 1983-1985 were restructured with a slight reduction in rate and a partial modification of repayment terms after grace periods of up to five years with respect to principal. The 1986 maturities were expected to be restructured in the first half of 1987. In February 1987 Brazilian financial authorities stated all payments on these type loans must be paid into a deposit facility at the Central Bank of Brazil to earn interest on behalf of the lender. The authorities stated the measures were provisional in nature and payments due lenders will be subject to future negotiations.

A substantial portion of the loans in Ecuador were assumed by the Republic of Ecuador in 1983 and 1984. The original restructured term was six years; however, during 1986 the loans were restructured to be repayable over a term of approximately nine years on a portion of the debt. Current economic conditions in Ecuador have caused delinquencies on scheduled payments in early 1987. Ecuadorian authorities have requested a deferral of principal and interest payments.

In addition, the Financial Group has a concentration of secured loans in the European shipping industry totaling $192,790,000. Increases in delinquencies and contracts rewritten have continued to occur in 1986 as a result of illegal acts of former employees (which is the basis for the fidelity insurance claim described in Note J of notes to consolidated financial statements) and due to the continued worldwide shipping recession. In the second quarter of 1986 a special loss provision of $56,500,000 was made in regard to these loans. At December 31, 1986, this portfolio had delinquent contracts totaling approximately $103,171,000, compared with $70,108,000 in 1985 and contracts on which moratoria were granted (primarily reduced payments or extended terms on originally scheduled principal payments) aggregating approximately $34,253,000, compared with $75,700,000 in 1985.

At December 31, 1986 and 1985, the allowance for losses on investment in financing transactions for the Financial Group leasing subsidiaries was $127,658,000 and $69,879,000, respectively. Management, after careful analysis of all of the foregoing and estimates of underlying collateral values, is of the opinion that the above allowance is adequate to provide for possible losses in the portfolio. Included in investment in financing transactions is $20,000,000 of estimated insurance proceeds from the fidelity insurance claim described in Note J of notes to consolidated financial statements.

Excluding the European shipping loans described above amounts due from investment in financing transactions (exclusive of estimated residual value of assets) in the next five years for all Financial Group leasing subsidiaries will approximate $433,651,000 (1987), $373,640,000 (1988), $327,093,000 (1989), $217,899,000 (1990) and $144,619,000 (1991). Estimated residual value of assets included in investment in financing transactions, was $450,600,000 and $349,731,000 at December 31, 1986 and 1985, respectively. Additional lease and other income recognized to offset initial direct costs of financing transactions was $4,675,000 (of which $3,866,000 relates to leveraged leases) in 1986, and $16,171,000 (of which $13,703,000 relates to leveraged leases) in 1985 and $2,986,000 in 1984.

Included in investment in financing transactions is the following net investment in leveraged leases at December 31, 1986 and 1985:

	1986	1985
	(000 omitted)	
Rentals receivable	**$2,044,690**	$1,483,193
Less nonrecourse debt service	**(1,798,376)**	(1,307,302)
Net rentals receivable	**246,314**	175,891
Estimated residual value	**335,161**	218,185
Less unearned income	**(358,339)**	(234,508)
Investment in leveraged leases	**223,136**	159,568
Less deferred taxes arising from leveraged leases	**(65,718)**	(29,829)
Net investment in leveraged leases	**$ 157,418**	$ 129,739

Note 3 — Long-term Debt:

Long-term debt, principally applicable to leasing and financial operations, was as follows at year-end:

	1986	1985
	(000 omitted)	
Senior debt:		
Revolving credit loans	**$ 180,379**	$ 205,145
Term loans, 4½% to 15¼% due to 1994	**82,046**	112,941
Bank loans and commercial paper supported by unused revolving credits	**346,850**	335,393
Medium-term notes, due 1987 to 1994, 9.7% to 16⅛%	**443,625**	475,000
Sinking fund debentures:		
12½%, due 1991 to 2000	**99,494**	99,456
9¼%, due 1988 to 1992	**24,990**	24,990
Limited recourse installment notes, 9⅞%, due to 1991	**13,956**	16,650
Other, 6½% to 16%, due to 2002	**205,509**	194,851
Subordinated debt, 4¾% to 17%, due to 1997	**64,679**	80,035
Total long-term debt	**$1,461,528**	$1,544,461

Revolving credit loans are borrowed under credit agreements aggregating $618,683,000 with an average interest rate at December 31, 1986 of 8.8%. Floating rate obligations aggregating $110,000,000 at December 31, 1986 were subject to interest rate swap agreements with an effective weighted average fixed rate of 14.8%. The revolving agreements generally require payment of a fee on the unused commitments and are renewable annually. However, if loans with any or all participating banks are not renewed, the subsidiaries may, at their option, repay the nonrenewing banks' participation immediately or over thirty-month to eight-year periods following the date of termination. So long as the agreements are renewed and the subsidiaries comply with specified tests of financial condition, no repayments of principal are required, and generally additional advances may be obtained up to the amount of the unused credit.

Annual maturities of long-term debt (other than amounts due under revolving credit agreements expected to be renewed) due in the next five years will approximate $120,996,000 (1987), $172,186,000 (1988), $62,613,000 (1989), $73,590,000 (1990) and $123,167,000 (1991).

On February 17, 1987 Greyhound Financial Corporation redeemed all of the 9¼% sinking fund debentures. This debt has been included in 1987 maturities above.

Note 4 — Income Taxes:
The provision (credit) for income taxes for the three years ended December 31, 1986 consists of the following:

	1986	1985	1984
	(000 omitted)		
United States:			
Federal:			
Currently payable	**$ 5,613**	$ 3,489	$ 2,320
Benefits from inclusion in Greyhound's consolidated tax return	**(97,817)**	(45,555)	(26,922)
Deferred, principally as a result of leasing and financial operations	**25,909**	4,360	22,494
State	**259**	227	307
Foreign	**468**	(786)	180
Provision (credit) for income taxes	**$(65,568)**	$(38,265)	$ (1,621)

Investment tax credits of $3,385,000 arising in 1986, $27,781,000 in 1985 and $1,716,000 in 1984 from leasing operations have been deferred. Amortization of deferred investment tax credits included in revenues was $6,285,000 in 1986, $8,603,000 in 1985 and $5,918,000 in 1984.

A reconciliation of the provision (credit) for income taxes and the amount that would be computed using statutory federal income tax rates on income (loss) before income taxes is set forth below:

	1986	1985	1984
	(000 omitted)		
Computed income taxes at statutory federal income tax rates	**$(51,399)**	$(15,887)	$ 11,151
Effects of investment tax credits in lease revenue	**(2,891)**	(3,957)	(2,722)
Statutory rate differences and tax-exempt income	**(14,812)**	(15,657)	(11,308)
Effect of including net realized investment gains in income (loss) before income taxes	**(10,062)**	(4,502)	(1,397)
Foreign losses without tax benefit	**16,377**		
Other, including state income taxes	**(2,781)**	1,738	2,655
Provision (credit) for income taxes	**$(65,568)**	$(38,265)	$ (1,621)

United States and foreign income (loss) before income taxes is as follows:

	1986	1985	1984
	(000 omitted)		
United States	**$(40,493)**	$(31,503)	$ 26,819
Foreign	**(71,243)**	(3,035)	(2,577)
Income (loss) before income taxes	**$(111,736)**	$(34,538)	$ 24,242

Deferred tax items include $8,855,000 and $12,098,000 at December 31, 1986 and 1985, respectively, of deferred investment tax credits of leasing operations. Deferred investment tax credits related to leveraged leases are classified as unearned income.

Note 5 — Unusual Item:
Due to uncertainties surrounding recoveries related to a sophisticated and complex fraud perpetrated by a customer of Greyhound Financial Corporation, Greyhound Financial made an unusual charge of $36,000,000 ($19,440,000 or $.41 per share after-tax) to 1985 earnings.

Note 6 — Relations with Greyhound:
The executive, financial, legal, tax, insurance and other corporate staff departments of Greyhound perform services for the Financial Group, and in some cases Greyhound also furnishes office space, data processing and office services at charges which are intended to provide no profit to Greyhound. The Financial Group domestic subsidiaries have compensating balance arrangements with Greyhound. In addition, the Financial Group subsidiaries have net advances due to or from Greyhound depending upon cash requirements of the entities. Net interest paid to Greyhound was $80,000 in 1986, $143,000 in 1985 and $4,759,000 in 1984.

A Financial Group subsidiary provides financing for certain installment sales of new buses produced by the Transportation Manufacturing Group, including certain buses leased by the Transportation Services Group. The financial statements of the Financial Group include receivables of $107,263,000 and $111,480,000 at December 31, 1986 and at 1985, respectively, applicable to such transactions including $73,823,000 and $80,451,000, respectively, applicable to buses leased under operating leases by the Transportation Services Group. See Note G of consolidated financial statements for information regarding U.S. federal income tax matters.

Transfer Agents*

Common Stock certificates may be mailed to the following address for transfer:

First National Bank of Boston
P.O. Box 644
Boston, Massachusetts 02102

Common Stock certificates may be delivered to the following offices for transfer:

First National Bank of Boston
Stock Transfer Department
100 Federal Street
Boston, Massachusetts

First National Boston
Clearance Corporation
55 Broadway
3rd Floor
New York, New York

FNB Financial Company
1 Wilshire Boulevard
8th Floor
Los Angeles, California

**Change of address and inquiries regarding dividend payments or related to common stock accounts should be sent directly to:*
The Greyhound Corporation
Shareholder Services Department
418 Greyhound Tower
Phoenix, Arizona 85077

Annual Meeting

You are cordially invited to attend the annual meeting of shareholders to be held May 12, 1987, starting at 9:00 a.m., in the Crystal Ballroom at The Registry Resort, 7171 North Scottsdale Road, Scottsdale, Arizona

Corporate Headquarters

The Greyhound Corporation
Greyhound Tower
Phoenix, Arizona 85077
(602) 248-4000

Stock Exchanges

The principal market on which the common stock of The Greyhound Corporation is traded is the New York Stock Exchange. It also is traded on the Pacific, Midwest, Philadelphia, Cincinnati and London exchanges.

Sales Price Range of Common Stock

	1986		1985	
Calendar Quarters:	High	Low	High	Low
First	37¾	30⅝	29⅛	24⅛
Second	38	33	30⅜	26⅛
Third	36¼	27⅛	30⅛	26¼
Fourth	34¾	29⅞	34½	23⅞

Dividends Declared on Common Stock

	1986	1985
February	$ .33	$ .30
May	.33	.30
August	.33	.33
November	.33	.33
	$1.32	$1.26

Regular quarterly dividends are paid on the first business day of the second month after declaration.

Shareholder Dividend Reinvestment Plan

The Shareholder Dividend Reinvestment Plan, available on request, enables shareholders to have their quarterly dividends reinvested in shares of the Company and to make voluntary cash investments. All brokerage fees and commissions for these transactions are absorbed by the Company.

Exhibit H

Greyhound Dial Corporation annual report 1989

GREYHOUND DIAL

Discover who we really are.

The Greyhound Corporation is a diversified company with operations in four principal business segments: consumer products, services, transportation manufacturing and financial.

Greyhound's consumer products subsidiary is The Dial Corporation, one of the nation's leading manufacturers of personal care, food, and household and laundry products.

The services segment of Greyhound derives almost half of its revenues from businesses that serve airlines, air travelers and aircraft. This group also includes companies which provide a variety of specialized services for consumers and businesses.

Greyhound's transportation manufacturing segment is the leading builder of intercity coaches and transit buses in North America.

The financial segment provides asset-based financing of selected commercial and real estate activities.

NOTICE:

The Greyhound Corporation changed its name in February 1990 to Greyhound Dial Corporation. While the name change has been noted in the chairman's letter to shareholders, copy deadline was too early to make changes throughout this report. Wherever Greyhound is mentioned in reference to corporate matters, the new name would be Greyhound Dial Corporation.

The uncoated pages in this report are recycled paper.

Contents

During the year

Consolidated revenues were up 7 percent
from $3,304,860,000 in 1988 to $3,536,851,000 in 1989.

Income from continuing operations was up 16.5 percent
from $93,308,000 in 1988 to $108,711,000 in 1989.

Income per share from continuing operations gained
13.6 percent from $2.42 in 1988 to $2.75 in 1989.

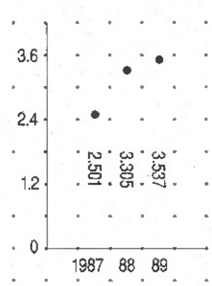
At year end

Long-term debt of Greyhound and
non-Financial Group subsidiaries decreased 12.4
percent from $635,675,000 (1988) to $557,095,000 (1989).

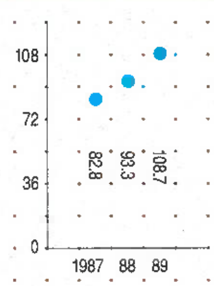
The ratio of debt* to capital decreased
from 0.38 to 1 (1988) to 0.33 to 1 (1989).

Common stock and other equity
was $1,002,088,000 (1988)
and totalled $1,074,969,000 (1989), up 7.3 percent.

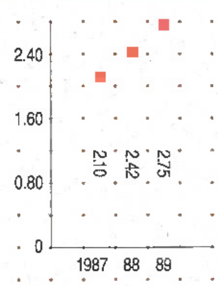
*Greyhound and non-Financial Group subsidiaries.



Consolidated revenues
in billions of dollars



Income from continuing operations
in millions of dollars



Income per share from continuing operations
in dollars

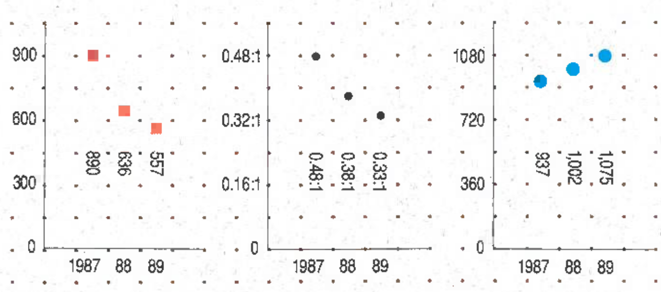
In a year when many companies experienced depressed earnings Greyhound achieved another year of increased earnings.

Selected financial and other data

	1989	1988	1987	1986	1985
(000 omitted) **Operations**					
Consolidated revenues	$3,536,851	$3,304,860	$2,501,360	$2,280,736	$2,186,488
Income from continuing operations[1]	$ 108,711	$ 93,308	$ 82,804	$ 15,661	$ 64,836
Income (loss) from discontinued operations			(51,491)[2]	173,144	49,378
Income before extraordinary charge and cumulative effect of change in accounting principle	108,711	93,308	31,313	188,805	114,214
Extraordinary charge			(6,211)		
Cumulative effect to January 1, 1988 of initial application of SFAS No. 96—"Accounting for Income Taxes"		10,750			
Net income	$ 108,711	$ 104,058	$ 25,102	$ 188,805	$ 114,214
(dollars) **Income per common share**					
Continuing operations[1]	$ 2.75	$ 2.42	$ 2.10	$ 0.32	$ 1.34
Discontinued operations			(1.32)[2]	3.86	1.02
Extraordinary charge			(0.16)		
Cumulative effect to January 1, 1988 of initial application of SFAS No. 96		0.28			
Net income	$ 2.75	$ 2.70	$ 0.62	$ 4.18	$ 2.36
Dividends declared per common share	$ 1.32	$ 1.32	$ 1.32	$ 1.32	$ 1.26
Average outstanding common and equivalent shares (000 omitted)	39,128	38,065	38,827	44,884	47,933
(000 omitted) **Financial position at year end**					
Total assets	$5,204,771	$5,033,879	$5,052,958	$4,585,590	$4,826,450
Long-term debt:					
Greyhound and non-Financial Group subsidiaries	557,095	635,675	889,986	615,198	618,965
Financial Group subsidiaries	1,375,861	1,332,767	1,281,222	1,353,938	1,459,638
Total long-term debt	1,932,956	1,968,442	2,171,208	1,969,136	2,078,603
Common stock and other equity	1,074,969	1,002,088	937,051	1,027,488	1,130,692
Book value per common share (dollars)	$ 27.00	$ 26.32	$ 24.80	$ 26.04	$ 24.36
People:					
Stockholders of record	63,440	67,175	70,930	74,194	84,737
Employees (average)	36,835	37,244	29,694	35,922	36,942

(1) Includes net gains (after-tax) on sale of real estate classified as retained assets upon discontinuance of U.S. bus operations of $3,156,000 or $0.08 per share in 1989, $4,644,000 or $0.12 per share in 1988, $4,890,000 or $0.12 per share in 1987, $24,305,000 or $0.54 per share in 1986 and $19,094,000 or $0.40 per share in 1985. Also includes special loss provision of $43,810,000 (after-tax) or $0.98 per share in 1986 and an unusual loss of $19,440,000 (after-tax) or $0.40 per share in 1985.

(2) See Note C of notes to consolidated financial statements.



Long-term debt* in millions of dollars

Ratio of debt* **to capital**

Common stock and other equity in millions of dollars

Greyhound further strengthened its financial condition through an aggressive debt reduction program begun in 1988.

* Greyhound and non-Financial Group subsidiaries

Principal business segment and geographic information

The Greyhound Corporation is a holding company with numerous subsidiaries whose principal business activities are categorized into four business segments for reporting purposes. The business activities included in each segment are set forth in this Annual Report under "Description of Business."

Operating income for each segment except the Financial Group subsidiaries represents revenues less cost of sales and services. Operating income for the Financial Group subsidiaries represents revenues less interest expense, provision for possible credit losses and other operating costs. Due to the nature of their businesses, operating income of the Financial Group subsidiaries is determined after deducting interest expense.

(000 omitted)	1989	1988	1987	1986	1985
		Revenues			
Consumer Products	$ 941,537	$ 961,825	$ 866,465	$ 848,867	$ 843,283
Services	1,762,295	1,652,592	1,135,361	975,092	860,071
Transportation Manufacturing	564,509	439,551	271,979	193,857	220,891
Financial	268,510	250,892	227,555	262,920	262,243
Consolidated	$3,536,851	$3,304,860	$2,501,360	$2,280,736	$2,186,488
		Operating income			
Consumer Products	$ 80,522	$ 73,637	$ 69,750	$ 65,350	$ 77,329
Services	140,801	130,821	90,517	79,577	72,491
Transportation Manufacturing	50,003	44,189	34,368	17,407	32,909
Financial:					
Before nonrecurring charges	33,128	24,882	17,668	8,483	10,812
Nonrecurring charges				(56,500)	(36,000)
Total Financial	33,128	24,882	17,668	(48,017)	(25,188)
Consolidated	$ 304,454	$ 273,529	$ 212,303	$ 114,317	$ 157,541

(000 omitted)	1989	1988	1987	1989	1988	1987	1989	1988	1987
	Assets at year-end			**Capital expenditures**			**Depreciation and amortization**		
Consumer Products	$ 615,922	$ 636,929	$ 693,322	$ 16,162	$ 29,684	$ 47,790	$ 25,945	$ 25,686	$ 24,397
Services(1)	1,830,160	1,591,218	1,652,414	71,760	71,564	46,191	61,239	59,430	39,602
Transportation Manufacturing	300,776	249,514	199,967	16,811	15,379	14,611	8,381	5,834	2,772
Financial	2,050,322	2,104,654	1,986,254	1,642	1,303	1,317	1,288	1,510	1,289
Total principal business segments	4,797,180	4,582,315	4,531,957	106,375	117,930	109,909	96,853	92,460	68,060
Investment in GLI Holding Company and subsidiaries	90,598	87,372	82,588						
Investments in discontinued insurance subsidiaries	196,510	196,868	187,651						
Corporate and other assets	120,483	167,324	250,762	936	3,515	6,168	5,926	8,541	11,769
Consolidated	$5,204,771	$5,033,879	$5,052,958	$107,311	$121,445	$116,077	$ 102,779	$ 101,001	$ 79,829
	Revenues			**Operating income**			**Assets at year-end**		
United States	$3,067,559	$2,864,500	$2,190,186	$251,490	$213,649	$181,808	$4,563,857	$4,252,631	$4,285,483
Foreign	469,292	440,360	311,174	52,964	59,880	30,495	640,914	781,248	767,475
Consolidated	$3,536,851	$3,304,860	$2,501,360	$304,454	$273,529	$212,303	$5,204,771	$5,033,879	$5,052,958

(1) Assets of the Services segment include $830,855,000 (1989), $634,400,000 (1988) and $647,831,000 (1987) of funds and agents' receivables restricted for payment service obligations. Most of the increase in the assets of the Services segment during 1989 relates to the acquisition of Republic Money Orders, Inc.

Dear Fellow Shareholders:

This past year can best be characterized as one of achievement and rewarding results. The financial goals realized and shareholder benefits achieved are spelled out in detail on the following pages.

Your company has been part of the repositioning and restructuring that has been going on in America for the past 10 years. While our course of action was not always understood by everyone, we never wavered in our resolution to achieve higher returns on assets and investments and to use our balance sheet efficiently.

We aggressively pruned non-producers from our business portfolio. We prudently added synergistic companies and products to all of our business groups, enhancing both short- and long-term shareholder value. New products were developed and niche marketed for higher profit returns.

We did not over-leverage the company, but kept our borrowing at very respectable levels when corporations of every size were loading up with debt. We continued to reduce long-term debt in 1989 and our debt to capital ratio is now down to 33 percent.

Results have proven that ours was the correct course. We are a strong, equity-based company that is creative, productive and geared to customer service for the coming decades.

As we moved into the 90s we changed the name of the company. The Board of Directors approved the change at their February 15, 1990 meeting.

The new name of the company is Greyhound Dial Corporation.

Dial was added to our corporate name to highlight the company's strong position in the consumer products market, as well as to differentiate the company from Greyhound Lines, the bus company which we sold in 1987.

The Greyhound name has been retained because of its strong recognition and identity, along with the fact that we have 10 subsidiaries carrying the Greyhound banner. We designed the new name—Greyhound Dial—to capitalize on our company's dual strengths.

Our financial strength and flexibility continues to improve as our operating income steadily increases.

Income from continuing operations increased almost 17 percent in 1989 from \$93.3 million to \$108.7 million. Income from continuing operations for the year was \$2.75 per share versus \$2.42 in 1988. Our improved financial results, along with market dominance by so many of our companies, was perceived and recognized by Standard & Poors, which added the company this year to its index of 500 leading industrials.

We were listed on the Tokyo Stock Exchange in November of 1989. To be admitted to the Tokyo Stock Exchange, a company is subjected to one of the toughest financial scrutinies in the world. Only 70 U.S. companies are listed. This listing improves our access to capital resources from around the world.

The Dial Corporation, our consumer products group, achieved its third year in a row of record earnings. The company reached a milestone when it passed Lever Bros. to become the No. 2 soap producer in the market.

During the year, Dial products continued a strong record of marketplace wins:
☐ Purex liquid and dry detergents achieved success posting a sales increase of over 70 percent. ☐ Liquid Dial antibacterial soap, introduced in 1987, ranked first in dollar volume in the liquid soap category.
☐ Lunch Buckets—now with 17 items—maintained its No. 1 leadership position, in the shelf-stable microwave category.

The services group had an excellent year with impressive results recorded by all major companies, strong performances in new business and a key acquisition.

Republic Money Orders, Inc., Dallas, Texas, acquired early in the year, is the leader in the issuance of money orders in convenience and supermarket chains and supplements the market penetration of Travelers Express. The company is also the recognized leader in money order issuance technology.

It is estimated that the air travel business will double in the next 10 years. Dobbs International had a record year, and now serves 60 scheduled airlines in 40 cities. Dobbs Houses, Inc., the group's restaurant and services division, added five new accounts, including Houston Intercontinental, the best growth year since the company was purchased by Greyhound Dial.

Other highlights of 1989:
☐ Premier Cruise Lines, the official cruise line of Walt Disney World, added another vessel, the Star/Ship Majestic, bringing its complement to three. ☐ Greyhound Airport Services, which provides refueling, ground handling, fixed-base operations and automotive fleet fueling, continued its steady growth.

America's transit buses are being updated by Greyhound's Transportation Manufacturing Group, the nation's leading bus manufacturer. New in 1989 were a front-loading wheelchair apparatus for the handicapped and extra-wide front doors that allow for entry and egress of passengers at the same time.

The Greyhound Financial Group wrote \$580 million of new business and had its investment portfolio almost approach the \$2 billion mark. Greyhound European Financial Services Ltd., based in London, was also very active in the new business field and finished the year in very solid financial shape having sold its foreign shipping portfolio, eliminating risk in that volatile market.

Increasingly, environmental issues are being addressed at Greyhound Dial. Our consumer products group at The Dial Corporation took a major step last fall by making a long-term formal commitment to Earth.

Current issues:
☐ Dial's Purex detergents are all non-phosphate and more friendly to our streams and rivers. ☐ Twenty Mule Team Borax, an old-fashioned household cleaner with dozens of uses, is experiencing a rebirth as a natural product designed for the 90s. ☐ More than 75 percent of paperboard used for Dial packaging and shipping uses some recycled paper. And almost half of it is recyclable. ☐ All of Dial's plastic bottles now have a recyclable code printed on the bottom for ease of separation in states that recycle waste. ☐ Also, Transportation Manufacturing Corporation is addressing environmental concerns as the sole provider of methanol buses under a federally-funded demonstration program. And New York City ordered 400 buses equipped with diesel particulate trap oxidizers designed to improve exhaust emissions.

The company formed an Employee Stock Ownership Plan (ESOP) in 1989 to achieve a more cost effective method of providing company stock to employees as matching funds under our 401K plan. Total number of shares involved was 1,138,791 and will cover the company's match requirement for about 10 years.

This report on the year would not be complete without special thanks to our Board of Directors and to the dedicated and hardworking professionals who are found at all levels of our organization. The esprit de corps and high energy levels exhibited by our 37,000 employees are testimony to the positive results we are achieving.

We are excited, we are focused and we are confident that we will be among the leaders in the coming decade in operations, products and return to our shareholders.

John W. Teets
Chairman, President and Chief Executive Officer

March 20, 1990

On location, John W. Teets stands before the FMC CFS-21 Simulator, otherwise known as "the cooker" that processes Lunch Bucket meals for the microwave at Dial's Fort Madison, Iowa, plant. The simulator is a miniature of a larger sterilizer that can cook 1,386 Lunch Bucket containers at a time. The smaller unit is used for new product development and research.

Value. Honesty. Quality. Service.
Vision. Innovation. Control. Profit.
These eight words largely embody the objectives and standards comprising the business philosophy of The Greyhound Corporation. They are our promise to our customers, our shareholders and ourselves.

They are plain words, old-fashioned words, well understood words. But taken together, they spell out Greyhound's strategy of ethical competition and worthwhile enterprise. The words focus the thinking and efforts of Greyhound leadership by providing a framework for all of our endeavors, whether it be financing a condominium, serving an airline meal, selling a bar of soap, or offering a family cruise package.

In 1989 we may best be remembered for our rededication to quality and service. The year was one of intense and pervasive commitment to providing our customers with the finest products and services, on time, at the best price. We believe that customer satisfaction is the most important quality that our businesses can sell. Our managers at every level have been recharged and realigned to establish the foundation for a new decade of vigorous growth. But, at Greyhound, we ask executives to be more than managers. They are expected to be leaders of change. Intense global competition, rapidly changing technology and economic fluctuations require that our people be adaptive and swift. And they must excite those around them about our vision for the future.

By leveraging our experience to gain competitive advantage we will continue to maintain a sound overall financial condition and enhance shareholder value. Our record shows that our short-term and long-term strategies are producing positive results. We believe our businesses are the ones to be in now and into the 21st century.

On the following pages you will find results and strategies implemented by our various segments to assure a balanced improvement on short-term and long-term returns on shareholders' equity.

Lunch Buckets, America's best-selling shelf stable microwave meals, are now made in 17 varieties. In 1989, the line became available nationally and also expanded sales into food vending machines and mass merchandise markets.

The Dial Corporation reached a milestone in 1989 by edging ahead of Lever Brothers to become America's number two soap maker behind Procter & Gamble. This significant achievement reflects management's concentrated efforts to maximize sales of its well-known soap products. Dial also had the largest dollar volume growth among soap makers in America.

The Dial Corporation, Greyhound's Consumer Products Group, performed as the flagship subsidiary of the entire corporation. This was the third consecutive year of increased profitability and return on equity for Dial. The company experienced a very strong performance for all major brands. Also, during the year, the company underwent restructuring that paved the way for future growth in sales and profit.

Results were influenced by three factors:

1) Completion of the rightsizing of Dial's management organizational structure to assure that the company is positioned to achieve its long-term goals.

2) Improvement of customer service by an intensive reorganization of the production, marketing and delivery systems.

3) Enhancement of sales by improving regional and customer marketing on the local level.

Revenues fell slightly when the company cut back on its unprofitable private label business, consolidated its bleach business and sold Bucilla Handcrafts, which did not fit with the company's mix of products. Although private label volume was off, its profitability improved by over 50 percent, while Dial's branded business continued to increase sales.

New products introduced in the past three years continued to achieve record sales in all divisions, driving the company to new heights in profit.

☐ Lunch Bucket maintained the lead as the nation's No.1 shelf-stable microwave meals, despite keen competition from major food manufacturers that followed Dial to the marketplace with their own products. As the dominant brand, Lunch Bucket ended the year with 35 percent of the market. Current demands for the product continue to increase. Fact: In 1989, two and one-half Lunch Buckets were sold every second throughout the year.

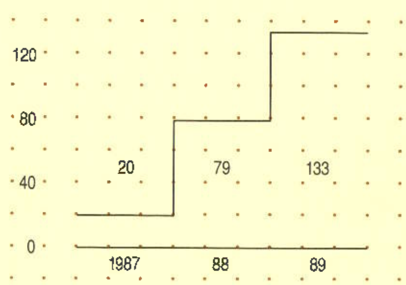
☐ Liquid Dial antibacterial soap achieved its goal by becoming the No.1 soap in dollar volume in the liquid soap market. Responding to consumer requests, a new flip-top cap on the refill bottle replaced the plain cap, facilitating refilling the pump bottle. Over 60 percent of Liquid Dial sales is in the refill bottle, reflecting high consumer loyalty.

☐ Purex heavy-duty liquid laundry detergent increased sales by 66 percent over the previous year by catering to the needs of supermarkets and discount warehouse stores around the country.

☐ Mountain Fresh Dial, a new refreshment/deodorant bar soap designed to appeal to the increasing number of consumers who enjoy a high fragrance bar, was expanded into 50 percent of the country.

Armour Star canned meats, the No. 1 canned meat line in the nation, are especially popular with fishermen, hunters and campers who enjoy the products' versatility and ease of preparation.

New product revenues for The Dial Corporation have increased approximately seven times from 1987.



Dial Corporation new product revenues
in millions of dollars

Seizing the opportunity to respond to environmental concerns, Dial management embraced a formal commitment to Earth, directing all employees to set their sights on products and packaging which have a reduced impact upon the natural world. One new package presents Purex liquid laundry detergent in an innovative bag-in-box that sits on the shelf like a water-cooler. When compared to two one-gallon-size plastic containers, the new bag-in-box reduces the volume entering the nation's waste stream by 75 percent. Dial also has employed new heavy strength resins to make lighter plastic containers for all its products—thereby reducing the amount of plastic waste by one million pounds.

Other product highlights:

☐ Dial soap continues as the nation's No. 1 deodorant soap in dollar and ounce sales volume despite keen competition from other major soap manufacturers. In fact, Dial recorded its best third quarter sales ever.

☐ Tone soap experienced a record year with 14.2 percent market share in its category.

☐ In a fairly flat to declining canned meats market, Armour Star canned meats maintained a steady pace with record sales in some products. Over one million cases each of Treet and Chili were

sold, a five- and three-year high.
☐ Purex dry laundry detergent experienced record volume, market share and profits in 1989. Bulk sizes of Purex (15 lbs., 25 lbs., and 30 lbs.) became significant contributors to the product's success.
☐ Sno Bol toilet bowl cleaner became the No. 2 seller nationwide in its category. This was accomplished even though the product is available in only one-third of the country.
☐ Acquired in 1988, Borax and its related products, Borateem and Boraxo, were integrated into the Dial product marketing and sales arena. The volume performance of these products substantially exceeded acquisition expectations.
☐ Toss 'n Soft sheet fabric softener was reintroduced in a new form during the fourth quarter of 1989.

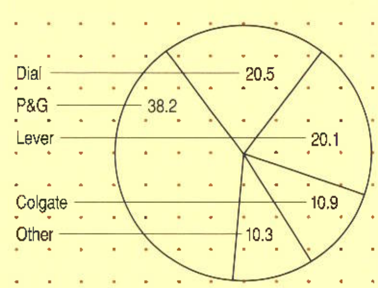
Also in 1989, Dial started an in-depth restructuring of its international business. A new international division was established and the company substantially reinforced its operation with

the formation of an Asia-Pacific regional office in Hong Kong. Other offices are in London, Puerto Rico, Panama, Ecuador, Belgium, Germany and Canada. In 1990, the company will be seeking trading partners around the globe for large volume contracts, especially in detergents and bar soaps.

In brief, Dial continues to demonstrate an outstanding record of performance and has laid the foundation for expanding the sale of quality products throughout the world.

Liquid Dial anti-bacterial soap (left) became the country's No. 1 liquid soap in dollar volume in 1989. A new high-speed filling line was installed in the Memphis plant to handle demand for Liquid Dial.

Dial bar soap also continues as the nation's leading deodorant bar in dollar volume and sales. More than one million bars of Dial soap were sold every day in 1989. Consumers continue to prefer the gold colored bar over other colors.



Total soap ounce share
by percent

Source: Info Scan

Total ounce share for The Dial Corporation was 20.5% in 1989, moving Dial to the second largest share behind Procter & Gamble.

Dobbs International Services, one of the nation's leading inflight caterers, serves more than 70 million meals per year for 60 scheduled airlines. The company is expanding in anticipation of growth in the airline travel industry over the next decade.

Greyhound's Services Group is comprised largely of companies that meet the needs of the growing number of people traveling by air. From catering appetizing inflight meals, airport restaurants, general merchandise shops and duty free boutiques to baggage handling and aircraft refueling, these service companies are positioned to grow with the air travel industry.

Nearly half of the Services Group's total revenues are generated by businesses that serve the air transportation industry. These Greyhound companies, which provide a variety of specialized services for airlines, aircraft and air travelers, benefited greatly last year from an increase in business and commercial travel, a trend that is expected to continue into the 1990s.

Dobbs Houses, Inc., had its most successful year in new business acquisitions since the airport concessions company was acquired in 1987. For more than 40 years, Dobbs Houses and affiliates have been leaders in airport food and beverage with concessions at such key airports as Chicago's O'Hare, Atlanta and Dallas/Ft. Worth.

With an aggressive program of updating facilities and emphasizing fresh, innovative concepts, Dobbs Houses, along with its sister company, Carson International, Inc., has regained momentum and prestige within the industry. The company expanded its regionalized theme concept and began implementing new general merchandise concepts in Reno and Washington, D.C. In 1989, the company renewed three long-term airport agreements and added five new airport contracts, including a key food and beverage operation agreement at Houston's Intercontinental Airport.

Dobbs International Services, Inc., one of the nation's largest in-flight caterers, had its most successful year, providing meals for 60 scheduled airlines in 40 cities. It continued expansion last year by building a new kitchen in Fort Myers, Fla., and by acquiring additional facilities in San Antonio, TX; Albany and Islip, N.Y.; and Providence, R.I.

The company is receiving national attention for its Quality Improvement Process (QIP) initiated in 1986. Dobbs International Services is the first and only airline caterer to embrace a total quality culture based on employee involvement and customer-supplier partnership. The company goal is to be the airline caterer of choice.

Greyhound Leisure Services, Inc., which operates duty free shops in airports and on board cruise ships, reported its best year since the company began the United States duty free industry 31 years ago. Its International Cruise Shops Division, became the largest duty free cruise concessionaire this year when it boarded 10 new ships, increasing its management contracts from 21 to 31 vessels.

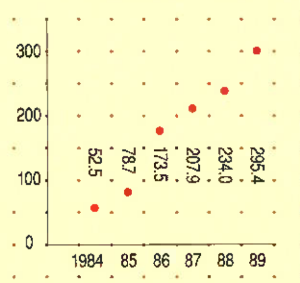
Greyhound Leisure Services' airport duty free operations continue to expand with the opening of a new shop in Washington, D.C., as part of a joint venture with Japan's All Nippon Airways.

The shop is designed to cater specifically to Japanese travelers, the No. 1 duty free customers in the world. The company also opened its 11th Duty Free-Miami shop at the Miami International Airport.

Premier Cruise Lines, Ltd., a subsidiary of Greyhound Leisure, reported its best year since the cruise line was established in 1984, with more than 295,000 passengers sailing on its three- and four-night cruises to the Bahamas. Premier, which has earned the reputation of America's No. 1 family cruise line, cemented its relationship with Walt Disney World Co. when it signed an exclusive long-term agreement to continue

Travelers Express, with its subsidiary Republic Money Orders, is the nation's No. 1 volume issuer of money orders, outselling the U.S. Postal Service. Customers can buy Travelers Express and Republic money orders from more than 55,000 outlets nationwide.

Mickey and Minnie Mouse are among the Disney characters that sail on Premier Cruise Lines' three ships. In 1989, Premier reaffirmed its relationship with Walt Disney World Co., when it signed a long-term agreement to continue as its official cruise line.



Passengers on Premier Cruise Lines
in thousands

Since Premier Cruise Lines was established in 1984, the line has seen a sizeable increase in the number of passengers that sail each year. Passenger counts increased from almost 53,000 in 1984 to nearly 300,000 in 1989, a more than 460 percent increase.

as its official cruise line.

The line increased its capacity by 56 percent when the 950-passenger Star/Ship Majestic and the 1,600-passenger Star/Ship Atlantic began service.

Premier's outstanding passenger loads and increasing profits can be attributed in part to the line's innovations in on board services and itineraries. In May, the cruise line began sailing to the Abaco Islands, where no cruise line has ever sailed before. Called "Abacodabra," the new itinerary allows passengers to visit four quaint, historically noted cays in the northern Bahamas.

Dobbs Houses, Inc., is one of the nation's largest operators of food and beverage and general merchandise concessions in airports. The company serves air travelers in such key airports as Chicago's O'Hare, Atlanta and Dallas/Ft. Worth. Coming off one of its most successful years ever, Dobbs added five new airports across the country in 1989 to its list of concession contracts. The most significant of these is the contract for prime food and beverage concessionaire at Houston Intercontinental Airport.

Glacier Park, Inc., a division of Greyhound Food Management, Inc., operates the seven historic lodges and resorts in and around Glacier National Park, the nation's fourth largest national park. Located in northwest Montana and reaching into Alberta, Canada, the park is expected to draw 1.5 million visitors this year, many of whom will visit or stay at Greyhound's lodges.

Greyhound Lines of Canada, Ltd., the dominion's largest intercity bus company providing passenger and charter bus service and package express on routes stretching from Vancouver to Toronto, added new routes in 1989 in response to the cut back in the national rail system.

Brewster Transport Company provides sightseeing tours in the Canadian Rockies, and offers visitors an exciting and unique tour on the top of glaciers with special Snow Coaches.

These Greyhound companies are supported by other subsidiaries in related fields.

Travelers Express Company, Inc., the nation's largest volume issuer of money orders, expanded its distribution system when it acquired Republic Money Orders, Inc., which dominates the money order business in chain convenience and supermarket store distribution. Now, customers can purchase Travelers Express and Republic money orders through more than 55,000 outlets nationwide.

With the Republic purchase, Travelers Express also acquired the company's patented, automated money order system—the most advanced way of issuing money orders available today.

The company's strongest earnings came from its money order operation, supported by its official check and share draft services. Early in the year, Travelers Express made strategic decisions to concentrate its business on these profit centers and divested two operations: Quantum, an electronic funds transfer system; and Custom Computer Applications, a software company.

Greyhound Food Management, with six divisions, and more than 10,000 employees, serves 1 million meals a day in corporate cafeterias and dining rooms, civic and cultural centers, restaurants, and truckstops across America. Restaura Dining Services, the contract foodservice division, serves meals to employees of 300 major clients such as IBM, Ford, General Motors, AT&T, and General Dynamics. Restaura, S.A., the European operation, is the leading foodservice company in Belgium.

Greyhound Airport Services Companies provide services such as refueling, ground handling, fixed based operations and automotive fleet fueling. The company added Eastern Air Lines as a customer at Chicago's O'Hare International Airport. The company also acquired new airport business in New Orleans, Albuquerque, San Antonio and Freeport, Bahamas.

Greyhound Exposition Services, Inc., provides services for conventions and trade shows, acting as decorating contractor at more than 750 major conventions and shows each year.

Universal Coach Parts, Inc., the only authorized supplier of service parts for MCI intercity and RTS transit buses, continues as the largest supplier of bus parts in the industry. And, with the large population of buses on the road today, Universal Coach Parts expects to continue in this leadership position.

International travelers stop by Greyhound Leisure Services' newest duty free shop at the Miami International Airport. The 4,200-square-foot shop offers customers bargains on such items as quality gifts, perfume, jewelry, and designer goods, as well as alcohol and tobacco.

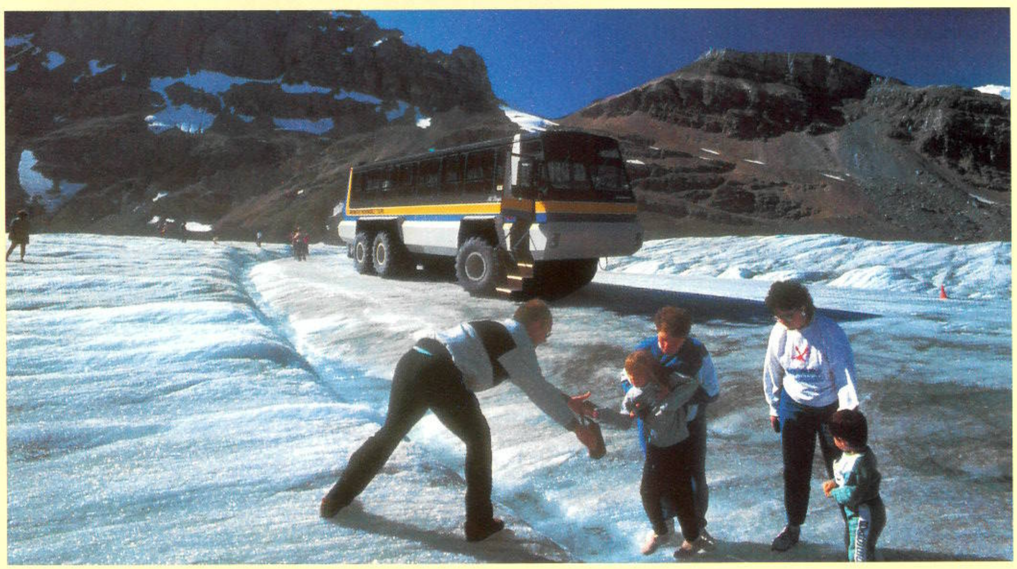
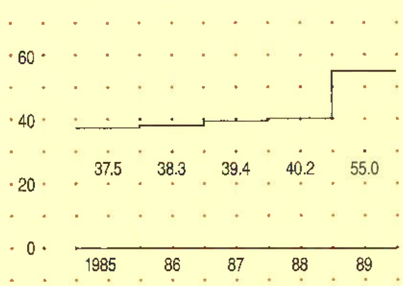


Photo: Blackbird Naturgraphics Inc.

Brewster's special Snow Coaches give visitors an exciting and unique tour on top of glaciers. The company offers sightseeing tours in the Canadian Rockies and is opening the Norquey Ski Area near Banff this fall.



Travelers Express number of outlets
in thousands

Travelers Express dramatically increased the number of outlets where its money orders are sold with the acquisition of Republic Money Orders.

Greyhound's bus-building operations are the leading manufacturers of city transit buses and intercity coaches. At Transportation Manufacturing Corporation in Roswell, N.M., production has begun on a new wide-front door RTS city bus, further enhancing the popularity of this transit vehicle.

Greyhound has been building the nation's buses for more than 30 years. A leader in both city transit buses and long distance intercity coaches, Transportation Manufacturing Group provides state-of-the-art vehicles with innovations in comfort and safety, while addressing environmental issues through the development of methanol buses and diesel particulate traps.

Greyhound's Transportation Manufacturing Group builds more buses that take people across country and between city blocks than any other manufacturer in the nation.

The bus-building companies continued to be America's leading manufacturers of buses in 1989 with major contracts won by both transit and coach operations.

Transportation Manufacturing Corporation, based in Roswell, N.M., manufactures the RTS transit bus, most often chosen by municipal transit authorities. In 1989, the Southern California Rapid Transit District extended its 1988 order with an additional order of 103 RTS buses and Golden Gate Transit ordered 80 RTS suburban model buses with raised floors, package racks and reclining seats. The transit division also received orders from transit authorities in El Paso, Albuquerque and Dayton, Ohio, as well as from private operators.

Greyhound Canada, Inc., Greyhound's Canadian transit bus manufacturer, was awarded key orders from transit operators in Quebec, Connecticut, Utah and Detroit, Mich.

A key project in 1989 was the development of a new RTS model with front loading wheel chair access and wide front doors, which allow passengers to exit and enter at the same time.

The transit division also is taking a leadership position in manufacturing buses that run cleaner and produce less emissions by becoming the only U.S. manufacturer to produce methanol buses for transit authorities. In 1989, the company delivered a total of 37 methanol-powered buses to Southern California, Phoenix, and Denver, under a federally-funded demonstration program.

Transportation Manufacturing Corporation also was awarded an order from New York City Transit Authority for 400 RTS buses equipped with diesel particulate trap oxidizers, which were developed to demonstrate that exhaust technology can meet the Environmental Protection Agency's stringent 1991 emissions standard. To support development projects, the company constructed a $2 million research facility in Roswell, N.M.

Key orders for intercity coaches, manufactured by TMC and Motor Coach Industries in Canada and North Dakota, came from Reynolds Energy Engineering Companies for 85 vehicles, along with a $13 million contract from the Republic of China (Taiwan).

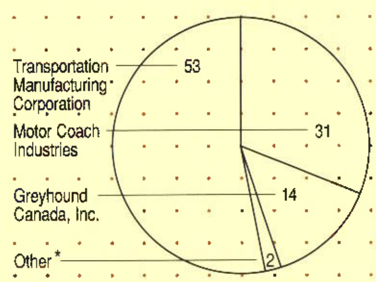
Coach manufacturing operations were further strengthened with the acquisition of certain assets of Hausman Bus Sales & Parts Co., including the new and used motor coach sales operations.

Custom Coach, which designs and installs customized interiors for motorcoaches, delivered business coaches, many equipped with conference rooms, high-tech video equipment and facsimile machines, to Wendy's restaurants, Anheuser Busch, and Shell Oil.

The company's transport business grew in 1989 with the formation of a new freight-hauling company utilizing trucks from Penske Truck Leasing; additional car hauling contracts; and trailer manufacturing production with initial orders from Penske Leasing and Greyhound Lines of Canada.

Greyhound has been producing wheel-chair lift equipped buses since 1984, making travel accessible to the handicapped. In 1989, the company completed design of an RTS transit bus with front door wheel chair access.

R. David Thomas, founder of Wendy's restaurants, is one of Custom Coach's many corporate customers who enjoy conducting business on the road in vehicles that provide such amenities as conference rooms for 25, cellular phones, facsimile machines and high-tech video equipment.



Transportation Manufacturing Group revenues by percent

*Custom Coach, Hausman Bus Sales, Transport Operations

Greyhound's Transportation Manufacturing Group is comprised of a broad-base of companies serving several areas of the bus transportation industry.

GFC's Communications Finance division provides financing to middle-market television, radio and media enterprises seeking refinancing, recapitalizations and/or acquisitions funding. The Group focuses on growing companies with experienced management, like KMEL-FM, a leading contemporary hit radio station in San Francisco, Calif.

Greyhound Financial Corporation is a leading financial services company dedicated to providing outstanding customer service. Through its two major lending divisions, Commercial Finance and Real Estate Finance, GFC extends secured financing to middle-market commercial clients whose needs may be too small to attract the attention of large financial institutions or too specialized for local banks.

The Greyhound Corporation's Financial Group is primarily comprised of Greyhound Financial Corporation, (GFC) a Phoenix-based United States finance subsidiary, and London-based Greyhound European Finance Group, which includes Greyhound Financial & Leasing Corporation, AG, and Greyhound Financial Services Ltd. These companies ended 1989 with a combined net finance portfolio of almost $2 billion and an optimistic outlook toward the future.

Greyhound Financial Corporation's income increased in 1989 to $23.7 million, up 16 percent from $20.4 million the previous year. GFC's new business investment grew 17 percent to approximately $433 million, a considerable turnaround from three years ago. Its portfolio, which is in excess of $1.6 billion, increased approximately 10 percent.

Throughout 1989, GFC continued to provide secured lending to middle-market commercial clients. Its five business "niches" are: corporate finance, communications finance, transportation finance, commercial real estate finance, and real estate (resort & leisure property) receivables finance.

Each group has its own marketing team operating either from company headquarters or from branch offices in Atlanta, Chicago and the Los Angeles and New York areas.

In 1989, GFC continued its pro-active stance regarding asset quality and maintained strict portfolio management guidelines. Continuing improvements in asset quality, as well as GFC's emphasis on focused loan origination and successful cost controls, contributed to GFC's receipt of four rating upgrades from three national credit rating agencies. Due in part to the increased support of the rating agencies in recent years, GFC was able to enter the European capital markets in 1988 and the Japanese capital market in 1989; since then, GFC has raised over $400 million in new long-term financings, primarily in the form of term facilities.

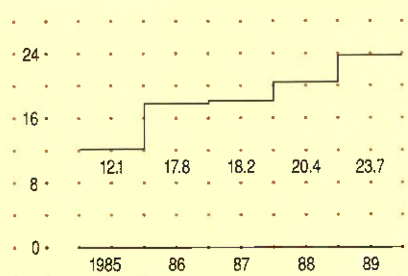
GFC's dedication to service, is embodied in the motto adopted by the company in 1989: "Solutions through service." This philosophy, along with the level of management's experience and high portfolio quality, is the competitive advantage that ensures GFC's continued success.

During 1989, Greyhound European Financial Group operated in four defined lines of business (consumer finance, aircraft and general equipment, real estate and bank lending). The group had a very active and successful year in new business and finished the year with a solid finance portfolio.

The company's portfolio grew by 11.4 percent for the year, exclusive of the shipping portfolio which was sold in 1989. Significant increases were realized in consumer and aircraft finance. The group's other lines of business also contributed substantial net income.

During 1989 the group completed its rationalization of its product lines, culminating in the sale of its shipping finance loan business. Sale of the ship finance business and the completion of insurance recoveries from a fidelity claim substantially improved the credit standing of the Greyhound European Finance Group.

One of GFC's success stories is its Real Estate Receivables division which provides financing for resort and leisure properties like this one, Desert Breezes Resort. Located in Palm Desert, Calif., this resort is operated by Glen Ivy Financial Group, Inc.



Greyhound Financial Corporation net income (excluding extraordinary items)
in millions of dollars

In 1989, GFC's Real Estate Receivables group funded more business than in any other year in its 12-year history.

CONSUMER PRODUCTS

The Dial Corporation
A leader in the manufacturing and marketing of packaged foods, personal care items, and laundry and household products.
Dial also packages private label laundry and household products for supermarkets and discount stores, and soaps and other amenities for hotels and institutions.
FOOD:
Armour Star canned meats; Lunch Bucket microwaveable meals; Appian Way Pizza Mix; Sunrise Syrup.
PERSONAL CARE:
Dial, Tone, Pure & Natural, Mountain Fresh Dial and Fels Naptha soaps; Liquid Dial antibacterial soap; Dial Deodorant and Anti-Perspirant; Boraxo.
LAUNDRY AND HOUSEHOLD:
Brillo, Borateem and Borax; Parsons' and Bo-Peep ammonias; Dutch and Trend detergents; Bruce floor care products; Purex bleach, detergent and fabric softener; La France and Blu White brighteners; Sta Puf fabric softeners; Magic ironing aids; Vano and Sta-Flo starches; Sno Bol and Snodrops toilet bowl cleaners; Cameo powdered cleanser; and Diaper Sweet deodorizer.

SERVICES

Brewster Transport Company, Ltd.
Sightseeing tours in Banff, Lake Louise, Jasper and Calgary; travel agency and hotel in Banff; service station and hotel at the Columbia Icefield, all in the Canadian Rockies.
Consultants & Designers, Inc.
Temporary technical support personnel services to industry and government. Services include engineers, designers, drafters, computer-aided designers and drafters, programmers, technical writers and all other technical-related personnel.
Carson International, Inc.
Operates food and beverage concessions at Chicago O'Hare International Airport, the largest airport in the world.
Dobbs Houses, Inc.
Operates airport concessions including restaurants, lounges, newsstands and gift shops at 30 airports, 13 hotels, 4 Amtrak stations and 6 office buildings.
Dobbs International Services, Inc.
Second largest independent domestic inflight caterer, serving 60 scheduled airlines in 40 cities and 50 inflight kitchens including London, England.
Greyhound Airport Services Companies
Airline service companies including, but not limited to, complete fueling needs, system design, ground-handling, fixed-base operations, specialized equipment manufacturing and automotive fleet fueling.
Greyhound Exhibitgroup, Inc.
Design and fabrication of custom trade show and museum exhibits including: marketing showrooms and centers; science information and technology centers; model building; field service; and storage management services.
Greyhound Exposition Services Inc.
Full-service general convention contractor providing booth equipment, labor, furniture, freight handling, warehousing, electrical and audio-visual equipment.
Greyhound Food Management, Inc. (GFM)
Operates eight divisions with more than 10,000 employees offering varied foodservice, hotel management and support services. Headquartered in Phoenix, Ariz., the company serves more than one million meals a day.
Divisions of GFM:
>Faber Enterprises, Inc.
Operators of restaurants, coffee shops and cafeterias in downtown office buildings. Also operates convenience retail and sundry shops in office buildings, hotels and the Chicago O'Hare International Airport.
>Glacier Park, Inc.
National Park concessioner. Resorts, hotels, lodges, motor inns, cabins, gift shops, restaurants, coffee shops, camp stores, and gas stations. Scenic bus transportation through park.
>GFM Engineering & Design Group
Foodservice facility engineering, design services and procurement for commercial businesses including industrial cafeterias, public restaurants, gift shops; related implementation construction coordination.
>GFM Fast Food Division
Operates Burger King Restaurants as a franchisee of the Burger King Corporation. Also operates gift shops, vending machines, video games and bar operations.
>GFM Public Service Division
Operates public restaurants and cafeterias in transportation terminals.
>GFM Truckstop Systems
Provides the nation's truckers, trucking companies, and the general traveling public with fuel, quality food, and other related services through the operation of full-service truckstop facilities.
>Restaura
U.S. dining service division with contracts at civic and cultural centers, corporate headquarters, factories, banks, investment centers and private clubs. Foodservice includes executive dining, cafeterias, in-house fast-food restaurants, conventions, civic affairs, cultural shows, vending, banquets and catering.
>Restaura, S.A.
Brussels-based European dining service division, the largest foodservice contractor in Belgium. Specializing in fine dining and European cuisine for such companies as DeBeers Diamond Consortium, Morgan Guaranty Trust and 3M.
Greyhound International Travel, Inc. (GITI)
Formerly the international sales arm of Greyhound Lines, Inc., GITI primarily sells U.S. tours and travel-related services to foreign visitors. GITI also operates Jetsave, a British-based tour and travel company and a leader in marketing tour and charter flight packages to the United States, Canada and the Bahamas.
Greyhound Leisure Services, Inc. (GLSI)
Duty-free retail shops, wholesale duty-free business for export, duty-free shops on cruise ships, and operation of Premier Cruise Lines.
Divisions of GLSI:
>Florida Export Warehouse
Duty-free export sales to cruise ships, diplomatic corps, airlines and ship chandlers.
>International Cruise Shops
Duty-free gift shops on 31 cruise ships.
>Greyhound Leisure Services Duty-Free Shops
Duty-free shops at Miami International Airport. Also operates shops in a joint venture with All Nippon Airways at Washington Dulles International Airport and in downtown Washington, D.C.
>Premier Cruise Lines, Ltd.
The official cruise line of Walt Disney World, Premier combines its three- and four-night Bahamas cruises with a three- and four-day vacation at Walt Disney World, including hotel accommodations and rental car. Departing Mondays and Fridays from Port Canaveral, Fla., the Star/Ship Oceanic and Star/Ship Atlantic sail to Nassau and an out island, Salt Cay. In May 1989, the Star/Ship Majestic began sailing Thursdays and Sundays on an exclusive itinerary to the Abaco Islands in the northern Bahamas.
Greyhound Lines of Canada Ltd.
Interprovincial bus transportation; courier services; and charter bus operations.
Travelers Express Company, Inc.
Provides money order services to the public through retail establishments and financial institutions, draft clearing services to financial institutions and corporations.
Division of Travelers Express:
>Republic Money Orders, Inc.
A leader in the issuance of money orders through chain convenience and supermarket stores, Republic is a recognized leader in money order issuance technology utilizing a patented, state-of-the-art electronic money order dispenser.
Universal Coach Parts, Inc.
Distributor of original equipment and quality replacement parts to the bus industry.

TRANSPORTATION MANUFACTURING

Motor Coach Industries (MCI)
Manufactures MCI Intercity Coach models. Also operates Greyhound Canada Inc., which manufactures the MCI Classic Transit Bus; MCI Service Parts Company, which supplies parts to intercity coach and transit bus customers in Canada; and Frank Fair Industries, which manufactures plastic and fiberglass components for MCI intercity coach and transit buses.
Transportation Manufacturing Corporation (TMC)
Manufactures intercity motor coach models; transit bus (RTS); and robotic trailer manufacturing.
Division of TMC:
>Custom Coach
Designs and installs customized interiors for motorcoaches and also applies custom markings and paint schemes to coach exteriors. The customized coaches are designed to meet the needs of entertainers, show tours and major corporations.

FINANCIAL SERVICES

Greyhound Financial Corporation
Term lending for business operations, broadcast and cable companies, commercial real estate resort/leisure receivables, and transportation operations. Primary transaction size range is $3 million to $15 million.
Greyhound Financial and Leasing Corporation AG
Financial services related to secured lending for aviation, real estate, commercial businesses, and general equipment.
Greyhound Financial Services, Ltd.
Provides financial services related to aviation, real estate, commercial businesses, general equipment and consumer finance.
Greyhound Bank PLC
Banking and secured lending.

Twenty-one subsidiaries and fourteen divisions in four principal business segments, providing hundreds of familiar products for every household, and services that reach people in a hurry all across the nation.

The Greyhound family of companies.

Management's report on responsibility for financial reporting

The management of The Greyhound Corporation and its subsidiaries has the responsibility for preparing and assuring the integrity and objectivity of the accompanying financial statements and related notes. The statements were developed using generally accepted accounting principles and appropriate policies, consistently applied. They reflect, where applicable, management's best estimates and judgments and include disclosures and explanations which are relevant to an understanding of the financial affairs of the Company. Management also prepared the other information in the Annual Report and is responsible for its accuracy and consistency with the financial statements.

The Company's financial statements have been audited by Deloitte & Touche, independent auditors appointed by the shareholders. Management has made available to Deloitte & Touche all of the Company's financial records and related data, and has made valid and complete written and oral representations and disclosures in connection with the audit.

Management has established and maintains a system of internal control that it believes provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets and the prevention and detection of fraudulent financial reporting. The system of internal control is believed to provide for appropriate division of responsibility and is documented by written policies and procedures that are communicated to employees involved in the financial reporting process. Management also recognizes its responsibility for fostering a strong ethical climate. This responsibility is characterized and reflected in the Company's code of corporate conduct, which is publicized to all the Company's executives and managers.

The Company maintains a comprehensive internal auditing function which independently monitors compliance and assesses the effectiveness of the internal controls and recommends possible improvements thereto. In addition, as part of their audit of the Company's financial statements, the independent auditors review and evaluate selected internal accounting controls to establish a basis for reliance thereon in determining the audit tests to be applied. There is coordination of audit planning and coverage between the Company's internal auditing function and the independent auditors. Management has considered the recommendations of both internal auditing and the independent auditors concerning the Company's system of internal control and has taken actions believed to be cost-effective in the circumstances to implement appropriate recommendations and otherwise enhance controls. Management believes that the Company's system of internal control is adequate to accomplish the objectives discussed herein.

The Board of Directors oversees the Company's financial reporting through its Audit Committee, which regularly meets with management representatives and, jointly and separately, with the independent auditors and internal auditing management to review accounting, auditing and financial reporting matters.

Ermo S. Bartoletti · Richard C. Stephan

Ermo S. Bartoletti
Vice President-Internal Auditing

Richard C. Stephan
Vice President-Controller

Independent auditors' report

To the Stockholders and Board of Directors of
The Greyhound Corporation

We have audited the accompanying consolidated balance sheet of The Greyhound Corporation and subsidiaries as of December 31, 1989 and 1988, and the related statements of income, common stock and other equity and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Greyhound Corporation and subsidiaries as of December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

As discussed in Note J to the consolidated financial statements, the Company changed its method of computing deferred income taxes in 1988.

Deloitte & Touche

Deloitte & Touche
Phoenix, Arizona
February 23, 1990

Contents of financial information

Management's discussion and analysis of financial condition and results of operations

Results of operations
Greyhound is a diversified company which sells products and provides services in many markets. Because of this diversity, components of net income are affected, some favorably, others unfavorably, by general economic conditions and other fluctuations which occur in the various markets each year. Inflation has not materially affected operations in recent years although gains on sales of longer-term assets have generally been favorably affected.

1989 vs. 1988
Greyhound reported net income for 1989 of $108.7 million compared with $104.1 million for 1988. Results for the 1988 year were increased by $10.8 million by a one-time gain from the early adoption, effective January 1, 1988, of Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes." Income from continuing operations was $108.7 million in 1989 and $93.3 million in 1988. Per share calculations are based on an average of 1,063,000 more shares outstanding in 1989 than in 1988, largely resulting from the sale of 1,138,791 shares to the Employees' Stock Ownership Plan (ESOP) in late June.

Consolidated revenues for 1989 were $3.5 billion, compared with $3.3 billion in 1988.

The consumer products group reported a 9 percent increase in operating income, although revenues declined for the year. The revenue reduction in consumer products was due to the realignment of the private label business and the sale of a small product line in late 1988. All major divisions achieved increased operating income.

Operating income of the services group was 8 percent higher in 1989 than in 1988. The improvement was broad based with most major units contributing strong performances. The acquisition of Republic Money Orders, Inc. and the placing into service of the cruise ships Star/Ship Atlantic and Star/Ship Majestic (which had been committed for lease in late 1988) also contributed to the improvement.

The transportation manufacturing group's operating income increased 13 percent over that of the prior year, reflecting the increased demand for intercity coaches and improved transit bus results, as compared to the planned phase-in of manufacturing during 1988. However, operating income of this group declined in the fourth quarter of 1989 as compared to the fourth quarter of 1988 due to lower intercity coach margins and delays in completing certain transit bus orders.

Net income of the financial group, excluding a one-time credit of $39.8 million in 1988 from the cumulative effect of adoption of SFAS No. 96, "Accounting for Income Taxes," was up 16 percent. Both major units within the group, Greyhound Financial Corporation and Greyhound European Financial Services, reported improved results. During 1989 Greyhound completed recoveries from excess insurers on a fidelity claim to compensate its European financial subsidiary for prior year losses on shipping loans, realizing insurance proceeds of $16 million in excess of the previously recorded insurance receivable and legal expenses. This amount was offset in financial group results by an increase in the allowance for possible credit losses for nonearning Latin American loans.

Gains on sales of real estate retained when U.S. bus operations were discontinued were $3.2 million in 1989 compared with $4.6 million in 1988.

Net income and income from continuing operations for 1989 and 1988 were negatively affected by carrying costs of substantial nonearning investments, principally discontinued insurance subsidiaries, Latin American loans and common and preferred stock of GLI Holding Company (new Greyhound Lines, Inc.). Litigation costs incurred to aggressively pursue significant recoveries of nonrecurring Financial Group losses suffered in 1985 and 1986 also negatively affected 1988 results, but resulted in substantial recoveries from excess insurers during 1989, as described previously.

1988 vs. 1987
Greyhound reported net income for 1988 of $104.1 million compared with $25.1 million for 1987. As mentioned previously, net income in 1988 includes $10.8 million resulting from the early adoption of SFAS No. 96, "Accounting for Income Taxes." Net income in 1987 was reduced by net losses of $51.5 million from discontinued operations, as outlined in Note C of notes to consolidated financial statements, and by an extraordinary charge of $6.2 million reflecting premiums paid on the early retirement of debt. For the year, income from continuing operations was $93.3 million, up from $82.8 million in 1987, a 13 percent increase. Per share calculations are based on an average of 762,000 fewer average shares outstanding in 1988 than in 1987.

Consolidated revenues for 1988 were $3.3 billion, compared with $2.5 billion in 1987. Factors affecting 1988 versus 1987 revenue comparisons include the acquisition of the Dobbs airline and airport services businesses, which was completed in late November 1987, and the phase-in of the transit bus and replacement parts operations acquired from General Motors in 1987.

The consumer products group had a 13 percent increase in comparable operating income for the year. All major divisions contributed to this improvement.

Operating income of the services group was 45 percent higher in 1988, due in large part to inclusion of the Dobbs airline and airport services businesses and the General Motors bus parts operations for the full year. Premier Cruise Lines also showed strong operating income growth.

The transportation manufacturing group's operating income increased 29 percent from 1987 as the transit bus manufacturing operations, acquired in mid-1987, began to contribute after a phase-in period at new manufacturing facilities in New Mexico. Intercity coach operations had another strong performance, up slightly from 1987. The prior year had benefited from delivery of most of the 415 coaches in a New Jersey Transit order.

Net income of the financial group, excluding a one-time income item of $39.8 million from the cumulative effect of adoption of SFAS No. 96, "Accounting for Income Taxes," was up 9 percent, reflecting continuing improvement in results of both major units in the group, Greyhound Financial Corporation and Greyhound European Financial Services.

Net gains realized from businesses sold during 1988 were essentially offset by charges necessary to reduce the carrying amount of certain assets and to provide for minor restructuring of certain of the Company's activities.

The effect on comparative operating results of gains on sales of real estate retained when U.S. bus operations were discontinued contributed $4.6 million to 1988 results versus $4.9 million in 1987.

Net income and income from continuing operations for 1988 and 1987 were negatively affected by carrying costs of substantial nonearning investments, principally discontinued insurance subsidiaries, Latin American loans, common and preferred stock of GLI Holding Company (new Greyhound Lines, Inc.), and by litigation costs incurred to aggressively pursue significant recoveries of nonrecurring Financial Group losses suffered in 1985 and 1986.

Liquidity and capital resources

Greyhound and non-Financial Group subsidiaries' long-term debt at December 31, 1989 was $557 million, compared to $636 million at December 31, 1988. Debt reduction continued to be emphasized during 1989, resulting in repayment of $79 million of long-term debt excluding that of the Financial Group subsidiaries. Financial Group subsidiaries' long-term debt was approximately $43 million higher at December 31, 1989 than at December 31, 1988, but the increase was more than offset by a reduction in short-term bank and other loans.

Greyhound and non-Financial Group subsidiaries' debt to capital ratio was 0.33 to 1 at December 31, 1989 compared with 0.38 to 1 at December 31, 1988.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings, Greyhound strives to maintain current assets (principally cash, inventories and receivables) at the lowest practicable levels, while at the same time taking advantage of the payment terms offered by trade creditors. These efforts notwithstanding, working capital requirements will fluctuate significantly from seasonal factors as well as changes in levels of receivables and inventories caused by numerous business factors.

During 1989, Greyhound and non-Financial Group subsidiaries satisfied a portion of their working capital and other financing requirements with short-term borrowings (through commercial paper, bank note programs and bank lines of credit) and the sale of receivables. All short-term borrowings were supported by unused long-term revolving bank credit agreements or short-term lines of credit. At December 31, 1989, excluding revolving credit agreements available to certain Financial Group subsidiaries, Greyhound had $380 million of long-term formal bank credit facilities in place, of which $125 million was being used to support $50 million of demand advances from Greyhound's payment service subsidiary, $35 million of promissory notes maturing in 1990 and the guarantee of a $40 million ESOP loan. Greyhound's non-Financial Group subsidiaries have agreements to sell $100 million of accounts receivable under which the purchaser has agreed to invest collected amounts in new purchases, providing a stable level of purchased accounts. The commitments, which are fully utilized, extend to June 30, 1990 and are expected to be extended by mutual agreement.

Capital spending has been reduced by obtaining, where appropriate, equipment and other property under operating leases, including two cruise ships placed in service in 1989. Future capital asset needs or working capital requirements are expected to be financed primarily with internally generated funds. Should such requirements exceed internal sources, Greyhound's available external financing sources, described previously, will be used.

The Financial Group subsidiaries are essentially self-financed, augmented when necessary by additional Greyhound investment or limited financial support agreements. Improvement in the operations and financial position of Greyhound Financial Corporation (GFC) allowed Greyhound to discontinue, during 1989, an assurance it had given to GFC lenders that GFC would maintain a consolidated tangible net worth of at least $50 million. In addition, improvement in the financial position and operation of Greyhound European Financial Services (GEFS), including the sale of its shipping portfolio and recoveries resulting from the fidelity claim mentioned previously, allowed Greyhound to cancel, in late 1989, its agreement with GEFS lenders to maintain specified working capital in GEFS.

Greyhound currently guarantees $120 million of debt obligations of Greyhound Portfolio Holding Corporation (GPHC), Greyhound's major discontinued insurance subsidiary. As more fully described in Note C of Notes to Consolidated Financial Statements, current projections of the run-off business of GPHC support management's belief that GPHC will be able to service and repay the debt so that no payments will be required under the guarantee.

Consolidated balance sheet

December 31,	1989	1988
(000 omitted) **Assets**		
Cash and cash equivalents	$ 27,757	$ 60,761
Funds and agents' receivables restricted for payment service obligations, less demand advances due from parent	830,855	634,400
Receivables	280,174	255,880
Inventories	320,189	296,042
Investment in financing transactions, including leveraged leases (net), less unearned income of $669,365 and $755,560	1,961,905	1,965,799
Property and equipment:		
Land	68,915	84,219
Buildings and leasehold improvements	379,589	382,989
Machinery and other equipment	760,785	754,995
	1,209,289	1,222,203
Less accumulated depreciation	474,317	447,228
	734,972	774,975
Investments and other assets:		
GLI Holding Company and subsidiaries	90,598	87,372
Discontinued insurance subsidiaries	196,510	196,868
Prepaid pension costs, net	28,315	28,325
Other investments and assets	133,151	151,940
	448,574	464,505
Intangibles, including $170,476 not subject to amortization, net of accumulated amortization of $58,861 and $44,230	600,345	581,517
	$5,204,771	$5,033,879

See notes to consolidated financial statements.

December 31,	1989	1988
(000 omitted) **Liabilities and stockholders' equity**		
Accounts payable and accrued expenses	$ 756,789	$ 727,619
Payment service obligations	894,489	690,028
Short-term bank and other loans:		
Greyhound and non-Financial Group subsidiaries	122	267
Financial Group subsidiaries	45,323	96,230
	45,445	96,497
Long-term debt:		
Greyhound and non-Financial Group subsidiaries	557,095	635,675
Financial Group subsidiaries	1,375,861	1,332,767
	1,932,956	1,968,442
Other liabilities and deferred items:		
Deferred income taxes	115,231	104,828
Pensions and other benefits	141,298	141,127
Other deferred items and insurance reserves	189,743	250,173
	446,272	496,128
Commitments and contingent liabilities (Notes H, L and M)		
Minority interests	47,246	46,474
$4.75 redeemable preferred stock	6,605	6,603
Common stock and other equity:		
Common stock, $1.50 par value, 48,554,362 shares issued	72,832	72,832
Additional capital	328,463	327,506
Retained income	985,760	929,529
Cumulative translation adjustments	(1,059)	(2,360)
Unearned employee benefits related to guarantee of ESOP debt	(39,444)	
Common stock in treasury, at cost, 8,743,864 and 10,482,618 shares	(271,583)	(325,419)
	1,074,969	1,002,088
	$5,204,771	$5,033,879

Statement of consolidated income

Year ended December 31,	1989	1988	1987
(000 omitted)			
Revenues	$3,536,851	$3,304,860	$2,501,360
Operating costs and expenses:			
Cost of sales and services	3,053,868	2,863,687	2,130,828
Interest:			
Greyhound and non-Financial Group subsidiaries	72,679	86,739	61,136
Financial Group subsidiaries	178,529	167,644	158,229
Corporate expense and other items, net	47,149	31,470	18,611
Minority interests	11,216	8,991	5,682
	3,363,441	3,158,531	2,374,486
Income before income taxes	173,410	146,329	126,874
Income taxes	64,699	53,021	44,070
Income from continuing operations	108,711	93,308	82,804
Loss from discontinued operations			(51,491)
Income before extraordinary charge and cumulative effect of change in accounting principle	108,711	93,308	31,313
Extraordinary charge, net of tax benefit of $4,141			(6,211)
Cumulative effect to January 1, 1988 of initial application of SFAS No. 96—"Accounting for Income Taxes"		10,750	
Net income	$ 108,711	$ 104,058	$ 25,102
(dollars) **Income per common share**			
Continuing operations	$ 2.75	$ 2.42	$ 2.10
Discontinued operations			(1.32)
Extraordinary charge			(0.16)
Cumulative effect to January 1, 1988 of initial application of SFAS No. 96		0.28	
Net income	$ 2.75	$ 2.70	$ 0.62
Dividends declared per common share	$ 1.32	$ 1.32	$ 1.32
Average outstanding common and equivalent shares (000 omitted)	39,128	38,065	38,827

See notes to consolidated financial statements.

Statement of consolidated common stock and other equity

Year ended December 31,	1989	1988	1987
(000 omitted) **Common stock**			
Common stock, $1.50 par value, 100,000,000 shares authorized:			
Balance, beginning and end of year	$ 72,832	$ 72,832	$ 72,832
Additional capital			
Balance, beginning of year	$ 327,506	$ 330,578	$ 337,028
Effect of common stock in treasury used for conversion of debentures, exercise of stock options and in connection with other employee benefit plans	(5,691)	(4,215)	(7,435)
Net change in unamortized amount of restricted stock	2,007	1,143	1,087
Effect of common stock in treasury used for shares sold to ESOP	4,641		
Other, net			(102)
Balance, end of year	$ 328,463	$ 327,506	$ 330,578
Retained income			
Balance, beginning of year	$ 929,529	$ 876,658	$ 920,426
Net income	108,711	104,058	25,102
Dividends on common and preferred stock	(52,480)	(51,234)	(51,890)
Net change in unrealized gains and losses on marketable equity securities			(16,980)
Other, net		47	
Balance, end of year	$ 985,760	$ 929,529	$ 876,658
Cumulative translation adjustments			
Balance, beginning of year	$ (2,360)	$ (8,603)	$ (16,132)
Unrealized translation gains	1,301	6,243	7,529
Balance, end of year	$ (1,059)	$ (2,360)	$ (8,603)
Unearned employee benefits related to guarantee of ESOP debt			
Balance, beginning of year	$	$	$
Unearned employee benefits	(40,000)		
Amortization of unearned employee benefits	556		
Balance, end of year	$ (39,444)	$ —	$ —
Common stock in treasury			
Balance, beginning of year	$ (325,419)	$ (334,414)	$ (286,666)
Purchases of shares	(39)	(23)	(66,063)
Effect of shares used for conversion of debentures, exercise of stock options and in connection with other employee benefit plans	18,516	9,018	18,315
Shares sold to ESOP	35,359		
Balance, end of year	$ (271,583)	$ (325,419)	$ (334,414)

See notes to consolidated financial statements.

Statement of consolidated cash flows

Year ended December 31,	1989	1988	1987
(000 omitted)			
Cash flows provided (used) by operating activities:			
Net income	$ 108,711	$ 104,058	$ 25,102
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation	85,115	85,418	70,483
Deferred income taxes	11,224	(11,904)	30,864
Cumulative effect of change in accounting principle		(10,750)	
Extraordinary charge			6,211
Provision for losses on financing transactions and other receivables	17,483	5,799	16,701
Gain on sale of businesses, property and investments	(8,114)	(6,503)	(35,317)
Undistributed loss of discontinued operations			80,645
Other noncash items, net	1,633	2,178	(12,750)
Changes in operating assets and liabilities:			
Receivables and inventories	(8,278)	(14,247)	(70,082)
Payment service assets and obligations, net	17,652	46,846	21,237
Accounts payable and accrued expenses	2,945	156,447	(31,913)
Other assets and liabilities, net	(31,607)	(73,087)	7,373
Net cash provided by operating activities	196,764	284,255	108,554
Cash flows provided (used) by investing activities:			
Investment in financing transactions	(572,152)	(557,104)	(274,100)
Principal collections on financing transactions	491,986	412,281	378,519
Capital expenditures	(107,311)	(121,445)	(116,077)
Purchases of businesses, net of cash acquired	(51,107)	(21,860)	(352,898)
Proceeds from sale of businesses, property and investments (net of related Financial Group gains of $17,572, $13,901 and $18,954)	111,179	148,884	231,337
Investment in discontinued operations	2,831	2,206	(34,620)
Other, net	(833)	5,298	3,611
Net cash used by investing activities	(125,407)	(131,740)	(164,228)
Cash flows provided (used) by financing activities:			
Proceeds from long-term borrowings	339,680	451,009	565,633
Payments on long-term borrowings	(311,621)	(393,581)	(566,889)
Dividends on common and preferred stock	(52,480)	(51,234)	(51,890)
Proceeds from sale of treasury stock	48,485	3,622	10,151
Common stock purchased for treasury	(39)	(23)	(66,063)
Net change in short-term borrowings, classified primarily as long-term debt	(115,881)	(240,708)	95,853
Sale of receivables	15,000	50,000	50,000
Proceeds from interest rate swaps		42,311	57,224
Cash payments on outstanding interest rate swaps	(27,505)	(40,673)	(33,801)
Net cash provided (used) by financing activities	(104,361)	(179,277)	60,218
Net increase (decrease) in cash and cash equivalents	(33,004)	(26,762)	4,544
Cash and cash equivalents, beginning of year	60,761	87,523	82,979
Cash and cash equivalents, end of year	$ 27,757	$ 60,761	$ 87,523

See notes to consolidated financial statements.

Notes to consolidated financial statements

Three years ended December 31, 1989

Note A Significant accounting policies

The financial statements are prepared in accordance with generally accepted accounting principles. Described below are those accounting policies which are particularly significant to The Greyhound Corporation and subsidiaries ("Greyhound" unless otherwise indicated), including those selected from acceptable alternatives.

Principles of consolidation

The consolidated financial statements include the accounts of Greyhound and all of its subsidiaries, except for discontinued insurance subsidiaries which are carried at equity in net assets at date of discontinuance less reserves provided for estimated losses on liquidation. All material intercompany transactions and accounts are eliminated in consolidation.

In order to present more meaningful financial statements, management believes Greyhound's consolidated financial statements should also be presented accounting for its Financial Group subsidiaries, a business significantly different from Greyhound and its other subsidiaries, on the equity method as they were presented before the effective date of SFAS No. 94, "Consolidation of All Majority-Owned Subsidiaries." Accordingly, Note N presents Greyhound's consolidated financial statements on that basis and Note O presents summary combined financial information for Greyhound's Financial Group subsidiaries.

Cash equivalents

For purposes of the Statement of Consolidated Cash Flows, Greyhound considers all highly liquid investments with maturities of three months or less from date of purchase as cash equivalents.

Investment in financing transactions

For loans and other financing contracts, earned income is recognized over the life of the contract using the interest method.

Substantially all leases are direct financing leases or leveraged leases. Leases qualifying as direct financing leases, financed by nonrecourse borrowings and meeting certain other criteria, are classified as leveraged leases.

For direct financing leases, the difference between aggregate lease rentals and the cost of the related assets, less estimated residual value at the end of the lease term, is recorded as unearned income. Earned income is recognized over the life of the contracts using the interest method.

For leveraged leases, aggregate rentals receivable are reduced by the related nonrecourse debt service obligation (including interest). The difference between (a) net rentals receivable and (b) the cost of the asset less estimated residual value at the end of the lease term is recorded as unearned income. Earned income is recognized over the life of the leveraged lease at a constant rate of return on the positive net investment which includes the effect of deferred income taxes.

Income recognition is suspended for leases and other contracts at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful.

Repossessed assets are carried at the lower of cost or estimated net realizable value.

Inventories

Generally, inventories are stated at the lower of cost (first-in, first-out and average cost methods) or market.

Property and equipment

Owned assets are stated at cost and capital lease assets are stated at the present value of future rentals at lease inception.

Depreciation is provided principally by use of the straight-line method at annual rates as follows:

Buildings	2% to 5%
Machinery and other equipment	5% to 33%
Capital leases and leasehold improvements	Lesser of lease term or useful life

Intangibles

Intangibles are carried at cost less applicable amortization. Intangibles which arose prior to October 31, 1970 will not be amortized unless there is deemed to be a permanent diminution in value of the related investments. Intangibles arising after October 31, 1970 are amortized on the straight-line method over the periods of expected benefit, but not in excess of 40 years.

Pensions and other benefits

Trusteed, noncontributory pension plans cover substantially all employees. Benefits are based primarily on final average salary and years of service. Greyhound and its U.S. subsidiaries' net periodic pension cost is based on the provisions of SFAS No. 87, "Employers' Accounting for Pensions." Net periodic pension cost for foreign-based pension plans in 1989 is based on the provisions of SFAS No. 87; in 1988 and 1987, net periodic pension cost is based on the provisions of APB Opinion No. 8. Funding policies provide that payments to pension trusts shall be at least equal to the minimum funding required by applicable regulations.

Costs of medical and life insurance benefits under employee group plans, including similar benefits for qualified retirees, are generally charged to income as incurred. Such benefits applicable to eligible retirees of discontinued businesses were recorded on an estimated present value basis at the date of discontinuance.

Income taxes

Income taxes for 1989 and 1988 are provided based upon the provisions of SFAS No. 96, "Accounting for Income Taxes," which, among other things, requires that recognition of deferred income taxes be measured by the provisions of enacted tax laws in effect at the date of the financial statements. Income taxes for 1987 are based upon the provisions of APB Opinion No. 11.

Net income per share
Net income per common and equivalent share is based on net income after preferred stock dividend requirements and the weighted average number of common shares outstanding during each year after giving effect to stock options considered to be dilutive common stock equivalents. Fully diluted net income per share is not materially different from primary earnings per share.

Principal business segment and geographic information
Principal business segment and geographic information of Greyhound for the three years ended December 31, 1989 are presented in a previous section of this report.

Certain reclassifications have been made to the prior year's financial statements to conform to 1989 classifications.

Note B Acquisitions and dispositions
In 1989 Greyhound purchased Republic Money Orders, Inc. and certain assets of Hausman Bus Sales & Parts Co.

During 1988 Greyhound purchased the household products and industrial specialties business of the 20 Mule Team division of United States Borax and Chemical Corporation, and the Custom Coach Division of Alco Standard Corporation.

In 1987, Greyhound purchased, effective November 28, 1987, the in-flight catering and airport terminal concession operations of Carson Pirie Scott & Company (Dobbs entities) for an adjusted purchase price of $381,500,000, including the assumption of existing indebtedness. The purchase price plus transaction costs, after certain purchase accounting adjustments, exceeded the estimated fair value of the net tangible assets acquired by $271,062,000. This amount is being amortized over 40 years.

Operating results of the Dobbs entities are included in consolidated income (Services segment) from November 28, 1987. The following table summarizes unaudited, pro forma operating results for Greyhound for the year ended December 31, 1987, assuming that the Dobbs entities had been acquired at the beginning of 1987 after giving effect to financing costs and purchase accounting adjustments:

(000 omitted)	
Consolidated revenues	$2,927,146
Income before extraordinary charge	27,874
Net income	21,663
Net income per share (dollars)	$0.53

The above pro forma financial information is not necessarily indicative of what would have occurred had the acquisition taken place as of January 1, 1987, or of the future results of operations of Greyhound.

Also during 1987, Greyhound purchased the General Motors transit bus manufacturing and related parts operations, and a small services business.

Cash paid, assets acquired and debt and other liabilities assumed in all acquisitions were as follows:

(000 omitted)	1989	1988	1987
Assets acquired	$51,107	$21,860	$433,246
Debts and other liabilities assumed			80,348
Cash paid	$51,107	$21,860	$352,898

During 1989 and 1988, several small businesses with net assets of $12,376,000 and $52,590,000, respectively, were sold. Except for the sales of discontinued business discussed in Note C, there were no other businesses sold during 1987.

Note C Discontinued operations
Verex Assurance, Inc. (Verex), Greyhound's mortgage insurance subsidiary, ceased writing new business as of December 31, 1987 but continued to write renewals and settle valid claims on insurance in force. Accordingly, Verex, its parent, Greyhound Portfolio Holdings Corporation (GPHC), and other mortgage insurance subsidiaries of GPHC have been treated as discontinued operations. Greyhound made a $75,000,000 ($45,000,000 after-tax) provision in 1987 and a $15,000,000 ($8,100,000 after-tax) provision in 1986 for estimated losses resulting from its investments in GPHC and other insurance subsidiaries. All insurance activities of Greyhound are now in run-off and are being reported as discontinued.

The provisions for losses on the insurance subsidiaries were generally based on projections of run-off business, which anticipate declining amounts of renewal premiums and net investment income as well as lower claims and other expenses; however, the amount and timing of future claims payments, related expenses and investment and premium income could cause the ultimate provision to be more or less than the amount provided. The projected run-off periods are expected to be approximately 10 years. Programs have been established to enable Verex and the other insurance subsidiaries to manage their existing insurance and investment portfolios to maximize cash flows and mitigate losses. After careful review and evaluation, management believes that Greyhound will be successful in recovering the remaining carrying amount of its investments in the discontinued insurance subsidiaries.

Investments in and long-term receivables from discontinued insurance subsidiaries are included in the balance sheet under the caption "Investments and other assets." GPHC and its mortgage insurance subsidiaries (including Verex) represent the major portion of investments in discontinued insurance subsidiaries.

The summarized balance sheet of GPHC and its mortgage insurance subsidiaries, prepared on Greyhound's carrying basis, is as follows at December 31, 1989 and 1988:

(000 omitted)	1989	1988
Assets:		
Investments	$384,496	$419,241
Cash and receivables	34,770	8,956
Other assets	34,688	58,392
	$453,954	$486,589
Liabilities and equity:		
Bank and other debt	$128,297	$102,662
Unearned premium reserve	39,957	48,606
Reserves for claims losses and expenses	104,293	150,243
Other, net	28,612	32,283
Greyhound equity and long-term advance	152,795	152,795
	$453,954	$486,589

The following is a summary of income (loss) of GPHC and subsidiaries, prepared on Greyhound's carrying basis, for the three years ended December 31, 1989:

(000 omitted)	1989	1988	1987
Revenues:			
Premiums earned	$ 85,052	$110,278	$128,189
Investment income, net	30,891	29,032	28,472
	115,943	139,310	156,661
Cost and expenses:			
Losses and settlement expenses	118,378	150,621	197,754
Underwriting, acquisition and other insurance expenses	5,989	22,730	40,060
Other, net	14,078	17,761	13,068
	138,445	191,112	250,882
Loss from insurance operations before investment transactions and income taxes	(22,502)	(51,802)	(94,221)
Investment gains (losses)	1,450	(18,337) [1]	22,054
Loss from insurance operations before income taxes	(21,052)	(70,139)	(72,167)
Income tax benefit	(13,043)	(34,994)	(38,503)
Net loss	$ (8,009)	$ (35,145)	$ (33,664)

[1] As part of the GPHC run-off strategy, substantially all equity investments were sold during 1988 with the proceeds reinvested in fixed income securities providing significantly higher current income.

On March 18, 1987, Greyhound sold substantially all of the domestic intercity bus transportation business of Greyhound Lines, Inc. to GLI Holding Company (GLI Holding), a new company headed by an unrelated investor group, for $175,000,000 cash, preferred stock with a redemption value of $40,000,000 and a junior subordinated note with a face amount of $40,000,000 issued by GLI Holding's principal bus operating subsidiary and a 25% common stock interest (later reduced to 22.5% as a result of GLI Holding's acquisition of Trailways) in GLI Holding.

In addition, GLI Holding's principal bus operating subsidiary is obligated to pay substantial future rentals to Greyhound under lease and sublease agreements covering buses and real estate used in its operations.

The caption "Loss from discontinued operations" in the accompanying statement of consolidated income for the year ended December 31, 1987 includes the following:

(000 omitted)	
Loss from operations:	
Greyhound Lines bus operations	$ (3,945)
Insurance subsidiaries	(35,645)
	(39,590)
Gain on sale of Greyhound Lines bus operations (net of taxes of $29,340)	33,099
Provision for losses on discontinued insurance subsidiaries (net of taxes of $30,000)	(45,000)
Loss from discontinued operations	$(51,491)

Note D Investment in financing transactions

Investment in financing transactions at December 31, 1989 and 1988 includes the following:

(000 omitted)	1989	1988
Loans and other financing contracts, less unearned income of $237,980 and $305,653	$1,462,342	$1,554,918
Investment in direct financing leases, less unearned income of $123,788 and $129,613	306,159	233,117
Investment in leveraged leases	266,569	255,815
Less allowance for possible credit losses	(73,165)	(78,051)
Investment in financing transactions	$1,961,905	$1,965,799

Amounts due from investment in financing transactions (exclusive of estimated residual value of assets) in the next five years approximate $418,971,000 (1990), $315,898,000 (1991), $319,199,000 (1992), $230,375,000 (1993), and $185,750,000 (1994). Estimated residual value of assets included in investment in financing transactions was $409,667,000 and $428,429,000 at December 31, 1989 and 1988, respectively.

The net investment in leveraged leases at December 31, 1989 and 1988 is as follows:

(000 omitted)	1989	1988
Rentals receivable	$ 1,811,802	$ 1,892,382
Less principal and interest payable on nonrecourse debt	(1,572,107)	(1,650,744)
Net rentals receivable	239,695	241,638
Estimated residual value	334,471	334,471
Less unearned income	(307,597)	(320,294)
Investment in leveraged leases	266,569	255,815
Less deferred taxes arising from leveraged leases	(193,267)	(162,370)
Net investment in leveraged leases	$ 73,302	$ 93,445

The portfolio at December 31, 1989 and 1988 includes the following nonaccruing accounts:

(000 omitted)	1989	1988
Delinquent accounts and contracts which management has placed in a nonaccrual status:		
Domestic	$ 43,598	$ 39,283
European shipping		23,750
Other European	19,231	12,087
Total Domestic and European	62,829	75,120
Latin American:		
Brazil	22,998	24,661
Ecuador	42,195	42,731
Other	7,187	2,713
Repossessed assets:		
Domestic	31,617	32,574
Latin American	99	4,090
Total nonaccruing accounts	$166,925	$181,889

Management, after careful analysis of all of the foregoing and estimates of underlying collateral values, is of the opinion that the above allowance for possible credit losses is adequate. Management considers the allowance to be available for all categories of losses in its portfolio and, generally, does not allocate it to specific transactions. However, to comply with the Securities and Exchange Commission's Guide for Statistical Disclosures, Greyhound has allocated 60% of the $73,165,000 allowance for losses at December 31, 1989 to its Latin American portfolio.

Note E Inventories

Inventories at December 31, 1989 and 1988 consist of the following:

(000 omitted)	1989	1988
Raw materials	$ 84,404	$ 75,750
Work-in-process	58,509	50,999
Finished goods and supplies	177,276	169,293
Total inventories	$320,189	$296,042

Note F Short-term debt and compensating balances

Greyhound and non-Financial Group subsidiaries

Greyhound and non-Financial Group subsidiaries satisfy their short-term requirements with bank lines of credit and by the issuance of commercial paper and promissory notes.

Greyhound's short-term bank lines in various currencies, amounting to approximately $29,460,000 at December 31, 1989, are subject to annual renewal and, in most instances, can be withdrawn at any time at the option of the banks. On $12,000,000 of these lines, compensating balances are required in an amount equal to five percent of the commitments. Cash balances required for operating purposes, float and specifically provided funds are utilized as compensating balances, with no restrictions on the use of these funds.

It is Greyhound's policy to support commercial paper and promissory notes outstanding with unused portions of $12,000,000 of committed short-term lines of credit and $380,000,000 of long-term revolving bank credit. At December 31, 1989, $125,000,000 of the long-term revolving bank credit was used to support $50,000,000 of demand advances from Greyhound's payment service subsidiary, $35,000,000 of promissory notes maturing in 1990 and a guarantee of a $40,000,000 ESOP loan.

The following information pertains to short-term debt of Greyhound and non-Financial Group subsidiaries (including short-term obligations classified as long-term debt):

(000 omitted)	1989	1988	1987
Maximum amount of short-term debt outstanding during year	$232,820	$498,917	$675,544
Average daily short-term debt outstanding during year	154,233	374,402	393,004
Weighted average short-term interest rate at end of year [1]	[2]	9.4%	7.8%
Weighted average interest rate on short-term debt outstanding during year [1]	9.6%	7.8%	7.2%

[1] Exclusive of the cost of maintaining compensating balances and payment of commitment fees on long-term revolving bank credit agreements used to support such borrowings and the effects of interest rate swap agreements, as set forth in Note G of notes to consolidated financial statements.

[2] At December 31, 1989, short-term borrowings were only $122,000, and related to foreign borrowings at a rate of 10.3%.

Financial Group subsidiaries

Financial Group subsidiaries satisfy their short-term financing requirements from bank lines of credit, other bank loans, public short-term notes and by the issuance of commercial paper. Commercial paper and bank loans, when outstanding, are supported by unused commitments available under long-term revolving credit agreements aggregating $769,830,000 at December 31, 1989.

The following information pertains to short-term debt (including short-term obligations classified as long-term debt):

(000 omitted)	1989	1988	1987
Maximum amount of short-term debt outstanding during year	$586,527	$520,674	$344,648
Average daily short-term debt outstanding during year	450,668	401,115	282,370
Weighted average short-term interest rate at end of year [1]	9.1%	9.9%	8.4%
Weighted average interest rate on short-term debt outstanding during year [1]	9.7%	8.4%	7.6%

[1] Exclusive of the cost of commitment fees on long-term revolving bank credit agreements used to support such borrowings and the effects of interest rate swap agreements, as set forth in Note G of notes to consolidated financial statements.

Note G Long-term debt

Long-term debt at December 31, 1989 and 1988 is as follows:

(000 omitted)	1989	1988
Greyhound and non-Financial Group subsidiaries:		
Senior debt:		
Short-term borrowings supported by unused long-term revolving credits:		
Promissory notes	$ —	$ 25,000
Commercial paper	—	73,241
9.25% to 10.4% promissory notes, due 1990 to 1997	220,500	222,500
Senior notes, 9.9%, due 1994	45,633	46,534
Guarantee of ESOP loan, floating rate indexed to LIBOR, 7.4% at December 31, 1989, due to 2009	40,000	
Real estate mortgages and other obligations, due to 2014, 4% to 12%	65,955	75,577
	372,088	442,852
Subordinated debt:		
10.5% debentures, due 2006	150,000	150,000
6.5% convertible debentures		5,953
	150,000	155,953
Capital lease obligations, 8.3% weighted-average imputed interest	35,007	36,870
	557,095	635,675
Financial Group subsidiaries:		
Senior debt:		
Revolving credit loans	96,645	153,751
Term loans, 8.8% to 10.5%, due to 1996	306,036	183,955
Bank loans and commercial paper supported by unused revolving credits	490,297	424,444
Medium-term notes, 9.3% to 14.2%, due to 1997	275,050	380,650
Limited recourse installment notes, 9.8% to 10.6%, due to 2002	33,594	38,447
Other, 9% to 16%, due to 2002	101,520	80,544
	1,303,142	1,261,791
Subordinated debt, 14.1% to 17%, due to 1997	72,719	70,976
	1,375,861	1,332,767
Total long-term debt	$1,932,956	$1,968,442

Greyhound and non-Financial Group subsidiaries

Long-term revolving credit loans are available from participating banks under two agreements which provide for total credit of $380,000,000. On $190,000,000 of the credit commitments, borrowings are available until June 30, 1992 on a revolving basis, with outstanding borrowings then converting into a term loan repayable in fifteen equal quarterly installments. Annually, at Greyhound's request and with the participating banks' consent, the term of the agreement may be extended for one-year periods. On the remaining $190,000,000 of credit commitments, borrowings are available on a revolving basis on the entire commitment to October 31, 1992 with outstanding borrowings then converting into a term loan repayable in sixteen equal quarterly installments. Furthermore, the agreements provide the lenders with an option to require repayment of all outstanding borrowings and termination of credit facilities upon a defined change of control event.

The interest rates applicable to borrowings under these agreements are, at Greyhound's option, indexed to the bank prime rate, the bank certificate of deposit rate, or the London interbank offering rate (LIBOR), plus appropriate spreads over such indices during the period of each borrowing agreement. The agreements also provide for commitment fees. Such spreads and fees can increase moderately should Greyhound's financial leverage exceed specified levels.

Greyhound, in the event that it becomes advisable, intends to exercise its rights under these agreements to borrow for the purpose of refinancing short-term borrowings; accordingly, promissory notes due in 1990 totalling $35,000,000 at December 31, 1989, and short-term borrowings totalling $98,241,000 at December 31, 1988 have been classified as long-term debt.

At December 31, 1989 Greyhound and non-Financial Group subsidiaries had the following interest rate swap agreements in effect:

(000 omitted)	Year entered	Year completed	Notional amount	Cash proceeds received
Counter swapped fixing the future net payments against cash proceeds received at a discount rate of:				
10.47%	1988	1995	$167,600	$39,111
10.37%	1987	1992-1994	100,000	32,742
8.05%	1986	1991	50,000	16,170
Used to effectively fix future rates of floating obligations at an interest rate of:				
9.01%	1988	1993[1]	100,000	
8.06%	1986	1991	150,000	41,118
11.67%	1983	1990-1991	50,000	

[1] Extendable to 1995 at counter party's option.

At December 31, 1989 Greyhound and non-Financial Group subsidiaries had a forward interest rate swap agreement on $40,000,000 notional amount which was entered into in December 1988 for a consideration of $3,200,000. This agreement was used to effectively fix future interest rates on a $40,000,000, 14% senior bond issue at 9.9% from 1991 through 1994. The bond issue is callable in 1991.

Cash consideration received on the swaps is amortized as a reduction of interest expense over the life of the related swap. The unamortized balance of such consideration is included in other deferred liabilities in the consolidated balance sheet.

Canadian revolving credit loans are available to certain Canadian services and transportation manufacturing subsidiaries from banks under agreements which in the aggregate provide for loans up to the Canadian equivalent of $34,540,000.

On $190,500,000 of the promissory notes, due 1990 to 1997, the lender has an option to require repayment if there is a defined change in control or a defined change in capitalization.

Annual maturities (other than amounts supported by unused revolving credits which are expected to be renewed) of long-term debt, including capital lease obligations, due in the next five years will approximate $8,781,000 (1990), $48,457,000 (1991), $79,383,000 (1992), $25,378,000 (1993) and $93,880,000 (1994).

Greyhound's long-term debt agreements contain various restrictive covenants and require the maintenance of certain defined financial ratios with which Greyhound is in compliance.

Greyhound provides $120,000,000 of guarantees of obligations of its discontinued mortgage insurance subsidiary and also provides limited financial support to certain Financial Group and other discontinued insurance subsidiaries under tax allocation and/or operating agreements.

Financial Group subsidiaries

Revolving credit loans are borrowed under credit agreements aggregating $769,830,000 with an average interest rate at December 31, 1989 of 8.9%. Floating-rate obligations aggregating $150,000,000 at December 31, 1989 are subject to interest rate swap agreements with an effective weighted average fixed rate of 11.0%. The revolving agreements generally require payment of a fee on the unused commitments and are renewable annually. However, if loans with any or all participating banks are not renewed, the subsidiaries may, at their option, repay the nonrenewing banks' participation immediately or over thirty-month to eight-year periods following the date of termination. So long as the agreements are renewed and the subsidiaries comply with specified tests of financial condition, no repayments of principal are required, and additional advances generally may be obtained up to the amount of the unused credit. In the event that it becomes advisable, the Financial Group subsidiaries intend to exercise their rights under these agreements to borrow for the purpose of refinancing short-term borrowings; accordingly, short-term borrowings totalling $586,942,000 and $578,195,000 at December 31, 1989 and 1988, respectively, have been classified as long-term debt.

Annual maturities of long-term debt (other than amounts due under revolving credit agreements expected to be renewed) due in the next five years will approximate $126,883,000 (1990), $153,857,000 (1991), $142,565,000 (1992), $149,642,000 (1993) and $189,226,000 (1994).

Note H Preferred stock and common stock and other equity

At December 31, 1989 there are 48,554,362 shares of common stock issued and 39,810,498 shares of common stock outstanding. At December 31, 1989 there are approximately 4,000,000 shares reserved for issuance of stock options, of which 3,231,430 are outstanding at exercise prices ranging from $14.00 to $40.44.

The exercise prices are subject to adjustment under certain circumstances. During 1989, holders of debentures with a principal amount of $4,662,000 converted the debentures into 253,719 shares of common stock.

Greyhound has 5,000,000 shares of Serial First Preference Stock authorized, of which 412,352 shares are issued and designated as $4.75 Redeemable Preferred Stock and 600,000 shares are reserved for issuance and are designated as Junior Preferred Stock without par value. The holders of the $4.75 preferred stock are entitled to a liquidation preference of $100 per share and to annual cumulative sinking fund redemptions of 6,000 shares. Shares presently held by Greyhound will be applied to this requirement; therefore, shares held by others (235,712 shares) are scheduled to be redeemed in the years 2019 to 2058. In addition, Greyhound has 5,000,000 shares of Second Preference Stock reserved for issuance.

In April 1986, Greyhound declared a dividend of one Preferred Stock Purchase Right (Right) on each outstanding share of its common stock. The Rights contain provisions to protect shareholders in the event of an unsolicited attempt to acquire Greyhound which is not believed by the Board of Directors to be in the best interest of shareholders. The Rights are represented by the common share certificate and are not exercisable or transferable apart from the common stock until such a situation arises. The Rights may be redeemed by Greyhound at $0.05 per Right prior to the time any person or group has acquired 20% or more of Greyhound's shares.

In June 1989, Greyhound sold 1,138,791 shares of Treasury stock to the ESOP for $35.125 per share. The Plan borrowed $40,000,000 to purchase the shares. The Plan's obligation to repay this borrowing is guaranteed by the Company; therefore, the unpaid balance of the borrowing has been reflected in the accompanying balance sheet as long-term debt, and an equal amount, representing unearned employee benefits, has been recorded as a deduction from stockholders' equity. The liability will be reduced as the ESOP repays the borrowing; the amount in stockholders' equity will be reduced as the employee benefits are charged to expense. The ESOP intends to repay the loan (plus interest) using company contributions and dividends received on the shares of common stock held by the ESOP.

At December 31, 1989, retained income of $128,000,000 is unrestricted as to payment of dividends by Greyhound.

Note I Stock options

Greyhound has granted to officers, directors and certain key employees restricted stock and stock options under its 1983 and 1973 Stock Option Plans as amended. Most outstanding stock options are nonqualified stock options under provisions of the Internal Revenue Code.

The 1983 Plan provides for four types of awards: (1) Stock Options (both Incentive Stock Options and Nonqualified Stock Options); (2) Stock Appreciation Rights (SARS); (3) Limited Stock Appreciation Rights (LSARS); and (4) Restricted Stock. The Plan, as amended, authorizes the issuance of up to 5,000,000 shares of common stock; however, not more than a total of 1,000,000 shares may be subject to awards of restricted stock and stock appreciation rights not related to stock options. At December 31, 1989, there are approximately 769,000 shares available to be issued under the 1983 Plan.

Restricted stock awards (63,000 shares in 1989, 138,100 shares in 1988 and 65,200 shares in 1987) generally vest 60% three years from the date of grant and at the rate of 20% per year thereafter. The holder of the restricted stock has the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the restricted stock.

The stock options and SARS are granted for terms of ten years and 50% become exercisable after one year and the balance after two years from the date of grant. Limited stock appreciation rights fully vest at date of grant and are exercisable only for a limited period (in the event of certain tenders or exchange offers for Greyhound's common stock). For the SARS and/or LSARS issued in tandem with stock options, the exercise of one reduces, to the extent exercised, the number of shares represented by the other(s).

The 1973 Plan's stock options are exercisable at market value at date of grant and expire ten years after date of grant.

Information with respect to options granted and exercised for the three years ended December 31, 1989 is as follows:

	Granted		Exercised	
	Shares	Average price per share	Shares	Average price per share
1989	1,033,600	$35.15	116,943	$23.87
1988	1,204,400	31.31	104,405	22.52
1987	529,200	40.36	526,928	22.30

Stock options were cancelled during 1989, 1988 and 1987 (at average exercise prices indicated) with respect to 127,350 shares ($33.34), 166,780 shares ($33.53) and 206,395 shares ($27.47), respectively. Stock options ceased to be exercisable due to the exercise of related SARS during 1989, 1988 and 1987 (at average exercise prices indicated) with respect to 3,200 shares ($22.80), 6,200 shares ($22.79) and 7,350 shares ($23.07), respectively.

At December 31, 1989, stock options with respect to 3,231,430 common shares are outstanding at an average price of $32.68 per share of which 1,666,605 shares are exercisable at an average price of $31.73 per share.

Note J Income taxes

The consolidated provision (benefit) for income taxes for the three years ended December 31, 1989 consists of the following:

(000 omitted)	1989	1988	1987
Current:			
United States:			
Federal	$29,922	$ 36,368	$ (7,115)
State	8,324	9,981	5,922
Foreign	15,229	18,576	14,399
	53,475	64,925	13,206
Deferred:			
United States	7,619	(11,377)	29,606
Foreign	3,605	(527)	1,258
	11,224	(11,904)	30,864
Provision for income taxes	$ 64,699	$ 53,021	$ 44,070

Income taxes paid in 1989, 1988, and 1987 amounted to $34,658,000, $24,023,000 and $35,836,000, respectively.

Deferred income taxes relate to the following principal temporary differences:

(000 omitted)	1989	1988	1987
Depreciation and sale-leaseback transactions	$ 7,335	$ 9,769	$ 9,510
Interest rate swaps	8,887	1,895	(11,850)
Pension related items	(2,736)	(1,834)	3,001
Installment sale of buses	(5,916)	(3,674)	(26)
Lease and other contract income and related depreciation	16,006	(4,602)	48,000
Gain on disposals of assets	(9,954)	(1,144)	(6,892)
Provision for losses	(9,328)	(12,254)	(6,495)
All other	6,930	(60)	(4,384)
Provision (benefit) for deferred income taxes	$11,224	$ (11,904)	$ 30,864

Eligible subsidiaries are included in the consolidated federal and other applicable income tax returns of Greyhound.

Certain benefits of tax losses and credits, which would not have been currently available to certain subsidiaries on a separate return basis, have been credited to those subsidiaries by Greyhound. These benefits are included in the determination of the income taxes of those subsidiaries and this policy has been documented by written agreements between Greyhound and the subsidiaries.

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

(000 omitted)	1989	1988	1987
Computed income taxes at statutory federal income tax rates of 34% (1989 and 1988) and 40% (1987)	$ 58,959	$ 49,752	$ 50,750
Nondeductible goodwill amortization	3,341	2,989	1,438
Tax-exempt income	(158)	(4,604)	(6,140)
Investment tax credits, net of related basis adjustments			(2,364)
Minority interests	3,813	3,057	2,273
State income taxes	5,609	6,556	3,617
Foreign tax differences	(2,097)	898	2,707
Other, net	(4,768)	(5,627)	(8,211)
Provision for income taxes	$ 64,699	$ 53,021	$ 44,070

United States and foreign income before income taxes is as follows:

(000 omitted)	1989	1988	1987
United States	$121,260	$ 93,115	$ 87,367
Foreign	52,150	53,214	39,507
Income before income taxes	$173,410	$146,329	$126,874

Greyhound's federal income tax returns have been examined through 1984 and are currently being examined for 1985 and 1986. The Internal Revenue Service proposed certain substantial adjustments affecting taxable income for 1983 and 1984. Greyhound is vigorously contesting the proposed adjustments and believes the ultimate taxes and related interest payable, if any, will not have a material effect on its financial condition.

During the second quarter of 1988, Greyhound adopted the provisions of SFAS No. 96, "Accounting for Income Taxes," effective January 1, 1988. The cumulative effect of the change to January 1, 1988 was a credit to 1988 net income of $10,750,000 or 28 cents per share.

Note K Pensions and other benefits

Net periodic pension cost for the three years ended December 31, 1989 includes the following components:

	United States			Foreign
(000 omitted)	1989	1988	1987	1989
Service cost benefits earned during the period	$ 8,277	$ 7,847	$ 6,664	$ 3,016
Interest cost on projected benefit obligation	10,855	9,690	8,809	4,451
Actual return on plan assets	(18,223)	(13,187)	(11,523)	(4,809)
Net amortization and deferral	5,346	1,575	413	(121)
Other items, primarily defined contribution and multi-employer plans	5,749	4,513	4,714	1,394
Net pension cost	$12,004	$ 10,438	$ 9,077	$ 3,931

Pension cost is computed in accordance with the provisions of SFAS No. 87 for all domestic plans. Pension cost for substantially all foreign plans is based on the provisions of SFAS No. 87 in 1989; in 1988 and 1987, net pension cost of foreign plans is based on the provisions of APB Opinion No. 8 and was $1,840,000 and $2,243,000, respectively.

The following table indicates the plans' funded status and amounts recognized in Greyhound's consolidated balance sheet at December 31, 1989 and 1988:

	United States				Foreign
	Overfunded plans		Underfunded plans		Overfunded plans
(000 omitted)	1989	1988	1989	1988	1989
Actuarial present value of benefit obligations: Vested benefit obligation	$ 66,226	$47,589	$ 17,329	$ 22,378	$40,517
Accumulated benefit obligation	$ 73,852	$58,417	$ 21,506	$ 25,228	$46,824
Projected benefit obligation	$108,469	$86,356	$ 27,627	$ 29,527	$48,351
Market value of plan assets, primarily equity and fixed-income securities	146,748	132,353	11,906	10,061	53,733
Plan assets over (under) projected benefit obligation	38,279	45,997	(15,721)	(19,466)	5,382
Unrecognized transition (asset) obligation	(9,963)	(10,789)	8,017	8,742	(357)
Unrecognized prior service cost reductions	4,592	335	357	(99)	
Unrecognized net loss	516	2,489	2,506	1,116	
Additional minimum liability			(5,293)		
Prepaid (accrued) pension cost	$ 33,424	$38,032	$(10,134)	$ (9,707)	$ 5,025

Weighted-average assumptions used are:

December 31,	United States 1989	1988	1987	Foreign 1989
Discount rate for obligation	9.0%	9.0%	8.8%-9.8%	9.0%
Rates of increase in compensation levels	6.0%	6.0%	6.0%	7.0%-8.0%
Long-term rate of return on assets	9.5%	9.5%	9.5%	9.0%

There are restrictions on the use of excess pension plan assets in the event of a defined change in control of Greyhound.

The cost of medical and life insurance benefits for retirees was $1,456,000, $1,010,000 and $908,000 for 1989, 1988 and 1987, respectively.

Note L Lease obligations

Certain airport and other retail facilities, cruise ships, buses and bus terminals (primarily subleased), plants, offices and equipment are leased. The leases expire in periods ranging from one to 45 years, and some provide for renewal options ranging from one to 25 years. Also, certain leases contain purchase options. Leases which expire are generally renewed or replaced by similar leases.

Capital leases included in the cost of property and equipment aggregate $38,967,000 and $40,992,000 at December 31, 1989 and 1988, respectively, with related accumulated depreciation of $28,005,000 and $28,704,000, respectively.

At December 31, 1989, future minimum rental payments and related sublease rentals receivable with respect to capital leases and noncancellable operating leases with terms in excess of one year are as follows:

(000 omitted)	Capital leases	Operating leases: Airport terminal concessions	Buses	Cruise ships	Other	Total
1990	$ 4,379	$45,562	$19,034	$14,045	$ 42,513	$121,154
1991	4,851	48,956	19,021	14,062	38,700	120,739
1992	4,793	49,717	16,305	14,081	31,516	111,619
1993	4,544	51,673	7,048	14,101	27,478	100,300
1994	4,365	47,929		14,123	22,214	84,266
Thereafter	36,468	51,747		14,126	119,473	185,346
Total future minimum rental payments	59,400	$295,584	$61,408	$84,538	$281,894	$723,424
Less imputed interest	24,393					
Present value of future minimum capital lease payments	$35,007					

At the end of the lease terms, Greyhound has options to purchase the cruise ships and certain other leased assets for an aggregate purchase price of $109,966,000. If the purchase options are not exercised, Greyhound will make residual guarantee payments aggregating $71,928,000 which are refundable to the extent that the lessors' subsequent sales prices exceed certain levels.

(000 omitted)	Rentals receivable under subleases: Buses	Other (principally airport concessions)	Total
1990	$20,598	$ 16,310	$ 36,908
1991	20,598	17,538	38,136
1992	17,885	17,437	35,322
1993	7,325	17,959	25,284
1994		18,887	18,887
Thereafter		29,892	29,892
	$66,406	$118,023	$184,429

Information regarding net operating lease rentals for the three years ended December 31, 1989 is as follows:

(000 omitted)	1989	1988	1987
Minimum rentals	$145,991	$130,795	$ 88,120
Contingent rentals	39,418	38,925	18,676
Sublease rentals	(48,184)	(55,753)	(32,285)
Total net rentals	$137,225	$113,967	$ 74,511

Contingent rentals on operating leases are based primarily on sales and revenues for buildings and leasehold improvements and usage for other equipment.

Greyhound is a 51% partner in a joint venture which is constructing an office building in Phoenix, Arizona. When completed, Greyhound will lease approximately 70% of the building for use as its corporate headquarters complex.

Commencement of the lease is expected to be in April 1991. Future minimum rental payments, before any benefits from Greyhound's interest in the joint venture, are as follows: 1991—$5,741,000; 1992 through 1994—$7,654,000 per year; thereafter—$154,732,000. These amounts are not included in the table of future minimum rental payments.

In the event of a hostile takeover of Greyhound, the other partner has the option to require Greyhound to buy out the other partner's interest, or to require Greyhound to sell its interest in the joint venture to the other partner for predetermined prices.

Note M Litigation and claims

Greyhound and certain subsidiaries are parties to various actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve or may involve compensatory, punitive or other damages in substantial amounts. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims referred to above could be decided against Greyhound. Although the amount of liability at December 31, 1989 with respect to these matters is not ascertainable, Greyhound believes that any resulting liability should not materially affect Greyhound's financial condition.

Note N The Greyhound Corporation and Subsidiaries financial statements (accounting for Financial Group Subsidiaries on the equity method)

The following consolidated financial statements reflect the financial position, results of operations and cash flows of The Greyhound Corporation and subsidiaries with the Financial Group subsidiaries accounted for on the equity method, rather than as consolidated subsidiaries as required by SFAS No. 94. These financial statements are presented in order to provide additional analysis of, and should be read in conjunction with, the consolidated financial statements of The Greyhound Corporation and subsidiaries.

The Greyhound Corporation and Subsidiaries
(Accounting for Financial Group Subsidiaries on the Equity Method)
Consolidated Balance Sheet

December 31, (000 omitted) **Assets**	1989	1988
Current assets:		
Cash and cash equivalents	$ 351	$ 19,754
Funds and agents' receivables restricted for payment service obligations, less demand advances due from parent	714,430	617,860
Receivables	231,195	213,532
Inventories	320,189	296,042
Prepaid expenses and other current assets	92,326	95,066
Total current assets	1,358,491	1,242,254
Property and equipment:		
Land	68,915	84,219
Buildings and leasehold improvements	378,419	381,819
Machinery and other equipment	755,406	750,262
	1,202,740	1,216,300
Less accumulated depreciation	471,009	444,297
	731,731	772,003
Investments and other assets:		
Financial Group subsidiaries	264,339	262,104
GLI Holding Company and subsidiaries	90,598	87,372
Discontinued insurance subsidiaries	196,510	196,868
Prepaid pension costs, net	25,095	25,386
Investments restricted for payment service obligations	116,425	16,540
Other investments and assets	97,310	73,578
	790,277	661,848
Deferred income taxes	42,261	52,554
Intangibles	597,713	578,785
	$3,520,473	$3,307,444

December 31, (000 omitted) **Liabilities and stockholders' equity**	1989	1988
Current liabilities:		
Short-term bank and other loans	$ 122	$ 267
Payment service obligations	894,489	690,028
Accounts payable	258,857	262,873
Accrued compensation	77,219	66,802
Other current liabilities	281,717	255,648
Due to unconsolidated subsidiaries, net	4,606	407
Current portion of long-term debt	8,781	10,469
Total current liabilities	1,525,791	1,286,494
Long-term debt	548,314	625,206
Other liabilities and deferred items:		
Pensions and other benefits	138,191	137,982
Other deferred items and insurance reserves	179,357	202,597
	317,548	340,579
Minority interests	47,246	46,474
$4.75 redeemable preferred stock	6,605	6,603
Common stock and other equity:		
Common stock	72,832	72,832
Additional capital	328,463	327,506
Retained income	985,760	929,529
Cumulative translation adjustments	(1,059)	(2,360)
Unearned employee benefits related to guarantee of ESOP debt	(39,444)	
Common stock in treasury	(271,583)	(325,419)
	1,074,969	1,002,088
	$3,520,473	$3,307,444

The Greyhound Corporation and Subsidiaries
(Accounting for Financial Group Subsidiaries on the Equity Method)
Statement of Consolidated Income

Year ended December 31,	1989	1988	1987
(000 omitted)			
Revenues	$3,268,341	$3,053,968	$2,273,805
Operating costs and expenses:			
Cost of sales and services	2,997,015	2,805,321	2,079,170
Interest	72,679	86,739	61,136
Corporate expense and other items, net	47,149	31,470	18,611
Minority interests	11,216	8,991	5,682
	3,128,059	2,932,521	2,164,599
Income before income taxes	140,282	121,447	109,206
Income taxes	57,192	50,172	46,560
Income of Greyhound and consolidated subsidiaries	83,090	71,275	62,646
Income of Financial Group subsidiaries	25,621	22,033	20,158
Income from continuing operations	108,711	93,308	82,804
Loss from discontinued operations			(51,491)
Income before extraordinary charge and cumulative effect of change in accounting principle	108,711	93,308	31,313
Extraordinary charge			(6,211)
Cumulative effect to January 1, 1988 of initial application of SFAS No. 96		10,750	
Net income	$ 108,711	$ 104,058	$ 25,102

Note N The Greyhound Corporation and Subsidiaries financial statements (accounting for Financial Group Subsidiaries on the equity method)
Continued

The Greyhound Corporation and Subsidiaries
(Accounting for Financial Group Subsidiaries on the Equity Method)
Statement of Consolidated Cash Flows

Year ended December 31,	1989	1988	1987
(000 omitted)			
Cash flows provided (used) by operating activities:			
Net income	$ 108,711	$ 104,058	$ 25,102
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation	83,940	84,023	69,307
Deferred income taxes	5,080	(2,841)	(6,141)
Undistributed net income of Financial Group	(10,649)	(5,487)	(11,735)
Cumulative effect of change in accounting principle		(10,750)	
Extraordinary charge			6,211
Gain on sale of businesses, property and investments	(8,114)	(6,503)	(35,317)
Undistributed loss of discontinued operations			80,645
Other noncash items, net	8,674	6,681	(5,033)
Changes in operating assets and liabilities:			
Receivables and inventories	(56,507)	3,511	(92,209)
Payment service assets and obligations, net	17,652	46,846	21,237
Accounts payable and accrued liabilities	60,301	28,569	27,906
Other transactions with Financial Group	5,511	(4,957)	(7,703)
Other assets and liabilities, net	(32,410)	14,916	27,947
Net cash provided by operating activities	182,189	258,066	100,217
Cash flows provided (used) by investing activities:			
Capital expenditures	(105,669)	(120,142)	(114,760)
Purchases of businesses, net of cash acquired	(51,107)	(21,860)	(352,898)
Proceeds from sale of businesses, property and investments	90,782	135,128	213,235
Investment in discontinued operations	2,831	2,206	(34,620)
Investment in Financial Group	7,333	1,264	(5,025)
Other, net	(2,093)	(1,776)	3,611
Net cash used by investing activities	(57,923)	(5,180)	(290,457)
Cash flows provided (used) by financing activities:			
Sale of receivables		50,000	50,000
Proceeds from long-term borrowings		20,000	230,233
Payments on long-term borrowings	(13,743)	(14,403)	(122,873)
Net change in short-term borrowings	(98,387)	(263,208)	83,353
Proceeds from interest rate swaps		42,311	57,224
Cash payments on outstanding interest rate swaps	(27,505)	(40,673)	(33,801)
Dividends on common and preferred stock	(52,480)	(51,234)	(51,890)
Proceeds from sale of treasury stock	48,485	3,622	10,151
Common stock purchased for treasury	(39)	(23)	(66,063)
Net cash provided (used) by financing activities	(143,669)	(253,608)	156,334
Net decrease in cash and cash equivalents	(19,403)	(722)	(33,906)
Cash and cash equivalents, beginning of year	19,754	20,476	54,382
Cash and cash equivalents, end of year	$ 351	$ 19,754	$ 20,476

Note O Financial Group subsidiaries summary financial information
The following summary combined financial information for the Financial Group subsidiaries is prepared on Greyhound's cost basis. This combined information should be read in conjunction with the consolidated financial statements of The Greyhound Corporation and subsidiaries.

Financial Group Subsidiaries of Greyhound
Summary Combined Balance Sheet

December 31,	1989	1988
(000 omitted) **Assets**		
Investment in financing transactions	$1,961,905	$1,965,799
Cash and cash equivalents	29,242	41,007
Receivables	14,401	24,663
Due from Greyhound, net	4,837	407
Long-term advances due from (to) Greyhound, net	10,000	(2,000)
Other assets	44,774	73,185
	$2,065,159	$2,103,061
Liabilities and Greyhound equity		
Liabilities:		
Short-term bank and other loans	$ 45,323	$ 96,230
Long-term debt	1,375,861	1,332,767
Other liabilities	154,225	189,315
	1,575,409	1,618,312
Taxes due to Greyhound	100	3,702
Deferred income taxes	215,311	220,943
Greyhound equity	274,339	260,104
	$2,065,159	$2,103,061

Financial Group Subsidiaries of Greyhound
Summary of Combined Income

Year ended December 31,	1989	1988	1987
(000 omitted)			
Revenues:			
Finance lease and other income	$250,938	$236,991	$208,601
Gain on disposal of assets	17,572	13,901	18,954
	268,510	250,892	227,555
Operating costs:			
Interest	178,529	167,644	158,229
Provision for possible credit losses	12,571	4,745	10,424
Other	44,282	53,621	41,234
	235,382	226,010	209,887
Income before income taxes	33,128	24,882	17,668
Income taxes (benefit)	7,507	2,849	(2,490)
Income before cumulative effect of change in accounting principle	25,621	22,033	20,158
Cumulative effect to January 1, 1988 of initial application of SFAS No. 96		39,820	
Net income	$ 25,621	$ 61,853	$ 20,158

Financial Group Subsidiaries of Greyhound
Summary of Combined Cash Flows

Year ended December 31,	1989	1988	1987
(000 omitted)			
Cash flows provided (used) by operating activities:			
Net income	$ 25,621	$ 61,853	$ 20,158
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Deferred income taxes	6,144	(9,063)	37,005
Cumulative effect of change in accounting principle		(39,820)	
Provision for possible credit losses	12,571	4,745	10,424
Other noncash items, net	(954)	(2,054)	(264)
Changes in operating assets and liabilities:			
Receivables	54,519	(15,324)	18,852
Short-term liabilities	(53,455)	61,244	(10,366)
Tax benefits (payments) due from (to) Greyhound	(8,683)	3,592	(23,214)
Other transactions with Greyhound	(5,511)	4,957	7,703
Other assets and liabilities, net	1,131	(15,745)	(4,015)
Net cash provided by operating activities	31,383	54,385	56,283
Cash flows provided (used) by investing activities:			
Proceeds from disposal of assets (net of gains of $17,572, $13,901 and $18,954)	27,941	22,648	45,368
Principal collections on financing transactions	491,986	412,281	378,519
Investment in financing transactions	(579,696)	(577,949)	(340,889)
Other, net	(382)	6,074	(1,317)
Net cash provided (used) by investing activities	(60,151)	(136,946)	81,681
Cash flows provided (used) by financing activities:			
Proceeds from long-term borrowings	339,680	431,009	335,400
Payments on long-term borrowings	(297,878)	(379,178)	(444,016)
Sale of receivables	15,000		
Net change in short-term borrowings	(17,494)	22,500	12,500
Dividends paid to Greyhound	(14,972)	(16,546)	(8,423)
Investment by Greyhound	(7,333)	(1,264)	5,025
Net cash provided (used) by financing activities	17,003	56,521	(99,514)
Net increase (decrease) in cash and cash equivalents	(11,765)	(26,040)	38,450
Cash and cash equivalents, beginning of year	41,007	67,047	28,597
Cash and cash equivalents, end of year	$ 29,242	$ 41,007	$ 67,047

The provision (benefit) for income taxes for the three years ended December 31, 1989 consists of the following:

(000 omitted)	1989	1988	1987
Current:			
United States:			
Federal	$ 1,559	$11,042	$(37,187)
State	347	870	(2,335)
Foreign	(543)		27
	1,363	11,912	(39,495)
Deferred:			
United States	4,893	(9,063)	37,005
Foreign	1,251		
	6,144	(9,063)	37,005
Provision (benefit) for income taxes	$ 7,507	$ 2,849	$ (2,490)

A reconciliation of the provision (benefit) for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes is set forth below:

(000 omitted)	1989	1988	1987
Computed income taxes at statutory federal income tax rates of 34%, (1989 and 1988) and 40% (1987)	$11,264	$ 8,460	$ 7,067
Investment tax credits, net of related basis adjustments			(2,364)
Foreign tax differences	(4,179)	(3,235)	
State income taxes (benefit)	382	691	(1,402)
Other, net	40	(3,067)	(5,791)
Provision (benefit) for income taxes	$ 7,507	$ 2,849	$ (2,490)

United States and foreign income before income taxes is as follows:

(000 omitted)	1989	1988	1987
United States	$26,477	$15,371	$ 14,388
Foreign	6,651	9,511	3,280
Income before income taxes	$33,128	$24,882	$ 17,668

The executive, financial, legal, tax, insurance and other corporate staff departments of Greyhound perform certain services for the Financial Group subsidiaries, and, in some cases, Greyhound also furnishes office space, data processing and office services at charges which are intended to provide no profit to Greyhound. The Financial Group domestic subsidiaries have compensating balance arrangements with Greyhound. In addition, the Financial Group subsidiaries have net advances due to or from Greyhound depending upon cash requirements of the entities. Net interest paid to Greyhound was $1,153,000 in 1989, $951,000 in 1988 and $477,000 in 1987.

In 1989 a non-Financial Group subsidiary sold a long-term note receivable for its $7,544,000 book value to a Financial Group subsidiary. During 1988 and 1987, non-Financial Group subsidiaries sold various notes receivable with book values of $8,892,000 and $27,266,000, respectively, and rights to sublease rental payments having present values of $11,953,000 and $39,523,000, respectively, (such rentals due from the principal bus operating subsidiary of GLI Holding) to Financial Group subsidiaries. No gain or loss was recognized on the sales and the assets are classified as investments in financing transactions in the combined balance sheet.

A Financial Group subsidiary provides financing for certain installment sales of new buses manufactured by the Transportation Manufacturing Group, including certain buses leased under operating leases by a non-Financial Group subsidiary. The financial statements of the Financial Group subsidiaries include receivables of $57,996,000, $126,223,000 and $109,923,000 at December 31, 1989, 1988 and 1987, respectively, applicable to such transactions including $26,786,000, $46,103,000 and $56,016,000, respectively, applicable to buses leased by the non-Financial Group subsidiary (and subleased to the principal bus operating subsidiary of GLI Holding). The December 31, 1988 receivable balance also includes $30,537,000 due from the GLI Holding subsidiary secured by new buses manufactured by the Transportation Manufacturing Group, which was repaid during 1989. See Note J of notes to consolidated financial statements for information regarding U.S. federal income tax matters.

Condensed consolidated quarterly results

(000 omitted) (Unaudited)	First quarter 1989	First quarter 1988	Second quarter 1989	Second quarter 1988	Third quarter 1989	Third quarter 1988	Fourth quarter 1989	Fourth quarter 1988
Revenues								
Consumer Products	$224,837	$224,192	$243,425	$253,121	$248,221	$250,146	$225,054	$234,366
Services	402,197	394,364	444,676	422,728	467,798	428,654	447,624	406,846
Transportation Manufacturing	152,895	82,134	159,990	116,160	120,836	113,010	130,788	128,247
Financial	61,860	54,873	77,369	61,530	69,345	65,541	59,936	68,948
	$841,789	$755,563	$925,460	$853,539	$906,200	$857,351	$863,402	$838,407
Operating income								
Consumer Products	$ 16,343	$ 14,973	$ 25,124	$ 23,204	$ 19,994	$ 18,169	$ 19,061	$ 17,291
Services	27,184	25,908	39,428	37,350	48,099	45,719	26,090	21,844
Transportation Manufacturing	12,246	8,364	17,347	15,055	9,356	8,036	11,054	12,734
Financial	5,377	3,728	12,180	7,733	9,725	8,846	5,846	4,575
	$ 61,150	$ 52,973	$ 94,079	$ 83,342	$ 87,174	$ 80,770	$ 62,051	$ 56,444
Net income								
Income from continuing operations								
Greyhound and non-Financial Group subsidiaries	$ 10,896	$ 9,141	$ 27,603	$ 24,407	$ 22,732	$ 19,483	$ 21,859	$ 18,244
Financial Group subsidiaries	3,940	3,655	8,045	6,518	7,453	6,286	6,183	5,574
	14,836	12,796	35,648	30,925	30,185	25,769	28,042	23,818
Cumulative effect to January 1, 1988 of initial application of SFAS No. 96		10,750						
Net income	$ 14,836	$ 23,546	$ 35,648	$ 30,925	$ 30,185	$ 25,769	$ 28,042	$ 23,818
(dollars) **Income per common share**								
Income from continuing operations	$ 0.38	$ 0.33	$ 0.92	$ 0.81	$ 0.75	$ 0.67	$ 0.70	$ 0.61
Cumulative effect to January 1, 1988 of initial application of SFAS No. 96		0.28						
Net income	$ 0.38	$ 0.61	$ 0.92	$ 0.81	$ 0.75	$ 0.67	$ 0.70	$ 0.61

James E. Cunningham
Destin, Florida
Retired Chairman & Chief Executive Officer
McDermott International, Inc., an oil and gas, manufacturing, construction, engineering and trading company

Daniel E. Gill
Rochester, New York
Chairman & Chief Executive Officer
Bausch & Lomb Incorporated, a manufacturer of health care products and scientific instruments

Donald E. Guinn
San Francisco, California
Chairman Emeritus, Former Chairman & Chief Executive Officer
Pacific Telesis Group, a telecommunications and diversified holding company

Jess Hay
Dallas, Texas
Chairman & Chief Executive Officer
Lomas Financial Corporation, a financial services company

Judith K. Hofer
Portland, Oregon
President & Chief Executive Officer
Meier & Frank, a retail department store, division of The May Department Stores Company

John H. Johnson*
Chicago, Illinois
Chairman, Chief Executive Officer & Publisher
Johnson Publishing Company, Inc.
Publishing, broadcasting, cosmetics and hair-care products
Chairman & Chief Executive Officer
Supreme Life Insurance Company
Insurance

Allen E. Paulson
Savannah, Georgia
Chairman & Chief Executive Officer
Gulfstream Aerospace Corporation
The world's leading producer of large corporate business jets

Jack F. Reichert*
Skokie, Illinois
Chairman, President & Chief Executive Officer
Brunswick Corporation, a producer of marine power, recreation and defense products

Dennis C. Stanfill*
Los Angeles, California
President
Stanfill, Bowen & Co., Inc., a private investment and venture capital firm

Robert P. Straetz
Providence, Rhode Island
Retired Chairman & Chief Executive Officer
Textron Inc., a diversified manufacturing company

John W. Teets*
Phoenix, Arizona
Chairman, President & Chief Executive Officer
The Greyhound Corporation

*** Member of Executive Committee**

During the year, board members of The Greyhound Corporation toured Dial's Fort Madison food manufacturing plant in Iowa where Lunch Buckets and Armour Star canned meats are produced.

front,
John H. Johnson
Dennis C. Stanfill
John W. Teets
Judith K. Hofer
Robert P. Straetz

middle,
Jess Hay
Allen E. Paulson

back,
Daniel E. Gill
Donald E. Guinn
Jack R. Reichert
James E. Cunningham

Coming from diverse backgrounds, the Greyhound board of directors provides advice and counsel to the company. A majority of the members are chief executive officers of major United States corporations. Their experienced business and financial acumen provides a balanced perspective in conducting the company's business.

Greyhound Dial Corporation Greyhound Dial Tower Phoenix, AZ 85077

GREYHOUND
DIAL

Exhibit I

VIAD CORP

FORM 10-K
(Annual Report)

Filed 3/25/1994 For Period Ending 12/31/1993

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

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 1993
Commission File Number 001-11015

THE DIAL CORP (Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)

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

Dial Tower, Phoenix, Arizona (Address of principal executive offices)
85077 (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.50 par value	New York Stock Exchange Pacific Coast Stock Exchange
$4.75 Preferred Stock (stated value $100 per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 11, 1994, 46,005,354 shares of Common Stock ($1,50 par value) were outstanding and the aggregate market value of the common Stock (based on its closing price per share on such date) held by nonaffiliates was approximately $1.98 billion.

DOCUMENTS INCORPORATED BY REFERENCE

Documents	Where Incorporated
A portion of Proxy Statement for Annual Meeting of Shareholders to be held May 10, 1994	Part III

PART I

ITEM 1. BUSINESS

The Dial Corp ("Dial" or "Company"), conducts a consumer products and services business focused on North American markets producing annual revenues in excess of $3 billion.

Dial's CONSUMER PRODUCTS segment operates through four divisions, as follows:

PERSONAL CARE, which manufactures and markets DIAL, TONE, SPIRIT, PURE & NATURAL and LIQUID DIAL soaps, and other soap and personal care products;

LAUNDRY, which manufactures and markets PUREX and PUREX ULTRA dry detergent, PUREX heavy duty liquid detergent, TREND, PUREX TOSS 'N SOFT and other laundry products;

HOUSEHOLD, which manufactures and markets RENUZIT air fresheners, BRILLO scouring pads, SNO BOL and SNO DROPS toilet bowl cleaners, PARSONS ammonia, BRUCE floor care products and other household items; and

FOOD, which processes and markets ARMOUR STAR chili, beef stew, corned beef hash and Vienna sausage, TREET luncheon meat and other shelf- stable canned foods, LUNCH BUCKET microwaveable meals and other food products.

Dial's SERVICES business operates in three principal business segments through subsidiary corporations of Dial, as follows:

AIRLINE CATERING AND OTHER FOOD SERVICES, which engages in airline catering operations, providing in-flight meals to more than 60 domestic and international airlines, and operates foodservice facilities ranging from cafeterias in manufacturing plants to corporate executive dining rooms to the food and beverage facilities of the America West Arena in Phoenix, Arizona;

CONVENTION SERVICES, which provides exhibit design and construction and exhibition preparation, installation, electrical, transportation and management services to major trade shows, manufacturers, museums and exhibit halls and other customers; and

TRAVEL AND LEISURE AND PAYMENT SERVICES, which engages in airplane fueling and ground handling, cruise line and hotel/resort operations, recreation and travel services, Canadian intercity bus transportation, and operation of duty-free shops on cruise ships and at international airports, and offers money orders, official checks and negotiable instrument clearing services through a national network of approximately 43,000 retail agents, mid-size bank customers and over 4,500 credit unions in the United States and Puerto Rico.

Dial subsidiaries operate service or production facilities and maintain sales and service offices in the United States, Canada and Mexico. The Company also conducts business in other foreign countries.

Dial had approximately 215 employees at its corporate center at December 31, 1993, providing management, financial and accounting, tax, administrative, legal and other services to its operating units and handling residual matters pertaining to businesses previously discontinued or sold by the Company. Dial is managed by a Board of Directors comprised of 10 nonemployee directors and one employee director and has an executive management team consisting of six Dial officers and seven principal executives of significant operating divisions or companies.

Dial's corporate headquarters and certain Consumer Products division and subsidiary activities are located in Phoenix, Arizona, in a modern high-rise building. A portion of the headquarters building is rented to unaffiliated tenants.

A description of each of the Dial business segments and recent developments in each follows.

CONSUMER PRODUCTS SEGMENT

CONSUMER PRODUCTS is a leading producer and marketer of personal care, laundry, household and shelf-stable food products. This segment is the outgrowth of the Dial personal care and shelf-stable canned meats unit of Armour and Company, expanded in recent years to include PUREX household and laundry products, BORAXO household and industrial specialty products, BRECK hair care products and RENUZIT air fresheners. The segment manufactures and markets a variety of products, including bar and liquid soaps, liquid and powdered detergents, antiperspirants, hairsprays, shampoos, hair conditioners, bleaches, fabric softeners, soap pads, air fresheners, floor care products, household cleaners, fabric sizing, laundry starch products, borax and industrial specialties products, microwaveable food products and canned meats.

PERSONAL CARE

Personal Care products are marketed under a number of brand names, including DIAL, MOUNTAIN FRESH DIAL, TONE, PURE & NATURAL, SPIRIT and FELS NAPTHA soaps, LIQUID DIAL antibacterial soap, BORAXO powdered hand soap and DIAL antiperspirant. Personal Care also markets the BRECK line of hair care products, including hair sprays, shampoos and hair conditioners. DIAL bar soap is the nation's leading deodorant soap and LIQUID DIAL soap is the nation's leading antibacterial liquid soap. SPIRIT bar soap, a three-in-one

combination bar soap that cleans, moisturizes and provides deodorant protection, is now available nationally. In late 1993, DIAL PLUS soap, an antibacterial skin care bar soap with moisturizing ingredients was introduced nationally.
Personal Care also markets hotel amenity products, including personal-size bar soaps under the DIAL, TONE and PURE & NATURAL labels, and industrial specialties products, including hand soaps and soap dispensers, sold under the BORAXO and LURON trademarks, hand and body surface cleaners for the medical market and hand cleaners for the automotive market.

LAUNDRY

Laundry products include brands such as PUREX liquid, powdered and ultra laundry detergents, TREND and ULTRA TREND dry detergents, DUTCH detergents, PUREX TOSS 'N SOFT and STA PUF fabric softeners, MAGIC sizing and starch, BORATEEM dry bleach, STA-FLO starch, and 20 MULE TEAM borax.
In 1993, Laundry introduced several new products and line extensions, including PUREX liquid detergent with bleach, RINSE 'N SOFT fabric softener, ULTRA TREND detergent and CLASSIC PUREX detergent and TREND detergent with bleach.

HOUSEHOLD

Household products include brands such as RENUZIT air fresheners, BRILLO soap pads, SNO BOL and SNO DROPS toilet bowl cleaners, CAMEO powdered cleanser, PARSONS and BO-PEEP ammonia and BRUCE floor care products.
The RENUZIT air freshener brand was acquired in the second quarter of 1993. RENUZIT, a leading brand in the air freshener category, currently offers products for the continuous-action and aerosol segments of the air freshener market, including RENUZIT Adjustable, RENUZIT Aerosol and ROOMMATE products and has completed its rollout of RENUZIT LONGLAST ELECTRIC product, the brand's entry into the electric subsegment of the air freshener category.
In 1993, Household introduced SNO BOL thick toilet bowl cleaner and a larger DOBIE scouring pad.

FOOD

In the shelf-stable food category, CONSUMER PRODUCTS processes and markets ARMOUR STAR and TREET canned meats, LUNCH BUCKET microwaveable meals, APPIAN WAY pizza mix, SUNRISE syrup and CREAM corn starch. ARMOUR STAR products maintain a leading market position in the canned meats category. ARMOUR STAR Vienna sausage, potted meat and dried beef lead their respective segments on a national basis. ARMOUR STAR canned meats now account for nearly one-fifth of all canned meat sales in the United States. During 1993, CONSUMER PRODUCTS introduced ARMOUR hot dog chili sauce, ARMOUR meatless sloppy joe sauce and ARMOUR western-style chili, and began test marketing VILLA LORENZO PASTA FOR ONE microwaveable meals, a seven item line of single-serving dry pastas with sauce pouches.

CUSTOMERS

CONSUMER PRODUCTS sells to over 15,000 customers, primarily in the United States, including supermarkets, drug stores, wholesalers, mass merchandisers, membership club stores and other outlets. These customers are served by a national sales organization of approximately 370 employees organized into 6 individual sales regions plus specialized sales operations which sell to large mass merchandisers, membership club stores, chain drug stores, vending and military customers.

RAW MATERIALS

Ample sources of raw materials are available with respect to all major products of the CONSUMER PRODUCTS segment.

COMPETITION

CONSUMER PRODUCTS competes primarily on the basis of price, brand advertising, customer service, product performance, and product identity and quality. Its operations must compete with numerous well-established local, regional and national companies, some of which are very large and act aggressively in obtaining and defending their products' market shares and brands. Principal competitors, in one or more categories, are Procter & Gamble, Colgate-Palmolive, Lever Brothers Co., American Home Food Products, G. A. Hormel & Co., The Clorox Company, Church & Dwight and S.C. Johnson & Son, Inc.

SERVICES SEGMENTS
SERVICES is built around several company groups which are leading competitors in their businesses, including companies engaged in airline catering (Dobbs International), contract foodservices (Restaura), convention services (GES Exposition Services and Exhibitgroup), payment services (Travelers Express), airplane fueling and ground handling (Aircraft Service International), Canadian intercity bus service (Greyhound Lines of Canada), family cruises (Premier Cruise Lines), airport and cruise ship duty-free businesses (Greyhound Leisure Services), and travel services (Jetsave and Crystal Holidays).
SERVICES provides specialized services to both the business and consumer markets, increasingly in the airline travel and leisure services areas. Its money order business, travel and tour operations, restaurants, fast food outlets, gift shops, national park hotel facilities, cruise ships, and duty-free shops located at airports and on cruise ships are directed primarily to the consumer market. Primarily for the business market, in major cities throughout the United States, SERVICES provides airline in-flight catering operations as well as contract foodservices in the form of cafeteria-style operations, private dining rooms, group catering and machine-vended services; performs services as decorating contractor at

various convention and trade show sites; designs, fabricates, ships and warehouses displays and exhibits for trade shows, conventions and other exhibitions; and engages in aircraft ground-handling services such as aircraft fueling, cleaning and baggage handling.

AIRLINE CATERING AND OTHER FOOD SERVICES

SERVICES conducts airline catering operations under the "Dobbs" name through the Dobbs International group of companies. Dobbs International, which has been conducting airline catering operations since 1941, will become the nation's largest domestic in-flight caterer as a result of its agreement made in November 1993 to acquire from United Airlines 15 in-flight catering kitchens at 12 domestic airports. The acquisition will be phased-in over a period ending in May 1994. Dobbs International will be United's exclusive in-flight caterer at the 12 locations where the kitchens are located. The company also recently expanded its presence in the United Kingdom by the acquisition in February 1994 of 4 catering kitchens in England and Scotland. In 1993, Dobbs International's in-flight catering operations provided in-flight meals to more than 60 domestic and international airlines at 44 airports in the United States plus Heathrow Airport, London, England, and Glasgow Airport, Scotland, and in 1994, as a result of the recent acquisitions, will provide in-flight meals to more than 60 domestic and international airlines at 51 airports. Dobbs International has been involved in a "Quality Improvement Process" for many years and has been recognized for its innovations by its customers and suppliers.

Other food services are provided through the Restaura group of companies. The contract foodservice division of Restaura serves meals to employees at approximately 200 locations, including employees of major companies such as General Motors, IBM and Ford, through cafeteria, executive dining rooms and vending operations. Restaura also acts as the prime concessionaire for all food and beverage services at the America West Arena in Phoenix, Arizona, and operates 7 historic lodges in and around Glacier National Park in Montana and Canada.

CONVENTION SERVICES

Convention services are provided by the Company's GES Exposition and Exhibitgroup companies. GES Exposition, the nation's leading supplier of convention services, provides decorating, exhibit preparation, installation, electrical, transportation and management services for conventions and tradeshows. During 1993 Convention services acquired United Exposition Services Co., Inc., a general-service convention contractor serving locations primarily in the eastern United States; Andrews, Bartlett & Associates, Inc., which has major operations in Chicago, Cleveland, Orlando, New Orleans, Washington, D.C. and Atlanta; and Gelco Convention Services, Inc., which operates principally in the southeastern United States. Exhibitgroup is a leading designer and builder of custom and rental convention exhibits and displays.

TRAVEL AND LEISURE AND PAYMENT SERVICES

Travel and leisure services directed to the consumer market are provided by the Premier Cruise Lines, Greyhound Leisure Services, Jetsave, Crystal Holidays and Greyhound Lines of Canada business units.

Premier Cruise Lines provides three and four-day BIG RED BOAT cruises from Port Canaveral, Florida, to the Bahamas and, commencing in April 1994, from Port Tampa, Florida, to Mexico and Key West, and offers a seven-day package which combines a cruise with a three or four-day vacation at Walt Disney World or Universal Studios and Sea World. Premier operates three cruise ships, the Star/Ship Oceanic, the Star/Ship Atlantic and the Star/Ship Majestic. Cruise destinations offer various underwater diving and snorkeling attractions, historical tours, sandy beaches and shopping opportunities. Premier has contracted with Warner Bros. for the right to use Warner Bros.' famous LOONEY TUNES characters (Bugs Bunny and others) commencing in April 1994 for entertainment on board Premier Cruise Lines' ships. Premier's status as Official Cruise Line of Walt Disney World will expire March 31, 1994.

Greyhound Leisure Services operates duty-free shipboard concessions on 56 cruise ships and also operates duty-free shops at the Chicago, Miami and Fort Lauderdale/Hollywood Florida international airports, and in Washington, D.C. Other recreation and travel services are provided under the Jetsave and Crystal Holidays names. Jetsave and Crystal Holidays are leading United Kingdom operators of tour packages and specialty tours throughout Europe, and from Europe to the United States, Canada and the Bahamas.

Greyhound Lines of Canada Ltd. ("GLOC"), a Canadian publicly traded company, is a 69%-owned subsidiary which operates the largest intercity bus transportation system for passengers, charter service and courier express in Canada. Routes connect with those of other intercity bus carriers, providing interconnecting service to areas of the United States and Canada not served directly by GLOC. GLOC owns and operates 465 intercity coaches. Brewster Transport Company, Ltd., a subsidiary of GLOC, operates tour and charter buses in the Canadian Rockies, engages in travel agency, hotel and snocoach tour operations and holds a joint venture interest in the Mt. Norquay ski attraction in Banff, Canada. Brewster owns and operates 87 intercity coaches, and 13 snocoaches which transport sightseers on tours of the Columbia Icefield.

The Aircraft Service International group of companies provides aircraft ground-handling services such as aircraft fueling, aircraft cleaning and baggage handling for major domestic and foreign airlines at 28 airports throughout the United States and in Freeport, Bahamas and London, England.

The Travelers Express group of companies engages in the sale of money orders to the public through approximately 43,000 agent locations in the United States and Puerto Rico. Travelers Express is the nation's leading issuer of money orders, issuing approximately 236 million money orders in 1993. The United States Postal Service, which is the second largest issuer, issued approximately 180 million money orders in 1993. Travelers Express also provides processing services for more than 4,500 credit unions and other financial institutions which offer share drafts (the credit union industry's version of a personal check) or official checks (used by financial institutions in place of their own bank check or teller check). Republic Money Order Company, a Travelers Express unit, is a leader in the issuance of money orders through chain convenience and supermarket stores and in money order-issuance technology.

Virtually all airport concessions operated by the Company, other than certain concessions at Hartsfield Atlanta International Airport, which are scheduled to expire September 30, 1994, were sold to Host International, Inc., during the second half of 1992.

COMPETITION

SERVICES companies generally compete on the basis of price, quality, convenience and service, and encounter substantial competition from a large number of providers of similar services, including numerous well-known local, regional and national companies, cruise lines, private money order companies and the U.S. Postal Service (money orders), many of which have greater resources than the Company. Dobbs International also competes on the basis of reliability, appearance of kitchen facilities, quality of truck fleet and on-time record. Caterair International Corporation, Sky Chefs, Inc., and Ogden Corporation are the principal competitors of Dobbs International. Freeman Decorating Company is the principal competitor of GES Exposition.
GLOC competes primarily on the basis of price and service. Principal competitors include airlines, private automobiles and other intercity bus lines.

PATENTS AND TRADEMARKS

United States trademark registrations are for a term of 10 years, renewable every 10 years so long as the trademarks are used in the regular course of trade; patents are granted for a term of 17 years. The Dial companies maintain a portfolio of trademarks representing substantial goodwill in the businesses using the marks, and own many patents which give them competitive advantages in the marketplace.
Many trademarks used by CONSUMER PRODUCTS, including DIAL, PURE & NATURAL, ARMOUR STAR, TONE, TREET, PARSONS, BRUCE, PUREX, DUTCH, RENUZIT, BRILLO, SNO BOL, BRECK, TREND, PUREX TOSS N' SOFT, STA PUF, FLEECY WHITE, 20 MULE TEAM, BORAXO, LUNCH BUCKET, and MAGIC trademarks, and by SERVICES, including the DOBBS, PREMIER CRUISE LINES, BIG RED BOAT and TRAVELERS EXPRESS service marks, have substantial importance and value. Use of the ARMOUR and ARMOUR STAR trademarks by CONSUMER PRODUCTS is permitted by a license expiring in 2043 granted by ConAgra, Inc. and use of the 20 MULE TEAM trademark is permitted by a perpetual license granted by U.S. Borax, Inc. In addition, certain subsidiaries within SERVICES use the Greyhound and the Image of the Running Dog marks in connection with their businesses. CONSUMER PRODUCTS also has the right, pursuant to license agreements, to operate under certain third-party patents covering specific technologies.

GOVERNMENT REGULATION

Substantially all of the operations of CONSUMER PRODUCTS and many of the operations of SERVICES are subject to various federal laws and agency regulation, in particular, the Food, Drug and Cosmetic Act, the Food and Drug Administration, the Department of Agriculture, the Federal Maritime Commission, and various state laws and regulatory agencies. In addition, other subsidiaries of Dial are subject to similar laws and regulations imposed by foreign jurisdictions. Both rates and routes of GLOC are regulated by federal and provincial authorities of Canada.

ENVIRONMENTAL

Dial and its subsidiaries are subject to various environmental laws and regulations in the United States, Canada and other foreign countries where they have operations or own real estate. Dial cannot accurately predict future expenses or liability which might be incurred as a result of such laws and regulations. However, Dial believes that any liabilities resulting therefrom, after taking into consideration Dial's insurance coverage and amounts previously provided, should not have any material adverse effect on Dial's financial position or results of operations.

EMPLOYEES

EMPLOYMENT AT DECEMBER 31, 1993

SEGMENT	APPROXIMATE NUMBER OF EMPLOYEES	EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS
Consumer Products	4,000	2,100
Airline Catering and Other Food Services	11,900	5,800
Convention Services	2,500	1,100
Travel and Leisure and Payment Services	7,600	3,200

Dial believes that relations with its employees are satisfactory and that collective bargaining agreements expiring in 1994 will be renegotiated in the ordinary course without adverse effect on Dial's operations.

SEASONALITY

The first quarter is normally the slowest quarter of the year for Dial. Consumption patterns, current marketing practices and competition cause CONSUMER PRODUCTS' revenues and operating income to be highest in the second and fourth quarters. Due to increased leisure travel during the summer and year-end holidays, Dial's airline catering, cruise ship and intercity bus travel operations experience peak activity at these times. Convention service companies generally experience increased activity during the first half of the year.

RESTRUCTURING MATTERS

On August 5, 1993, Dial completed the initial public offering of 20 million shares of common stock of Motor Coach Industries International, Inc. (NYSE:MCO), its transportation manufacturing and service parts subsidiary. The transaction followed the March 1992 spin-off of GFC Financial Corporation (NYSE:GFC), a corporation which comprised substantially all of the financial services and insurance businesses of Dial, and was the final step in Dial's restructuring plan to focus its financial and management resources on its consumer products and services

business.
See Note D of Notes to Consolidated Financial Statements for further information concerning the sale of the Company's transportation manufacturing and service parts segment and the spin-off of GFC Financial Corporation.

REINCORPORATION MERGER
At a special meeting of shareholders of The Dial Corp, an Arizona Corporation ("Arizona Dial"), held on March 3, 1992, shareholders of Arizona Dial approved a reincorporation merger proposal to change Arizona Dial's state of incorporation from Arizona to Delaware by means of a merger in which Arizona Dial would be merged with and into Dial. The merger was effected on March 3, 1992.

BUSINESS SEGMENTS
Principal business segment information is set forth in Annex A attached hereto and made a part hereof.

ITEM 2. PROPERTIES
During December 1993, a subsidiary of Dial acquired the corporation which owned the remaining 49% interest in a joint venture which owns Dial's headquarters building.
Dial owns a 200,000-square-foot facility in Scottsdale, Arizona, which is used by the CONSUMER PRODUCTS segment to conduct much of its research and certain other activities.
CONSUMER PRODUCTS operates 13 plants in the United States, 1 plant in Mexico, and 7 offices in 7 foreign countries. All of the plants are owned; 6 of the offices are leased. Principal manufacturing plants are as follows:

LOCATION	SQ. FEET	PRODUCTS MANUFACTURED
Aurora, IL	425,000	Bar Soaps
Fort Madison, IA	453,000	Canned Meats, Microwaveable Meals
St. Louis, MO	475,000	Bleach, Ammonia, Fabric Softener, Laundry Detergents
Bristol, PA	253,700	Dry Detergents and Cleansers
Hazelton, PA	232,000	Liquid Detergents, Ammonia, Scouring Pads, Fabric Softener
Auburndale, FL	208,000	Bleach, Ammonia, Fabric Softener, Dishwashing Detergents
Memphis, TN	130,000	Dial Liquid Soap, Antiperspirants, Shampoos and Conditioners, Hotel Amenities (shampoos, conditioners and hand lotions)

AIRLINE CATERING AND OTHER FOOD SERVICES operates 14 offices, 53 catering kitchens, 37 foodservice facilities and 7 lodges with ancillary foodservice and recreational facilities. All of the properties are in the United States, except for 2 catering kitchens, 1 foodservice facility and 1 lodge which are located in foreign countries. Ten of the catering kitchens, 2 hotels and 3 of the foodservice facilities are owned; all other properties are leased. Five of the hotels are operated pursuant to a concessionaire agreement.
CONVENTION SERVICES operates 29 offices and 26 exhibit construction and warehouse facilities. All of the properties are in the United States. One of the offices and one of the warehouses are owned; all other properties are leased.
TRAVEL AND LEISURE AND PAYMENT SERVICES operates 54 offices, 191 duty-free shops, 3 cruise ships and 6 hotels with ancillary foodservice and recreational facilities. All of the properties are in the United States, except for 9 offices and 3 hotels, which are located in foreign countries. Travel and Leisure and Payment Services owns 2 of the hotels, leases 1 of the hotels, has a partial interest in the other hotel for which it is also the lessee and operator, and operates 2 of the hotels under management contract. One of the cruise ships is owned; all other properties are leased. Approximate passenger capacity of the cruise ships is 1600, 1500 and 1000 persons, respectively. This segment also operates certain airport concessions which, as discussed earlier, are scheduled to expire September 30, 1994.
GLOC operates 10 terminals and 7 garages in Canada. Five terminals and 6 garages are owned; the other properties are leased. In addition, bus stop facilities at approximately 600 locations in Canada are provided by commission agents. Principal properties of GLOC are as follows:

LOCATION	SQ. FEET	FUNCTION
Calgary, Alberta	179,000	Terminal and Headquarters Office
Edmonton, Alberta	63,000	Terminal
London, Ontario	12,000	Terminal
Vancouver, British Columbia	23,000	Terminal
Winnipeg, Manitoba	21,000	Terminal
Edmonton, Alberta	23,000	Garage
Winnipeg, Manitoba	39,000	Garage
Toronto, Ontario	46,000	Garage
Vancouver, British Columbia	16,000	Garage
Calgary, Alberta	135,000	Maintenance and Overhaul Center

Of the property owned by Dial, only the facility in Auburndale, Florida, is subject to a mortgage with $3,989,000 outstanding at December 31, 1993.

Management believes that Dial's facilities in the aggregate are adequate and suitable for their purposes and that capacity is sufficient for current needs.

ITEM 3. LEGAL PROCEEDINGS

During the fourth quarter of 1993, the Company settled the matter of John E. Washburn, Director of Insurance for the State of Illinois, as Liquidator of Pine Top Insurance Company vs. Ralph C. Batastini, et al. The net cost of the settlement is not material to the Company and is being charged against a previously provided reserve. The lawsuit was instituted June 20, 1988, in Circuit Court of Cook County, Illinois. Plaintiff alleged negligent management on the part of certain directors and officers of Pine Top Insurance Company ("PTIC"), a discontinued insurance operation.

On February 14, 1992, Transportation Manufacturing Corporation, a former subsidiary of Dial ("TMC"), filed a lawsuit against Chicago Transit Authority ("CTA") in the United States District Court for the District of New Mexico. The lawsuit arises from a contract between TMC and CTA for the manufacture and delivery of 491 wheelchair-lift transit buses. In addition to relief from any liquidated damages for late deliveries, TMC is seeking reimbursement for increased costs due to changes, delays and interferences TMC alleges were caused by CTA. TMC is also seeking treble damages under the New Mexico Unfair Trade Practices Act, alleging that CTA breached its covenant of good faith and fair dealing in the handling of this contract with TMC. TMC was divested by the Company in connection with its sale of MCII in August 1993, but the Company retained rights to certain recoveries, indemnified MCII against certain costs and damages and continued to direct the litigation pursuant to a Litigation Cooperation Agreement. On January 12, 1994, TMC and CTA agreed on a tentative settlement under which the Company would realize certain recoveries. Settlement documents are being finalized.

The Company and certain subsidiaries are parties either as plaintiffs or defendants to various other actions, proceedings and pending claims, certain of which are or purport to be class actions. The pending cases range from claims for additional employment benefits to cases involving accidents, injuries, product liability or business contract disputes, certain of which involve claims for compensatory, punitive or other damages in material amounts. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims referred to above could be decided against Dial. Although the amount of liability at December 31, 1993, with respect to matters where Dial is defendant is not ascertainable, Dial believes that any resulting liability should not materially affect Dial's financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS.

No matters were submitted to a vote of securityholders during the fourth quarter of 1993.

OPTIONAL ITEM. EXECUTIVE OFFICERS OF REGISTRANT.

The names, ages and positions of the executive officers of the Company as of March 15, 1994, are listed below:

NAME	AGE	OFFICE	EXECUTIVE POSITION HELD SINCE
John W. Teets	60	Chairman, President and Chief Executive Officer and Director and Chairman of Executive Committee of Registrant	1982
Frederick G. Emerson	60	Vice President and Secretary of Registrant	1977
Joan F. Ingalls	45	Vice President-Human Resources of Registrant	1991
F. Edward Lake	59	Vice President-Finance of Registrant	1987
L. Gene Lemon	53	Vice President and General Counsel of Registrant	1979
Richard C. Stephan	54	Vice President-Controller of Registrant	1980
William L. Anthony	51	Executive Vice President-Administration and Controller, Consumer Products Group of Registrant	1987
Robert H. Bohannon	49	President and Chief Executive Officer of Travelers Express	1993

		Company, Inc., a subsidiary of Registrant	
Mark R. Shook	39	Executive Vice President-General Manager, Laundry and International Divisions, Consumer Products Group of Registrant	1994
Karen L. Hendricks	46	Executive Vice President-General Manager, Personal Care Division, Consumer Products Group of Registrant	1992
Frederick J. Martin	59	President of Dobbs International Services, Inc., a subsidiary of Registrant	1985
Andrew S. Patti	53	President and Chief Operating Officer of the Consumer Products Group of Registrant	1986
Norton D. Rittmaster	59	Chairman and Chief Executive Officer of GES Exposition Services, Inc., a subsidiary of Registrant	1983
Position currently vacant		Executive Vice President-General Manager, Food Division, Consumer Products Group of Registrant	

Each of the foregoing officers, with the exceptions set forth below, has served in the same, similar or other executive positions with Dial or its subsidiaries for more than the past five (5) years.

Ms. Ingalls has served in her current, or a similar, position since 1990, and prior thereto as Executive Director of Compensation and Benefits of the Registrant.

Mr. Bohannon was elected as President and Chief Executive Officer of Travelers Express Company, Inc. effective March 15, 1993. Prior thereto, he was a senior officer at Marine Midland Bank of Buffalo, New York.

Prior to 1992, Ms. Hendricks was employed at Procter & Gamble as Manager, Worldwide Strategic Planning, Health and Beauty Aids, and prior thereto, as General Manager, US Vidal Sassoon Hair Care Company.

Prior to March 1994, Mr. Shook was Executive Vice President- General Manager, Food and International Divisions, and prior thereto was Vice President and General Manager of the commercial markets business unit of Registrant's Consumer Products Group.

The term of office of the executive officers is until the next annual organization meetings of the Boards of Directors of Dial or appropriate subsidiaries, all of which are scheduled for April or May of this year.

The Directors of Dial are divided into three classes, with the terms of one class of Directors to expire at each Annual Meeting of Stockholders. The current term of office of John W. Teets is scheduled to expire at the 1994 Annual Meeting of Stockholders. Mr. Teets has been nominated for reelection at that meeting for a term expiring in May 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal market on which the common stock of Dial is traded is the New York Stock Exchange. The common stock is also listed for trading on the Pacific Exchange, and admitted for trading on the Midwest, Philadelphia and Cincinnati Exchanges. The following tables summarize the high and low market prices as reported on the New York Stock Exchange Composite Tape and the cash dividends declared for the two years ended December 31, 1993:

SALES PRICE RANGE OF COMMON STOCK

CALENDAR QUARTERS	1993 HIGH	1993 LOW	1992 HIGH	1992 LOW
First	$44 1/2	$39	$50 5/8(1)	$37 3/8(1)
Second	43 7/8	36 7/8	39 3/8	33 3/8
Third	41 1/8	35 7/8	39 1/2	35 1/2
Fourth	42 1/4	36 3/4	42	37

DIVIDENDS DECLARED ON COMMON STOCK

CALENDAR QUARTERS	1993	1992(2)
February	$ .28	$ .35
May	.28	.28
August	.28	.28
November	.28	.28
TOTAL	$1.12	$1.19

(1) On March 18, 1992, the spin-off of GFC Financial Corporation to the Company's stockholders became effective. The closing price of Dial's shares immediately prior to the spin-off was $49 and immediately after the spin-off was $40, as a result of the special distribution. The high and low prices for the period January 1 through March 17, 1992, were $50 5/8 and $45 3/8, respectively. The high and low prices for the period March 18 through March 31, 1992, were $40 1/4 and $37 3/8, respectively.

(2) The decline in dividends declared per common share in 1992 and 1993 reflects the spin-off of GFC Financial Corporation.

Regular quarterly dividends have been paid on the first business day of January, April, July and October.

As of March 11, 1994, there were 49,576 holders of record of Dial's common stock.

ITEM 6. SELECTED FINANCIAL DATA.

Applicable information is included in Annex A.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Applicable information is included in Annex A.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

1. Financial Statements--See Item 14 hereof.

2. Supplementary Data--See Condensed Consolidated Quarterly Results in Annex A.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information regarding Directors of the Registrant is included in Dial's Proxy Statement for Annual Meeting of Shareholders to be held on May 10, 1994 ("Proxy Statement"), and is incorporated herein and made a part hereof. The information regarding executive officers of the Registrant is found as an Optional Item in Part I hereof.

ITEM 11. EXECUTIVE COMPENSATION.
The information is contained in the Proxy Statement and is incorporated herein and made a part hereof.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information is contained in the Proxy Statement and is incorporated herein and made a part hereof.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.
None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) List the following documents filed as a part of the report:

1. FINANCIAL STATEMENTS. The following are included in Annex A: Independent Auditors' Report and consolidated financial statements (Balance Sheet, Income, Cash Flows, Common Stock and Other Equity, and Notes to Financial Statements).

2. FINANCIAL STATEMENT SCHEDULES.

Independent Auditors' Report on Schedules to Consolidated Financial Statements of The Dial Corp is found on page F-1 of Annex A.

Schedule I--Marketable Securities --Other Security Investments is found on page F-2 of Annex A.

Schedule IX--Short-term Borrowings.

This information is included in Management's Discussion and Analysis of Results of Operations and Financial Condition and Note G--Short-Term Debt in Annex A and is incorporated herein by reference.

Schedule X--Supplementary Income Statement Information is found on page F-3 of Annex A.

3. EXHIBITS.

3.A	Copy of Restated Certificate of Incorporation of Dial, as amended through March 3, 1992, filed as Exhibit (3)(A) to Dial's 1991 Form 10-K, is hereby incorporated by reference.
3.B	Copy of Bylaws of Dial, as amended through February 21, 1992, filed as Exhibit (3)(B) to Dial's 1991 Form 10-K, is hereby incorporated by reference.
4.A	Instruments with respect to issues of long-term debt have not been filed as exhibits to this Annual Report on Form 10-K if the authorized principal amount of any one of such issues does not exceed 10% of total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of each such instrument to the Securities and Exchange Commission upon request.
4.B	Copy of Amended and Restated Credit Agreement dated as of December 15, 1993, among Dial, the Banks parties thereto, Bank of America National Trust and Savings Association as Agent and Reporting Agent and Citibank, N.A. as Agent and Funding Agent.*

10.A	Copy of Employment Agreement between Dial and John W. Teets dated April 14, 1987, filed as Exhibit (10)(A) to Dial's 1989 Form 10-K, is hereby incorporated by reference.+
10.B	Sample forms of Contingent Agreements relating to funding of Supplemental Executive Pensions, filed as Exhibit (10)(T) to Dial's 1989 Form 10-K, is hereby incorporated by reference.+
10.C	Copy of The Dial Corp Supplemental Pension Plan, amended and restated as of January 1, 1987, filed as Exhibit (10)(F) to Dial's 1986 Form 10-K, is hereby incorporated by reference.+
10.C1	Copy of amendment dated February 21, 1991, to The Dial Corp Supplemental Pension Plan, filed as Exhibit (10)(G)(i) to Dial's 1990 Form 10-K, is hereby incorporated by reference.+
10.D	Copy of The Dial Corp 1992 Deferred Compensation Plan for Directors, adopted November 20, 1980, as amended through February 21, 1991, filed as Exhibit (10)(H) to Dial's 1990 Form 10-K, is hereby incorporated by reference.+
10.E	Copy of The Dial Corp Management Incentive Plan.*+
10.F1	Copy of form of Executive Severance Agreement between Dial and three executive officers, filed as Exhibit (10)(G)(i) to Dial's 1991 Form 10-K, is hereby incorporated by reference.+
10.F2	Copy of forms of The Dial Corp Executive Severance Plans covering certain executive officers, filed as Exhibit (10)(G)(ii) to Dial's 1992 Form 10-K, is hereby incorporated by reference.+
10.G	Copy of Travelers Express Company, Inc. Supplemental Pension Plan, filed as Exhibit (10)(L) to Dial's 1984 Form 10-K, is hereby incorporated by reference.+
10.H	Copy of Greyhound Dial Corporation 1983 Stock Option and Incentive Plan, filed as Exhibit (28) to Dial's Registration Statement on Form S-8 (Registration No. 33-23713), is hereby incorporated by reference.+
10.I	Copy of The Dial Corp 1992 Stock Incentive Plan, filed as Exhibit (10)(J) to Dial's 1991 Form 10-K, is hereby incorporated by reference.+
10.J	Description of Spousal Income Continuation Plan, filed as Exhibit 10(Q) to Dial's 1985 Form 10-K, is hereby incorporated by reference.+
10.K	Copy of The Dial Corp Director's Retirement Benefit Plan, filed as Exhibit (10)(R) to Dial's 1988 Form 10-K, is hereby incorporated by reference.+
10.L	Copy of The Dial Corp Performance Unit Incentive Plan.*+
10.M	Copy of The Dial Corp Supplemental Trim Plan, filed as Exhibit (10)(S) to Dial's 1989 Form 10-K, is hereby incorporated by reference.+
10.N	Copy of Employment Agreement between Greyhound Exposition Services and Norton Rittmaster dated May 20, 1982, filed as Exhibit (10)(O) to Dial's 1992 Form 10-K, is hereby incorporated by reference.+
10.O	Copy of Greyhound Exposition Services, Inc. Incentive Compensation Plan, filed as Exhibit (10)(P) to Dial's 1992 Form 10-K, is hereby incorporated by reference.+
10.P	Copy of The Dial Corp Performance-Based Stock Plan.*+
10.Q	Copy of The Dial Corp Deferred Compensation Plan.*+
11	Statement Re Computation of Per Share Earnings.*

22	List of Subsidiaries of Dial.*
23	Consent of Independent Auditors to the incorporation by reference into specified registration statements on Form S-3 or on Form S-8 of their reports contained in or incorporated by reference into this report.*
24	Power of Attorney signed by directors of Dial.*

*Filed herewith.
+Management contract or compensation plan or arrangement.

Note: The 1993 Annual Report to Securityholders will be furnished to the Commission when, or before, it is sent to securityholders.

(b) REPORTS ON FORM 8-K. A report on Form 8-K dated October 1, 1993, was filed by the Registrant. The Form 8-K reported under Item 5 the reclassifications of previously filed financial statements and other financial information related to the disposition of Dial's Transportation Manufacturing and Service Parts segment. Included with the 8-K report as Exhibit No. 28 were financial statements and other financial information reflecting the restatements required by such disposition. The financial statements and financial information contained in Dial's 1992 Annual Report on Form 10-K and Quarterly Reports on Form 10-Q for the quarters ended March 31, 1993, and June 30, 1993, were modified or superseded to the extent that the information contained in the Form 8-K modified or superseded such statements and other information.

SIGNATURES

Pursuant to the requirements of Section 13 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, in Phoenix, Arizona, on the 25th day of March, 1994.

THE DIAL CORP

By: /s/ John W. Teets
John W. Teets
Chairman, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Principal Executive Officer

Date: March 25, 1994 — *By: /s/ John W. Teets*
John W. Teets
Director; Chairman, President
and Chief Executive Officer

Principal Financial Officer

Date: March 25, 1994 — *By: /s/ F. Edward Lake*
F. Edward Lake
Vice President-Finance

Principal Accounting Officer

Date: March 25, 1994 — *By: /s/ Richard C. Stephan*
Richard C. Stephan
Vice President-Controller

Directors

James E. Cunningham
Joe T. Ford
Thomas L. Gossage
Donald E. Guinn
Jess Hay
Judith K. Hofer
Jack F. Reichert

Linda Johnson Rice
Dennis C. Stanfill
A. Thomas Young

Date: March 25, 1994

By: /s/ Richard C. Stephan
Richard C. Stephan
Attorney-in-Fact

ANNEX "A"

THE DIAL CORP

1993 FINANCIAL INFORMATION

THE DIAL CORP
SELECTED FINANCIAL AND OTHER DATA

Year ended December 31,	1993	1992	1991	1990	1989
OPERATIONS (000 omitted)					
Revenues	$ 3,000,342	$ 2,874,088	$ 2,827,849	$ 2,851,535	$ 2,744,611
Income from continuing operations (1)	$ 110,273	$ 74,351	$ 25,755	$ 75,418	$ 40,990
Income (loss) from discontinued operations (2)	32,120	(45,125)	(83,363)	(59,045)	67,721
Income (loss) before extraordinary charge and cumulative effect of change in accounting principle	142,393	29,226	(57,608)	16,373	108,711
Extraordinary charge for early retirement of debt	(21,908)				
Cumulative effect of change in accounting principle - SFAS No. 106		(110,741)			
Net income (loss)	$ 120,485	$ (81,515)	$ (57,608)	$ 16,373	$ 108,711
INCOME (LOSS) PER COMMON SHARE (dollars)					
Continuing operations (1)	$ 2.56	$ 1.74	$ 0.62	$ 1.87	$ 1.02
Discontinued operations (2)	0.75	(1.07)	(2.09)	(1.49)	1.73
Income (loss) before extraordinary charge and cumulative effect of change in accounting principle	3.31	0.67	(1.47)	0.38	2.75
Extraordinary charge	(0.51)				
Cumulative effect of change in accounting principle		(2.64)			
Net income (loss) per common share	$ 2.80	$ (1.97)	$ (1.47)	$ 0.38	$ 2.75
Dividends declared per common share (3)	$ 1.12	$ 1.19	$ 1.40	$ 1.36	$ 1.32
Average outstanding common and equivalent shares (000 omitted)	42,703	42,013	39,911	39,625	39,128

FINANCIAL POSITION AT YEAR-END (000 omitted)					
Total assets	$ 3,281,088	$ 3,156,998	$ 3,493,656	$ 3,417,956	$ 3,411,862
Total debt	635,892	707,111	550,017	543,540	532,258
$4.75 Redeemable preferred stock	6,624	6,620	6,615	6,610	6,605
Common stock and other equity (3)	469,688	390,395	940,721	1,027,382	1,074,969
PEOPLE					
Stockholders of record	51,300	50,688	56,358	59,623	63,440
Employees of continuing businesses (average)	25,025	26,765	29,042	32,009	31,916

(1) After deducting restructuring and other charges of $19,800,000 (after-tax) or $0.47 per share in 1992 and $54,871,000 (after-tax) or $1.37 per share in 1991. See Note C of Notes to Consolidated Financial Statements. Also after deducting $9,128,000 (after-tax), or $0.22 per share, in 1992 for increased ongoing expense following adoption of SFAS No. 106 effective as of January 1, 1992. Years prior to 1992 do not include such expenses.

(2) See Note D of Notes to Consolidated Financial Statements.

(3) The declines in dividends declared per common share in 1993 and 1992 and in common stock and other equity in 1992 reflect the spin-off of GFC Financial as discussed further in Note D of Notes to Consolidated Financial Statements.

MANAGEMENT'S REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The Dial Corp and its subsidiaries has the responsibility for preparing and assuring the integrity and objectivity of the accompanying financial statements and other financial information in this report. The financial statements were developed using generally accepted accounting principles and appropriate policies, consistently applied, except for the change in 1992 to comply with new accounting requirements for postretirement benefits other than pensions as discussed in Note L of Notes to Consolidated Financial Statements. They reflect, where applicable, management's best estimates and judgments and include disclosures and explanations which are relevant to an understanding of the financial affairs of the Company.

The Company's financial statements have been audited by Deloitte & Touche, independent auditors elected by the stockholders. Management has made available to Deloitte & Touche all of the Company's financial records and related data, and has made appropriate and complete written and oral representations and disclosures in connection with the audit.

Management has established and maintains a system of internal control that it believes provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets and the prevention and detection of fraudulent financial reporting. The system of internal control is believed to provide for appropriate division of responsibilities and is documented by written policies and procedures that are utilized by employees involved in the financial reporting process. Management also recognizes its responsibility for fostering a strong ethical climate. This responsibility is characterized and reflected in the Company's Code of Corporate Conduct, which is communicated to all of the Company's executives and managers.

The Company also maintains a comprehensive internal auditing function which independently monitors compliance and assesses the effectiveness of the internal controls and recommends possible improvements thereto. In addition, as part of their audit of the Company's financial statements, the independent auditors review and evaluate selected internal accounting and other controls to establish a basis for reliance thereon in determining the audit tests to be applied. There is close coordination of audit planning and coverage between the Company's internal auditing function and the independent auditors. Management has considered the recommendations of both internal auditing and the independent auditors concerning the Company's system of internal control and has taken actions believed to be cost-effective in the circumstances to implement appropriate recommendations and otherwise enhance controls. Management believes that the Company's system of internal control accomplishes the objectives discussed herein.

The Board of Directors oversees the Company's financial reporting through its Audit Committee, which regularly meets with management representatives and, jointly and separately, with the independent auditors and internal auditing management to review accounting, auditing and financial reporting matters.

/s/ Ermo S. Bartoletti
Ermo S. Bartoletti
Vice President - Internal Auditing

/s/ Richard C. Stephan
Richard C. Stephan
Vice President - Controller

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of The Dial Corp:

We have audited the accompanying consolidated balance sheets of The Dial Corp as of December 31, 1993 and 1992, and the related consolidated statements of income, common stock and other equity and of cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Dial Corp as of December 31, 1993 and 1992, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in Note L of Notes to Consolidated Financial Statements, the Company changed its method of accounting for postretirement benefits other than pensions in 1992.

/s/ Deloitte & Touche
Deloitte & Touche
Phoenix, Arizona
February 25, 1994

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE DIAL CORP

RESULTS OF OPERATIONS:

Dial is a diversified company which sells products and provides services in many markets. Because of this diversity, components of net income are affected, some favorably, others unfavorably, by general economic conditions and other fluctuations which occur in the various markets each year. Inflation has not materially affected operations in recent years.

Dial sold its Transportation Manufacturing and Service Parts Group in 1993 and spun-off GFC Financial Corporation ("GFC Financial") in 1992. The Transportation Manufacturing and Service Parts Group and GFC Financial are presented as discontinued operations for all periods. Such dispositions are discussed further in Note D of Notes to Consolidated Financial Statements.

1993 VS. 1992:

Revenues for 1993 were $3 billion compared with $2.9 billion in 1992.

Income from continuing operations was $110.3 million in 1993, or $2.56 per share. Before restructuring and other charges, income from continuing operations in 1992 was $94.2 million, or $2.21 per share. After restructuring and other charges of $19.8 million, or $0.47 per share, Dial had income from continuing operations of $74.4 million, or $1.74 per share, in 1992.

Year ended December 31,	1993	1992
INCOME FROM CONTINUING OPERATIONS (000 omitted):		
BEFORE RESTRUCTURING AND OTHER CHARGES	$ 110,273	$ 94,151
Restructuring and other charges		(19,800)
INCOME FROM CONTINUING OPERATIONS	$ 110,273	$ 74,351
INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS (dollars):		
BEFORE RESTRUCTURING AND OTHER CHARGES	$ 2.56	$ 2.21
Restructuring and other charges		(0.47)
INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS	$ 2.56	$ 1.74

CONSUMER PRODUCTS. The Consumer Products Group's revenues were up $144.7 million, or 11 percent from those in 1992. Operating income was up $20.6 million, or 17 percent over 1992 amounts.

Personal Care Division revenues declined $700,000 due primarily to a decline in the sales of Breck hair care products. Offsetting this decline were strong showings by all other personal care products, especially the Dial label products. Personal Care Division operating income increased by $6.4 million due primarily to the increase in Dial product revenues and reduced manufacturing costs. The Breck decline was substantially offset by reduced marketing costs.

Food Division revenues increased $11.6 million from those of 1992 due to increases in the canned meat line offset in part by a decline in microwaveable product revenue. Operating income increased by $2.3 million primarily due to the favorable sales mix, the pricing of canned meats and reductions in manufacturing costs of microwaveable products.

Household and Laundry Division revenues increased $130 million from 1992, led by strong performances in liquid detergents and liquid fabric softeners. The addition of Rinse 'n Soft as a new product in the liquid fabric softener category and the acquisition of Renuzit during the 1993 second quarter contributed to the favorable comparisons between periods. Operating income increased $10.8 million over 1992 amounts, reflecting higher revenue and improved margins. Margins increased as a result of reduced marketing expenses associated with a modified everyday low pricing strategy.

International revenues and operating results increased $3.8 million and $1.1 million, respectively, from those of 1992 due primarily to an expansion program.

SERVICES. During 1993, Dial redefined its Services business into three principal segments for financial reporting purposes. Excluding certain airport concession operations, which were sold in September, 1992, and excluding the effects of $30 million of restructuring charges in 1992, combined Services revenues and operating income increased $109.6 million, or 8 percent, and $11.3 million, or 9 percent, respectively.

AIRLINE CATERING AND OTHER FOOD SERVICES. Revenues of the Airline Catering and Other Food Services Group declined $26.2 million from those of 1992, while operating income increased $6.1 million. Airline catering revenues decreased $21.4 million from those of 1992 due primarily to service cutbacks by major airlines and the effects of the air fare discounts which had boosted 1992 volume; however, operating income was up $600,000 due to new customers and stringent cost controls. The contract food service companies' revenues were down $4.8 million, due primarily to closing marginal locations in 1992. Operating income increased $5.5 million from last year's results, due primarily to a gain from curtailment of a postretirement benefit plan in 1993.

CONVENTION SERVICES. Convention Services Group revenues and operating income increased $117.6 million and $7.6 million, respectively, from those in 1992. Growth in existing business, the inclusion of operations of United Exposition Service Co., Inc. and Andrews, Bartlett and Associates, Incorporated, which were acquired during the second and fourth quarters, respectively, contributed to the increases.

TRAVEL AND LEISURE AND PAYMENT SERVICES. Revenues for the Travel and Leisure and Payment Services Group declined $109.9 million, and, excluding the effects of $30 million of restructuring charges in 1992, operating income declined $11.7 million from 1992 results. The declines were primarily attributable to the sale, in late September 1992, of most of Dial's food and merchandise airport terminal concession operations; as a result, revenues and operating income of sold and miscellaneous operations declined $113.9 million and $6.8 million, respectively, from those in 1992.

Revenues and operating income for aircraft fueling and other ground-handling services declined $3.7 million and $100,000, respectively, due primarily to lower foreign exchange rates.

Revenues and operating income of the transportation services companies increased $5.5 million and $2.9 million, respectively, from those of 1992. Continued emphasis on cost control programs, the acquisition of a small transportation services company in late 1992 and a gradually recovering Canadian economy contributed to the improved operating results.

Cruise revenues were down $20.4 million and operating results decreased $8.3 million from those of 1992 due to lower passenger counts, increased competition, the major dry-dock of the Oceanic in the 1993 first quarter and the introduction of a new itinerary for the Majestic out of Port Everglades during the second quarter of 1993. Reductions in operating expenses from ongoing cost reduction programs helped limit the decline in operating results.

Travel tour service revenues and operating income decreased $5 million and $3.9 million, respectively, due to lower results from the U.K. tour operation which is suffering from a slowly recovering economy. In addition, passenger volume to Florida for 1993 was down 30% from the volume in 1992.

Duty Free and shipboard concession revenues were up $34.5 million due primarily to new business. Operating income increased $900,000 from that of 1992 despite start-up costs associated with a major new contract.

Payment service revenues decreased $6.9 million due primarily to reduced money order revenues and lower investment income due to lower market interest rates and increased investment in tax-exempt securities. Operating income was $2.7 million ahead of last year's results due primarily to terminating unprofitable business even though investment income was lower for the reasons stated above.

UNALLOCATED CORPORATE EXPENSE AND OTHER ITEMS, NET. Unallocated corporate expense and other items, net, increased $6.5 million from that in 1992, due primarily to the expiration in early 1993 of subleases of buses and related amortization of deferred intercompany and sale-leaseback profit.

INTEREST EXPENSE. Interest expense was down $6.1 million from that in 1992, due primarily to lower short-term interest rates and the prepayment of certain high-coupon, fixed-rate debt at the end of the third quarter of 1993.

1992 VS. 1991:
Revenues for 1992 were $2.9 billion, compared to $2.8 billion in 1991.

Income from continuing operations before restructuring and other charges described below, was $94.2 million, or $2.21 per share, compared with $80.6 million, or $1.99 per share, in 1991. After restructuring and other charges of $19.8 million, or $0.47 per share, Dial had income from continuing operations of $74.4 million, or $1.74 per share, for the year, compared with $25.8 million, or $0.62 per share, in 1991 after restructuring and other charges and spin-off transaction costs of $54.9 million, or $1.37 per share.

Year ended December 31,	1992	1991
INCOME FROM CONTINUING OPERATIONS (000 omitted):		
BEFORE RESTRUCTURING AND OTHER CHARGES	$ 94,151	$ 80,626
Restructuring and other charges and, in 1991, spin-off transaction costs	(19,800)	(54,871)
INCOME FROM CONTINUING OPERATIONS	$ 74,351	$ 25,755
INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS (dollars):		
BEFORE RESTRUCTURING AND OTHER CHARGES	$ 2.21	$ 1.99
Restructuring and other charges and, in 1991, spin-off transaction costs	(0.47)	(1.37)

INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS	$ 1.74	$ 0.62

The adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS No. 106") was mandatory for all U.S. public companies beginning in 1993. The statement requires recognition of liabilities for postretirement benefits other than pensions over the period that services are provided by employees, but does not change the pattern of cash payments for such benefits. Dial adopted the new standard in 1992, and recorded the cumulative effect of such initial application rather than amortizing such amount over 20 years, as permitted by the statement. Accordingly, results for 1992 include a one-time charge as of January 1, 1992, for the cumulative effect of the initial application of SFAS No. 106 of $110.7 million (after-tax), or $2.64 per share, and an ongoing annual expense increase of $9.1 million (after-tax), or $0.22 per share.

RESTRUCTURING AND OTHER CHARGES. Dial recorded restructuring and other charges of $19.8 million (after-tax), or $0.47 per share, in the fourth quarter of 1992, attributable to the Travel and Leisure and Payment Services Group, primarily to provide for termination of an unfavorable airport concession contract and related matters, and to provide for costs to reposition the cruise line to compete more effectively in the Caribbean market.

In the fourth quarter of 1991, Dial provided for restructuring and other charges and spin-off transaction costs of $54.9 million (after-tax), or $1.37 per share. Of this amount, $26 million (after-tax) was charged to the Travel and Leisure and Payment Services Group primarily to provide for estimated losses on an unfavorable airport concession contract and for losses as a result of the bankruptcy of a large money order agent in its payment services subsidiary. The remaining provision of $28.9 million (after-tax) was made primarily to provide for transaction costs arising from the spin-off of GFC Financial and for certain income tax matters related to prior years.

CONSUMER PRODUCTS. The Consumer Products Group reported a $78.9 million increase in revenues over 1991 amounts, and before the $6.8 million ongoing expense increase for 1992 resulting from the adoption of SFAS No. 106, operating income increased $14.8 million over 1991 amounts. The following comments exclude the effects of the ongoing expense increase for 1992 resulting from the adoption of SFAS No. 106.

Revenues and operating income of the Personal Care Division were up $58.9 million and $7 million, respectively, from those of 1991. The increases were due primarily to strong sales volume performance for Dial Soap and Liquid Dial.

The Food Division revenues declined $25.9 million from those of 1991, due primarily to new pricing strategies for microwaveables to adopt everyday low prices, increased competition in the microwaveable meals category and lower meat prices. Operating income of the Food Division increased $3.2 million as the decline in revenues was offset by lower ingredient costs and other efficiencies.

Household and Laundry Division revenues and operating income increased $33.3 million and $7.7 million, respectively, due to increased sales of higher margin detergent products.

International revenues increased $12.6 million while operating income decreased $3.1 million from 1991 amounts. The decline in operating results was due primarily to expansion and product introduction costs.

SERVICES. Combined Services companies reported a $32.7 million decrease in revenues from those of 1991 due primarily to the sale of most airport concession operations in late September 1992. Excluding the effects of $30 million and $40 million of restructuring and other charges in 1992 and 1991, respectively, and before the $1 million, $700,000 and $1.5 million expense increases for Airline Catering and Other Food Services, Convention Services, and Travel and Leisure and Payment Services, respectively, for 1992 resulting from the adoption of SFAS No. 106, combined Services operating income increased $11.6 million over 1991 amounts. The following comments exclude the effects of restructuring and other charges and the ongoing expense increase for 1992 resulting from the adoption of SFAS No. 106.

AIRLINE CATERING AND OTHER FOOD SERVICES. Revenues of the Airline Catering and Other Food Services Group were down $19.8 million, while operating income increased $6.3 million from 1991. Airline catering revenues and operating income were up $27.5 million and $5.5 million, respectively, primarily as a result of new customers and growth from existing customers, aided in part by the traffic increase from the air fare discounts in the summer of 1992. Contract food service revenues declined $47.3 million, while operating income increased $800,000. The sale or closure of unprofitable locations in 1992 contributed to the reduction in contract food revenues.

CONVENTION SERVICES. Revenues and operating income of the Convention Services Group increased $25.9 million and $4.2 million, respectively, due primarily to growth in existing convention show services, new customers and somewhat improved margins.

TRAVEL AND LEISURE AND PAYMENT SERVICES. Revenues for the Travel and Leisure and Payment Services Group declined $38.8 million and operating income increased $1.1 million from 1991 amounts. The decline in revenues was attributable primarily to the sale, in late September, of most of Dial's food and merchandise airport terminal concession operations. Food and merchandise airport terminal concession and related operations revenues declined $41.8 million due to the September sale, while operating income was up $10.8 million from the prior year, aided by increased traffic from summer air fare discounts up to the sale date.

Aircraft fueling and other ground-handling services revenues and operating income increased $8.2 million and $1 million, respectively, due to new customers and growth from existing customers.

Revenues and operating income of the transportation services companies were down $16.2 million and $2.2 million, respectively, from those of 1991, reflecting a decrease in ridership as the stagnant Canadian economy continued to lag behind the U.S. recovery. Cost reduction programs helped limit the decline in operating income.

Cruise revenues increased $1.4 million from those of 1991 due primarily to increased onboard revenues, offset partially by lower passenger counts and per diems. Deep discounting in selling prices, resulting from continued sluggish demand, contributed to lower per diems. The heavy discounts in selling prices and higher promotional costs accounted for the $1 million decrease in operating income from that of 1991.

Travel tour service revenues and operating income increased $6.7 million and $2.3 million, respectively, from 1991 results due primarily to the full-year inclusion of Crystal Holidays Limited which was acquired in mid-1991. In addition, 1991 results were depressed due to the Persian Gulf War and its aftereffects.

Duty Free and shipboard concession revenues and operating income were up $8.9 million and $600,000, respectively, from those in 1991 as airport terminal traffic increased and the revenue per passenger on vessels where duty free shops are operated increased.

Payment service revenues were down $6 million due primarily to lower revenue on investments, money order fees and gains on sale of investments. Operating income was about even with that of 1991 as lower revenues were offset by lower expenses, due primarily to lower provisions for credit losses.

UNALLOCATED CORPORATE EXPENSE AND OTHER ITEMS, NET. Before the $4.4 million ongoing expense increase for 1992 resulting from the adoption of SFAS No. 106, unallocated corporate expense and other items, net, decreased $500,000 from that of 1991.

INTEREST EXPENSE. Interest expense was down $700,000 from that in 1991, due primarily to lower short-term interest rates and the repayment of certain higher cost debt, partially offset by higher average short-term borrowings of commercial paper and promissory notes. Also, the 1991 period had benefited from a reduction of interest previously accrued for a federal tax audit.

LIQUIDITY AND CAPITAL RESOURCES:
Dial's total debt at December 31, 1993 was $636 million compared to $707 million at December 31, 1992. The debt to capital ratio was 0.55 to 1 and 0.62 to 1 at December 31, 1993 and December 31, 1992, respectively. Capital is defined as total debt plus minority interests, preferred stock and common stock and other equity.

During the third quarter of 1993, Dial utilized the proceeds from the sale of MCII to repurchase approximately 1,000,000 shares of common stock on the open market and to reduce outstanding short-term debt. Dial also prepaid $187 million principal amount of long-term, fixed-rate debt having a weighted average interest rate of 10%. These prepayments resulted in an extraordinary charge for early extinguishment of debt of $21.9 million (net of tax benefit of $11.8 million).

During 1993, Dial filed a $300 million Senior Debt Securities Shelf Registration with the Securities and Exchange Commission under which Dial could issue senior notes for various amounts and at various rates and maturities. During 1993, Dial issued $230 million of debt under the program with maturities of five to eleven years. Subsequent to December 31, 1993, Dial issued the remaining $70 million of debt under the senior note program with maturities of six to fifteen years.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings, Dial strives to maintain current assets (principally cash, inventories and receivables) at the lowest practicable levels while at the same time taking advantage of the payment terms offered by trade creditors. These efforts notwithstanding, working capital requirements will fluctuate significantly from seasonal factors as well as changes in levels of receivables and inventories caused by numerous business factors.

Dial satisfies a portion of its working capital and other financing requirements with short-term borrowings (through commercial paper, bank note programs and bank lines of credit) and the sale of receivables. Short-term borrowings are supported by long-term revolving bank credit agreements or short-term lines of credit. At December 31, 1993, Dial had a $500 million long-term revolving credit line in place, of which $257 million was being used to support $225 million of commercial paper and promissory notes and the guarantee of a $32 million ESOP loan. Dial's subsidiaries have agreements to sell $115 million of accounts receivable under which the purchaser has agreed to invest collected amounts in new purchases, providing a stable level of purchased accounts. The commitments to purchase accounts receivable, which are fully utilized, mature in January of each year, but are expected to be extended annually by mutual agreement. The agreements are currently extended to January 1995.

As discussed in Note I of Notes to Consolidated Financial Statements, in September 1992, Dial sold 5,245,900 shares of treasury stock to The Dial Corp Employee Equity Trust (the "Trust") at $38.125 per share. This Trust is being used to fund certain existing employee compensation and benefit plans over the scheduled 15-year term of the Trust. The Trust acquired the shares of common stock from Dial for a promissory note valued at $200 million at the date of sale. Proceeds from sales of shares released by the Trust are used to repay Dial's note and thereby satisfy benefit obligations. At December 31, 1993, a total of 3,923,933 shares remained in the Trust and are available to fund future benefit obligations.

Capital spending has been reduced by obtaining, where appropriate, equipment and other property under operating leases. Dial's capital asset needs and working capital requirements are expected to be financed primarily with internally generated funds. Generally, cash flows from operations and the proceeds from the sale of businesses during the past three years along with increased proceeds from the exercise of stock options have been sufficient to finance capital expenditures, the purchase of businesses and cash dividends to shareholders. Dial expects these trends to continue with operating cash flows and proceeds from stock issuances generally being sufficient to finance its business. Should financing requirements exceed such sources of funds, Dial believes it has adequate external financing sources available to cover any such shortfall.

As indicated in Note L of Notes to Consolidated Financial Statements, although Dial has paid the minimum funding required by applicable regulations, certain pension plans remain underfunded while others are overfunded. The deficiency in funding of the underfunded plans is expected to be reduced through the payment of the minimum funding requirement over a period of several years. Unfunded pension and other postretirement benefit plans require payments over extended periods of time. Such payments are not likely to materially affect Dial's liquidity.

As of December 31, 1993, Dial has recorded U.S. deferred income tax benefits under SFAS No. 109 totaling $170 million, which Dial believes to be fully realizable in future years. The realization of such benefits will require average annual taxable income over the next 15 years (the current Federal loss carryforward period) of approximately $30 million. Dial's average U.S. pretax reported income, exclusive of nondeductible goodwill amortization but after deducting restructuring and other charges, over the past three years has been approximately $113 million. Furthermore, approximately $112 million of the deferred income tax benefits relate to pensions and other postretirement benefits which will become deductible for income tax purposes as they are paid, which will occur over many years.

Dial is subject to various environmental laws and regulations of the United States as well as of the states in whose jurisdictions Dial operates. As is the case with many companies, Dial faces exposure to actual or potential claims and lawsuits involving environmental matters. Dial believes that any liabilities resulting therefrom should not have a material adverse effect on Dial's financial position or results of operations.

BUSINESS OUTLOOK AND RECENT DEVELOPMENTS:
In November 1993, Dial announced the finalization of an agreement to purchase 15 in-flight catering kitchens from United Airlines. Dial purchased the first four kitchens on December 30, with the remaining kitchens expected to be phased-in during the first and second quarters of 1994. In February 1994, Dial announced that it had reached an agreement to acquire the assets of Steels Aviation Services Limited, a British airline caterer that operates four airline catering kitchens in England and Scotland. Management anticipates financing the acquisitions through cash flow from operations and long-term debt.

The business outlook holds many uncertainties. Proposed legislation, health care costs, interest rates, tax law changes, environmental issues, competitive pressures from within the marketplace and the unpredictable economic environment, will all affect the growth and future of Dial. Dial remains aggressive in its commitment to monitor and reduce costs and expenses, positioning Dial to continue to produce positive results in the years ahead.

THE DIAL CORP CONSOLIDATED BALANCE SHEET

December 31, (000 omitted)	1993	1992
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,659	$ 43,917
Receivables, less allowance of $22,597 and $28,708	199,996	126,536
Inventories	216,837	167,930
Deferred income taxes	46,373	46,142
Other current assets	43,082	29,963
	516,947	414,488
Funds and agents' receivables restricted for payment service obligations, after eliminating $65,000 invested in Dial commercial paper	535,657	653,102
Total current assets	1,052,604	1,067,590
Investments restricted for payment service obligations	574,094	376,078
Property and equipment	740,724	648,694
Other investments and assets	59,757	79,202
Investment in discontinued operations		248,664
Deferred income taxes	124,096	137,863
Intangibles	729,813	598,907
	$ 3,281,088	$ 3,156,998

December 31, (000 omitted)	1993	1992
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term bank loans	$ 8,935	$ 2,492
Accounts payable	248,975	190,895
Accrued compensation	69,060	69,186
Other current liabilities	272,430	241,088
Current portion of long-term debt	2,295	20,936
	601,695	524,597
Payment service obligations	1,147,063	1,085,042
Total current liabilities	1,748,758	1,609,639
Long-term debt	624,662	683,683
Pension and other benefits	295,656	310,114
Other deferred items and insurance reserves	99,834	118,886
Commitments and contingent liabilities (Notes B, I, M, N and O)		
Minority interests	35,866	37,661
$4.75 Redeemable preferred stock	6,624	6,620
Common stock and other equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 48,554,362 shares issued	72,832	72,832
Additional capital	378,814	390,790
Retained income	304,481	234,655
Cumulative translation adjustments	(9,889)	(11,341)
Unearned employee benefits related to:		
Employee Equity Trust	(158,429)	(211,571)
Guarantee of ESOP debt	(31,511)	(33,584)
Common stock in treasury, at cost, 2,536,354 and 1,647,493 shares	(86,610)	(51,386)
Total common stock and other equity	469,688	390,395
	$ 3,281,088	$ 3,156,998

See Notes to Consolidated Financial Statements.

THE DIAL CORP STATEMENT OF CONSOLIDATED INCOME

Year ended December 31, (000 omitted, except per share data)	1993	1992	1991
REVENUES	$ 3,000,342	$ 2,874,088	$ 2,827,849
Costs and expenses:			
Costs of sales and services	2,725,049	2,621,372	2,591,571
Restructuring and other charges		30,000	64,000
Unallocated corporate expense and other items, net	50,061	43,519	39,587
Interest expense	49,965	56,049	56,768
Minority interests	3,618	2,814	3,543
	2,828,693	2,753,754	2,755,469
Income before income taxes	171,649	120,334	72,380
Income taxes	61,376	45,983	46,625
INCOME FROM CONTINUING OPERATIONS	110,273	74,351	25,755
Income (loss) from discontinued operations	32,120	(45,125)	(83,363)
Income (loss) before extraordinary charge and cumulative effect of change in accounting principle	142,393	29,226	(57,608)
Extraordinary charge for early retirement of debt, net of tax benefit of $11,833	(21,908)		
Cumulative effect, net of tax benefit of $63,542, to January 1, 1992, of initial application of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"		(110,741)	
NET INCOME (LOSS)	$ 120,485	$ (81,515)	$ (57,608)
INCOME (LOSS) PER COMMON SHARE:			
Continuing operations	$ 2.56	$ 1.74	$ 0.62
Discontinued operations	0.75	(1.07)	(2.09)
Income (loss) before extraordinary charge and cumulative effect of change in accounting principle	3.31	0.67	(1.47)
Extraordinary charge	(0.51)		
Cumulative effect to January 1, 1992, of initial application of SFAS No. 106		(2.64)	
NET INCOME (LOSS) PER COMMON SHARE	$ 2.80	$ (1.97)	$ (1.47)
Dividends declared per common share	$ 1.12	$ 1.19	$ 1.40
Average outstanding common and equivalent shares	42,703	42,013	39,911

See Notes to Consolidated Financial Statements.

THE DIAL CORP STATEMENT OF CONSOLIDATED CASH FLOWS

Year ended December 31, (000 omitted)	1993	1992	1991
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:			
Net income (loss)	$ 120,485	$ (81,515)	$ (57,608)
Adjustments to reconcile net income (loss) to net cash provided (used) by operations:			
Depreciation and amortization	100,160	100,935	97,016
Deferred income taxes	35,943	18,915	(3,521)
Extraordinary charge for early retirement of debt	21,908		
Cumulative effect of change in accounting principle		110,741	
Restructuring and other charges		30,000	64,000
(Income) loss from discontinued operations	(32,120)	45,125	83,363
(Gain) loss on sale of businesses and property	(2,128)	310	(3,968)
Other noncash items, net	25,752	15,059	(5,538)
Change in operating assets and liabilities:			
Receivables	(49,657)	19,764	(30,097)
Inventories	(29,692)	(4,859)	3,213
Payment service assets and obligations, net	(41,717)	(38,425)	10,693
Accounts payable and accrued compensation	31,825	(22,692)	62
Other current liabilities	539	(78,222)	(56,163)
Other assets and liabilities, net	(11,991)	(38,369)	29,020
Net cash provided by operating activities	169,307	76,767	130,472
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:			
Capital expenditures	(114,624)	(109,131)	(126,260)
Acquisitions of businesses and other assets, net of cash acquired	(216,787)	(7,192)	(34,495)
Proceeds from sale of shares of the Transportation Manufacturing and Service Parts Group	245,700		
Proceeds from sale of businesses and property	19,459	54,891	24,777
Investment in and advances from discontinued operations, net	35,084	(138,563)	27,641
Other, net	(288)	(347)	(2,155)
Net cash used by investing activities	(31,456)	(200,342)	(110,492)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:			
Proceeds from long-term borrowings	229,358		
Payments on long-term borrowings	(196,611)	(21,557)	(83,435)
Extraordinary charge for early retirement of debt	(21,908)		
Net change in short-term borrowings	(105,338)	178,255	94,740
Dividends on common and preferred stock	(48,345)	(50,180)	(56,597)
Proceeds from sale of treasury stock	43,286	57,949	27,932
Common stock purchased for treasury	(38,642)	(417)	(1,921)
Net change in receivables sold		26,800	(5,200)
Proceeds from interest rate swaps			38,257
Cash payments on interest rate swaps	(32,909)	(37,027)	(38,250)
Net cash provided (used) by financing activities	(171,109)	153,823	(24,474)
Net increase (decrease) in cash and cash equivalents	(33,258)	30,248	(4,494)
Cash and cash equivalents, beginning of year	43,917	13,669	18,163
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,659	$ 43,917	$ 13,669

See Notes to Consolidated Financial Statements.

THE DIAL CORP STATEMENT OF CONSOLIDATED COMMON STOCK AND OTHER EQUITY

Year ended December 31, (000 omitted)	1993	1992	1991
COMMON STOCK:			
Balance, beginning and end of year	$ 72,832	$ 72,832	$ 72,832
ADDITIONAL CAPITAL:			
Balance, beginning of year	$ 390,790	$ 326,724	$ 326,127
Treasury shares issued in connection with employee benefit plans	(5,300)	2,294	(876)
Net change in unamortized amount of restricted stock	2,063	1,195	1,473
Treasury shares sold to Employee Equity Trust		38,007	
Employee Equity Trust adjustment to market value	(8,723)	19,020	
Treasury shares sold to ESOP		1,701	
Other, net	(16)	1,849	
Balance, end of year	$ 378,814	$ 390,790	$ 326,724
RETAINED INCOME:			
Balance, beginning of year	$ 234,655	$ 832,539	$ 946,030
Net income (loss)	120,485	(81,515)	(57,608)
Dividends on common and preferred stock	(48,345)	(50,180)	(56,597)
SFAS No. 87 Employers' Accounting for Pensions adjustment	(2,966)	(269)	710
Distribution of GFC Financial to Dial stockholders		(467,291)	
Other, net	652	1,371	4
Balance, end of year	$ 304,481	$ 234,655	$ 832,539
CUMULATIVE TRANSLATION ADJUSTMENTS:			
Balance, beginning of year	$ (11,341)	$ 2,083	$ 4,809
Unrealized translation loss	(279)	(20,226)	(2,726)
Distribution of GFC Financial to Dial stockholders		6,802	
Disposition of Transportation Manufacturing and Service Parts Group	1,731		
Balance, end of year	$ (9,889)	$ (11,341)	$ 2,083
UNEARNED EMPLOYEE BENEFITS RELATED TO EMPLOYEE EQUITY TRUST:			
Balance, beginning of year	$ (211,571)	$ -	$ -
Unearned employee benefits		(200,000)	
Employee benefits funded	44,419	7,449	
Adjustment to market value	8,723	(19,020)	
Balance, end of year	$ (158,429)	$ (211,571)	$ -
UNEARNED EMPLOYEE BENEFITS RELATED TO GUARANTEE OF ESOP DEBT:			
Balance, beginning of year	$ (33,584)	$ (35,414)	$ (37,486)
Employee benefits earned	2,073	1,830	2,072
Balance, end of year	$ (31,511)	$ (33,584)	$ (35,414)
COMMON STOCK IN TREASURY:			
Balance, beginning of year	$ (51,386)	$ (258,043)	$ (284,930)
Purchase of shares	(38,642)	(417)	(1,921)
Shares issued in connection with employee benefit plans	4,167	38,078	28,808
Shares sold to Employee Equity Trust		161,993	
Shares sold to ESOP		8,430	
Other, net	(749)	(1,427)	
Balance, end of year	$ (86,610)	$ (51,386)	$ (258,043)
COMMON STOCK AND OTHER EQUITY	$ 469,688	$ 390,395	$ 940,721

See Notes to Consolidated Financial Statements.

THE DIAL CORP NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 1993, 1992 and 1991

A. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION-The consolidated financial statements of The Dial Corp and subsidiaries ("Dial") include the accounts of Dial and all of its subsidiaries. Dial sold its Transportation Manufacturing and Service Parts Group in 1993 and spun-off GFC Financial Corporation ("GFC Financial") in 1992. The Transportation Manufacturing and Service Parts Group and GFC Financial are presented as discontinued operations for all periods. Such dispositions are discussed further in Note D of Notes to Consolidated Financial Statements.

The consolidated financial statements are prepared in accordance with generally accepted accounting principles. Intercompany accounts and transactions between Dial and its subsidiaries have been eliminated in consolidation. Certain reclassifications have been made to the prior years' financial statements to conform to 1993 classifications. Described below are those accounting policies particularly significant to Dial, including those selected from acceptable alternatives.

CASH EQUIVALENTS-Dial considers all highly liquid investments with original maturities of three months or less from date of purchase as cash equivalents.

INVENTORIES-Generally, inventories are stated at the lower of cost (first-in, first-out and average cost methods) or market.

PROPERTY AND EQUIPMENT-Property and equipment are stated at cost.

Depreciation is provided principally by use of the straight-line method at annual rates as follows:

Buildings	2% to 5%
Machinery and other equipment	5% to 33%
Leasehold improvements	Lesser of lease term or useful life

INVESTMENTS RESTRICTED FOR PAYMENT SERVICE OBLIGATIONS-Investments restricted for payment service obligations include U.S. Treasury and Government agency securities, obligations of states and political subdivisions, debt securities issued by foreign governments, corporate securities, a corporate note and other debt securities due beyond one year. These investments are stated at amortized cost, or at estimated realizable value when there is other than temporary impairment of value.

Marketable equity securities (common and preferred stocks) are stated at the lower of aggregate cost or market. A valuation allowance, representing the excess of cost over market of equity securities, is included as a reduction of common stock and other equity. The cost of investment securities sold is determined using the specific identification method. Realized gains and losses on the disposition of investment securities and adjustments to reflect other than temporary impairment of the value of investment securities are reflected in income.

INTANGIBLES-Intangibles (primarily goodwill) are carried at cost less accumulated amortization of $113,453,000 at December 31,1993 and $99,602,000 at December 31, 1992. Intangibles of $166,688,000, which arose prior to October 31, 1970, are not being amortized. Intangibles arising after October 31, 1970 are amortized on the straight-line method over the periods of expected benefit, but not in excess of 40 years. Dial evaluates the possible impairment of goodwill and other intangible assets at each reporting period based on the undiscounted projected operating income of the related business unit.

INCOME TAXES-Income taxes are provided based upon the provisions of SFAS No. 109, "Accounting for Income Taxes," which, among other things, requires that recognition of deferred income taxes be measured by the provisions of enacted tax laws in effect at the date of the financial statements.

PENSION AND OTHER BENEFITS-Trusteed, noncontributory pension plans cover substantially all employees. Benefits are based primarily on final average salary and years of service. Funding policies provide that payments to pension trusts shall be at least equal to the minimum funding required by applicable regulations.

Dial has defined benefit postretirement plans that provide medical and life insurance for eligible retirees and dependents. Until 1992, the cost of these benefits was generally expensed as claims were incurred.

Effective January 1, 1992, Dial adopted the method of accounting for postretirement benefits other than pensions prescribed by SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires recognition of liabilities for such benefits over the period that services are provided by employees. Dial elected to record the cumulative effect of initial application of SFAS No. 106 rather than amortizing such amount over 20 years as permitted by the standard. See Note L of Notes to Consolidated Financial Statements for further information.

NET INCOME (LOSS) PER COMMON SHARE-Net income (loss) per common share is based on net income (loss) after preferred stock dividend requirements and the weighted average number of common shares outstanding during each year after giving effect to stock options considered to be dilutive common stock equivalents. Fully diluted net income (loss) per common share is not materially different from primary net income (loss) per common share. The average outstanding common and equivalent shares does not include 3,923,933 and 5,033,565 shares held by the Employee Equity Trust (the "Trust") at December 31, 1993 and 1992, respectively. Shares held by the Trust are not considered outstanding for net income (loss) per share calculations until the shares are released from the Trust.

B. ACQUISITIONS OF BUSINESSES AND OTHER ASSETS

Net cash paid, assets acquired and debt and other liabilities assumed in all acquisitions were as follows:

(000 omitted)	1993	1992	1991
Assets acquired:			
Before intangibles	$ 140,468	$ 9,488	$ 11,935
Intangibles	142,724		34,824
Debt and other liabilities assumed	(66,405)	(2,296)	(12,264)
Net cash paid	$ 216,787	$ 7,192	$ 34,495

During 1993, Dial purchased the Renuzit line of air fresheners and three convention services companies.

In November 1993, Dial announced the finalization of an agreement to purchase 15 in-flight catering kitchens from United Airlines. Dial purchased the first four kitchens on December 30, 1993. The remaining kitchens are expected to be phased-in during 1994, at a purchase price of approximately $111,000,000.

In December 1993, Dial acquired the remaining 49% interest in a joint venture which constructed an office building in Phoenix, Arizona, that serves as its corporate headquarters complex.

Acquisitions of businesses were accounted for as purchases and the results of their operations have been included in the Statement of Consolidated Income from the dates of acquisition. The results of operations of the acquired companies from the beginning of the year to the dates of acquisition are not material.

C. RESTRUCTURING AND OTHER CHARGES-CONTINUING OPERATIONS

Dial recorded restructuring and other charges of $30,000,000 ($19,800,000 after-tax, or $0.47 per share) in the fourth quarter of 1992, attributable to the Travel and Leisure and Payment Services Group primarily to provide for termination of an unfavorable airport concession contract and related matters, and to provide for costs to reposition the cruise line to compete more effectively in the Caribbean market.

In the fourth quarter of 1991, Dial provided for restructuring and other charges and spin-off transaction costs of $64,000,000 ($54,871,000 after-tax, or $1.37 per share). Of this amount, $40,000,000 ($25,971,000 after-tax) was charged to the Travel and Leisure and Payment Services Group primarily to provide for estimated losses on an unfavorable airport concession contract and for losses as a result of the bankruptcy of a large money order agent in its payment services subsidiary. The remaining provision of $24,000,000 ($28,900,000 after-tax) was made primarily to provide for transaction costs arising from the spin-off of GFC Financial and for certain income tax matters related to prior years.

Such restructuring and other charges and spin-off transaction costs are summarized below:

(000 omitted)	1992	1991
Travel and Leisure and Payment Services	$ 30,000	$ 40,000
Corporate		10,000
Transaction costs		14,000
Total pretax charges	30,000	64,000
Income tax benefit	(10,200)	(17,429)
Tax provision related to prior years		8,300
Total after-tax charges	$ 19,800	$ 54,871

D. DISCONTINUED OPERATIONS AND DISPOSITIONS

On August 12, 1993, Dial sold, through an initial public offering, 20 million shares of common stock of MCII, pursuant to an underwriting agreement dated August 4, 1993. Transportation Manufacturing Operations, Inc., Dial's Transportation Manufacturing and Service Parts subsidiary, was transferred to MCII in connection with the public offering of MCII shares. The disposition of MCII, the sale of the Canadian transit bus manufacturing business in June 1993, and the liquidation, completed in early 1993, of a trailer manufacturing and transport services company, concluded the disposal of the Transportation Manufacturing and Service Parts Group.

At a special meeting on March 3, 1992, shareholders of Dial approved the spin-off of GFC Financial, which comprised Dial's commercial lending and mortgage insurance subsidiaries. As a result of the spin-off, the holders of common stock of Dial received a Distribution (the "Distribution") of one share of common stock of GFC Financial for every two shares of Dial common stock.

In connection with the dispositions, special charges to earnings were made in 1992 and 1991 to cover restructuring of certain operations, provisions against Latin American and other loans, certain tax, spin-off transaction and other costs and, in 1993 and 1991, provisions related primarily to previously discontinued businesses. In addition, Greyhound Lines, Inc., which was sold in 1987 and filed for bankruptcy on June 4, 1990 as the result of a work stoppage and strike-related violence, emerged from bankruptcy in late 1991, resulting in a partial reversal of a loss provision made in 1990.

The caption "Income (loss) from discontinued operations" in the Statement of Consolidated Income for the years ended December 31 includes the following:

(000 omitted)	1993	1992	1991
Income (loss) from operations:			
Transportation Manufacturing and Service Parts Group, net of tax provision (benefit) of $7,685, ($17,666), and ($5,191) (1)	$ 10,193	$ (46,364)	$ (14,892)
GFC Financial, net of tax provision of $1,798 and $14,833 (2)		5,498	(52,471)
Gain on sale of Transportation Manufacturing and Service Parts Group, net of tax provision of $47,393	40,151		
Cumulative effect, net of tax benefit of $2,458, to January 1, 1992 of initial application of SFAS No. 106		(4,259)	
Provisions related to previously discontinued businesses, net of tax benefit of $7,776 and $36,065	(18,224)		(44,668)
Reversal of excess portion of Greyhound Lines 1990 loss provision, net of tax provision of $14,768			28,668
	$ 32,120	$ (45,125)	$ (83,363)

(1) After deducting restructuring and other charges of $59,400,000 (after-tax) and $26,400,000 (after-tax) in 1992 and 1991, respectively.
(2) After deducting restructuring and other charges of $82,729,000 (after-tax) in 1991.

Businesses, other than those described above, with aggregate net assets of $48,584,000 and $3,713,000 were sold in 1992 and 1991, respectively.

E. INVENTORIES

Inventories at December 31 consisted of the following:

(000 omitted)	1993	1992
Raw materials	$ 42,056	$ 25,370
Work in process	13,930	13,166
Finished goods and supplies	160,851	129,394
Inventories	$ 216,837	$ 167,930

F. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

(000 omitted)	1993	1992
Land	$ 76,577	$ 67,594
Buildings and leasehold improvements	333,761	296,206
Machinery and other equipment	897,391	790,642
	1,307,729	1,154,442
Less accumulated depreciation	567,005	505,748
Property and equipment	$ 740,724	$ 648,694

G. SHORT-TERM DEBT

Dial satisfies its short-term borrowing requirements with bank lines of credit and by the issuance of commercial paper and promissory notes.

At December 31, 1993, outstanding commercial paper and promissory notes were supported by $500,000,000 of credit commitments available under a long-term revolving bank credit agreement. At December 31, 1993, $256,666,000 of the long-term revolving bank credit supported $224,666,000 of commercial paper and promissory notes, and the guarantee of a $32,000,000 ESOP loan.

Dial's foreign subsidiaries also maintain short-term bank lines in various currencies, which amount to approximately $12,269,000, of which $2,335,000 was outstanding at December 31, 1993. The short-term bank lines are subject to annual renewal and, in most instances, can be withdrawn at any time at the option of the banks.

The following information pertains to Dial's commercial paper and promissory notes (classified as long-term debt) and other short-term debt:

(000 omitted)	Balance at End of Year	Weighted Average Interest Rate at End of Year (1)	Maximum Amount Outstanding During Year	Average Amount Outstanding During Year	Weighted Average Interest Rate During Year (1)
1993:					
Commercial paper	$ 58,666	3.6%	$ 261,229	$ 158,227	3.4%
Short-term borrowings from banks	174,935	3.8%	357,885	225,509	3.7%
1992:					
Commercial paper	122,043	4.2%	229,422	168,156	4.2%
Short-term borrowings from banks	216,896	4.2%	272,277	211,961	4.2%
1991:					
Commercial paper	92,191	6.2%	226,775	143,190	6.5%
Short-term borrowings from banks	68,493	5.4%	172,695	88,273	6.3%

(1) Exclusive of the cost of maintaining compensating balances and commitment fees on long-term revolving bank credit used to support such borrowings and the effects of interest rate swap agreements, as set forth in Note N of Notes to Consolidated Financial Statements.

H. LONG-TERM DEBT

Long-term debt at December 31 was as follows:

(000 omitted)	1993	1992
Senior debt:		
Short-term borrowings supported by long-term revolving bank credit:		
Commercial paper (net of $65,000 issued to Dial's payment services subsidiary)	$ 58,666	$ 122,043
Promissory notes	166,000	214,404
Senior notes, 5.8% weighted average interest rate, due to 2004	279,390	139,216
Guarantee of ESOP debt, floating rate indexed to LIBOR, 2.9% at December 31, 1993, due to 2009	32,000	34,000
Real estate mortgages and other obligations, 4.8% weighted average interest rate, due to 2014	13,984	44,956
	550,040	554,619
Subordinated debt, 10.5% debentures, due 2006	76,917	150,000
	626,957	704,619
Less current portion	2,295	20,936
Long-term debt	$ 624,662	$ 683,683

Interest paid in 1993, 1992 and 1991 was approximately $55,807,000, $59,962,000 and $69,218,000, respectively. As a result of Dial's management of its interest rate exposure through interest rate swap agreements as discussed further in Note N to the Consolidated Financial Statements, the effective interest rate on certain debt may differ from that disclosed above.

During the third quarter of 1993, Dial utilized the proceeds from the sale of MCII to repurchase approximately 1,000,000 shares of Dial's common stock on the open market and to reduce outstanding short-term debt. Dial also prepaid $187,250,000 principal amount of long-term, fixed-rate debt, having a weighted average interest rate of 10%. These prepayments resulted in an extraordinary charge (after-tax) of $21,908,000.

During 1993, Dial filed a $300,000,000 Senior Debt Securities Shelf Registration with the Securities and Exchange Commission under which Dial could issue senior notes for various amounts and at various rates and maturities. During 1993, Dial issued $230,000,000 of debt under the program with maturities of five to eleven years with a weighted average interest rate of 6.2%. Subsequent to December 31, 1993, Dial issued the remaining $70,000,000 of debt under the senior note program with maturities of six to fifteen years with a weighted average interest rate of 6.1%.

A long-term revolving bank credit is available from participating banks under an agreement which provides for a total credit of $500,000,000. Borrowings were available at December 31, 1993 on a revolving basis until June 30, 1997. Annually, at Dial's request and with the participating banks' consent, the terms of the agreement may be extended for a one-year period.

The interest rate applicable to borrowings under the agreement is, at Dial's option, indexed to the bank prime rate or the London Interbank Offering Rate ("LIBOR"), plus appropriate spreads over such indices during the period of the borrowing agreement. The agreement also provides for commitment fees. Such spreads and fees can change moderately should Dial's debt ratings change.

Dial, in the event that it becomes advisable, intends to exercise its right under the agreement to borrow for the purpose of refinancing short-term borrowings; accordingly, short-term borrowings totaling $224,666,000 and $336,447,000 at December 31, 1993 and 1992, respectively, have been classified as long-term debt.

Annual maturities of long-term debt due in the next five years will approximate $2,295,000 (1994), $22,185,000 (1995), $32,167,000 (1996), $226,714,000 (1997) and $32,043,000 (1998). Included in 1997 is $224,666,000 which represents the maturity of short-term borrowings assuming they had been refinanced utilizing the revolving credit facility and the term of the facility was not extended. However, Dial expects the term of the facility to be extended.

Canadian revolving credit loans are available to a Canadian Services subsidiary from banks under agreements which provide for credit of $7,554,000.

Dial's long-term debt agreements include various restrictive covenants and require the maintenance of certain defined financial ratios with which Dial is in compliance.

I. PREFERRED STOCK AND COMMON STOCK AND OTHER EQUITY

At December 31, 1993, there were 48,554,362 shares of common stock issued and 46,018,008 shares outstanding. At December 31, 1993, 3,923,933 of the outstanding shares were held by The Dial Corp Employee Equity Trust.

Dial has 442,352 shares of $4.75 Preferred Stock authorized, of which 388,352 shares are issued. The holders of the $4.75 Preferred Stock are entitled to a liquidation preference of $100 per share and to annual cumulative sinking fund redemptions of 6,000 shares. Dial presently holds 153,251 shares which will be applied to this sinking fund requirement; therefore, the 235,101 shares held by others are scheduled to be redeemed in the years 2019 to 2058. In addition, Dial has authorized 5,000,000 and 2,000,000 shares of Preferred Stock and Junior Participating Preferred Stock, respectively.

Dial has one Preferred Stock Purchase Right ("Right") outstanding on each outstanding share of its common stock. The Rights contain provisions to protect shareholders in the event of an unsolicited attempt to acquire Dial which is not believed by the Board of Directors to be in the best interest of shareholders. The Rights are represented by the common share certificates and are not exercisable or transferable apart from the common stock until such a situation arises. The Rights may be redeemed by Dial at $0.05 per Right prior to the time any person or group has acquired 20% or more of Dial's shares. Dial has reserved 1,000,000 shares of Junior Participating Preferred Stock for issuance in connection with the Rights.

During 1989, Dial arranged to fund its matching contributions to employees' 401k plans through a leveraged Employee Stock Ownership Plan ("ESOP"). All eligible employees of Dial and its participating affiliates, other than certain employees covered by collective bargaining agreements that do not expressly provide for participation of such employees in an ESOP, may participate in the ESOP.

In June 1989, Dial sold 1,138,791 shares of treasury stock to the ESOP for $35.125 per share. In connection with the spin-off of GFC Financial in March 1992, the ESOP received one share of common stock of GFC Financial for every two shares of Dial common stock held by the ESOP. The ESOP subsequently sold the shares of GFC Financial on the open market and used the proceeds to purchase 273,129 shares of Dial's common stock. ESOP shares are treated as outstanding for net income (loss) per share calculations.

The ESOP borrowed $40,000,000 to purchase the 1,138,791 shares of treasury stock in 1989. The ESOP's obligation to repay this borrowing is guaranteed by Dial; therefore, the unpaid balance of the borrowing ($32,000,000 at December 31, 1993) has been reflected in the accompanying balance sheet as long-term debt and the amount representing unearned employee benefits has been recorded as a deduction from common stock and other equity. The liability is being reduced as the ESOP repays the borrowing, and the amount in common stock and other equity is being reduced as the employee benefits are charged to expense. The ESOP intends to repay the loan (plus interest) using Dial contributions and dividends received on the shares of common stock held by the ESOP. Information regarding ESOP transactions for the years ended December 31 is as follows:

(000 omitted)	1993	1992	1991
Debt repayment	$ 2,000	$ 2,000	$ 2,000
Interest	946	1,199	1,949
Amounts received from Dial for:			
Dividends	1,244	1,295	1,348
Capital contributions	1,696	2,026	2,601

Shares are released for allocation to participants based upon the ratio of the year's principal and interest payments to the sum of the total principal and interest payments over the life of the plan. Expense of the ESOP is recognized based upon the greater of cumulative cash payments to the plan or 80% of the cumulative expense that would have been recognized under the shares allocated method, in accordance with Statement of Position 76-3, "Accounting for Certain Employee Stock Ownership Plans" and Emerging Issues Task Force Abstract No. 89-8, "Expense Recognition for Employee Stock Ownership Plans". Under this method, Dial has recorded expense of $1,782,000, $2,210,000 and $2,630,000 in 1993, 1992 and 1991, respectively.

ESOP shares at December 31 were as follows:

	1993	1992
Allocated shares	349,534	268,560
Shares not committed for allocation	1,062,386	1,143,360
	1,411,920	1,411,920

In September 1992, Dial sold 5,245,900 shares of treasury stock to The Dial Corp Employee Equity Trust (the "Trust") for a promissory note valued at $200,000,000 ($38.125 per share). The Trust is being used to fund certain existing employee compensation and benefit plans over the scheduled 15-year term. Through December 31, 1993, the Trust had sold 1,321,967 shares to fund such benefits. The $200,000,000, representing unearned employee benefits, was recorded as a deduction from common stock and other equity, and is being reduced as employee benefits are funded.

At December 31, 1993, retained income of $75,687,000 was unrestricted as to payment of dividends by Dial.

J. STOCK OPTIONS

The Board of Directors approved and on March 3, 1992, the shareholders adopted the 1992 Stock Incentive Plan ("1992 Plan") for the grant of options and restricted stock to officers, directors and certain key employees. The Plan replaces the 1983 Stock Option and Incentive Plan ("1983 Plan"). No new awards will be made under the 1983 Plan except to provide for the adjustments hereafter described. In connection with the Distribution, each option, related Limited Stock Appreciation Right ("LSAR") and related Stock Appreciation Right ("SAR") held by an employee of Dial who remained an employee of Dial after the Distribution was adjusted so that the aggregate exercise price and the aggregate spread before the Distribution were preserved at the time of the Distribution. For each share of restricted stock held by a Dial employee who remained an employee of Dial after the Distribution, such employee received additional shares of restricted stock with a market value which compensated for the Distribution. Options and restricted stock held by an employee of Dial that became an employee of GFC Financial were surrendered in accordance with the related agreements.

The 1992 Plan provides for the following types of awards: (a) stock options (both incentive stock options and nonqualified stock options), (b) SARs, and (c) performance-based and restricted stock. The Plan authorized the issuance of options for up to 2 1/2% of the total number of shares of common stock outstanding as of the first day of each year; provided that any shares available for grant in a particular calendar year which are not, in fact, granted in such year shall not be added to shares available for grant in any subsequent calendar year. In addition to the limitation set forth above with respect to number of shares available for grant in any single calendar year, no more than 5,000,000 shares of common stock shall be cumulatively available for grant of incentive options over the life of the Plan. In addition, 500,000 shares of Preferred Stock are reserved for distribution under the 1992 Plan.

The stock options and SARs outstanding at December 31, 1993 are granted for terms of ten years; 50% become exercisable after one year and the balance become exercisable after two years from the date of grant. Stock options and appreciation rights are exercisable based on the market value at the date of grant. LSARs vest fully at date of grant and are exercisable only for a limited period (in the event of certain tenders or exchange offers for Dial's common stock). SARs and/or LSARs are issued in tandem with certain stock options and the exercise of one reduces, to the extent exercised, the number of shares represented by the other.

Information with respect to options granted and exercised for the three years ended December 31, 1993 is as follows:

	Shares	Average Option Price Per Share
Options outstanding at December 31, 1990	3,938,658	$ 31.81
Granted	817,690	35.43
Exercised	(644,748)	30.55
Cancelled (1)	(218,725)	32.29
Options outstanding at December 31, 1991	3,892,875	32.76
Pre spin-off of GFC Financial:		
Exercised	(623,889)	31.82
Cancelled (1)	(37,761)	33.84
Additional options due to the Distribution, net (2)	493,779	N/A
Post spin-off of GFC Financial:		
Granted	985,900	36.90
Exercised	(777,473)	25.82
Cancelled (1)	(279,330)	25.22
Options outstanding at December 31, 1992	3,654,101	29.52
Granted	970,700	39.70
Exercised	(315,979)	26.68
Cancelled (3)	(425,452)	35.39
Options outstanding at December 31, 1993	3,883,370	31.65

(1) Includes stock options which ceased to be exercisable due to the exercise of related SARs during 1992 and 1991 (at average exercise prices indicated) with respect to 134,890 shares ($23.41) and 11,250 shares ($29.85), respectively. Stock appreciation rights expense, equivalent to the difference between the option price and the average market price of Dial's stock on the date a right is exercised (included in the Statement of Consolidated Income under the caption "Unallocated corporate expense and other items, net"), totaled $2,293,000 and $150,000 in 1992 and 1991, respectively. There were no SARs exercised in 1993.
(2) Net of options surrendered by employees of Dial who became employees of GFC Financial after the Distribution.
(3) Includes options cancelled upon disposition of Transportation Manufacturing and Service Parts Group.

At December 31, 1993, stock options with respect to 3,883,370 common shares are outstanding at exercise prices ranging from $18.35 to $42.56 per share, of which 2,653,695 shares are exercisable at an average price of $28.36 per share.

Performance-based stock awards (75,900 shares awarded in 1993) vest over a three-year period from the date of grant. The stock awarded vests only if performance targets relative to the S & P 500 stock index and Dial's proxy comparator group are achieved. Restricted stock awards (89,625 shares awarded in 1991) vest generally over periods not exceeding five years from the date of grant. There were no restricted stock awards in 1993 and 1992. However, 85,161 shares of restricted stock were allocated to employees of Dial in 1992 to compensate for the effect of the Distribution. A holder of the performance-based and restricted stock has the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the stock.

K. INCOME TAXES

Deferred income tax assets (liabilities) included in the Consolidated Balance Sheet at December 31 related to the following:

(000 omitted)	1993	1992
Property and equipment	$ (55,954)	$ (47,675)
Interest rate swaps		25,043
Pension and other employee benefits	111,797	113,674
Provisions for losses	51,872	57,850
Amortization of intangibles	4,114	(664)
Advertising and promotion costs capitalized for tax	14,729	
Foreign loss carryforward	3,551	2,438
Alternative minimum tax credits		10,148
Deferred state income taxes	11,405	9,219
Other deferred income tax assets	33,460	21,586
Other deferred income tax liabilities	(20,505)	(25,614)
	154,469	166,005
Foreign deferred tax liabilities included above	16,000	18,000
United States deferred tax assets	$ 170,469	$ 184,005

Deferred income tax assets (liabilities) at December 31, 1993, relating to interest rate swaps, amortization of intangibles and advertising and promotion costs capitalized for tax, reflect adjustments in 1993 resulting from the settlement of Internal Revenue Service examinations for 1985 and 1986.

The consolidated provision (benefit) for income taxes on income from continuing operations for the years ended December 31 consisted of the following:

(000 omitted)	1993	1992	1991
Current:			
United States:			
Federal	$ 12,226	$ 13,644	$ 36,538
State	7,855	8,289	6,784
Foreign	5,352	5,135	6,824
	25,433	27,068	50,146
Deferred:			
United States	33,271	16,997	(4,320)
Foreign	2,672	1,918	799
	35,943	18,915	(3,521)
Provision for income taxes	$ 61,376	$ 45,983	$ 46,625

Income taxes paid in 1993, 1992 and 1991, amounted to $12,206,000, $35,160,000 and $35,391,000, respectively.

Certain tax benefits related primarily to stock options and dividends paid to the ESOP are credited to common stock and other equity and amounted to $1,913,000, $5,382,000 and $1,240,000 in 1993, 1992 and 1991, respectively.

Eligible subsidiaries (including MCII and GFC Financial and certain of their subsidiaries up to the sale and Distribution date, respectively) are included in the consolidated federal and other applicable income tax returns of Dial.

Certain benefits of tax losses and credits, which would not have been currently available to certain subsidiaries, or MCII and GFC Financial, on a separate return basis, have been credited to those subsidiaries, or MCII and GFC Financial, by Dial. These benefits are included in the determination of the income taxes of those subsidiaries and MCII and GFC Financial and this policy has been documented by written agreements.

A reconciliation of the provision for income taxes on income from continuing operations and the amount that would be computed using statutory federal income tax rates on income before income taxes for the years ended December 31 is as follows:

(000 omitted)	1993	1992	1991
Computed income taxes at statutory federal income			

tax rate of 35% (1993) and 34% (1992 and 1991)	$ 60,077	$ 40,914	$ 24,609
Nondeductible goodwill amortization	3,122	3,140	3,192
Minority interests	1,266	957	1,205
State income taxes	4,303	5,231	4,479
Foreign tax differences	2,346	552	1,747
Tax-exempt income	(2,047)	(379)	(5)
Restructuring and other charges		(1,649)	13,060
Adjustment of deferred tax assets at January 1, 1993 for enacted change in tax rate	(4,386)		
Other, net	(3,305)	(2,783)	(1,662)
Provision for income taxes	$ 61,376	$ 45,983	$ 46,625

United States and foreign income before income taxes from continuing operations for the years ended December 31 is as follows:

(000 omitted)	1993	1992	1991
United States	$ 155,426	$ 101,214	$ 55,099
Foreign	16,223	19,120	17,281
Income before income taxes	$ 171,649	$ 120,334	$ 72,380

In the first quarter of 1992, Dial adopted SFAS No. 109, "Accounting for Income Taxes," which had no material effect on the consolidated financial statements.

L. PENSIONS AND OTHER BENEFITS

PENSION BENEFITS

Net periodic pension cost for the three years ended December 31, 1993 included the following components:

(000 omitted)	United States 1993	United States 1992	United States 1991	Foreign 1993	Foreign 1992	Foreign 1991
Service cost benefits earned during the period	$ 9,560	$ 9,238	$ 9,149	$ 2,097	$ 2,343	$ 3,135
Interest cost on projected benefit obligation	19,323	17,647	16,938	6,106	6,238	5,533
Actual return on plan assets	(20,405)	(19,675)	(28,965)	(6,390)	(6,453)	(6,132)
Net amortization and deferral	4,415	4,869	14,505	122	205	(217)
Other items, primarily defined contribution and multiemployer plans	8,706	7,372	5,715	1,503	2,550	2,213
Net pension cost	$ 21,599	$ 19,451	$ 17,342	$ 3,438	$ 4,883	$ 4,532

Weighted average assumptions used were:

December 31,	United States 1993	United States 1992	United States 1991	Foreign 1993	Foreign 1992	Foreign 1991
Discount rate for obligation	7.75%	9.0%	9.0%	9.0%	9.0%	9.0%
Rate of increase in compensation levels	5.0%	6.0%	6.0%	7.0%	7.0-8.0%	7.0-8.0%
Long-term rate of return on assets	9.5%	9.5%	9.5%	9.0%	9.0%	9.0%

The following table indicates the plans' funded status and amounts recognized in Dial's consolidated balance sheet at December 31, 1993 and 1992:

	United States				Foreign	
	Overfunded Plans		Underfunded and Unfunded Plans		Overfunded Plans	
(000 omitted)	1993	1992	1993	1992	1993	1992
Actuarial present value of benefit obligations:						
Vested benefit obligation	$ 124,833	$ 94,249	$ 80,767	$ 62,634	$ 49,007	$ 51,818
Accumulated benefit obligation	$ 136,544	$ 102,545	$ 85,700	$ 67,066	$ 50,900	$ 54,010
Projected benefit obligation	$ 175,389	$ 140,591	$ 91,658	$ 72,610	$ 69,174	$ 70,083
Market value of plan assets, primarily equity and fixed income securities	177,902	167,384	60,837	27,587	70,684	71,041
Plan assets over (under) projected benefit obligation	2,513	26,793	(30,821)	(45,023)	1,510	958
Unrecognized transition (asset) obligation	(6,609)	(7,516)	4,987	5,840	(5,073)	(6,160)
Unrecognized prior service cost reduction	1,448	1,381	7,799	5,266	7,296	7,806
Unrecognized net (gain) loss	15,921	(1,086)	6,951	224	4,674	3,109
Additional minimum liability			(14,451)	(6,868)		
Prepaid (accrued) pension cost	$ 13,273	$ 19,572	$ (25,535)	$ (40,561)	$ 8,407	$ 5,713

Dial recorded an additional minimum liability of $14,451,000, an intangible asset of $8,587,000, a deferred tax asset of $2,053,000 and a reduction of retained income of $3,811,000 at December 31, 1993; and, an additional minimum liability of $6,868,000, an intangible asset of $5,587,000, a deferred tax asset of $436,000 and a reduction of retained income of $845,000 at December 31, 1992. There are restrictions on the use of excess pension plan assets in the event of a defined change in control of Dial.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS
Dial and its subsidiaries have defined benefit postretirement plans that provide medical and life insurance for eligible employees, retirees and dependents. In addition, Dial retained the obligations for such benefits for eligible retirees of Greyhound Lines, Inc. (sold in 1987) and Armour and Company (sold in 1983). Benefits applicable to retirees of the businesses sold were recorded as accrued liabilities on an estimated present value basis at the respective dates of sale.

Effective January 1, 1992, Dial and its U.S. subsidiaries adopted the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("OPEB") which requires that estimated OPEB benefits be accrued during the years the employees provide services. Dial elected to recognize the accumulated postretirement benefit obligation as a one-time charge to income. The accumulated postretirement benefit obligation is the aggregate amount that would have been accrued for OPEB benefits in the years prior to adoption of SFAS No. 106 had the new standard been in effect for those years. The adoption of SFAS No. 106 has no cash impact because the plans are not funded and the pattern of benefit payments did not change. Dial expects to adopt SFAS No. 106 for its foreign subsidiaries in 1995, and anticipates that the effect of such adoption will not be material to the consolidated financial statements.

The status of the plans as of December 31, was as follows:

(000 omitted)	1993	1992
Accumulated postretirement benefit obligation:		
Retirees	$ 221,847	$ 209,741
Fully eligible active plan participants	25,107	22,608
Other active plan participants	54,369	49,387
Accumulated postretirement benefit obligation	301,323	281,736
Unrecognized prior service cost	133	
Unrecognized net loss	(17,634)	
Accrued postretirement benefit cost	$ 283,822	$ 281,736
Discount rate for obligation	7.75%	9.0%

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 14.5% in 1993 gradually declining to 5.5% by the year 2002 and remaining at that level thereafter for retirees below age 65, and 11% in 1993 gradually declining to 5.5% by the year 2002 and remaining at that level thereafter for retirees above age 65. This is a 1/2% decrease from the trend rates used for 1993 and later years in 1992's valuations.

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, 1993 by approximately 11% and the ongoing annual expense by approximately 13%.

The net periodic postretirement benefit cost at December 31 includes the following components:

(000 omitted)	1993	1992
Service cost benefits attributed to service during the period	$ 4,233	$ 4,624
Interest cost on the accumulated postretirement benefit obligation	23,413	23,658
Net amortization and deferral of unrecognized past service cost	(10)	
Net periodic postretirement benefit cost (1)	$ 27,636	$ 28,282
Curtailment gains due to termination of certain benefits	$ (5,475)	

(1) Benefit costs applicable to retirees of sold businesses, which are included in the Statement of Consolidated Income under the caption, "Unallocated corporate expense and other items, net", totaled $15,000,000 and $14,700,000 for 1993 and 1992, respectively. Prior to the adoption of SFAS No. 106, the cost of medical and life insurance benefits for retirees was $14,174,000 for 1991, including $12,200,000 interest cost on the accrued liability for sold businesses.

M. LEASES

Certain airport and other retail facilities, cruise ships, plants, offices and equipment are leased. The leases expire in periods ranging generally from one to 30 years and some provide for renewal options ranging from one to 29 years. Also, certain leases contain purchase options. Leases which expire are generally renewed or replaced by similar leases.

At December 31, 1993, future minimum rental payments and related sublease rentals receivable with respect to noncancellable operating leases with terms in excess of one year were as follows:

	Operating Leases			
(000 omitted)	Cruise Ships	Other	Total	Rentals Receivable Under Subleases
1994	$ 9,343	$ 46,483	$ 55,826	$ 1,854
1995	9,632	41,137	50,769	486
1996	1,719	37,576	39,295	300
1997		27,354	27,354	140
1998		23,814	23,814	136
Thereafter		111,530	111,530	28
Total	$ 20,694	$ 287,894	$ 308,588	$ 2,944

At the end of the lease terms, Dial has options to purchase the cruise ships and certain other leased assets for an aggregate purchase price of $136,250,000. If the purchase options are not exercised, Dial will make residual guarantee payments aggregating $93,207,000 which are refundable to the extent that the lessors' subsequent sales prices exceed certain levels.

As discussed in Note B of Notes to Consolidated Financial Statements, in November 1993, Dial entered into an agreement to purchase 15 in-flight catering kitchens from United Airlines. Future minimum rental payments for leases related to the kitchens expected to be phased in during 1994 are as follows: $3,875,000
(1994), $4,267,000 (1995), $4,265,000 (1996), $4,275,000 (1997), $4,265,000 (1998), and $90,135,000 thereafter. These amounts are not included in the table of future minimum rental payments at December 31, 1993.

Information regarding net operating lease rentals for the three years ended December 31 is as follows:

(000 omitted)	1993	1992	1991
Minimum rentals	$ 115,386	$ 147,492	$ 156,215
Contingent rentals	35,292	31,451	25,612
Sublease rentals	(25,713)	(46,644)	(48,371)
Total rentals, net (1)	$ 124,965	$ 132,299	$ 133,456

(1) Includes net rentals of $7,700,000, $9,419,000 and $8,300,000 for 1993, 1992 and 1991, respectively, for Dial's corporate headquarters which was leased from a joint venture up to December 1993, when Dial acquired the remaining interest in the joint venture.

Contingent rentals on operating leases are based primarily on sales and revenues for buildings and leasehold improvements and usage for other equipment.

Dial is a 50% partner in a joint venture which owns a resort and conference hotel in Oakbrook, Illinois. Dial has leased the hotel through September 1, 2002, and the future rental payments are included in the table of future minimum rental payments. In addition, Dial and a third party have agreed to lend the joint venture $10,000,000 and $5,000,000, respectively, at 8 3/4% on July 1, 1997 to be secured by a second mortgage on the property to prepay $15,000,000 of the joint venture's nonrecourse first mortgage obligation. If the joint venture is unable to repay or refinance the first mortgage note, Dial has an option to purchase the note from the lender on September 30, 2002, its due date, at its then unpaid principal amount which is expected to be approximately $24,650,000. If the purchase option is not exercised, Dial will make residual guarantee payments equal to the greater of $5,000,000 or 150% of any shortfall in fair market value of the hotel compared to the unpaid principal amount of the note on such date.

N. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FAIR VALUE OF FINANCIAL INSTRUMENTS

FINANCIAL ISNTRUMENTS WITH OFF-BALANCE-SHEET RISK
Dial is a party to financial instruments with off-balance-sheet risk which are entered into in the normal course of business to meet its financing needs and to manage its exposure to fluctuations in interest and foreign exchange rates. These financial instruments include revolving sale of receivable agreements, interest rate swap agreements and foreign exchange forward contracts. The instruments involve, to a varying degree, elements of credit, interest rate and exchange rate risk in addition to amounts recognized in the financial statements.

At December 31, 1993, Dial's subsidiaries have agreements to sell up to $115,000,000 of accounts receivable with a major financial institution under which the financial institution has agreed to invest collected amounts in new purchases, providing a stable level of purchased accounts. The agreements to purchase accounts receivable, which were fully utilized at December 31, 1993 and December 31, 1992, mature in January of each year, but are expected to be extended annually by mutual agreement. They are currently extended to January 1995. Average monthly proceeds from the sale of accounts receivable were $103,700,000, $91,200,000 and $90,900,000 during 1993, 1992 and 1991, respectively. Dial's exposure to credit loss for receivables sold is represented by the recourse provision under which Dial is obligated to repurchase uncollectible receivables sold subject to certain limitations.

Dial enters into interest rate swap agreements as a means of managing its interest rate exposure. The agreements are with major financial institutions which are expected to fully perform under the terms of the agreements thereby mitigating the credit risk from the transactions. The agreements are contracts to exchange fixed and floating interest rate payments periodically over the life of the agreements without the exchange of the underlying notional amounts. The notional amounts of such agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The amounts to be paid or received under the interest rate swap agreements are accrued consistent with the terms of the agreements and market interest rates.

At December 31, 1993, Dial had $140,000,000 notional amount of interest rate swap agreements in effect which exchange floating rate interest payments for fixed rate interest payments with a weighted average interest rate of 9.3%. These swap agreements expire as follows: $100,000,000 (1995), and $40,000,000 (1998). Dial also had $250,000,000 notional amount of interest rate swap agreements in effect at December 31, 1993, which exchange fixed rate interest payments with a weighted average interest rate of 5.6% for floating rate interest payments. These swap agreements, which were entered into during 1993, expire as follows:
$50,000,000 (1994), and $200,000,000 (2003).

In addition, Dial had $332,600,000 notional amount of interest rate swap agreements in effect at December 31, 1993 which were counterswapped, fixing the future net payments owed by Dial against the cash proceeds received by Dial when the swap agreements were entered, at discount rates ranging from 7.1% to 10.4%. The swap and related counterswap agreements expire as follows: $65,000,000 (1994), $67,600,000 (1995), and $200,000,000
(1996), except for $67,600,000 expiring in 1995 and $100,000,000 expiring in 1996, for which the related counterswap agreement expires in 2000. Following the period that the swap agreements expire through 2000, Dial will pay a fixed rate of interest in exchange for a floating rate.

Cash consideration received on the swaps is amortized as an offset to expense from future net swap payments over the life of the related swap. Net expense of $13,999,000, $18,856,000 and $14,048,000 for 1993, 1992 and 1991, respectively, is included in the Statement of Consolidated Income under the caption, "Unallocated corporate expense and other items, net." The unamortized balance ($37,780,000 and $57,709,000 at December 31, 1993 and 1992, respectively) of such consideration is included in the Consolidated Balance Sheet under the caption, "Other deferred items and insurance reserves."

Dial also enters into foreign exchange forward contracts to hedge foreign currency transactions. These contracts are purchased to reduce the impact of foreign currency fluctuations on operating results. Dial does not engage in foreign currency speculation. The contracts do not subject Dial to risk due to exchange rate movements as gains and losses on the contracts offset gains and losses on the transactions being hedged. At December 31, 1993, Dial had approximately $125,000,000 of foreign exchange forward contracts outstanding. Dial's theoretical risk in these transactions is the cost of replacing, at current market rates, these contracts in the event of default by the other party. Management believes the risk of incurring such losses is remote as the contracts are entered into with major financial institutions.

FAIR VALUE OF FINANCIAL INSTRUMENTS
The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." The estimated fair value amounts have been determined by Dial using available market information and valuation methodologies described below. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that Dial could realize in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying values of cash and cash equivalents, receivables, accounts payable and payment service obligations approximate fair values due to the short-term maturities of these instruments. The carrying amounts and estimated fair values of Dial's other financial instruments at December 31, 1993 are as follows:

(000 omitted)	Carrying Amount	Fair Value
Investments restricted for payment service obligations (1)	$ 1,109,751	$ 1,105,788
Equity and debt investments and notes receivable	16,456	31,423
Total debt	(635,892)	(654,971)
Interest rate swaps	(37,780)	(63,778)
Foreign exchange forward contracts	-	(1,436)

(1) Includes $506,941,000 of cash and cash equivalents which are assumed to approximate fair values due to their short-term maturities.

The methods and assumptions used to estimate the fair values of the financial instruments are summarized as follows:

Investments restricted for payment service obligations and equity and debt investments and notes receivable-The fair values of investments were estimated using either quoted market prices or, to the extent there are no quoted market prices, market prices of investments of a similar nature. For notes receivable, the carrying amounts approximate fair values because the rates on such notes are floating rates.

Debt-The fair value of debt was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity. The carrying values of short-term bank loans, commercial paper and promissory notes were assumed to approximate fair values due to their short-term maturities.

Interest rate swaps-The fair values were estimated by discounting the expected cash flows using rates currently available for interest rate swaps of similar terms and maturities. The fair value represents the estimated amount that Dial would pay to the dealer to terminate the swap agreement at December 31, 1993.

Foreign exchange forward contracts (used for hedging purposes)- The fair value is estimated using quoted exchange rates.

O. LITIGATION AND CLAIMS

Dial and certain subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages in material amounts. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims referred to above could be decided against Dial. Although the amount of liability at December 31, 1993 with respect to these matters is not ascertainable, Dial believes that any resulting liability should not materially affect Dial's financial condition or results of operations.

Dial is subject to various environmental laws and regulations of the United States as well as of the states in whose jurisdictions Dial operates. As is the case with many companies, Dial faces exposure to actual or potential claims and lawsuits involving environmental matters. It is Dial's policy to accrue environmental and clean-up costs when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Although Dial is a party to certain environmental disputes, Dial believes that any liabilities resulting therefrom, after taking into consideration Dial's insurance coverage and amounts already provided for, should not have a material adverse effect on Dial's financial position or results of operations.

P. PRINCIPAL BUSINESS SEGMENTS

For 1993, Dial's Services companies, previously reported as a single principal business segment, were separated into three principal business segments for financial reporting purposes. Prior year data have been restated to reflect this change. The business activities included in each segment are set forth elsewhere in this Annual Report.

Operating income by segment represents revenues less costs of sales and services before unallocated corporate and other items, net, interest expense, minority interests and income taxes.

Year ended December 31, (000 omitted)	1993	1992	1991	1990	1989
Revenues:					
Consumer Products	$ 1,420,173	$ 1,275,447	$1,196,499	$ 1,122,726	$ 1,083,179
Services:					
Airline Catering and Other Food Services	583,487	609,662	629,474	636,225	638,290
Convention Services	356,267	238,694	212,828	208,408	184,634
Travel and Leisure and Payment Services	640,415	750,285	789,048	884,176	838,508
Total Services	1,580,169	1,598,641	1,631,350	1,728,809	1,661,432
	$ 3,000,342	$ 2,874,088	$ 2,827,849	$ 2,851,535	$ 2,744,611
Operating Income (1):					
Consumer Products	$ 139,213	$ 118,616	$ 110,605	$ 96,554	$ 80,522
Services:					
Airline Catering and Other Food Services	44,724	38,605	33,263	24,945	24,752
Convention Services	27,849	20,281	16,795	18,786	9,560
Travel and Leisure and Payment Services	63,507	45,214	35,615	99,424	88,871
Total Services	136,080	104,100	85,673	143,155	123,183
Total principal business segments	275,293	222,716	196,278	239,709	203,705
Unallocated corporate expense and other items, net	(50,061)	(43,519)	(63,587)	(41,916)	(52,218)
	$ 225,232	$ 179,197	$ 132,691	$ 197,793	$ 151,487

(1) After deducting restructuring and other charges of $30,000,000 and $40,000,000 for Travel and Leisure and Payment Services in 1992 and 1991, respectively, and $24,000,000 charged to unallocated corporate expense in 1991. Also after deducting $6,800,000, $965,000, $749,000, $1,486,000 and $4,400,000 in 1992 for Consumer Products, Airline Catering and Other Food Services, Convention Services, Travel and Leisure and Payment Services and Unallocated corporate expense, respectively, for increased ongoing expense following the adoption of SFAS No. 106 effective as of January 1, 1992. Years prior to 1992 do not include such expenses.

(000 omitted)	Consumer Products	Services: Airline Catering and Other Food Services	Services: Convention Services	Services: Travel and Leisure and Payment Services	Services: Total Services	Corporate and Other	Total
1993:							
Assets at year end:							
Before intangibles and restricted assets	$ 513,293	$ 176,481	$ 118,467	$ 326,432	$ 621,380	$ 306,851	$ 1,441,524
Assets restricted for payment service obligations				1,109,751	1,109,751		1,109,751
Intangibles	340,831	239,116	80,806	62,910	382,832	6,150	729,813
	$ 854,124	$ 415,597	$ 199,273	$ 1,499,093	$ 2,113,963	$ 313,001	$ 3,281,088
Capital expenditures	$ 40,605	$ 21,685	$ 11,838	$ 38,859	$ 72,382	$ 1,637	$ 114,624
Depreciation and amortization:							
Depreciation	$ 28,071	$ 16,019	$ 8,181	$ 26,444	$ 50,644	$ 3,785	$ 82,500
Amortization of intangibles	5,512	7,168	743	4,237	12,148		17,660
	$ 33,583	$ 23,187	$ 8,924	$ 30,681	$ 62,792	$ 3,785	$ 100,160
1992:							
Assets at year end:							
Before intangibles, restricted assets and discontinued operations	$ 413,224	$ 158,593	$ 58,639	$ 337,581	$ 554,813	$ 312,210	$ 1,280,247
Assets restricted for payment service obligations				1,029,180	1,029,180		1,029,180
Investment in discontinued operations						248,664	248,664
Intangibles	265,281	246,181	15,933	66,877	328,991	4,635	598,907
	$ 678,505	$ 404,774	$ 74,572	$ 1,433,638	$ 1,912,984	$ 565,509	$ 3,156,998
Capital expenditures	$ 45,508	$ 20,718	$ 7,336	$ 34,815	$ 62,869	$ 754	$ 109,131
Depreciation and amortization:							
Depreciation	$ 25,036	$ 15,662	$ 4,466	$ 33,237	$ 53,365	$ 4,189	$ 82,590
Amortization of intangibles	6,506	7,100	241	4,498	11,839		18,345
	$ 31,542	$ 22,762	$ 4,707	$ 37,735	$ 65,204	$ 4,189	$ 100,935
1991:							
Assets at year end:							
Before intangibles, restricted assets and discontinued operations	$ 400,536	$ 157,792	$ 54,889	$ 436,918	$ 649,599	$ 288,318	$ 1,338,453
Assets restricted for payment service obligations				960,426	960,426		960,426
Investment in discontinued operations						580,699	580,699
Intangibles	268,960	252,574	16,174	71,362	340,110	5,008	614,078
	$ 669,496	$ 410,366	$ 71,063	$ 1,468,706	$ 1,950,135	$ 874,025	$ 3,493,656
Capital expenditures	$ 53,398	$ 17,261	$ 5,294	$ 41,420	$ 63,975	$ 8,887	$ 126,260
Depreciation and amortization:							
Depreciation	$ 22,526	$ 15,800	$ 4,177	$ 31,559	$ 51,536	$ 4,710	$ 78,772
Amortization of intangibles	6,802	7,227	261	3,954	11,442		18,244
	$ 29,328	$ 23,027	$ 4,438	$ 35,513	$ 62,978	$ 4,710	$ 97,016

Q. CONDENSED CONSOLIDATED QUARTERLY RESULTS (UNAUDITED)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
(000 omitted)	1993	1992	1993	1992	1993	1992	1993	1992
Revenues:								
Consumer Products	$ 293,183	$ 269,880	$ 385,140	$ 351,940	$ 345,260	$ 304,783	$ 396,590	$ 348,844
Services:								
Airline Catering and Other Food Services	143,584	145,019	145,420	151,877	152,522	170,878	141,961	141,888
Convention Services	68,112	66,112	81,583	57,881	89,944	47,672	116,628	67,029
Travel and Leisure and Payment Services	133,177	184,656	161,852	204,537	182,675	219,835	162,711	141,257
Total Services	344,873	395,787	388,855	414,295	425,141	438,385	421,300	350,174
	$ 638,056	$ 665,667	$ 773,995	$ 766,235	$ 770,401	$ 743,168	$ 817,890	$ 699,018
Operating Income:								
Consumer Products	$ 25,659	$ 22,910	$ 43,443	$ 38,094	$ 35,442	$ 30,050	$ 34,669	$ 27,562
Services:								
Airline Catering and Other Food Services	6,411	5,298	10,674	9,030	13,584	14,315	14,055	9,962
Convention Services	5,988	7,390	7,419	4,562	4,972	517	9,470	7,812
Travel and Leisure and Payment Services (1)	4,910	3,022	17,923	19,916	29,375	35,730	11,299	(13,454)
Total Services	17,309	15,710	36,016	33,508	47,931	50,562	34,824	4,320
Total principal business segments	42,968	38,620	79,459	71,602	83,373	80,612	69,493	31,882
Unallocated corporate expense and other items, net	(12,480)	(10,220)	(12,982)	(11,293)	(12,401)	(10,939)	(12,198)	(11,067)
	$ 30,488	$ 28,400	$ 66,477	$ 60,309	$ 70,972	$ 69,673	$ 57,295	$ 20,815
Income (Loss):								
Continuing operations (2)	$ 11,159	$ 9,934	$ 33,379	$ 29,603	$ 37,184	$ 32,334	$ 28,551	$ 2,480
Discontinued operations (3)	3,472	2,641	6,294	3,486	22,354	116		(51,368)
Extraordinary charge					(21,908)			
Cumulative effect of change in accounting principle		(110,741)						
Net income (loss)	$ 14,631	$ (98,166)	$ 39,673	$ 33,089	$ 37,630	$ 32,450	$ 28,551	$ (48,888)
Income (Loss) per Common Share (dollars):								
Continuing operations (2)	$ 0.25	$ 0.24	$ 0.77	$ 0.71	$ 0.87	$ 0.76	$ 0.67	$ 0.03
Discontinued operations (3)	0.08	0.06	0.15	0.08	0.52			(1.21)
Extraordinary charge					(0.51)			
Cumulative effect of change in accounting principle		(2.64)						
Net income (loss) per common share	$ 0.33	$ (2.34)	$ 0.92	$ 0.79	$ 0.88	$ 0.76	$ 0.67	$ (1.18)

(1) After deducting restructuring and other charges of $30,000,000 in the fourth quarter of 1992.
(2) After deducting restructuring and other charges of $19,800,000 (after-tax) or $0.47 per share in the fourth quarter of 1992.
(3) The third quarter of 1993 includes income from operations of the Transportation Manufacturing and Service Parts

Group of $427,000, or $0.01 per share, and a gain of $40,151,000, or $0.94 per share, attributable to the sale of the Transportation Manufacturing and Service Parts Group, and is after deducting $18,224,000, or $0.43 per share, for provisions related to previously discontinued businesses. The first quarter of 1992 includes income from operations of $1,402,000, or $0.03 per share, and $5,498,000, or $0.13 per share, for Transportation Manufacturing and Service Parts Group and GFC Financial, respectively, and is after deducting $4,259,000, or $0.10 per share, for the cumulative effect of initial application of SFAS No. 106. The fourth quarter of 1992 is after deducting restructuring and other charges of $59,400,000, or $1.41 per share.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of The Dial Corp:

We have audited the consolidated financial statements of The Dial Corp as of December 31, 1993 and 1992, and for the three years in the period ended December 31, 1993, and have issued our report thereon dated February 25, 1993; such report is included elsewhere in this Form 10-K. Our audits also included the financial statement schedules of The Dial Corp listed in Item 14. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche
Deloitte & Touche
Phoenix, Arizona
February 25, 1994

THE DIAL CORP
MARKETABLE SECURITIES--
OTHER SECURITY INVESTMENTS
(000 omitted)

December 31, 1993

Name of Issue and Title of Each Issue	Par Value	Cost	Market Value	Book Value
U. S. Government agencies	$ 5,000	$ 5,127	$ 5,126	$ 5,124
Obligations of states and political subdivisions	240,175	245,531	246,280	245,330
Corporate securities	156,750	163,904	159,823	163,755
Mortgage-backed and other asset-backed securities	72,896	87,035	73,530	74,393
Other debt securities and corporate note	94,820	80,939	81,799	85,492
Investments restricted for payment service obligations				$ 574,094

December 31, 1992

Name of Issue and Title of Each Issue	Par Value	Cost	Market Value	Book Value
U. S. Government agencies	$ 11,598	$ 11,787	$ 12,177	$ 11,748
Obligations of states and political subdivisions	71,465	74,318	74,944	74,289
Corporate securities	54,400	55,211	54,129	53,970
Mortgage-backed and other asset-backed securities	171,904	328,117	211,262	225,921
Other debt securities	10,150	10,150	10,150	10,150
Investments restricted for payment service obligations				$ 376,078

Schedule X

THE DIAL CORP
SUPPLEMENTARY INCOME STATEMENT INFORMATION
(000 omitted)

	Year Ended December 31, 1993	1992	1991
Maintenance and repairs	$ 47,223	$ 45,457	$ 49,108
Advertising costs	120,188	123,697	107,391

All other required items are presented elsewhere in this document or are less than 1% of revenues.

EXHIBIT 4.B

U.S. $500,000,000

AMENDED AND RESTATED
CREDIT AGREEMENT

Dated as of December 15, 1993

Among

THE DIAL CORP

as Borrower

and

THE BANKS NAMED HEREIN

as Lenders

and

BANK OF AMERICA
NATIONAL TRUST AND SAVINGS ASSOCIATION

and

CITIBANK, N.A.

as Agents

and

CITIBANK, N.A.

as Funding Agent

and

BANK OF AMERICA
NATIONAL TRUST AND SAVINGS ASSOCIATION

as Reporting Agent

TABLE OF CONTENTS

AMENDED AND RESTATED
CREDIT AGREEMENT

Dated as of December 15, 1993

This Amended and Restated Credit Agreement is among The Dial Corp, a Delaware corporation (the "Borrower"), the banks (the "Banks") listed on the signature pages hereof, Bank of America National Trust and Savings Association ("B of A") and Citibank, N.A. ("Citibank") as agents for the Lenders hereunder (individually referred to herein as an "Agent" and collectively as the "Agents" which term shall also include Citibank in its capacity as the Funding Agent), Citibank as funding agent for the Lenders hereunder (in such capacity, the "Funding Agent"), and Bank of America National Trust and Savings Association as reporting agent for the Lenders hereunder (in such capacity, the "Reporting Agent").

PRELIMINARY STATEMENT

The Borrower, certain of the Banks, certain of the Exiting Banks (as defined below), and Citibank, as Agent, are parties to that certain Credit Agreement dated as of October 31, 1987, as such agreement has been amended from time to time (the "Citibank Existing Agreement") and the Borrower, certain of the Banks, certain of the Exiting Banks and B of A, as Agent, are parties to that certain amended and restated credit agreement, dated October 1, 1987, as such agreement has been amended from time to time (the "B of A Existing Agreement", and together with the Citibank Existing Agreement, the "Existing Agreements").

The Borrower, the Banks, and the Agents desire to amend and restate the Existing Agreements in their entirety and to combine the Existing Agreements into one agreement.

Each bank that is a party to an Existing Agreement that is not a party to this Agreement (an "Exiting Bank") and the Borrower have agreed, pursuant to those certain letter agreements dated as of December 15, 1993, that all funding obligations and other obligations of the Exiting Banks under the Existing Agreements have been terminated and, except as set forth in such letter agreements, all payment obligations and other obligations of the Borrower with respect to the Exiting Banks under the Existing Agreements have been satisfied.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Additions to Capital" means the sum of (i) the aggregate net proceeds, including cash and the fair market value of property other than cash (as determined in good faith by the Board of Directors of the Borrower as evidenced by a Board resolution), received by the Borrower from the issue or sale (other than to a Subsidiary) of capital stock of the Borrower and
(ii) the aggregate of 25% of the after tax gain realized from unusual, extraordinary, and major nonrecurring items including, but not limited to, the sale, transfer, or other disposition of (x) any of the stock of any of the Borrower's Subsidiaries or
(y) substantially all of the assets of any geographic or other division or line of business of the Borrower or any of its Subsidiaries (but excluding any after tax loss realized on any such unusual, extraordinary, and major nonrecurring items to the extent they exceed any after tax gains on such items).

"Adjusted Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rate per annum at which deposits in U.S. dollars are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the respective Reference Bank's Eurodollar Rate Advance comprising part of such Borrowing and for a period equal to such Interest Period by (b) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage. The Adjusted Eurodollar Rate for any Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing shall be determined by the Funding Agent on the basis of applicable rates furnished to and received by the Funding Agent from the Reference Banks two Business Days before the first day of such Interest Period, subject, however, to the provisions of Section 2.07.

"Advance" means an advance by a Lender to the Borrower as part of a Borrowing and refers to a Base Rate Advance or a Eurodollar Rate Advance, each of which shall be a "Type" of Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person.

"Agent" or "Agents" has the meaning specified in the introductory paragraph of this Agreement; provided, that, for purposes of Sections 7.02, 7.04, 7.05, 8.04, 8.07(b)(iv) and 8.12 of this Agreement the term "Agent" or "Agents", as the case may be, shall include BA Securities, Inc., Citicorp Securities, Inc., and the Reporting Agent.

"Agreement" means this Amended and Restated Credit Agreement as it may be amended, supplemented or otherwise modified from time to time.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Base Rate Advance, and such Lender's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"Applicable Margin" means, for any period for which any interest payment is to be made with respect to any Advance, the interest rate per annum derived by dividing (i) the sum of the Daily Margins for each of the days included in such period by (ii) the number of days included in such period.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the Funding Agent, in substantially the form of Exhibit B hereto.

"Base Rate" means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate (which is a rate set by Citibank based upon various factors including Citibank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate);

(b) the sum of (A) 1/2 of one percent per annum plus (B) the rate obtained by dividing
(x) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks (such three-week moving average being determined weekly by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank, in either case adjusted to the nearest 1/4 of one percent or, if there is no nearest 1/4 of one percent, to the next higher 1/4 of one percent), by (y) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including, but not limited to, any marginal reserve requirements for Citibank in respect of liabilities consisting of or including (among other liabilities) three-month nonpersonal time deposits of at least $100,000), plus (C) the average during such three-week period of the daily net annual assessment rates estimated by Citibank for determining the current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation for insuring three-month deposits in the United States; or

(c) 1/2 of one percent per annum above the Federal Funds Rate.

"Base Rate Advance" means an Advance which bears interest as provided in Section 2.06(a).

"Borrowing" means a borrowing consisting of Advances of the same Type made on the same day pursuant to the same Notice of Borrowing by each of the Lenders pursuant to Section 2.01.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City or Los Angeles and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"Capital Lease" means, with respect to any Person, any lease of any property by that Person as lessee which would, in conformity with GAAP, be required to be accounted for as a capital lease on the balance sheet of that Person.

"Cash" means money, currency or a credit balance in a deposit account.

"Cash Equivalents" means (a) marketable direct obligations issued or unconditionally guaranteed by the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof, (b) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having the highest rating generally obtainable from either S&P or Moody's, (c) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of A-1 or higher from S&P or P-1 or higher from Moody's, and (d) certificates of deposit or bankers' acceptances maturing within one year from the date of acquisition thereof issued by any lender.

"Cash Flow Coverage" means a ratio of
(a) consolidated net income plus provision for taxes of the Borrower and its Subsidiaries (excluding extraordinary, unusual, or nonrecurring gains or losses), plus interest expense of the Borrower and its Subsidiaries, plus net operating lease expense (net of operating sublease income) of the Borrower and its Subsidiaries, plus depreciation and amortization of intangibles of the Borrower and its Subsidiaries, less capital

expenditures (excluding the cost of acquisitions and the purchase of the partnership interest in Dial Tower) of the Borrower and its Subsidiaries, divided by (b) net operating lease expense (net of operating sublease income) of the Borrower and its Subsidiaries plus interest expense of the Borrower and its Subsidiaries, as determined on a consolidated basis in conformity with GAAP.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitment" has the meaning specified in
Section 2.01.

"Commitment Termination Date" means, with respect to any Lender, June 30, 1997, or such later date to which the Commitment Termination Date of such Lender may be extended from time to time pursuant to Section
2.15 (or if any such date is not a Business Day, the next preceding Business Day).

"Compliance Certificate" means a certificate substantially in the form of Exhibit F hereto, delivered to the Lenders by the Borrower pursuant to

Section 5.10(b)(iii).

"Convert," "Conversion" and "Converted" each refers to a conversion of Advances of one Type into Advances of another Type pursuant to Section 2.08.

"Daily Margin" means, for any date of determination, for the designated Level, Utilization Ratio applicable to such date of determination and Type of Advance, the following interest rates per annum:

	Daily Margin when Utilization Ratio is less than 0.50:1.00		Daily Margin when Utilization Ratio is greater than or equal to 0.50:1.00	
	TYPE OF ADVANCE		TYPE OF ADVANCE	
	Base Rate Advance	Eurodollar Rate Advance	Base Rate Advance	Eurodollar Rate Advance
Level 1	0%	0.4375%	0%	0.5000%
Level 2	0%	0.5000%	0%	0.5625%
Level 3	0%	0.6250%	0%	0.6875%
Level 4	0.25%	1.0000%	0.25%	1.1250%

For purposes of this definition, (a) "Utilization Ratio" means, as of any date of determination, the ratio of (1) the aggregate outstanding principal amount of all Advances as of such date to (2) the aggregate amount of all Commitments in effect as of such date (whether used or unused), (b) if any change in the rating established by S&P, Moody's or Duff & Phelps with respect to Long-Term Debt shall result in a change in the Level, the change in the Daily Margin shall be effective as of the date on which such rating change is publicly announced, and (c) if the ratings established by any two of S&P, Moody's or Duff & Phelps with respect to Long-Term Debt are unavailable for any reason for any day, then the applicable level for such day shall be deemed to be Level 4 (or, if the Requisite Lenders consent in writing, such other Level as may be reasonably determined by the Requisite Lenders from a rating with respect to Long-Term Debt for such day established by another rating agency reasonably acceptable to the Requisite Lenders).

"Debt" means (i) indebtedness for borrowed money or for the deferred purchase price of property or services, (ii) obligations as lessee under Capital Leases, (iii) obligations under guarantees in respect of indebtedness or obligations of others of the kinds referred to in clause (i) or (ii) above, (iv) liabilities in respect of unfunded vested benefits under Single Employer Plans, and (v) Withdrawal Liability incurred under ERISA by the Borrower or any of its ERISA Affiliates to any Multi-employer Plans; provided that "Debt" shall not include payment obligations in the ordinary course of the business of Travelers Express Company, Inc. ("Travelers Express") arising from (x) payments made by banks on checks or money orders issued by Travelers Express and presented to such banks and (y) contingent obligations of Travelers Express to banks which have issued official checks drawn on Travelers Express and have paid to Travelers Express the amounts of such official checks, to repay to such banks such amounts if such official checks are not negotiated.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Agents.

"Duff & Phelps" means Duff & Phelps Inc.

"Effective Date" means the date, on or before December 21, 1993, on which the conditions precedent set forth in Section 3.01 have been satisfied.

"Eligible Assignee" means (i) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least $100,000,000; (ii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economical Cooperation and Development (the "OECD"), or a political subdivision of any such country and having a combined capital and surplus of at least $100,000,000, provided that such bank is acting through a branch or agency located in the country in which it is organized or another country which is also a member of the OECD; and (iii) any Person engaged primarily in the business of commercial banking and that is a Subsidiary of a Lender or of a Person of which a Lender is a Subsidiary.

"Environmental Law" means any and all statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions of any federal, state or local governmental authority within the United States or any State or territory thereof and which relate to the environment or the release of any materials into the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person who for purposes of Title IV of ERISA is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414 of the Code and the regulations promulgated and rulings issued thereunder.

"ERISA Event" means (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, unless the 30-day notice requirement with respect thereto has been waived by the PBGC; (ii) the provision by the administrator of any Pension Plan of a notice of intent to terminate such Pension Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (iii) the cessation of operations at a facility in the circumstances described in Section 4062(e) of ERISA; (iv) the withdrawal by the Borrower or an ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA;
(v) the failure by the Borrower or any ERISA Affiliate to make a payment to a Pension Plan required under
Section 302(f)(1) of ERISA, which Section imposes a lien for failure to make required payments; (vi) the adoption of an amendment to a Pension Plan requiring the provision of security to such Pension Plan, pursuant to Section 307 of ERISA; or (vii) the institu- tion by the PBGC of proceedings to terminate a Pension Plan, pursuant to Section 4042 of ERISA, or the occurrence of any event or condition which, in the reasonable judgment of the Borrower, might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, a Pension Plan.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to the Borrower and the Funding Agent.

"Eurodollar Rate Advance" means an Advance which bears interest as provided in Section 2.06(b).

"Eurodollar Rate Reserve Percentage" for any Interest Period for any Eurodollar Rate Advance means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirements (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for member banks in the Federal Reserve System with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Events of Default" has the meaning specified in
Section 6.01.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Funding Agent from three Federal funds brokers of recognized standing selected by it.

"Funded Debt" means outstanding Debt of the Borrower and its Subsidiaries of the kind described in clauses (i), (ii) and (iii) of the definition of Debt.

"Funding Agent" means Citibank, or any Person serving as its successor agent.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"Insufficiency" means, with respect to any Pension Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance, or on the date of continuation of such Advance as a Eurodollar Rate Advance upon expiration of successive Interest Periods applicable thereto, or on the date of Conversion of a Base Rate Advance into a Eurodollar Rate Advance, and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the Borrower may select in the Notice of Borrowing or the Notice of Conversion/Continuation for such Advance; provided, however, that:

(i) the Borrower may not select any Interest Period which ends after the earliest Commitment Termination Date of any Lender then in effect;

(ii) Interest Periods commencing on the same date for Advances comprising part of the same Borrowing shall be of the same duration; and

(iii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day.

"Lenders" means the Banks listed on the signature pages hereof and each Eligible Assignee that shall become a party hereto pursuant to Section 8.07.

"Level" means Level 1, Level 2, Level 3 or Level 4, as the case may be.

"Level 1" means that, as of any date of determination, the Borrower's Long-term Debt rating is equal to or higher than at least two of the following:
BBB+ from S&P, Baa1 from Moody's and/or BBB+ from Duff & Phelps.

"Level 2" means that, as of any date of determination, the Borrower's Long-term Debt rating is equal to at least two of the following: BBB from S&P, Baa2 from Moody's and/or BBB from Duff & Phelps.

"Level 3" means that, as of any date of determination, the Borrower's Long-term Debt rating is equal to at least two of the following: BBB- from S&P, Baa3 from Moody's and/or BBB- from Duff & Phelps.

"Level 4" means that, as of any date of determination, the Borrower's Long-term Debt rating is lower than at least two of the following: BBB- from S&P, Baa3 from Moody's and/or BBB- from Duff & Phelps.

"Leverage" means (i)(a) Funded Debt minus (b) Cash and Cash Equivalents; divided by (ii) (x) Funded Debt minus (y) Cash and Cash Equivalents plus (z) Shareholders Equity.

"Lien" means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement and any lease in the nature thereof).

"Loan Documents" means this Agreement and the related documents.

"Long-Term Debt" means senior, unsecured, long term debt securities of the Borrower.

"Margin Stock" has the meaning assigned to that term in Regulation U promulgated by the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Material Subsidiary" means any Subsidiary of the Borrower having total assets in excess of $10,000,000.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate of the Borrower is making, or is obligated to make, contributions or has within any of the preceding six plan years been obligated to make or accrue contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, which
(i) is maintained for employees of the Borrower or an ERISA Affiliate and at least one Person other than the Borrower and its ERISA Affiliates or (ii) was so maintained and in respect of which the Borrower or an ERISA Affiliate could have liability under Section 4063, 4064 or 4069 of

ERISA in the event such plan has been or were to be terminated.

"Net Income" means net income in accordance with **GAAP.**

"Net Worth" means minority interests, preferred stock and common stock and other equity, as shown on the consolidated balance sheet of the Borrower and its Subsidiaries.

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Conversion/Continuation" has the meaning specified in Section 2.08.

"PBGC" means the U.S. Pension Benefit Guaranty Corporation.

"Pension Plan" means a Single Employer Plan or a Multiple Employer Plan or both.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Potential Event of Default" means a condition or event which, after notice or lapse of time or both, would constitute an Event of Default if that condition or event were not cured or removed within any applicable grace or cure period.

"Reference Banks" means, B of A, Citibank, Chemical Bank and Bank of Montreal.

"Reporting Agent" means B of A, or any Person serving as its successor agent.

"Register" has the meaning specified in Section 8.07(c).

"Requisite Lenders" means at any time Lenders holding at least 66-2/3% of the then aggregate unpaid principal amount of the Advances held by Lenders, or, if no such principal amount is then outstanding, Lenders having at least 66-2/3% of the Commitments (provided that, for purposes hereof, neither the Borrower, nor any of its Affiliates, if a Lender, shall be included in (i) the Lenders holding such amount of the Advances or having such amount of the Commitments or (ii) determining the aggregate unpaid principal amount of the Advances or the total Commitments).

"S&P" means Standard & Poor's Corporation.

"SEC" means the Securities and Exchange Commission and any successor agency.

"Shareholders Equity" means Net Worth plus the "Employee Equity Trust" contra account and "Guaranty of ESOP Debt" contra account as set forth on the consolidated balance sheet of the Borrower and its Subsidiaries.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, which (i) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and its ERISA Affiliates or (ii) was so maintained and in respect of which the Borrower or an ERISA Affiliate could have liability under Section 4062 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Subsidiary" of any Person means any corporation, association, partnership or other business entity of which at least 50% of the total voting power of shares of stock or other securities entitled to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof.

"Termination Date" means, with respect to any Lender, the earlier of (i) the Commitment Termination Date of such Lender and (ii) the date of termination in whole of the Commitments of all Lenders pursuant to Section 2.04 or 6.01.

"Type" means, with reference to an Advance, a Base Rate Advance or a Eurodollar Rate Advance.

"Withdrawal Liability" has the meaning given such term under Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All computations determining compliance with financial covenants or terms, including definitions used therein, shall be prepared in accordance with generally accepted accounting principles in effect at the time of the preparation of, and in conformity with those used to prepare, the historical financial statements delivered to the Lenders pursuant to Section 4.01(e). If at any time the computations for determining compliance with financial covenants or provisions relating thereto utilize generally accepted accounting principles different than those then being utilized in the financial statements being delivered to the Lenders, such financial statements shall be accompanied by a reconciliation statement.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

SECTION 2.01. The Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Advances to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date of such Lender in an aggregate amount not to exceed at any time outstanding the amount set opposite such Lender's name on the signature pages hereof or, if such Lender has entered into any Assignment and Acceptance, set forth for such Lender in the Register maintained by the Funding Agent pursuant to Section 8.07(c), as such amount may be reduced pursuant to Section
2.04 (such Lender's "Commitment"). Each Borrowing shall be in an aggregate amount not less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof and shall consist of Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment, the Borrower may from time to time borrow, prepay pursuant to Section 2.05(c) and reborrow under this Section 2.01.

SECTION 2.02. Making the Advances. (a) Each Borrowing shall be made on notice, given not later than
(x) 11:00 A.M. (New York City time) on the date of a proposed Borrowing consisting of Base Rate Advances and
(y) 11:00 A.M. (New York City time) on the third Business Day prior to the date of a proposed Borrowing consisting of Eurodollar Rate Advances, by the Borrower to the Funding Agent, which shall give to each Lender prompt notice thereof by telecopier, telex or cable. Each such notice of a Borrowing (a "Notice of Borrowing") shall be by telecopier, telex or cable, confirmed immediately in writing, in substantially the form of Exhibit A hereto, specifying therein the requested (i) date of such Borrowing, (ii) Type of Advances comprising such Borrowing, (iii) aggregate amount of such Borrowing, and (iv) in the case of a Borrowing comprised of Eurodollar Rate Advances, the initial Interest Period for each such Advance. The Borrower may, subject to the conditions herein provided, borrow more than one Borrowing on any Business Day. Each Lender shall, before 2:00 P.M. (New York City time) in the case of a Borrowing consisting of Base Rate Advances and before 11:00
A.M. (New York City time) in the case of a Borrowing consisting of Eurodollar Rate Advances, in each case on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Funding Agent at its address referred to in Section 8.02, in same day funds, such Lender's ratable portion of such Borrowing. After the Funding Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Funding Agent will make such funds available to the Borrower at the Funding Agent's aforesaid address.

(b) Anything in subsection (a) above to the contrary notwithstanding,

(i) the Borrower may not select Eurodollar Rate Advances for any Borrowing or with respect to the Conversion or continuance of any Borrowing if the aggregate amount of such Borrowing or such Conversion or continuance is less than $5,000,000;

(ii) there shall be no more than five Interest Periods relating to Eurodollar Rate Advances outstanding at any time;

(iii) if any Lender shall, at least one Business Day before the date of any requested Borrowing, notify the Funding Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or that any central bank or other governmental authority asserts that it is unlawful, for such Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, the Commitment of such Lender to make Eurodollar Rate Advances or to Convert all or any portion of Base Rate Advances shall forthwith be suspended until the Funding Agent shall notify the Borrower that such Lender has determined that the circumstances causing such suspension no longer exist and such Lender's then outstanding Eurodollar Rate Advances, if any, shall be Base Rate Advances; to the extent that such affected Eurodollar Rate Advances become Base Rate Advances, all payments of principal that would have been otherwise applied to such Eurodollar Rate Advances shall be applied instead to such Lender's Base Rate Advances; provided that if Requisite Lenders are subject to the same illegality or assertion of illegality, then the right of the Borrower to select Eurodollar Rate Advances for such Borrowing or any subsequent Borrowing or to Convert all or any portion of Base Rate Advances shall forthwith be suspended until the Funding Agent shall notify the Borrower that the circumstances causing such suspension no longer exist, and each Advance comprising such Borrowing shall be a Base Rate Advance;

(iv) if fewer than two Reference Banks furnish timely information to the Funding Agent for determining the Adjusted Eurodollar Rate for any Eurodollar Rate Advances comprising any requested Borrowing, the right of the Borrower to select Eurodollar Rate Advances for such Borrowing or any subsequent Borrowing shall be suspended until the Funding Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist, and each Advance comprising such Borrowing shall be made as a Base Rate Advance; and

(v) if the Requisite Lenders shall, at least one Business Day before the date of any requested Borrowing, notify the Funding Agent that the Adjusted Eurodollar Rate for Eurodollar Rate Advances comprising such Borrowing will not adequately reflect the cost to such Requisite Lenders of making, funding or maintaining their respective Eurodollar Rate Advances for such Borrowing, the right of the Borrower to select

Eurodollar Rate Advances for such Borrowing or any subsequent Borrowing shall be suspended until the Funding Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist, and each Advance comprising such Borrowing shall be made as a Base Rate Advance.

(c) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing which the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing or by reason of the termination of hedging or other similar arrangements, in each case when such Advance is not made on such date (other than by reason of a breach of a Lender's obligations hereunder), including without limitation, as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III.

(d) Unless the Funding Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Funding Agent such Lender's ratable portion of such Borrowing, the Funding Agent may assume that such Lender has made such portion available to the Funding Agent on the date of such Borrowing in accordance with subsection (a) of this Section 2.02 and the Funding Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Funding Agent, such Lender and the Borrower severally agree to repay to the Funding Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Funding Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Advances comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Funding Agent such corresponding amount, such amount so repaid shall constitute such Lender's Advance as part of such Borrowing for purposes of this Agreement.

(e) The failure of any Lender to make the Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

SECTION 2.03. Fees. (a) Commitment Fees. The Borrower agrees to pay to the Funding Agent for the account of each Lender a commitment fee on the average daily unused portion of such Lender's Commitment, from the Effective Date in the case of each Lender and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date of such Lender, payable in arrears on the last day of each March, June, September and December during the term of such Lender's Commitment, commencing December 31, 1993, and on the Termination Date of such Lender, in an amount equal to the product of (i) the average daily unused portion of such Lender's Commitment in effect during the period for which such payment that is to be made times (ii) the weighted average rate per annum that is derived from the following rates: (a) a rate of 0.175% per annum with respect to each day during such period that the ratings with respect to Long-Term Debt were at Level 1,
(b) a rate of 0.200% per annum with respect to each day during such period that such ratings were at Level 2, (c) a rate of 0.250% per annum with respect to each day during such period that such ratings were at Level 3, and (d) a rate of 0.375% per annum with respect to each day during such period that such ratings were at Level 4. If any change in the rating established by S&P, Moody's or Duff & Phelps with respect to Long-Term Debt shall result in a change in the Level, the change in the commitment fee shall be effective as of the date on which such rating change is publicly announced. If the ratings established by any two of S&P, Moody's or Duff & Phelps with respect to Long-Term Debt are unavailable for any reason for any day, then the applicable level for purposes of calculating the commitment fee for such day shall be deemed to be Level 4 (or, if the Requisite Lenders consent in writing, such other Level as may be reasonably determined by the Requisite Lenders from a rating with respect to Long-Term Debt for such day established by another rating agency reasonably acceptable to the Requisite Lenders). For purposes of this Section 2.03, the Commitments shall be deemed to be used only to the extent of Advances actually made.

(b) Closing Fee. The Borrower agrees to pay to each Bank on the Effective Date the fees payable to each Bank pursuant to that certain fee letter dated December 15, 1993 among the Borrower and the Agents on behalf of the Banks.

(c) Agents' Fees. The Borrower agrees to pay to the Agents the fees payable to the Agents pursuant to that certain fee letter dated as of December 9, 1993 among the Borrower and the Agents, in the amounts and at the times specified in such letter.

SECTION 2.04. Termination and Reduction of the Commitments.

(a) Mandatory Termination. In the event that a mandatory prepayment in full of the Advances is required by the Requisite Lenders pursuant to Section 2.05(b) (whether or not there are Advances outstanding), the Commitments of the Lenders shall immediately terminate.

(b) Optional Reductions. The Borrower shall have the right, upon at least four Business Days' notice to the Funding Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders, provided that each partial reduction shall be in the aggregate amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof.

SECTION 2.05. Repayment and Prepayment of Advances.

(a) Mandatory Repayment on Termination Date. The Borrower shall repay the outstanding principal amount of each Advance made by each Lender on the Termination Date of such Lender.

(b) Mandatory Prepayment in Certain Events. If any one of the following events shall occur:

(i) any Person or Persons acting in concert shall acquire beneficial ownership of more than 40% of the Borrower's voting stock; or

(ii) during any period of up to 12 months, individuals who at the beginning of such period were directors of the Borrower shall cease to constitute a majority of the Borrower's board of directors; or

(iii) any Debt which is outstanding in a principal amount of at least $15,000,000 in the aggregate (but excluding Debt arising under this Agreement) of the Borrower or any of its Subsidiaries (as the case may be) shall be required to be prepaid (other than by a regularly scheduled required prepayment or by a required prepayment of insurance proceeds or by a required prepayment as a result of formulas based on asset sales or excess cash flow), redeemed, purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof (other than as set forth in Section 6.01(d));

then, and in any such event, if the Funding Agent shall have received notice from the Requisite Lenders that they elect to have the Advances prepaid in full and the Funding Agent shall have provided notice to the Borrower that the Advances are to be prepaid in full, the Borrower shall immediately prepay in full the Advances, together with interest accrued to the date of prepayment and will reimburse the Lenders in respect thereof pursuant to Section 8.04(b).

(c) Voluntary Prepayments of Borrowings. The Borrower shall have no right to prepay any principal amount of any Advances other than as provided in this subsection
(c). The Borrower may, upon notice to the Funding Agent on the day the Borrower proposes to prepay Advances in the case of Base Rate Advances and at least three Business Days' notice to the Funding Agent in the case of Eurodollar Rate Advances stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amounts of the Advances comprising part of the same Borrowing in whole or ratably in part; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount not less than $5,000,000 and integral multiples of $1,000,000 in excess thereof and (y) in the case of any such prepayment of any Eurodollar Rate Advance, the Borrower shall pay all accrued interest to the date of such prepayment on the portion of such Eurodollar Rate Advance being prepaid and shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 8.04(b).

SECTION 2.06. Interest on Advances. The Borrower shall pay interest accrued on the principal amount of each Advance outstanding from time to time from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) Base Rate Advances. If such Advance is a Base Rate Advance, a rate per annum equal at all times to the Base Rate in effect from time to time plus the Applicable Margin, if any, payable in arrears on the last day of each March, June, September and December during the term of this Agreement, commencing December 31, 1993, and on the Termination Date of the applicable Lender; provided that any amount of principal, interest, fees and other amounts payable under this Agreement (including, without limitation, the principal amount of Base Rate Advances, but excluding the principal amount of Eurodollar Rate Advances) which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to 2% per annum above the Base Rate in effect from time to time.

(b) Eurodollar Rate Advances. If such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during the Interest Period for such Advance to the sum of the Adjusted Eurodollar Rate for such Interest Period plus the Applicable Margin, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on the day which occurs during such Interest Period three months from the first day of such Interest Period; provided that any principal amount of any Eurodollar Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to (A) during the Interest Period applicable to such Eurodollar Rate Advance, the greater of (x) 2% per annum above the Base Rate in effect from time to time and (y) 2% per annum above the rate per annum required to be paid on such amount immediately prior to the date on which such amount became due and (B) after the expiration of such Interest Period, 2% per annum above the Base Rate in effect from time to time.

SECTION 2.07. Interest Rate Determination.
(a) Each Reference Bank agrees to furnish to the Funding Agent timely information for the purpose of determining each Adjusted Eurodollar Rate. If any one or more of the Reference Banks shall not furnish such timely information to the Funding Agent for the purpose of determining any such interest rate, the Funding Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks, subject to Section 2.02(b)(iv).

(b) The Funding Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Funding Agent for purposes of Section 2.06(a) or 2.06(b), and the applicable rate, if any, furnished by each Reference Bank for the purpose of determining the applicable interest rate under Section 2.06(b).

SECTION 2.08. Voluntary Conversion or Continuation of Advances.

(a) The Borrower may on any Business Day, upon notice given to the Funding Agent not later than 12:00 noon (New York City time) on the third Business Day prior to the date of the proposed Conversion or continuance (a "Notice of Conversion/Continuation") and subject to the provisions of

Section 2.02(b), (1) Convert all Advances of one Type comprising the same Borrowing into Advances of another Type and (2) upon the expiration of any Interest Period applicable to Advances which are Eurodollar Rate Advances, continue all (or, subject to Section 2.02(b), any portion of) such Advances as Eurodollar Rate Advances and the succeeding Interest Period(s) of such continued Advances shall commence on the last day of the Interest Period of the Advances to be continued; provided, however, that any Conversion of any Eurodollar Rate Advances into Advances of another Type shall be made on, and only on, the last day of an Interest Period for such Eurodollar Rate Advances. Each such Notice of Conversion/Continuation shall, within the restrictions specified above, specify (i) the date of such continuation or Conversion, (ii) the Advances (or, subject to Section 2.02(b), any portion thereof) to be continued or Converted, (iii) if such continuation is of, or such Conversion is into, Eurodollar Rate Advances, the duration of the Interest Period for each such Advance and (iv) in the case of a continuation of or a Conversion into a Eurodollar Rate Advance, that no Potential Event of Default or Event of Default has occurred and is continuing.

(b) If upon the expiration of the then existing Interest Period applicable to any Advance which is a Eurodollar Rate Advance, the Borrower shall not have delivered a Notice of Conversion/Continuation in accordance with this Section 2.08, then such Advance shall upon such expiration automatically be Converted to a Base Rate Advance.

(c) After the occurrence of and during the continuance of a Potential Event of Default or an Event of Default, the Borrower may not elect to have an Advance be made or continued as, or Converted into, a Eurodollar Rate Advance after the expiration of any Interest Rate then in effect for that Advance.

SECTION 2.09. Increased Costs. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements in the case of Eurodollar Rate Advances included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Advances, then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Funding Agent), pay to the Funding Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A reasonably detailed certificate as to the amount and manner of calculation of such increased cost, submitted to the Borrower and the Funding Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and that the amount of such capital is increased by or based upon the existence of such Lender's commitment to lend hereunder and other commitments of this type, then, upon demand by such Lender (with a copy of such demand to the Funding Agent), the Borrower shall immediately pay to the Funding Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender or such corporation in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the existence of such Lender's commitment to lend hereunder. A reasonably detailed certificate as to such amounts and the manner of calculation thereof submitted to the Borrower and the Funding Agent by such Lender shall be conclusive and binding for all purposes, absent manifest error.

(c) If a Lender shall change its Applicable Lending Office, such Lender shall not be entitled to receive any greater payment under Sections 2.09 and 2.11 than the amount such Lender would have been entitled to receive if it had not changed its Applicable Lending Office, unless such change was made at the request of the Borrower or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 2.10. Payments and Computations. (a) The Borrower shall make each payment hereunder not later than 1:00 P.M. (New York City time) on the day when due in U.S. dollars to the Funding Agent at its address referred to in Section 8.02 in same day funds. Subject to the immediately succeeding sentence, the Funding Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or commitment fees ratably (other than amounts payable pursuant to Section 2.09 or 2.11 or, to the extent the Termination Date is not the same for all Lenders, pursuant to Section 2.05(a)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon receipt of principal or interest paid after an Event of Default and an acceleration or a deemed acceleration of amounts due hereunder, the Funding Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest ratably in accordance with each Lender's outstanding Advances (other than amounts payable pursuant to Section 2.09 or 2.11) to the Lenders for the account of their respective Applicable Lending Offices. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(d), from and after the effective date specified in such Assignment and Acceptance, the Funding Agent shall make all payments hereunder in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) All computations of interest based on the Base Rate shall be made by the Funding Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Adjusted Eurodollar Rate or the Federal Funds Rate and of commitment fees shall be made by the Funding Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or such fees are payable. Each determination by the Funding Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be; provided, however, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Funding Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Funding Agent may assume that the Borrower has made such payment in full to the Funding Agent on such date and the Funding Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment in full to the Funding Agent, each Lender shall repay to the Funding Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Funding Agent, at the Federal Funds Rate.

SECTION 2.11. Taxes. (a) Any and all payments by the Borrower hereunder shall be made, in accordance with
Section 2.10, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding (i) in the case of each Lender and each Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender or such Agent (as the case may be) is organized or any political subdivision thereof or in which its principal office is located, (ii) in the case of each Lender taxes imposed on its net income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof and (iii) in the case of each Lender and each Agent, taxes imposed by the United States by means of withholding at the source if and to the extent that such taxes shall be in effect and shall be applicable on the date hereof in the case of each Bank and on the effective date of the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender, on payments to be made to the Agents or such Lender's Applicable Lending Office (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender or either Agent,
(i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this
Section 2.11) such Lender or such Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from the execution, delivery or registration of, or otherwise with respect to, this Agreement (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each Lender and each Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this
Section 2.11) paid by such Lender or such Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Lender or such Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Funding Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing payment thereof.

(e) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank and on the date of the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Lender remains lawfully able to do so), shall provide the Borrower with Internal Revenue Service form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States. If the form provided by a Lender at the time such Lender first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from "Taxes" as defined in Section 2.11(a).

(f) For any period with respect to which a Lender has failed to provide the Borrower with the appropriate form described in Section 2.11(e) (other than if such failure is due to a change in law occurring subsequent to the date on which a form originally was required to be provided, or if such form otherwise is not required under the first sentence of subsection (e) above), such Lender shall not be entitled to indemnification under Section 2.11(a) with respect to Taxes imposed by the United States; provided, however, that should a Lender become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall, at the expense of such Lender, take such steps as the Lender shall reasonably request to assist the Lender to recover such Taxes.

(g) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.11 shall survive the payment in full of principal and interest hereunder.

SECTION 2.12. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Advances made by it (other than pursuant to Section 2.09 or 2.11 or, to the extent the Termination Date is not the same for all Lenders, pursuant to Section 2.05(a)) in excess of its ratable share of payments on account of the

Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of
(i) the amount of such Lender's required repayment to
(ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.12 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.13. Evidence of Debt.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The Register maintained by the Funding Agent pursuant to Section 8.07(c) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date, amount and tenor, as applicable, of each Borrowing, the Type of Advances comprising such Borrowing and the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder, and (iv) the amount of any sum received by the Funding Agent from the Borrower hereunder and each Lender's share thereof.

(c) The entries made in the Register shall be conclusive and binding for all purposes, absent manifest error.

(d) Any Lender may at any time request that the Borrower execute and deliver to such Lender a Note, substantially in the form of Exhibit G annexed hereto, to evidence such Lender's Advances hereunder. The Borrower agrees promptly upon its receipt of any such request from a Lender to execute and deliver a Note to such Lender.

SECTION 2.14. Use of Proceeds.

(a) Advances shall be used by the Borrower for commercial paper backup and for general corporate purposes.

(b) No portion of the proceeds of any Advances under this Agreement shall be used by the Borrower or any of its Subsidiaries in any manner which might cause the Advances or the application of such proceeds to violate, or require any Lender to make any filing or take any other action under, Regulation G, Regulation U, Regulation T, or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of such Board or to violate the Securities Exchange Act of 1934, in each case as in effect on the date or dates of such Advances and such use of proceeds.

SECTION 2.15. Extension of the Commitment Termination Date. The Borrower may not more than once in any calendar year and not later than 13 months prior to the then existing Commitment Termination Date of the Eligible Lenders (as defined below), request that the Commitment Termination Date of all Eligible Lenders be extended for a period of one year by delivering to the Agents a signed copy of an extension request (an "Extension Request") in substantially the form of Exhibit E hereto; provided, that, if such request is made no earlier than 15 months prior to (and no later than 13 months prior to) the then existing Commitment Termination Date of the Eligible Lenders, the Borrower may request that the Commitment Termination Date of all Eligible Lenders be extended for a period of two years. The Reporting Agent on behalf of the Agents shall promptly notify each Eligible Lender of its receipt of such Extension Request. On or prior to June 20 of each calendar year in which there has been an Extension Request (the "Determination Date"), each Eligible Lender shall notify each Agent and the Borrower of its willingness or unwillingness to extend its Commitment Termination Date hereunder. Any Eligible Lender that shall fail to so notify each Agent and the Borrower on or prior to the Determination Date shall be deemed to have declined to so extend. In the event that, on or prior to the Determination Date, Eligible Lenders representing 66-2/3% or more of the aggregate amount of the Commitments of all Eligible Lenders then in effect shall consent to such extension, upon confirmation by the Agents of such consent, the Reporting Agent on behalf of the Agents shall so advise the Lenders and the Borrower, and, subject to execution of documentation evidencing such extension and consents, the Commitment Termination Date of each Eligible Lender (each a "Consenting Lender") that has consented on or prior to the Determination Date to so extend shall be extended to the date one year or two years, as applicable, after the Commitment Termination Date of such Eligible Lender in existence on the date of the related Extension Request. Thereafter, (i) for each Consenting Lender, the term "Commitment Termination Date" shall at all times refer to such date, unless it is later extended pursuant to this Section 2.15, and (ii) for each Lender that is not an Eligible Lender and for each Eligible Lender that either has declined on or prior to the Determination Date to so extend or is deemed to have so declined, the term "Commitment Termination Date" shall at all times refer to the date which was the Commitment Termination Date of such Lender immediately prior to the delivery to the Agents of such Extension Request. In the event that, as of the Determination Date, the Consenting Lenders represent less than 66-2/3% of the aggregate amount of the Commitments of all Eligible Lenders then in effect, and the Agents confirm the same, the Reporting Agent on behalf of the Agents shall so advise the Lenders and the Borrower, and none of the Lenders' Commitment Termination Dates shall be extended to the date indicated in the Extension Request and each Lender's Commitment Termination Date shall continue to be the date which was the Commitment Termination Date of such Lender immediately prior to the delivery to the Agents of such Extension Request. For purposes of this Section 2.15, the term "Eligible Lenders" means, with respect to any

Extension Request, (i) all Lenders if no Lender's Commitment Termination Date had been extended pursuant to this Section 2.15 prior to the delivery to the Agents of such Extension Request, and (ii) in all other cases, those Lenders which had extended their Commitment Termination Date in the most recent extension of any Commitment Termination Date effected pursuant to this Section 2.15.

SECTION 2.16. Substitution of Lenders. If any Lender requests compensation from the Borrower under Section 2.09(a) or (b) or Section 2.11 or if any Lender declines to extend its Commitment Termination Date pursuant to Section 2.15, the Borrower shall have the right, with the assistance of the Agents, to seek one or more Eligible Assignees (which may be one or more of the Lenders) reasonably satisfactory to the Agents and the Borrower to purchase the Advances and assume the Commitments of such Lender, and the Borrower, the Agents, such Lender, and such Eligible Assignees shall execute and deliver an appropriately completed Assignment and Acceptance pursuant to Section 8.07(a) hereof to effect the assignment of rights to and the assumption of obligations by such Eligible Assignees; provided that such requesting Lender shall be entitled to compensation under
Section 2.09 and 2.11 for any costs incurred by it prior to its replacement.

ARTICLE III

CONDITIONS OF LENDING

SECTION 3.01. Condition Precedent to Effective Date. The obligation of each Lender to make its initial Advance is subject to the condition precedent that (a) the Agents shall have received on or before the Effective Date the following, each dated the Effective Date unless otherwise indicated, and each in form and substance satisfactory to the Agents and in sufficient copies for each Lender:

(i) Copies of resolutions of the Board of Directors of the Borrower (or its Executive Committee, together with evidence of the authority of the Executive Committee) approving this Agreement, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement, certified as of a recent date prior to the Effective Date.

(ii) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the other documents to be delivered by the Borrower hereunder.

(iii) Certified copies of the Borrower's Certificate of Incorporation, together with good standing certificates from the state of Delaware and the jurisdiction of the Borrower's principal place of business, each to be dated a recent date prior to the Effective Date;

(iv) Copies of the Borrower's Bylaws, certified as of the Effective Date by their respective Secretary or an Assistant Secretary;

(v) Executed originals of this Agreement and the other documents to be delivered by the Borrower hereunder;

(vi) A favorable opinion of the General Counsel of the Borrower, substantially in the form of Exhibit C hereto;

(vii) A favorable opinion of O'Melveny & Myers, counsel for the Agents, substantially in the form of Exhibit D hereto;

(viii) The Borrower's form 8-K dated October 1, 1993, which includes restated audited financial statements as of December 31, 1992 to present the Borrower's transportation manufacturing and service parts group as a discontinued operation, in the form sent to the Securities and Exchange Commission; and

(ix) A certificate of an authorized officer of the Company to the effect that since December 31, 1992, there has been no material adverse change in the operations, business or financial or other condition or properties of the Borrower and its Subsidiaries, taken as a whole; and

(b) the Agents shall have received the fees set forth in Section 2.03 (b) and (c) if such fees are payable to the Agents and the Banks on the Effective Date.

SECTION 3.02. Conditions Precedent to Each Borrowing. The obligation of each Lender to make an Advance on the occasion of each Borrowing (including the initial Borrowing) shall be subject to the further conditions precedent that (x) the Funding Agent shall have received a Notice of Borrowing with respect thereto in accordance with
Section 2.02 and (y) on the date of such Borrowing (a) the following statements shall be true (and each of the giving of the applicable Notice of Borrowing and the acceptance by the Borrower of the proceeds of such Borrowing shall constitute a representation and warranty by the Borrower that on the date of such Borrowing such statements are true):

(i) The representations and warranties of the Borrower contained in Section 4.01 are correct on and as of the date of such Borrowing, before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, except to the extent that any such representation or warranty expressly relates only to an earlier date, in which case they were correct as of such earlier date; and

(ii) No event has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom, which constitutes an Event of Default, or a Potential Event of Default;

and (b) the Agents shall have received such other approvals, opinions or documents as the Requisite Lenders through the Agents may reasonably request.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Due Organization, etc. The Borrower and each Material Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation. The Borrower and each of its Material Subsidiaries are qualified to do business in and are in good standing under the laws of each jurisdiction in which failure to be so qualified would have a material adverse effect on the Borrower and its Subsidiaries, taken as a whole.

(b) Due Authorization, etc. The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Borrower's Certificate of Incorporation or (ii) applicable law or any material contractual restriction binding on or affecting the Borrower.

(c) Governmental Consent. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents.

(d) Validity. This Agreement is the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms subject to the effect of applicable bankruptcy, insolvency, arrangement, moratorium and other similar laws affecting creditors' rights generally and to the application of general principles of equity.

(e) Condition of the Borrower. The balance sheet of the Borrower and its Subsidiaries as at December 31, 1992, and the related statements of income and retained earnings of the Borrower and its Subsidiaries for the fiscal year then ended, copies of which have been furnished to each Bank pursuant to Section 3.01(a)(viii), fairly present the financial condition of the Borrower and its Subsidiaries as at such date and the results of the operations of the Borrower and its Subsidiaries for the period ended on such date, all in accordance with GAAP consistently applied, and as of the Effective Date, there has been no material adverse change in the business, condition (financial or otherwise), operations or properties of the Borrower and its Subsidiaries, taken as a whole, since December 31, 1992.

(f) Litigation. (i) There is no pending action or proceeding against the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator, and (ii) to the knowledge of the Borrower, there is no pending or threatened action or proceeding affecting the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator, which in either case, in the reasonable judgement of the Borrower could reasonably be expected to materially adversely affect the financial condition or operations of the Borrower and its Subsidiaries, taken as a whole, or with respect to actions of third parties which purports to affect the legality, validity or enforceability of this Agreement.

(g) Margin Regulations. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock in any manner that violates, or would cause a violation of, Regulation G, Regulation T, Regulation U or Regulation X. Less than 25 percent of the fair market value of the assets of (i) the Borrower or
(ii) the Borrower and its Subsidiaries consists of Margin Stock.

(h) Payment of Taxes. The Borrower and each of its Subsidiaries have filed or caused to be filed all material tax returns (federal, state, local and foreign) required to be filed and paid all material amounts of taxes shown thereon to be due, including interest and penalties, except for such taxes as are being contested in good faith and by proper proceedings and with respect to which appropriate reserves are being maintained by the Borrower or any such Subsidiary, as the case may be.

(i) Governmental Regulation. The Borrower is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act or the Investment Company Act of 1940, each as amended, or to any Federal or state statute or regulation limiting its ability to incur indebtedness for money borrowed. No Subsidiary of the Borrower is subject to any regulation that would limit the ability of the Borrower to enter into or perform its obligations under this Agreement.

(j) ERISA.

(i) No ERISA Event which might result in liability of the Borrower or any of its ERISA Affiliates in excess of $10,000,000 (or, in the case of an event described in clause (v) of the definition of ERISA Event, $750,000) (other than for premiums payable under Title IV of ERISA) has occurred or is reasonably expected to occur with respect to any Pension Plan.

(ii) Schedule B (Actuarial Information) to the most recently completed annual report prior to the Effective Date (Form 5500 Series) for each Pension Plan, copies of which have been filed with the Internal Revenue Service and furnished to the Agents, is complete and, to the best knowledge of the Borrower, accurate, and since the date of such Schedule B there has been no material adverse change in the funding status of any such Pension Plan.

(iii) Neither the Borrower nor any ERISA Affiliate has incurred, or, to the best knowledge of the Borrower, is reasonably expected to incur, any Withdrawal Liability to any Multiemployer Plan which has not been satisfied or which is or might be in excess of $10,000,000.

(iv) Neither the Borrower nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and, to the best knowledge of the Borrower, no Multiemployer Plan is reasonably expected to be in reorganization or to be terminated within the meaning of Title IV of ERISA.

(k) Environmental Matters. (i) The Borrower and each of its Subsidiaries is in compliance in all material respects with all Environmental Laws the non- compliance with which could reasonably be expected to have a material adverse effect on the financial condition or operations of the Borrower and its Subsidiaries, taken as a whole, and (ii) there has been no "release or threatened release of a hazardous substance" (as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq.) or any other release, emission or discharge into the environment of any hazardous or toxic substance, pollutant or other materials from the Borrower's or its Subsidiaries' property other than as permitted under applicable Environmental Law and other than those which would not have a material adverse effect on the financial condition or operations of the Borrower and its Subsidiaries, taken as a whole. Other than disposals for which the Borrower has been indemnified in full, all "hazardous waste" (as defined by the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (1976) and the regulations thereunder, 40 CFR Part 261 ("RCRA")) generated at the Borrower's or any Subsidiaries' properties have in the past been and shall continue to be disposed of at sites which maintain valid permits under RCRA and any applicable state or local Environmental Law.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, the Borrower will, unless the Requisite Lenders shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, (i) complying with all Environmental Laws and (ii) paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent contested in good faith, except where failure to so comply would not have a material adverse effect on the business, condition (financial or otherwise), operations or properties of the Borrower and its Subsidiaries, taken as a whole.

(b) Reporting Requirements. Furnish to the Reporting Agent (in sufficient quantity for delivery to each Lender) for prompt distribution by the Reporting Agent to the Lenders and furnish to Citibank (and in the case of clause (xii), to the Funding Agent):

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, consolidated balance sheets as of the end of such quarter and consolidated statements of source and application of funds of the Borrower and its Subsidiaries and consolidated statements of income and retained earnings of the Borrower and its Subsidiaries for such quarter and the period commencing at the end of the previous fiscal year and ending with the end of such quarter and certified by the chief financial officer or chief accounting officer of the Borrower;

(ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the annual audit report for such year for the Borrower and its Subsidiaries, containing financial statements (including a consolidated balance sheet and consolidated statement of income and cash flows of the Borrower and its Subsidiaries) for such year, certified by and accompanied by an opinion of Deloitte & Touche or other nationally recognized independent public accountants. The opinion shall be unqualified (as to going concern, scope of audit and disagreements over the accounting or other treatment of offsets) and shall state that such consolidated financial statements present fairly in all material respects the financial position of the Borrower and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in conformity with GAAP and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards;

(iii) together with each delivery of the report of the Borrower and its Subsidiaries pursuant to subsections (i) and (ii) above, a Compliance Certificate for the year executed by the chief financial officer or treasurer of the Borrower demonstrating in reasonable detail compliance during and at the end of such accounting periods with the restrictions contained in Section 5.02(e), (f) and (g) (and setting forth the arithmetical computation required to show such compliance) and stating that the signer has reviewed the terms of this Agreement and has made, or caused to be made under his or her supervision, a review in reasonable detail of the transactions and condition of the Borrower and its Subsidiaries during the accounting period covered by such financial statements and that such review has not disclosed the existence during or at the end of such accounting period, and that the signer does not have knowledge of the existence as at the date of the compliance certificate, of any condition or event that constitutes an Event of Default or Potential Event of Default or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Borrower has taken, is taking and proposes to take with respect thereto;

(iv) as soon as possible and in any event within five days after the occurrence of each Event of Default and each Potential Event of Default, continuing on the date of such statement, a statement of an authorized financial officer of the Borrower setting forth details of such Event of Default or event and the action which the Borrower has taken and proposes to take with respect thereto;

(v) promptly after any material change in accounting policies or reporting practices, notice and a description in reasonable detail of such change;

(vi) promptly and in any event within 30 days after the Borrower or any ERISA Affiliate knows or has reason to know that any ERISA Event referred to in clause (i) of the definition of ERISA Event with respect to any Pension Plan has occurred which might result in liability to the PBGC a statement of the chief accounting officer of the Borrower describing such ERISA Event and the action, if any, that the Borrower or such ERISA Affiliate has taken or proposes to take with respect thereto;

(vii) promptly and in any event within 15 days after the Borrower or any ERISA Affiliate knows or has reason to know that any ERISA Event (other than an ERISA Event referred to in (vi) above) with respect to any Pension Plan has occurred which might result in liability to the PBGC in excess of $100,000, a statement of the chief accounting officer of the Borrower describing such ERISA Event and the action, if any, that the Borrower or such ERISA Affiliate has taken or proposes to take with respect thereto;

(viii) promptly and in any event within five Business Days after receipt thereof by the Borrower or any ERISA Affiliate from the PBGC, copies of each notice from the PBGC of its intention to terminate any Pension Plan or to have a trustee appointed to administer any Pension Plan;

(ix) promptly and in any event within 15 days after receipt thereof by the Borrower or any ERISA Affiliate from the sponsor of a Multiemployer Plan, a copy of each notice received by the Borrower or any ERISA Affiliate concerning (w) the imposition of Withdrawal Liability by a Multiemployer Plan in excess of $100,000, (x) the determination that a Multiemployer Plan is, or is expected to be, in reorganization within the meaning of Title IV of ERISA, (y) the termination of a Multiemployer Plan within the meaning of Title IV of ERISA or (z) the amount of liability incurred, or expected to be incurred, by the Borrower or any ERISA Affiliate in connection with any event described in clause (w), (x) or (y) above;

(x) promptly after the commencement thereof, notice of all material actions, suits and proceedings before any court or government department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Borrower or any of its Subsidiaries, of the type described in Section 4.01(f);

(xi) promptly after the occurrence thereof, notice of (A) any event which makes any of the representations contained in Section 4.01(k) inaccurate in any material respect or (B) the receipt by the Borrower of any notice, order, directive or other communication from a governmental authority alleging violations of or noncompliance with any Environmental Law which could reasonably be expected to have a material adverse effect on the financial condition of the Borrowers and its Subsidiaries, taken as a whole;

(xii) promptly after any change in the rating established by S&P, Moody's or Duff & Phelps, as applicable, with respect to Long-Term Debt, a notice of such change, which notice shall specify the new rating, the date on which such change was publicly announced, and such other information with respect to such change as any Lender through either Agent may reasonably request;

(xiii) promptly after the sending or filing thereof, copies of all reports which the Borrower sends to any of its public security holders, and copies of all reports and registration statements which the Borrower files with the SEC or any national security exchange;

(xiv) promptly after the Borrower or any ERISA Affiliate creates any employee benefit plan to provide health or welfare benefits (through the purchase of insurance or otherwise) for any retired or former employee of the Borrower or any of its ERISA Affiliates (except as provided in Section 4980B of the Code and except as provided under the terms of any employee welfare benefit plans provided pursuant to the terms of collective bargaining agreements) under the terms of which the Borrower and/or any of its ERISA Affiliates are not permitted to terminate such benefits, a notice detailing such plan; and

(xv) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Lender through either Agent may from time to time reasonably request.

(c) Corporate Existence, Etc. The Borrower will, and will cause each of its Subsidiaries to, at all times preserve and maintain its fundamental business and preserve and keep in full force and effect its corporate existence (except as permitted under Section 5.02(b) hereof) and all rights, franchises and licenses necessary or desirable in the normal conduct of its business; provided, however, that this paragraph (c) shall not apply in any case when, in the good faith business judgment of the Borrower, such preservation or maintenance is neither necessary nor appropriate for the prudent management of the business of the Borrower.

(d) Inspection. The Borrower will permit and will cause each of its Subsidiaries to permit any authorized representative designated by either Agent or any Lender at the expense of such Agent or such Lender, to visit and inspect any of the properties of the Lender or any of its Subsidiaries, including its and their financial and accounting records, and to take copies and to take extracts therefrom, and discuss its and their affairs, finances and accounts with its and their officers and independent public accountants, all during normal hours, upon reasonable notice and as often as may be reasonably requested.

(e) Insurance. The Borrower will maintain and will cause each of its Subsidiaries to maintain insurance to such extent and covering such risks as is usual for companies engaged in the same or similar business and on request will advise the Lenders of all insurance so carried.

SECTION 5.02. Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, without the written consent of the Requisite Lenders:

(a) Liens, Etc. The Borrower will not create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien, upon or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, in each case to secure or provide for the payment of any Debt of any Person, unless the Borrower's obligations hereunder shall be secured equally and ratably with, or prior to, any such Debt; provided however that the foregoing restriction shall not apply to the following Liens which are permitted:

(i) Liens on assets of any Subsidiary of the Borrower existing at the time such Person becomes a Subsidiary (other than any such Lien created in contemplation of becoming a Subsidiary);

(ii) Liens on accounts receivable resulting from the sale of such accounts receivable, so long as, at any time, the aggregate outstanding amount of cash advanced to the Borrower and attributable to the sale of such accounts receivable does not exceed $200,000,000;

(iii) purchase money Liens upon or in any property acquired or held by the Borrower or any Subsidiary in the ordinary course of business to secure the purchase price of such property or to secure Debt incurred solely for the purpose of financing the acquisition of such property (provided that the amount of Debt secured by such Lien does not exceed 100% of the purchase price of such property and transaction costs relating to such acquisition) and Liens existing on such property at the time of its acquisition (other than any such Lien created in contemplation of such acquisition); and the interest of the lessor thereof in any property that is subject to a Capital Lease;

(iv) any Lien securing Debt that was incurred prior to or during construction or improvement of property for the purpose of financing all or part of the cost of such construction or improvement, provided that the amount of Debt secured by such Lien does not exceed 100% of the fair market value of such property after giving effect to such construction or improvement;

(v) any Lien securing Debt of a Subsidiary owing to the Borrower;

(vi) Liens resulting from any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Debt secured by any Lien referred to in clauses (i), (iii) and (iv) above so long as (x) the aggregate principal amount of such Debt shall not increase as a result of such extension, renewal or replacement and (y) Liens resulting from any such extension, renewal or replacement shall cover only such property which secured the Debt that is being extended, renewed or replaced; and

(vii) Liens other than Liens described in clauses (i) through (vi) hereof, whether now existing or hereafter arising, securing Debt in an aggregate amount not exceeding $50,000,000.

(b) Restrictions on Fundamental Changes. The Borrower will not, and will not permit any of its Material Subsidiaries to, merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or a substantial portion of its assets (whether now owned or hereafter acquired) to any Person, or enter into any partnership, joint venture, syndicate, pool or other combination, unless no Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom and, in the case of a merger or consolidation of the Borrower,
(i) the Borrower is the surviving entity or (ii) the surviving entity assumes all of the Borrower's obligations under this Agreement in a manner satisfactory to the Requisite Lenders.

(c) Plan Terminations. The Borrower will not, and will not permit any ERISA Affiliate to, terminate any Pension Plan so as to result in liability of the Borrower or any ERISA Affiliate to the PBGC in excess of $15,000,000, or permit to exist any occurrence of an event or condition which reasonably presents a material risk of a termination by the PBGC of any Pension Plan with respect to which the Borrower or any ERISA Affiliate would, in the event of such termination, incur liability to the PBGC in excess of $15,000,000.

(d) Margin Stock. The Borrower will not permit 25% or more of the fair market value of the assets of
(i) the Borrower or (ii) the Borrower and its Subsidiaries to consist of Margin Stock.

(e) Minimum Cash Flow Coverage. The Borrower will not permit Cash Flow Coverage for the twelve-month period ending on the last day of each fiscal quarter to be less than 1.25 to 1.00.

(f) Maximum Leverage. The Borrower will not permit at any time Leverage to be greater than 0.55 to 1.00.

(g) Minimum Net Worth. The Borrower will not permit at any time Net Worth to be less than the sum of (i) $410 million and (ii) 25% of Net Income (excluding losses) from October 1, 1993 to the then most recent June 30 or December 31 and (iii) all Additions to Capital from October 1, 1993 to the then most recent June 30 or December 31.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable or the Borrower shall fail to pay any interest on any Advance or any fees or other amounts payable hereunder within five days of the date due; or

(b) Any representation or warranty made or deemed made by the Borrower herein or by the Borrower pursuant to this Agreement (including any notice, certificate or other document delivered hereunder) shall prove to have been incorrect in any material respect when made; or

(c) The Borrower shall fail to perform or observe
(i) any term, covenant or agreement contained in this Agreement (other than any term, covenant or agreement contained in Section 5.01(b)(iv), 5.01(c) or 5.02) on its part to be performed or observed and the failure to perform or observe such other term, covenant or agreement shall remain unremedied for 30 days after the Borrower obtains knowledge of such breach or (ii) any term, covenant or agreement contained in Section 5.02 and either of the Agents or the Requisite Lenders shall have notified the Borrower that an Event of Default has occurred, or (iii) any term, covenant or agreement contained in Section 5.01(b)(iv) or 5.01(c); or

(d) The Borrower or any of its Subsidiaries shall fail to pay any principal of or premium or interest on any Debt which is outstanding in a principal amount of at least $15,000,000 in the aggregate (but excluding Debt arising under this Agreement) of the Borrower or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or other- wise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or the Borrower or any of its Subsidiaries shall fail to perform or observe any other agreement, term or condition contained in any agreement or instrument relating to any such Debt (or if any other event or condition of default under any such agreement or instrument shall exist) and such failure, event or condition shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such failure, event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable as a result of such failure, event or condition; or

(e) The Borrower or any of its Material Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any of its Material Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for a substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower or any of its Material Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Any judgment or order for the payment of money in excess of $25,000,000 shall be rendered against the Borrower or any of its Material Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon a final or nonappealable judgment or order or (ii) there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(g) (i) Any ERISA Event with respect to a Pension Plan shall have occurred and, 30 days after notice thereof shall have been given to the Borrower by either of the Agents, (x) such ERISA Event shall still exist and (y) the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Pension Plan and the Insufficiency of any and all other Pension Plans with respect to which an ERISA Event shall have occurred and then exist (or in the case of a Pension Plan with respect to which an ERISA Event described in clause (iii) through (vi) of the definition of ERISA Event shall have occurred and then exist, the liability related thereto) is equal to or greater than $25,000,000; or

(ii) The Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred an aggregate Withdrawal Liability for all years to such Multiemployer Plan in an amount that, when aggregated with all other amounts then required to be paid to Multiemployer Plans by the Borrower and its ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds $25,000,000 and it is reasonably likely that all amounts then required to be paid to Multiemployer Plans by the Borrower and its ERISA Affiliates as Withdrawal Liability will exceed $25,000,000; or

(iii) The Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV or ERISA, and it is reasonably likely that as a result of such reorganization or termination the aggregate annual contributions of the Borrower and its ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan year of such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding $25,000,000;

then, and in any such event, either of the Agents (i) shall at the request, or may with the consent, of the Requisite Lenders, by notice to the Borrower, declare the obligation of each Lender to make Advances to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Requisite Lenders, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower or any of its Subsidiaries under the Federal Bankruptcy Code, (A) the obligation of each Lender to make Advances shall automatically be terminated and (B) the Advances, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII

THE FUNDING AGENT AND THE AGENTS

SECTION 7.01. Authorization and Action. Each Lender hereby appoints and authorizes Citibank and B of A to act as Agents under this Agreement, Citibank to act as Funding Agent under this Agreement and B of A to act as Reporting Agent under this Agreement and authorizes each Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to each Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Advances and other amounts owing hereunder), no Agent shall be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Requisite Lenders, and such instructions shall be binding upon all Lenders; provided, however, that no Agent shall be required to take any action which exposes such Agent to personal liability or which is contrary to any of the Loan Documents or applicable law. Each Agent agrees to give to each Lender prompt notice of each notice given to it by the Borrower pursuant to the terms of the Loan Documents.

SECTION 7.02. Agents' Reliance, Etc. Neither the Agents nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with any of the Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agents: (i) may treat the payee of any Advance as the holder thereof until the Funding Agent receives and accepts an Assignment and Acceptance entered into by the Lender which is the payee of such Advance, as assignor, and an Eligible Assignee, as assignee, as provided in Section 8.07; (ii) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) make no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with any of the Loan Documents; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any of the Loan Documents on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (v) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the Loan Documents or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of any of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03. Citibank, B of A and Affiliates. With respect to its respective Commitment and the respective Advances made by it, Citibank and B of A shall each have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not an Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include B of A and Citibank respectively in its individual capacity. B of A or Citibank and their respective affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, any of its subsidiaries and any Person who may do business with or own securities of the Borrower or any such subsidiary, all as if B of A or Citibank, as the case may be was not Agent and without any duty to account therefor to the Lenders.

SECTION 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon either the Agents or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. Indemnification. The Lenders agree to indemnify each Agent (to the extent not reimbursed by the Borrower), ratably according to the respective principal amounts of the Advances then held by each of them (or if no Advances are at the time outstanding or if any Advances are held by Persons which are not Lenders, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against such Agent in any way relating to or arising out of any of the Loan Documents or any action taken or omitted by such Agent under any of the Loan Documents, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from any Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse each Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by such Agent in connection with the preparation, execution, delivery, administration, syndication, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, the Loan Documents, to the extent that such Agent is not reimbursed for such expenses by the Borrower.

SECTION 7.06. Successor Agent. Each Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower and may be removed at any time with or without cause by the Requisite Lenders. Upon any such resignation or removal, the Requisite Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Requisite Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Requisite Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent which shall be a commercial bank organized under the laws of the United States of America or of any State thereof or any Bank and, in each case having a combined capital and surplus of at least $50,000,000. Upon the acceptance of any appointment as an Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under the Loan Documents.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Requisite Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following:
(a) waive any of the conditions specified in Section 3.01,
(b) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder,
(e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances, or the number of Lenders, which shall be required for the Lenders or any of them to take any action hereunder or (f) amend
Section 2.15 or this Section 8.01; and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by an Agent in addition to the Lenders required above to take such action, affect the rights or duties of such Agent under this Agreement.

SECTION 8.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopier, telegraphic, telex or cable communication) and mailed, telecopied, telegraphed, telexed, cabled or delivered, if to the Borrower, at its address at Dial Tower, Phoenix, Arizona 85077-2343, Attn: Treasurer; if to any Bank, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender; if to the Funding Agent at its address at Citicorp Bank Loan Syndications Operations, 1 Court Square, Long Island City, New York 11120; if to Citibank as Agent c/o Citicorp North America, Inc., One Sansome Street, San Francisco, California 94104, Attn: Rosanna Bartolazo and if to B of A as either Agent or Reporting Agent at its address at 1455 Market Street, San Francisco, California 94103, Global Agency, No. 5596; or, as to the Borrower or either Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agents. All such notices and communications shall, when personally delivered, mailed, telecopied, telegraphed, telexed or cabled, be effective when personally delivered, after five (5) days after being deposited in the mails, when confirmed by telecopy response, when delivered to the telegraph company, when confirmed by telex answerback or when delivered to the cable company, respectively, except that notices and communications to any Agent pursuant to Article II or VII shall not be effective until received by such Agent.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Lender or either Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs, Expenses and Indemnification. (a) The Borrower agrees to pay promptly on demand all reasonable costs and out-of-pocket expenses of the Agents in connection with the preparation, execution, delivery, administration, syndication, modification and amendment of this Agreement, and the other documents to be delivered hereunder or thereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Agents (including the allocated time charges of each Agent's legal departments, as their respective internal counsel) with respect thereto and with respect to advising the Agents as to their rights and responsibilities under this Agreement. The Borrower further agrees to pay promptly on demand all costs and expenses of the Agents and of each Lender, if any (including, without limitation, reasonable counsel fees and out-of-pocket expenses), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement and the other documents to be delivered hereunder or thereunder, including, without limitation, reasonable counsel fees and out-of-pocket expenses in connection with the enforcement of rights under this Section 8.04(a).

(b) If any payment of principal of any Eurodollar Rate Advance is made other than on the last day of the interest period for such Advance, as a result of a payment pursuant to Section 2.05 or acceleration of the maturity of the Advances pursuant to Section 6.01 or for any other reason, the Borrower shall, upon demand by any Lender (with a copy of such demand to the Funding Agent), pay to the Funding Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance.

(c) The Borrower agrees to indemnify and hold harmless each Agent, each Lender and each director, officer, employee, agent, attorney and affiliate of each Agent and each Lender (each an "indemnified person") in connection with any expenses, losses, claims, damages or liabilities to which an Agent, a Lender or such indemnified persons may become subject, insofar as such expenses, losses, claims, damages or liabilities (or actions or other proceedings commenced or threatened in respect thereof) arise out of the transactions referred to in this Agreement or arise from any use or intended use of the proceeds of the Advances, or in any way arise out of activities of the Borrower that violate Environmental Laws, and to reimburse each Agent, each Lender and each indemnified person, upon their demand, for any reasonable legal or other out-of-pocket expenses incurred in connection with investigating, defending or participating in any such loss, claim, damage, liability, or action or other proceeding, whether commenced or threatened (whether or not such Agent, such Lender or any such person is a party to any action or proceeding out of which any such expense arises). Notwithstanding the foregoing, the Borrower shall have no obligation hereunder to an indemnified person with respect to indemnified liabilities which have resulted from the gross negligence, bad faith or willful misconduct of such indemnified person.

SECTION 8.05. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Agents to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (time or demand, provisional or final, or general, but not special) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement that are then due and payable, whether or not such Lender shall have made any demand under this Agreement. Each Lender agrees promptly to notify the Borrower after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Lender may have.

SECTION 8.06. Binding Effect. This Agreement shall be deemed to have been executed and delivered when it shall have been executed by the Borrower and the Agents and when the Agents shall have been notified by each Bank that such Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, each Agent and each Lender and their respective successors and permitted assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of all Lenders.

SECTION 8.07. Assignments and Participations.
(a) Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances owing to it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement, (ii) after giving effect to any such assignment, (1) the assigning Lender shall no longer have any Commitment or (2) the amount of the Commitment of both the assigning Lender and the Eligible Assignee party to such assignment (in each case determined as of the date of the Assignment and Acceptance with respect to such assignment) shall not be less than the lesser of (A) $10,000,000 and (B) the quotient derived from dividing the product of (x) $10,000,000 times (y) the aggregate amount of all Commitments (determined as of the date of the Assignment and Acceptance with respect to such assignment) by $500,000,000, (iii) each such assignment shall be to an Eligible Assignee, (iv) the parties to each such assignment shall execute and deliver to the Funding Agent and the Reporting Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, and a processing and recordation fee of $1,250 to the Funding Agent and $1,250 to the Reporting Agent, and (v) the Borrower and the Agents shall have consented to such assignment, which consent shall not be unreasonably withheld. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance,
(x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and
(y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto). Any Lender may at any time pledge or assign all or any portion of its rights hereunder to a Federal Reserve Bank; provided, that no such pledge or assignment shall release such Lender from any of its obligations hereunder.

(b) By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any of the Loan Documents or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under any of the Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (iii) such assignee confirms that it has received a copy of the Loan Documents, together with copies of the financial statements referred to in
Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;
(iv) such assignee will, independently and without reliance upon the Agents, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to such Agent by the terms

hereof, together with such powers as are reasonably incidental thereto; and
(vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

(c) The Funding Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, the Commitment Termination Date of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agents and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of the Loan Documents. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Within five days of its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee (together with a processing and recordation fee of $2,500 with respect thereto) and upon evidence of consent of the Borrower and the Agents thereto, which consent shall not be unreasonably withheld, the Funding Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit B hereto, (1) accept such Assignment and Acceptance and (2) record the information contained therein in the Register. All communications with the Borrower with respect to such consent of the Borrower shall be either sent pursuant to Section 8.02.

(e) Each Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Advances owing to it; provided, however, that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any such Advance for all purposes of this Agreement, (iv) the Borrower, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents, (v) no Lender shall grant any participation under which the participant shall have rights to require such Lender to take or omit to take any action hereunder or under the other Loan Documents or approve any amendment to or waiver of this Agreement or the other Loan Documents, except to the extent such amendment or waiver would: (A) extend the Termination Date of such Lender; or (B) reduce the interest rate or the amount of principal or fees applicable to Advances or the Commitment in which such participant is participating or change the date on which interest, principal or fees applicable to Advances or the Commitment in which such participant is participating are payable, (vi) such Lender shall notify the Borrower of the sale of the participation, and (vii) the Person purchasing such participation shall agree to customary provisions relating to the confidentiality of non- public information received by such Person in connection with its purchase of the participation.

(f) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or Participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to the Borrower received by it from such Lender.

SECTION 8.08. Confidentiality. Each Lender agrees, insofar as is legally possible, to use its best efforts to keep in confidence all financial data and other information relative to the affairs of the Borrower heretofore furnished or which may hereafter be furnished to it pursuant to the provisions of this Agreement; provided, however, that this Section 8.08 shall not be applicable to information otherwise disseminated to the public by the Borrower; and provided further that such obligation of each Bank shall be subject to each Bank's (a) obligation to disclose such information pursuant to a request or order under applicable laws and regulations or pursuant to a subpoena or other legal process, (b) right to disclose any such information to bank examiners, its affiliates (including, without limitation, in the case of B of A, BA Securities, Inc. and in the case of Citibank, Citicorp Securities, Inc.), bank, auditors, accountants and its counsel and other Banks, and (c) right to disclose any such information, (i) in connection with the transactions set forth herein including assignments and sales of participation interests pursuant to Section 8.07 hereof or
(ii) in or in connection with any litigation or dispute involving the Banks and the Borrower or any transfer or other disposition by such Bank of any of its Advances or other extensions of credit by such Bank to the Borrower or any of its Subsidiaries, provided that information disclosed pursuant to this proviso shall be so disclosed subject to such procedures as are reasonably calculated to maintain the confidentiality thereof.

SECTION 8.09. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.10. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 8.11. Consent to Jurisdiction; Waiver of Immunities. The Borrower hereby irrevocably submits to the jurisdiction of any New York state or Federal court sitting in New York, New York in any action or proceeding arising out of or relating to this Agreement, and the Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York state or Federal court. The Borrower hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Section 8.11 shall affect the right of any Lender or Agent to serve legal process in any other manner permitted by law or affect the right of any Lender or Agent to bring any action or proceeding against the Borrower or its property in the courts of any other jurisdiction.

SECTION 8.12. Waiver of Trial by Jury. THE BORROWER, THE BANKS, THE AGENTS AND, BY ITS ACCEPTANCE OF THE BENEFITS HEREOF, OTHER LENDERS EACH HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims and all other common law and statutory claims. The Borrower, the Banks, the Agents and, by its acceptance of the benefits hereof, other Lenders each
(i) acknowledges that this waiver is a material inducement for the Borrower, the Lenders and the Agents to enter into a business relationship, that the Borrower, the Lenders and the Agents have already relied on this waiver in entering into this Agreement or accepting the benefits thereof, as the case may be, and that each will continue to rely on this waiver in their related future dealings and (ii) further warrants and represents that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE DIAL CORP, a Delaware corporation

By: /s/ R.G. Nelson
Title: Vice President-
Treasurer

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent and Reporting Agent

By: /s/ Kay S. Warren
Title: Vice President

CITIBANK, N.A., as Agent and Funding Agent

By: /s/ Barbara A. Cohen
Title: Vice President

$36,000,000	*BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION* *By: /s/ Robert Troutman* *Title: Vice President*
$36,000,000	*CITIBANK, N.A.* *By: /s/ Barbara A. Cohen* *Title: Vice President*
$24,000,000	*BANK OF MONTREAL* *By: /s/ J. Donald Higgins* *Title: Managing Director*
$24,000,000	*THE CHASE MANHATTAN BANK, N.A.* *By: /s/ Elyse O'Hora* *Title: Managing Director*
$24,000,000	*CHEMICAL BANK* *By: /s/ Jeffry Howe* *Title: Vice President*
$24,000,000	*CIBC, INC.* *By: /s/ R.A. Mendoza* *Title: Vice President*
$24,000,000	*CONTINENTAL BANK, N.A.* *By: /s/ Wyatt Ritchie* *Title: Vice President*

$24,000,000	*NATIONSBANK OF TEXAS, N.A.* *By: /s/ Frank M. Johnson* *Title: Vice President*
$24,000,000	*ROYAL BANK OF CANADA* *By: /s/ Tom Oberaigner* *Title: Manager*
$20,000,000	*BANK ONE, ARIZONA, N.A.* *By: /s/ Clifford Payson* *Title: Vice President*
$20,000,000	*CREDIT SUISSE* *By: /s/ Steve Flynn* *Title: MOSM (Member of Senior Management)* *By: /s/ Eric Noyes* *Title: Assoc.*
$20,000,000	*FIRST INTERSTATE BANK OF ARIZONA, N.A.* *By: /s/ Gary Frandson* *Title: Vice President*
$20,000,000	*THE FIRST NATIONAL BANK OF CHICAGO* *By: /s/ L. Gene Beube* *Title: Senior Vice President*
$20,000,000	*THE INDUSTRIAL BANK OF JAPAN, LIMITED, LOS ANGELES AGENCY* *By: /s/ Steven Savoldelli* *Title: Senior Vice President* *Executed: December 30, 1993*
$20,000,000	*THE LONG-TERM CREDIT BANK OF JAPAN, LTD., LOS ANGELES AGENCY* *By: /s/ Hiroshi Norizuki* *Title: Deputy General Manager* *By: /s/ T. Morgan Edwards* *Title: Vice President*
$20,000,000	*MARINE MIDLAND BANK, N.A.* *By: /s/ William M. Holland* *Title: Vice President*
$20,000,000	*MELLON BANK, N.A.* *By: /s/ V. Charles Jackson* *Title: Senior Vice President*
$20,000,000	*THE MITSUI TRUST & BANKING CO., LTD. LOS ANGELES AGENCY* *By: /s/ Yusaku Otani* *Title: General Manager & Agent*
$10,000,000	*MORGAN GUARANTY TRUST COMPANY OF NEW YORK* *By: /s/ Diana H. Imhof* *Title: Associate*
$10,000,000	*J.P. MORGAN DELAWARE* *By: /s/ Philip S. Detjens* *Title: Vice President*
$20,000,000	*NBD BANK, N.A.* *By: /s/ Jack J. Csernits* *Title: Vice President*

$20,000,000	*THE NORTHERN TRUST COMPANY* *By: /s/ Michelle D. Griffin* *Title: Vice President*
$20,000,000	*UNION BANK* *By: /s/ Ali Moghaddan* *Title: Vice President*

SCHEDULE I
LIST OF APPLICABLE LENDING OFFICES

Name of Bank
Domestic Lending Office
Eurodollar Lending Office

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION
1850 Gateway Blvd.
Concord, CA 94520
Attn: Barbara Garibaldi
1850 Gateway Blvd.
Concord, CA 94520
Attn: Barbara Garibaldi

CITIBANK, N.A.
c/o Citicorp Securities, Inc.
One Court Square
Long Island City, NY 11120
Attn: Barbara Kobalt
c/0 Citicorp Securities, Inc.
One Court Square
Long Island City, NY 11120
Attn: Barbara Kobalt

BANK OF MONTREAL
601 S. Figueroa Street
Suite 4900
Los Angeles, CA 90017
Attn: Alberta Rosby
601 S. Figueroa Street
Suite 4900
Los Angeles, CA 90017
Attn: Alberta Rosby

CIBC, INC.
Two Paces Pelling Road
#1200
Atlanta, Georgia 30331
Attn: Anita Williams
Two Paces Pelling Road
#1200
Atlanta, Georgia 30331
Attn: Anita Williams

THE CHASE MANHATTAN BANK, N.A.
1 Chase Manhattan Plaza
5th Floor
New York, New York 10081
Attn: Stephen McArdle

1 Chase Manhattan Plaza
5th Floor
New York, New York 10081
Attn: Stephen McArdle

CHEMICAL BANK
270 Park Avenue
New York, New York 10017
Attn: Abigail Garcia

270 Park Avenue
New York, New York 10017
Attn: Abigail Garcia

CONTINENTAL BANK, N.A.
231 S. LaSalle Street
Chicago, IL 60697
Attn: Sandy Kramer
231 S. LaSalle Street
Chicago, IL 60697
Attn: Sandy Kramer

NATIONSBANK OF TEXAS, N.A.
c/o NationsBank
901 Main Street
67th Floor
Dallas, TX 75202
Attn: Karen Puente
c/o NationsBank
901 Main Street
67th Floor
Dallas, TX 75202
Attn: Karen Puente

ROYAL BANK OF CANADA
Pierrepont Plaza
300 Cadman Plaza West
14th Floor
Brooklyn, NY 11201-2701
Attn: Liz Gonzales
Pierrepont Plaza
300 Cadman Plaza West
14th Floor
Brooklyn, NY 11201-2701
Attn: Liz Gonzales

BANK ONE, ARIZONA, N.A.
P.O. Box 71
Phoenix, AZ 95001

241 N. Central Avenue
11th Floor
Phoenix, Arizona 95004
Attn: Lisa Martina
P.O. Box 71
Phoenix, AZ 95001

241 N. Central Avenue
11th Floor
Phoenix, Arizona 95004
Attn: Lisa Martina

CREDIT SUISSE
500 Wilshire Blvd.
Los Angeles, CA 90017
Attn: Rita Asa
500 Wilshire Blvd.
Los Angeles, CA 90017
Attn: Rita Asa

FIRST INTERSTATE BANK OF ARIZONA, N.A.
P.O. Box 29742
Phoenix, AZ 85038-9742
Attn: Jacqueline Cox

P.O. Box 29742
Phoenix, AZ 85038-9742
Attn: Jacqueline Cox

THE INDUSTRIAL BANK OF JAPAN, LIMITED, LOS ANGELES AGENCY
350 S. Grand Ave., Suite 1500
Los Angeles, CA 90071
Attn: Jane Chang/Jeanie Song
350 S. Grand Ave., Suite 1500
Los Angeles, CA 90071
Attn: Jane Chang/Jeanie Song

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.
444 S. Flower St., Suite 3700
Los Angeles, CA 90071
Attn: Diane Hoyen/Cindy Ly
444 S. Flower St., Suite 3700
Los Angeles, CA 90071
Attn: Diane Hoyen/Cindy Ly

MELLON BANK, N.A.
Three Mellon Bank Center
Room 2303
Pittsburgh, PA 15259
Attn: Janine Moriarity
Three Mellon Bank Center
Room 2303
Pittsburgh, PA 15259
Attn: Janine Moriarity

NBD BANK, N.A.
611 Woodward Avenue
Detroit, MI 48226
Attn: Kristi Williams
611 Woodward Avenue
Detroit, MI 48226
Attn: Kristi Williams

THE FIRST NATIONAL BANK OF CHICAGO
One First National Plaza
0634/1-10
Chicago, Illinois 60670
Attn: Marilyn Fisher
One First National Plaza
0634/1-10
Chicago, Illinois 60670
Attn: Marilyn Fisher

MARINE MIDLAND BANK, N.A
140 Broadway, 6th Floor
New York, NY 10005-1180
Attn: Cornelia Hurt
140 Broadway, 6th Floor
New York, NY 10005-1180
Attn: Cornelia Hurt

THE MITSUI TRUST & BANKING CO. LTD., LOS ANGELES AGENCY
611 W. Sixth St., Suite 3800
Los Angeles, CA 90017
Attn: Bonjai Kulapalanont
611 W. Sixth St., Suite 3800
Los Angeles, CA 90017
Attn: Bonjai Kulapalanont

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
60 Wall Street
New York, NY 10060-0060
Attn: Loan Department
Nassau, Bahamas Office
c/o J.P. Morgan Services, Inc.
Loan Operations - 3rd Floor
500 Stanton - Christiana Road
Newark, Delaware 19713

J.P. MORGAN DELAWARE
500 Stanton-Christiana Road
Newark, DE 19713-2107
Attn: Loan Department
500 Stanton-Christiana Road
Newark, DE 19713-2107
Attn: Loan Department

THE NORTHERN TRUST COMPANY
50 S. La Salle
Chicago, IL 60675
Attn: Linda Honda
50 S. La Salle
Chicago, IL 60675
Attn: Linda Honda

UNION BANK
445 S. Figueroa Street
15th Floor
Los Angeles, CA 90071
Attn: Wendy Frear
445 S. Figueroa Street
15th Floor
Los Angeles, CA 90071
Attn: Wendy Frear

EXHIBIT A

[FORM OF NOTICE OF BORROWING]

NOTICE OF BORROWING

Citibank, N.A., as Funding Agent
for the Lenders party
to the Credit Agreement
referred to below

c/o Citicorp Bank Loan
Syndications Operations
One Court Square
Long Island City, New York 11120
[Date]

Attention: [_________________________]

Gentlemen:

Each of the undersigned and The Dial Corp (the "Borrower") refers to the Amended and Restated Credit Agreement dated as of December 15, 1993 (as amended from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among the Borrower, certain Lenders party thereto, Bank of America National Trust and Savings Association and Citibank, N.A., as Agents for said Lenders, Citibank, N.A., as Funding Agent for said Lenders and Bank of America National Trust and Savings Association, as Reporting Agent for said Lenders. The Borrower hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement, that the Borrower hereby requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by Section 2.02(a) of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is ___________, 19__.

(ii) The Type of Advances comprising the Proposed Borrowing is [Base Rate Advances] [Eurodollar Rate Advances].

(iii) The aggregate amount of the Proposed Borrowing is $______________.

(iv) If the Type of Advances comprising the Proposed Borrowing is Eurodollar Rate Advances, the Interest Period for each Advance made as part of the Proposed Borrowing is _____ month[s].

Each of the undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement are correct, before and after giving effect to the Proposed Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, except to the extent that any such representation or warranty expressly relates only to an earlier date, in which case they were correct as of such earlier date; and

(B) no event has occurred and is continuing, or will result from such Proposed Borrowing or from the application of the proceeds therefrom, which constitutes an Event of Default or a Potential Event of Default.

Very truly yours,

THE DIAL CORP

By: _________________________
Title:

EXHIBIT B

[FORM OF ASSIGNMENT AND ACCEPTANCE]

ASSIGNMENT AND ACCEPTANCE

Dated ________, 19__

Reference is made to the Amended and Restated Credit Agreement dated as of December 15, 1993 (as amended from time to time, the "Credit Agreement") among The Dial Corp (the "Borrower"), the Lenders (as defined in the Credit Agreement), Bank of America National Trust and Savings Association and Citibank, N.A., as Agents for the Lenders, Citibank, N.A., as Funding Agent for the Lenders and Bank of America National Trust and Savings Association, as Reporting Agent for the Lenders. Terms defined in the Credit Agreement and not defined herein are used herein with the same meaning.

_________________ (the "Assignor") and ______________ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns without recourse to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor's rights and obligations under the Credit Agreement as of the Effective Date which represents the percentage interest specified on Schedule 1 of all outstanding rights and obligations under the Credit Agreement, including, without limitation, such interest in the Assignor's Commitment and the Advances owing to the Assignor. After giving effect to such sale and assignment, the Assignee's Commitment, the amount of the Advances owing to the Assignee, and the Commitment Termination Date of the Assignee will be as set forth in Section 2 of Schedule 1. In consideration of Assignor's assignment, Assignee hereby agrees to pay to Assignor, on the Effective Date, the amount of $_________ in immediately available funds by wire transfer to Assignor's office at _______________.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim;
(ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Agents, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to such Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender; and
(vi) specifies as its Domestic Lending Office (and address for notices) and Eurodollar Lending Office the offices set forth beneath its name on the signature pages hereof [and (vii) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Credit Agreement or such other documents as are necessary to indicate that all such payments are subject to such rates at a rate reduced by an applicable tax treaty].

4. Following the execution of this Assignment and Acceptance by the Assignor and the Assignee, it will be delivered to the Funding Agent for acceptance and recording by the Funding Agent. The effective date of this Assignment and Acceptance shall be the date of acceptance thereof by the Funding Agent, unless otherwise specified on Schedule 1 hereto (the "Effective Date").

5. Upon such acceptance and recording by the Funding Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and
(ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by the Funding Agent, from and after the Effective Date, the Funding Agent shall make all payments under the Credit Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed by their respective officers thereunto duly authorized, as of the date first above written, such execution being made on Schedule 1 hereto.

Schedule 1 to Assignment and Acceptance Dated _____, 19__

Section 1.

Percentage Interest:	______%

Section 2.

Assignee's Commitment:	$______
Aggregate Outstanding Principal Amount of Advances owing to the Assignee:	$______
Advances payable to the Assignee	
Principal amount:	_______
Advances payable to the Assignor	
Principal amount:	_______
Assignee's Commitment Termination Date:	_________, 199_

Section 3.

Effective Date*: _________, 199_

[NAME OF ASSIGNOR]

By:______________________________
Title:

[NAME OF ASSIGNEE]

By:______________________________
Title:

Domestic Lending Office (and
address for notices):
[Address]

Eurodollar Lending Office:
[Address]

Accepted this ____ day
of ______________, 199_

CITIBANK, N.A., as Funding Agent

By:____________________________
Title:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as Reporting Agent

By:___________________________
Title:

THE DIAL CORP

By:____________________________
Title:

* This date should be no earlier than the date of acceptance by the Funding Agent.

EXHIBIT C

[FORM OF OPINION OF COUNSEL TO BORROWER]

[EFFECTIVE DATE]

Bank of America National Trust and
Savings Association, as Agent and
Reporting Agent and Citibank, N.A.,
as Agent and Funding Agent
under the Credit Agreement
(as hereinafter defined), and each
of the lending institutions party
to the Credit Agreement and listed
on Schedule I attached hereto

(collectively, the "Banks")

[Address]

Re: Amended and Restated Credit Agreement dated as of December 15, 1993, among The Dial Corp, the Banks, Bank of America National Trust and Savings Association, as Agent and Reporting Agent and Citibank, N.A., as Agent and Funding Agent

Ladies and Gentlemen:

I am Vice President and General Counsel of The Dial Corp, a Delaware corporation (the "Borrower") and as such have acted as counsel to the Borrower in connection with the negotiation, execution and delivery by the Borrower of the Amended and Restated Credit Agreement dated as of December 15, 1993 (the "Credit Agreement") among the Borrower, the Banks, Bank of America National Trust and Savings Association and Citibank, N.A., as Agents, Citibank, N.A., as Funding Agent and Bank of America National Trust and Savings Association, as Reporting Agent. Terms defined in the Credit Agreement and not otherwise defined herein are used herein as therein defined.

This opinion is delivered to you pursuant to Section 3.01(a)(vi) of the Credit Agreement. I have examined the Credit Agreement and I have examined or am familiar with originals or copies, the authenticity of which has been established to my satisfaction of such other documents, corporate records, agreements and instruments, and certificates of public officials and of officers of the Borrower as I have deemed necessary or appropriate to enable me to express the opinions set forth below. As to questions of fact material to such opinions, I have, when relevant facts were not independently established, relied upon certification by officers of the Borrower, which I believe to be reliable.

The opinions hereinafter expressed are subject to the fact that I am a member of the State Bar of Arizona and do not hold myself out as an expert on the laws of other states or jurisdictions except the Federal Laws of the United States of America, the General Corporation Law of the State of Delaware and to the extent necessary for the opinions below, the laws of the State of New York.

Based upon the foregoing and having regard to legal consideration which I have deemed relevant, it is my opinion that:

1. The Borrower is a corporation validly existing and in good standing under the laws of the State of Delaware and is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions which require such qualification, except to the extent that failure to so qualify would not have a material adverse effect on the Borrower. The Borrower has all requisite corporate power and authority to own and operate its properties, to conduct its business as presently conducted, and to execute, deliver and perform its obligations under the Credit Agreement.

2. The Credit Agreement has been duly authorized by all necessary corporate action on the part of the Borrower and has been duly executed and delivered by the Borrower. The Credit Agreement constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by Bankruptcy, insolvency and reorganization laws and other similar laws governing the enforcement of lessors' or creditors' rights and by the effects of specific performance, injunctive relief and other equitable remedies.

3. Neither the execution and delivery by the Borrower of the Credit Agreement, nor consummation of the transactions contemplated thereby, nor compliance on or prior to the date hereof with the terms and conditions thereof by the Borrower conflicts with or is a violation of, its certificate of incorporation or by-laws, each as in effect on the date hereof. Neither the execution and delivery by the Borrower of the Credit Agreement, nor the consummation of the transactions contemplated thereby, nor compliance on or prior to the date hereof with the terms and conditions thereof by the Borrower will result in a violation of any applicable federal or New York law, governmental rule or regulation or of the Corporation Law of the State of Delaware or conflicts with, will result in a breach of, or constitutes a default under, any provision of any indenture, agreement or other instrument to which the Borrower is a party or any of its properties may be bound ("Material Agreements"), or any order, judgment or decree to which the Borrower or any of its assets are bound ("Judicial Orders"), or will result in the creation or imposition of any lien upon any property or assets of the Borrower pursuant to any Material Agreement or Judicial Order.

4. Neither the making of the Advances on the Effective Date pursuant to, nor application of the proceeds thereof in accordance with, the Credit Agreement, will violate Regulations G, T, U or X promulgated by the Board of Governors of the Federal Reserve System.

5. No consent, approval or authorization of, and no registration, declaration or filing with, any administrative, governmental or other public authority of the United States of America or the State of New York or under the Corporation Law of the State of Delaware is required by law to be obtained or made by the Borrower for the execution, delivery and performance by the Borrower of the Credit Agreement, except such filings as may be required in the ordinary course to keep in full force and effect rights and franchises material to the business of the Borrower and in connection with the payment of taxes.

6. The Borrower is not an "investment company" or a Person directly or indirectly "controlled" by or "acting on behalf of" an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

This opinion is delivered to the Agents and the Banks as of the date hereof in connection with the Credit Agreement, and may not be relied upon by any person other than the Agents and the Banks and their permitted assignees, or by them in any other context, and may not be furnished to any other person or entity without my prior written consent, provided that each Bank and its permitted assignees may provide this opinion (i) to bank examiners and other regulatory authorities should they so request or in connection with their normal examination, (ii) to the independent auditors and attorneys of such Bank, (iii) pursuant to order or legal process of any court or governmental agency, (iv) in connection with any legal action to which the Bank is a party arising out of the transactions contemplated by the Credit Agreement, or (v) in connection with the assignment of or sale of participations in the Advances.

Very truly yours,

SCHEDULE I

Bank of America National Trust
and Savings Association
Citibank, N.A.
Bank of Montreal
Bank One, Arizona, N.A.
The Chase Manhattan Bank, N.A.
Chemical Bank
CIBC, Inc.
Continental Bank, N.A.
Credit Suisse
First Interstate Bank of Arizona, N.A.
The First National Bank of Chicago
The Industrial Bank of Japan Limited,
Los Angeles Agency
J.P. Morgan Delaware NBD Bank, N.A.
The Long-Term Credit Bank of Japan Ltd., Los Angeles Agency
Marine Midland Bank, N.A.
Mellon Bank, N.A.
The Mitsui Trust & Banking Co., Ltd.
Los Angeles Agency
Morgan Guaranty Trust Company of New York Nationsbank of Texas, N.A.
NBD Bank, N.A.
The Northern Trust Company
Royal Bank of Canada
Union Bank

EXHIBIT D

[FORM OF OPINION OF O'MELVENY & MYERS]

[EFFECTIVE DATE]

Bank of America National Trust
and Savings Association, as Agent
and Reporting Agent
1455 Market Street
San Francisco, California 94103

Citibank, N.A., as Agent and Funding Agent One Sansome Street
San Francisco, California 94104

and

The Banks Party to the Credit Agreement
Referred to Below

Re: Amended and Restated Credit Agreement dated as of December 15, 1993 among The Dial Corp, the Banks named therein, Bank of America National Trust and Savings Association, as Agent and Reporting Agent and Citibank, N.A., as Agent and Funding Agent

Gentlemen:

We have participated in the preparation of the Amended and Restated Credit Agreement dated as of December 15, 1993 (the "Credit Agreement"; capitalized terms defined therein and not otherwise defined herein are used herein as therein defined) among The Dial Corp (the "Borrower"), the Banks named therein (the "Banks"), Bank of America National Trust and Savings Association, as Agent, Citibank, N.A., as Agent, Citibank, N.A., as Funding Agent and Bank of America National Trust and Savings Association, as Reporting Agent, and have acted as special counsel for the Agents for the purpose of rendering this opinion pursuant to Section 3.01(a)(vii) of the Credit Agreement.

We have participated in various conferences and telephone conferences with representatives of the Borrower and the Agents and conferences and telephone calls with counsel to the Borrower, and with your representatives, during which the Credit Agreement and related matters have been discussed, and we have also participated in the meeting held on the date hereof (the "Closing") incident to the effectiveness of the Credit Agreement. We have reviewed the forms of the Credit Agreement and the exhibits thereto, and the opinion of L. Gene Lemon, General Counsel of the Borrower (the "Opinion"), and officers' certificates and other documents delivered at the Closing. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals or copies, the due authority of all persons executing the same, and we have relied as to factual matters on the documents which we have reviewed.

Although we have not independently considered all of the matters covered by the Opinion to the extent necessary to enable us to express the conclusions therein stated, we believe that the Credit Agreement and the exhibits thereto are in substantially acceptable legal form.

Respectfully submitted,

EXHIBIT E

[FORM OF EXTENSION REQUEST]

THE DIAL CORP

REQUEST FOR EXTENSION OF COMMITMENT TERMINATION DATE

[Date]

[Name and Address of Eligible Lender]

Pursuant to that certain Amended and Restated Credit Agreement dated as of December 15, 1993 (as amended from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined) among The Dial Corp (the "Borrower"), certain Lenders party thereto, Bank of America National Trust and Savings Association and Citibank, N.A., as Agent for said Lenders, Citibank, N.A., as Funding Agent for said Lenders and Bank of America National Trust and Savings Association, as Reporting Agent for said Lenders, this represents the Borrower's request to extend the Commitment Termination Date of each Eligible Lender to [1] pursuant to Section 2.15 of the Credit Agreement.

The Borrower hereby certifies that the following statements are true on the date hereof, and will be true on the date of the effectiveness of the extension requested hereby ("Proposed Extension"):

(a) the representations and warranties contained in Section 4.01 of the Credit Agreement are correct, before and after giving effect to the Proposed Extension;

(b) no event has occurred and is continuing, or would result from the Proposed Extension, which constitutes an Event of Default or a Potential Event of Default; and

(c) the balance sheet of the Borrower and its Subsidiaries as at ___________, 199_[2], and the related statements of income and retained earnings of the Borrower and its Subsidiaries for the fiscal year then ended, copies of each of which have been furnished to each Lender, fairly present the financial condition of the Borrower and its Subsidiaries as at such applicable date and the results of the operations of the Borrower and its Subsidiaries for the fiscal year ended on such applicable date, all in accordance with GAAP consistently applied, and since _______________, 199_[2], there has been no material adverse change in the business, condition (financial or otherwise), operations or properties of the Borrower and its Subsidiaries, taken as a whole.

Please indicate your consent to such extension of the Commitment Termination Date by signing the attached copy of this request in the space provided below and returning the same to the undersigned.

Very truly yours,

THE DIAL CORP

By _________________________
Title:

The undersigned Eligible Lender hereby consents to the extension of its Commitment Termination Date as requested above. This consent is subject to the terms of Section 2.15 of the Credit Agreement.

DATED: ___________________

[ELIGIBLE LENDER]

By: ______________________
Title:____________________

[1] Insert date which is one year or two years after the latest Commitment Termination Date in effect.

[2] Insert date of the most recent audited balance sheet of the Borrower and its Subsidiaries.

EXHIBIT F

[FORM OF COMPLIANCE CERTIFICATE]

The undersigned certifies that: (i) this Certificate is as of __________ and pertains to the period from _________ to _________, (ii) the undersigned has reviewed the terms of the Amended and Restated Credit Agreement, dated as of December 15, 1993, among The Dial Corp, the Banks named therein, Bank of America National Trust and Savings Association and Citibank, N.A., as Agents, Citibank, N.A., as Funding Agent, and Bank of America National Trust and Savings Association, as Reporting Agent (as it may be amended from time to time, the "Credit Agreement") and has made, or caused to be made under the undersigned's supervision, a review in reasonable detail of the transactions and condition of the Borrower and its Subsidiaries during the period set forth above and (iii) such review has not disclosed the existence during or at the end of such period, and the undersigned does not have knowledge of the existences as of the date of this Certificate, of any condition or event that constitutes an Event of Default or Potential Event of Default.[1] Capitalized terms used herein shall have the meanings set forth in the Credit Agreement.

A. Cash Flow Coverage.
For the Borrower and its Subsidiaries:

(i) consolidated net income plus $__________ provision for taxes (excluding) extraordinary, unusual, or nonrecurring gains or losses

(ii) interest expense $__________

(iii) net operating lease expense $__________
(net of operating sublease income)

(iv) depreciation and amortization of $__________ intangibles

(v) capital expenditures (excluding $__________ the cost of acquisitions

(vi) total of (i) plus (ii) plus (iii) $__________ plus (iv) minus (v)

(vii) net operating lease expense (net $__________ of operating sublease income)

(viii) interest expense $__________

(ix) total of (vii) plus (viii) $__________

(x) Cash Flow Coverage [(vi) divided $__________ by (ix)]

(xi) Minimum Cash Flow Coverage required $__________ under Credit Agreement

B. Leverage.
For the Borrower and its Subsidiaries:

(i) indebtedness for borrowed money $__________ or for the deferred purchase price of property or services

(ii) obligations as lessee under leases $__________ which shall have been or should be, in accordance with GAAP, recorded as capital leases

(iii) obligations under guarantees in $__________ respect of indebtedness or obligations of others of the kinds referred to in clauses (i) and (ii) of this Section B

(iv) Funded Debt [(i) plus (ii) $__________ plus (iii)]

(v) Cash $__________

(vi) Cash Equivalents $__________

(vii) Total of (iv) minus (v) minus (vi) $__________

(viii) Net Worth $__________

(ix) "Employee Equit Trust" contra $__________ account

(x) "Guaranty of ESOP Debt" contra $__________ account

(xi) Shareholders Equity [(viii) plus $__________
(ix) plus (x)]

(xii) Total of (iv) minus (v) minus (vi) $__________ plus (xi)

(xiii) Leverage [(vii) divided by (xii)] ___:1.00

(xiv) Maximum Leverage permitted under 0.55:1.00 Credit Agreement

C. Net Worth.
For the Borrower and its Subsidiaries:

(i) Net Income (excluding losses) from $__________ October 1, 1993 to most recent June 30 or December 31

(ii) aggregate net proceeds, including $__________ cash and the fair market value of property other than cash, received by the Borrower from the issue or sale of capital stock of the Borrower from October 1, 1993 to the most recent June 30 or December 31

(iii) aggregate of 25% of the after tax $__________ gains realized from unusual, extraordinary, and major nonrecurring items from October 1, 1993 to the most recent June 30 or December 31

(iv) Additions to Capital [(ii) plus $__________ (iii)]

(v) 25% multiplied (i) $__________

(vi) Minimum Net Worth permitted under $__________ Credit Agreement [$410 million plus (iv) plus (v)]

(vii) Net Worth $__________

By:_____________________________ Title:__________________________

[1] If any event or condition that constitutes an Event of Default or Potential Event of Default exists, the Certificate should include the nature and period of existence of such event or condition and what action the Borrower has taken, is taking and proposes to take with respect thereto.

EXHIBIT G

[FORM OF NOTE]

THE DIAL CORP
PROMISSORY NOTE

New York, New York
________ __, 19__

For value received, The Dial Corp, a Delaware corporation (the "Borrower"), hereby promises to pay to the order of ______________________ (the "Lender"), for the account of its Applicable Lending Office, the unpaid principal amount of each Advance made by the Lender to the Borrower pursuant to the Credit Agreement referred to below on the Termination Date of the Lender. The Borrower promises to pay interest on the unpaid principal amount of each such Advance on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in United States dollars in same day funds at the Funding Agent's office, as specified in the Credit Agreement.

All Advances made by the Lender, the respective maturities thereof and all repayments of principal thereof shall be recorded by the Lender and, prior to any transfer hereof, appropriate notations to evidence the foregoing information with respect to each such Advance then outstanding shall be endorsed by the Lender on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof, or in the records of such Lender in accordance with its usual practice; provided that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This promissory note is one of the promissory notes referred to in Section 2.13(d) of the Credit Agreement dated as of December 15, 1993, among the Borrower, the Lenders named therein, Bank of America National Trust and Savings Association as Agent and Reporting Agent and Citibank, N.A., as Agent and Funding Agent (said Credit Agreement, as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is hereby made to the Credit Agreement for provisions relating to this promissory note, including, without limitation, the mandatory and optional prepayment hereof and the acceleration of the maturity hereof.

THE DIAL CORP

By______________________________
Title:

Schedule to Promissory Note

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Type of Advance	Amount of Principal Repaid	Maturity Date	Notation By

EXHIBIT 10.E

THE DIAL CORP
MANAGEMENT INCENTIVE PLAN

I. PURPOSE:

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

II. PHILOSOPHY:

The Plan will provide key executives incentive bonuses based upon appropriately weighted pre-defined net income, net capital employed or other cash flow measure (in the case of subsidiaries), and return on actual or pro forma equity or similar measures of performance.

III. SUBSIDIARIES, SUBSIDIARY GROUPS, AND DIVISIONS:

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

Name of Company

Aircraft Service International group Brewster Transport Company Limited Consumer Products group
Food Division
Household Division
International Division
Laundry Division
Soap Division
Crystal Holidays, Limited
Dobbs International Services, Inc. group Exhibitgroup, Inc.
Greyhound Exposition Services, Inc. group* Greyhound Leisure Services, Inc. group Greyhound Lines of Canada Ltd. Jetsave Inc. group
Premier Cruise Lines, Inc.
Restaura, Inc. group
Travelers Express Company, Inc. group

The Dial Corp may, by action of its Board of Directors, add or remove business units on the list of participant companies from time to time.

*For purposes of group and Corporate accruals only.

B. PERFORMANCE GOALS:

1. BASE EARNINGS:

A realistic "base earnings" target for the plan year for each Company will be recommended by the Chief Executive Officer of The Dial Corp to the Executive Compensation Committee of The Dial Corp Board of Directors (Committee) for approval taking into account historical income, plan year financial plan income (on the same basis as determined below), overall corporate objectives, and, if appropriate, other circumstances.

Income for subsidiary base earnings determination and for calculating the bonus pool of each Company shall mean net income (after deducting charges against income for all incentives earned, including those earned under this Plan) adjusted to appropriately exclude the effects of gains and losses from the sale or other disposition of capital assets other than equipment utilized in rental or leasing operations and vehicles. Further, there will be a deduction from (addition to) actual net income for the amount by which a Company's excess of 90-day and over receivables over its allowance for doubtful accounts has increased (decreased) during the year.

Special treatment of any other significant unusual or non-recurring items (for purposes of base earnings and/or return on equity and/or net capital employed or other cash flow calculations) arising after a subsidiary's targets are set may be recommended by the Chief Executive Officer of The Dial Corp to the Committee for approval, including, for example, appropriate adjustment of base earnings and/or return on equity and/or net capital employed targets to reflect planned effects of an acquisition approved after targets are set. Other examples include extraordinary items, effects of a change in accounting principles or a change in federal income tax rates. In certain extreme cases, unplanned effects of major litigation, remediation of environmental matters, significant uninsured losses or a significant restructuring, or the bankruptcy of a major vendor or customer are further examples of the types of items which could be (but are not required to be) considered for possible special treatment.

2. RETURN ON THE DIAL CORP PRO FORMA EQUITY (Except Travelers Express Company, Inc. group):

A return on equity calculation for each Company will be made by dividing each year's net earnings after tax by the average quarterly (beginning of year and each quarter-end, including year-end) pro forma equity. For purposes of this calculation, pro forma equity shall be deemed to be 65% of the sum of each Company's actual equity plus its debt, including intercompany accounts payable less intercompany accounts receivable (net capital employed) and net income shall be adjusted (1) to exclude 65% of intercompany interest income and (2) to deduct (or add) 65% of the pro forma interest, calculated at 8% per annum, on the excess (or deficiency) of 35% of the average beginning and ending balance of net capital employed over the average beginning and ending balance of outstanding debt (pro forma additional or excess debt), so that each Company's return on equity is based on a pro forma 65% equity and 35% debt structure (equivalent to a debt/equity ratio of .54 to 1 or a debt/capital ratio of 35%) for the net capital employed by it. A realistic return on equity target for the Plan Year will be recommended by the Chief Executive Officer of The Dial Corp for approval to the Committee, taking into account historical return on equity data, plan year financial plan return on equity (on the same basis as previously described), overall corporate objectives, and, where appropriate, other circumstances.

3. RETURN ON THE DIAL CORP EQUITY (Travelers Express Company, Inc. group):

A return on equity calculation for the Travelers Express Company, Inc. group will be made by dividing each year's net income after taxes by the average quarterly (beginning of year and each quarter-end, including year-end) equity. A realistic return on equity target for the Plan Year will be recommended by the Chief Executive Officer of The Dial Corp for approval to the Committee, taking into account historical return on equity data, plan year financial plan return on equity (on the same basis as previously described), overall corporate objectives, and, where appropriate, other circumstances.

4. NET CAPITAL EMPLOYED (or other cash flow measure):

Realistic monthly net capital employed (as defined in [2] above) targets for the Plan Year will be recommended by the Chief Executive Officer of The Dial Corp for approval to the Committee, taking into account planned capital expenditures and working capital levels, overall corporate objectives, and, where appropriate, other circumstances. The effects of any major unplanned sale of assets, acquisition, or capital expenditures will be considered on an individual basis in determining performance as compared to target.

5. ESTABLISHING TARGETS:

The actual targets for base earnings, return on equity and net capital employed will be established by the Committee after receiving the recommendations of the Chief Executive Officer of The Dial Corp.

C. PARTICIPANT ELIGIBILITY:

The Committee will select the Executive Officers as defined under Section 16b of the Securities Exchange Act eligible for participation prior to the beginning of the year. Other personnel will be eligible for participation as designated by each Company President or Chief Executive Officer and recommended to the Chief Executive Officer of The Dial Corp for approval, limited only to those executives who occupy a position in which they can significantly affect operating results as pre-defined by appropriate and consistent criteria, i.e., base salary not less than $49,000 per year, or base salary not less than 50% of the Company's Chief Executive Officer, or position not more than the third organizational level below the Company Chief Executive Officer or another applicable criteria.

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

D. TARGET BONUSES:

Target bonuses will be approved by the Committee for each Executive Officer in writing within the following parameters prior to the beginning of the Plan Year and will be expressed as a percentage of salary. Target bonuses for other eligible personnel will be established in writing within the following parameters subject to approval by the Chief Executive Officer of The Dial Corp.

Actual bonus awards will be dependent on Company performance versus the targets established prior to the beginning of the year. A threshold performance will be required before any bonus award is earned. Awards will also be capped when stretch performance levels are achieved.

	AS A PERCENTAGE OF SALARY		
SUBSIDIARY POSITIONS	THRESHOLD**	TARGET	CAP***
Chief Executive Officer/President*	22.5% 20.0%	45% 40%	76.5% 68.0%
Executive Vice President, Senior Vice President,			

and Other Operating Executives	20.0%	40%	68.0%
Vice Presidents*	17.5%	35%	59.5%
	15.0%	30%	51.0%
Key Management Reporting to Officers*	12.5%	25%	42.5%
	10.0%	20%	34.0%
Staff Professionals*	7.5%	15%	25.5%
	5.0%	10%	17.0%

\- ----------------------------

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

** Reflects minimum achievement of both performance targets.
Threshold could be one-half of this amount if minimum achievement of only one performance target is met.

*** Cap could be up to 105% of amounts shown if net capital employed (or other cash flow measure) targets are achieved.

E. BONUS POOL TARGET:

1. The "Bonus Pool Target" will be initially established prior to the beginning of the Plan Year and will be adjusted to equal the sum of the target bonuses of all designated participants in each Company based upon actual Plan Year salaries, as outlined in paragraph D above, plus 15% for Special Achievement Awards.

2. The bonus pool will accrue ratably such that

a) on 50% of the sum of target bonuses:

i) no bonus will be earned if less than 80% of the base earnings target is achieved;

ii) 50% to 100% will be earned if 80% to 100% of the base earnings target is achieved;

iii) 100% to 170% will be earned if 100% to 120% of the base earnings target is achieved; and

iv) the bonus pool earned shall be subject to a further calculation whereby 90%, 95%, 100%, 105%, or 110% of such base earnings bonus pool otherwise accruable will be the final bonus pool hereunder, depending on the average of the twelve months' achievement against net capital employed (or other cash flow) targets.

b) on 50% of the sum of target bonuses:

i) no bonus will be earned if less than 80% of the return on equity target is achieved;

ii) 50% to 100% will be earned if 80% to 100% of the return on equity target is achieved; and

iii) 100% to 170% will be earned if 100% to 120% of the return on equity target is achieved.

c) Notwithstanding 2. a) i), ii), and iii); and
b) i), ii), and iii); of this paragraph E, the ratable accrual of either or both targets may be established for threshold within the range of above 80% up to and including 95% and for maximum within the range of below 120% down to 110%, for certain subsidiaries of this Company as may be designated by the Committee after considering the recommendations of the Chief Executive Officer of The Dial Corp.

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

F. INDIVIDUAL BONUS AWARDS:

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

a) discretionary upward or downward adjustment of formula bonus awards by the Committee after considering the recommendation of the Company President or Chief Executive Officer with the approval of the Chief Executive Officer of The Dial Corp, and

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

c) no individual award may exceed the individual's capped target award and the aggregate recommended bonuses may not exceed the bonus pool accrued for other than Special Achievement Awards.

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

IV. THE DIAL CORP CORPORATE STAFF:

A. PERFORMANCE GOALS:

1. BASE EARNINGS PER SHARE:

A realistic "base earnings per share" from continuing operations target for The Dial Corp will be recommended by the Chief Executive Officer of The Dial Corp to the Committee for approval after considering historical earnings per share from continuing operations, plan year financial plan income, overall corporate objectives, and, if appropriate, other circumstances.

Special treatment of any significant unusual or non-recurring items (for purposes of base earnings per share and/or return on equity calculations) arising after targets are set for Corporate staff may be recommended by the Chief Executive Officer of The Dial Corp for approval by the Committee, including appropriate adjustment of base earnings per share and/or return on equity targets to reflect planned effects of a major acquisition or change in capital structure approved after targets are set. Other examples include extraordinary items, one time gains or losses arising from discontinued operations, effects of a change in accounting principles or a change in federal income tax rates. Reclassification of a major business unit to discontinued operations status after targets have been set would also require adjustment because of effect on continuing operations results. Generally, restructuring charges, gain or loss on sale of a smaller subsidiary, or other one-time income or loss items mentioned in the subsidiary section would not be considered for special treatment for corporate staff, as the corporate mission is to successfully manage the effects of such items.

2. RETURN ON COMMON STOCKHOLDERS' EQUITY:

A return on common stockholders' equity calculation will be made by dividing each year's net income (after taxes) from continuing operations, less preferred stock dividend requirements, by the monthly average of common stockholders' equity (return on common equity). Consideration will be given to any known or anticipated changes in equity structure and appropriate industry averages, and a realistic return on common stockholders' equity target for the Plan Year will be recommended by the Chief Executive Officer of The Dial Corp to the Committee for approval, taking into account historical return on common stockholders' equity data, Plan Year financial plan return on common stockholders' equity (on the same basis as previously described), overall corporate objectives, and, if appropriate, other circumstances.

B. PARTICIPANT ELIGIBILITY:

The Committee will select the Executive Officers as defined under Section 16b of the Securities Exchange Act eligible for participation prior to the beginning of the year. Other personnel will be eligible for participation as recommended by the appropriate staff Vice President and as approved by the Chief Executive Officer of The Dial Corp, limited only to those executives who occupy a position in which they can significantly affect operating results as defined by the following criteria:

a) Salary grade 25 and above; and

b) Not more than Organizational Level Four below the Chief Executive Officer.

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

C. TARGET BONUSES:

Target bonuses will be approved by the Committee for each Executive Officer in writing within the following parameters prior to the beginning of the Plan Year and will be expressed as a percentage of salary. Target bonuses for other eligible personnel will be established in writing within the following parameters subject to approval by the Chief Executive Officer of The Dial Corp.

Actual bonus awards will be dependent on Company performance versus the targets established prior to the beginning of the year. A threshold performance will be required before any bonus award is earned. Awards also will be capped when stretch performance levels are achieved.

CORPORATE POSITIONS	THRESHOLD**	TARGET	CAP***
	AS A PERCENTAGE OF SALARY		
Chairman, President & Chief Executive Officer	30.00%	60%	102.0%
Senior Advisory Group	22.50%	45%	76.5%
Corporate Staff Officers	20.00%	40%	68.0%
Staff Directors*	17.50%	35%	59.5%
	15.00%	30%	51.0%
	12.50%	25%	42.5%
	10.00%	20%	34.0%
Staff Professionals*	7.50%	15%	25.5%
	5.00%	10%	17.0%

* Target Bonus, as determined by the Committee, is dependent upon Organizational Reporting Relationships.

** Reflects minimum of achievement of both performance targets.
Threshold could be one-half of this amount if minimum achievement of only one performance target is met.

D. BONUS POOL TARGET

1. The "Bonus Pool Target" will be established prior to the beginning of the Plan Year and will be adjusted to equal the sum of the target bonuses of all qualified participants based upon actual Plan Year base salaries, as outlined in paragraph C above, plus 15% for Special Achievement Awards.

2. The bonus pool will accrue ratably such that

a) on 50% of the sum of the target bonuses:

i) no bonus will be earned if less than 80% of earnings per share target is achieved;

ii) 50% to 100% will be earned if 80% to 100% of earnings per share target is achieved; and

iii) 100% to 170% will be earned if 100% to 120% of earnings per share target is achieved.

b) on 50% of the sum of target bonuses:

i) no bonus will be earned if less than 80% of the return on equity target is achieved;

ii) 50% to 100% will be earned if 80% to 100% of the return on equity target is achieved; and

iii) 100% to 170% will be earned if 100% to 120% of the return on equity target is achieved

provided no less than an amount equal to 12.5% of the actual bonus accruals earned under section III of this Plan or any spin-off Line of Business Incentive Plan established after 1984, for participants under section III herein will be earned hereunder, up to an aggregate maximum of 170% of Bonus Pool Target and transferred by the companies covered in section III, herein, to The Dial Corp. For purposes of this determination only, the 170% (plus up to 8.5% upward cash flow adjustment) upper limit shall not apply on such actual bonus accrual calculations for subsidiaries, subsidiary groups and divisions.

c) Notwithstanding 2. a)i),ii) and iii); and
b)i),ii), and iii); of this paragraph D, the ratable accrual of either or both targets may be established for threshold within the range of 80% up to and including 95% and for maximum within the range of below 120% down to 105% as may be designated by the Committee.

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

E. INDIVIDUAL BONUS AWARDS:

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

a) discretionary upward or downward adjustment of formula awards by the Committee after considering the recommendations of the Chief Executive Officer of The Dial Corp,

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

c) no individual award may exceed the individual's capped target award and the aggregate recommended bonuses may not exceed the bonus pool accrued for other than Special Achievement Awards.

V. SPECIAL ACHIEVEMENT AWARDS:

Special bonuses of up to 15% of base salary for exceptional performance to exempt employees who are not participants in this Plan, including newly hired employees, may be recommended at the discretion of the Chief Executive Officer to the Committee from the separate funds for discretionary awards provided for under paragraphs III E and IV D. Special Achievement Awards may be granted to participants in exceptional cases from any funds accrued under this Plan, as recommended by the Chief Executive Officer to the Committee for approval.

VI. APPROVAL AND DISTRIBUTION:

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

VII. COMPENSATION ADVISORY COMMITTEE:

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

VIII. SPECIAL COMPENSATION STATUS:

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

IX. DEFERRALS:

Participants subject to taxation of income by the United States may submit to the Committee, prior to November 15 of the year in which the bonus is being earned a written request that all or a portion, but not less than $1,000, of their bonus awards to be determined, if any, be irrevocably deferred substantially in accordance with the terms and conditions of a deferred compensation plan approved by the Board of Directors of The Dial Corp or, if applicable, one of its subsidiaries. Participants subject to taxation of income by other jurisdictions may submit to the Committee a written request that all or a portion of their bonus awards be deferred in accordance with the terms and conditions of a plan which is adopted by the Board of Directors of a participant's Company. Upon the receipt of any such request, the Committee thereunder shall determine whether such request should be honored in whole or in part and shall forthwith advise each participant of its determination on such request.

X. PLAN TERMINATION:

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

XI. EMPLOYEE RIGHTS:

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

EXHIBIT 10.L

THE DIAL CORP

PERFORMANCE UNIT INCENTIVE PLAN

1. PURPOSE:

The purpose of the Plan is to promote the long-term interests of the Corporation and its shareholders by providing a means for attracting and retaining designated key executives of the Corporation and its Affiliates through a system of cash rewards for the accomplishment of long-term predefined objectives.

2. DEFINITIONS:

The following definitions are applicable to the Plan:

"Affiliate" - Any "Parent Corporation" or "Subsidiary Corporation" of the Corporation as such terms are defined in Section 425(e) and (f), or the successor provisions, if any, respectively, of the Code (as defined herein).

"Award" - The grant by the Committee of a Performance Unit or Units as provided in the Plan.

"Board" - The Board of Directors of The Dial Corp.

"Code" - The Internal Revenue Code of 1986, as amended, or its successor general income tax law of the United States.

"Committee" - The Executive Compensation Committee of the Board.

"Corporation" - The Dial Corp.

"Participant" - Any executive of the Corporation or any of its Affiliates who is selected by the Committee to receive an Award.

"Performance Period" - The period of time selected by the Committee for the purpose of determining performance goals and measuring the degree of accomplishment. Generally, the Performance Period will be a period of three successive fiscal years of the Corporation.

"Performance Unit Award" - An Award.

"Plan" - The Performance Unit Incentive Plan of the Corporation.

"Unit" - The basis for any Award under the Plan.

3. ADMINISTRATION:

The Plan shall be administered by the Committee. Except as limited by the express provisions of the Plan, the Committee shall have sole and complete authority and discretion to (i) select Participants and grant Awards; (ii) determine the number of Units to be subject to Awards generally, as well as to individual Awards granted under the Plan; (iii) determine the targets that must be achieved in order for the Awards to be payable and the other terms and conditions upon which Awards shall be granted under the Plan; (iv) prescribe the form and terms of instruments evidencing such grants; and (v) establish from time to time regulations for the administration of the Plan, interpret the Plan, and make all determinations deemed necessary or advisable for the administration of the Plan.

4. PERFORMANCE GOALS:

The Performance Unit Incentive Plan is intended to provide Participants with a substantial incentive to achieve or surpass two pre-defined long-range financial goals which have been selected because they are key factors (goals) in increasing shareholder value. One of the key goals for CORPORATE and SUBSIDIARY Participants is Average Three-Year Return on Equity, utilizing a pro forma return on equity calculation for subsidiaries (other than Travelers Express) which effectively adjusts each to the overall financial objective of a capital structure of 35% debt and 65% equity.

The second goal for each SUBSIDIARY Participant principally emphasizes Average Three-Year Real Earnings Growth. The targets for this goal will take several different forms in recognition of the need to tailor the target to the most important factors for the unit (as well as to overall corporate objectives). For example, while operating income is normally the best indicator of earnings growth, the target will be based on net income when tax- exempt income (Travelers Express) or income from equity in joint ventures (Dobbs International, GLSI) come into play, as operating income would not give the full picture in such circumstances. Goals for subsidiaries should be meaningful, easily understood and consistent with the overall objectives.

The second goal for CORPORATE Participants also emphasizes Average Three-Year Real Earnings Growth but the target will be based on earnings per share, the most appropriate measure in increasing shareholder value.

5. DETERMINATION OF TARGETS:

A. Average Three-Year Subsidiary Pro Forma Return on Equity
(Except Travelers Express Company, Inc., group)

A Return on Equity calculation for each Subsidiary Company except Travelers Express will be made by dividing each year's net earnings after tax by the average quarterly (beginning of year and each quarter-end, including year-end) pro forma equity. For purposes of this calculation, pro forma equity shall be deemed to be 65% of the sum of each Subsidiary Company's actual equity plus its debt, including intercompany accounts payable less intercompany accounts receivable (net capital employed). Net income shall be adjusted (1) to exclude the after-tax effect of intercompany interest expense and the after-tax effect of intercompany interest income and (2) to deduct the after-tax effect of the pro forma interest, calculated at 8% per annum, on the excess of 35% of the average beginning and ending balance of net capital employed over the average beginning and ending balance of net capital employed over the average beginning and ending balance of outstanding debt (pro forma debt), so that each company's Return on Equity is based on a pro forma 65% equity and 35% debt structure for the net capital employed by it. In all cases, the after-tax calculations are to be made using the statutory federal income tax rate applicable to such year. In establishing a realistic weighted average annual Return on Equity target for the Performance Period, consideration will be given to industry averages whenever known as well as the Performance Period Financial Plan year-by-year Return on Equity (on the same basis as previously described), overall Corporate objectives and, where appropriate, other circumstances. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

B. Average Three-Year Return on Equity (Travelers Express)

A Return on Equity calculation for Travelers Express will be made by dividing each year's net income after taxes by the average quarterly (beginning of year and each quarter-end, including year-end) equity. Consideration will then be given to any known or anticipated changes in equity structure and available industry averages, and a realistic weighted average annual Return on Equity target for the three-year Performance Period will be established, taking into account all factors mentioned as well as the three-year Performance Period Financial Plan year-by-year Return on Equity (on the same basis as previously described), overall Corporate objectives and, where appropriate, other circumstances. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

C. Average Three-Year Dial Return on Common Stockholders' Equity

A return on common stockholders' equity calculation will be made for The Dial Corp by dividing each year's net income after taxes less preferred dividend requirements by the year's monthly average of common stockholders' equity (return on common equity). Consideration will then be given to any known or anticipated changes in equity structure and to appropriate industry averages, and a realistic weighted average annual Return on Equity target for the three-year Performance Period will be established taking into account all factors mentioned as well as the three-year Performance Period Financial Plan year-by-year return on equity (on the same basis as previously described), overall Corporate objectives and, where appropriate, other circumstances. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

D. Average Three-Year Subsidiary Earnings Growth

A realistic average three-year earnings target for the Performance Period for each Subsidiary Company will be established taking into account historical income, financial plan income for the Performance Period, overall Corporate objectives, and if appropriate, other circumstances. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

E. Average Three-Year Dial Earnings Per Share Growth

A realistic "Earnings Per Share" from continuing operations target for The Dial Corp will be established after considering historical earnings per share from continuing operations, financial plan income for the Performance Period, overall Corporate objectives and, if appropriate, other circumstances. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

The appropriate targets and the Performance Period to be used as a basis for the measurement of performance for Awards under the Plan will be determined by the Committee after giving consideration to the recommendations of the Chief Executive Officer of The Dial Corp. Performance Units will be earned based upon the degree of achievement of the pre-defined targets over the Performance Period following the date of grant. Earned Units can range, based on operating company performance using an award matrix, from 0% to 200% of the target Units.

6. OTHER PLAN PROVISIONS:

Special treatment of any significant unusual or non-recurring items (for purposes of earnings and/or Return on Equity calculation) arising after targets are set may be recommended by the Chief Executive Officer of The Dial Corp to the Committee for approval including revision to either or both targets in the event of any significant acquisition or divestiture made during the Performance Period to give effect, as appropriate, to planned effects of such acquisition or divestiture during the Performance Period. Other examples include extraordinary items, gains or losses arising from discontinued operations, effects of a change in accounting principles or a change in federal income tax rates. Reclassification of a major business unit to discontinued operations status after targets have been set would also require adjustment because of effect on continuing operations results.

For subsidiaries, in certain extreme cases, unplanned effects of major litigation, remediation of environmental matters, significant uninsured losses, a significant restructuring or the bankruptcy of a major vendor or customer are further examples of the types of items which could be (but are not required to be) considered by the Chief Executive Officer of The Dial Corp for recommendation to the Committee for possible special treatment.

Conversely, the general rule for Corporate measurements is that restructuring charges affecting years after 1992, gain or loss on sale of a smaller subsidiary or other one-time income or loss items mentioned above regarding subsidiaries would not be considered for special treatment as the Corporate mission is to successfully manage the effects of such items.

Incentives to be paid under this plan must be provided out of corporation's earnings during the Performance Period (generally in the third year, when the amounts to be paid can be reasonably estimated). Goals must be achieved after deducting from actual results all incentive compensation applicable to such performance periods, including those incentives earned under this plan.

7. AWARD MATRIX:

The range of values for the Corporation's or a Subsidiary Company's performance is set at a minimum of 80% of target for threshold and capped at 120% of the target. Targets may be established for threshold within the range of above 80% up to and including 95% and for maximum within the range of below 120% down to 105% for certain Subsidiary Companies. The Return on Equity target and range of values will be entered on the vertical axis of the appropriate Performance Unit Award Matrix. The weighted average annual Return on Equity target for the Performance Period will represent a meaningful improvement over average historical returns except in extremely unusual circumstances. Actual weighted average annual Return on Equity performance for each Participant will be determined at the end of the three-year Performance Period based on the appropriate definition set forth above. Similarly, the average three-year Real Earning Growth target and range of values will be entered on the horizontal axis of the Performance Unit Award Matrix, and actual results will be determined at the end of the three-year Performance Period based on the appropriate definition.

Performance Units will be earned based upon the degree of achievement of the pre-defined goals using the Performance Unit Award Matrix.

PERFORMANCE UNIT AWARD MATRIX:

	Percent of Award Earned				
Return	100%	125%	150%	175%	200%
on	75%	100%	125%	150%	175%
Equity	50%	75%	100%	125%	150%
	25%	50%	75%	100%	125%
	0%	25%	50%	75%	100%

Improvement in Net Income

8. PARTICIPANT ELIGIBILITY:

Personnel will be eligible for participation as recommended by The Dial Corp Chief Executive Officer for approval by the Committee prior to the beginning of each new Performance Period during the life of the Plan, limited only to those key executives who contribute in a substantial measure to the successful performance of the Corporation or its Affiliates. The Chief Executive Officer will recommend for approval by the Committee which Affiliates among its Affiliates should be included in the Plan.

9. AWARD DETERMINATION:

The number of Units to be awarded will be determined, generally, by multiplying a factor times the Participant's annual base salary in effect at the time the Award is granted and dividing the result by the average of the high and low of the Corporation's Common Stock on the date of approval of the grant by the Committee. The Award factor will be recommended by the Chief Executive Officer of The Dial Corp for approval by the Committee annually prior to the beginning of each new performance period. The Committee may adjust the number of Units awarded in its discretion.

10. GENERAL TERMS AND CONDITIONS:

The Committee shall have full and complete authority and discretion, except as expressly limited by the Plan, to grant Units and to provide the terms and conditions (which need not be identical among Participants) thereof. Without limiting the generality of the foregoing, the Committee may specify a Performance Period of not less than two years or not more than five years, rather than the three-year Performance Period provided for above, and such time period will be subsitututed as appropriate to properly effect the specified Performance Period. No Participant or any person claiming under or through such person shall have any right or interest, whether vested or otherwise, in the Plan or in any Award thereunder, contingent or otherwise, unless and until all the terms, conditions, and provisions of the Plan and its approved administrative requirements that affect such Participant or such other person shall have been complied with. Nothing contained in the Plan or its Administrative Guidelines shall (i) require the Corporation to segregate cash or other property on behalf of any Participant or (ii) affect the rights and power of the Corporation or its Affiliates to dismiss and/or discharge any Participant at any time.

11. PAYMENT OF AWARDS:

(a) Performance Unit Awards which may become payable under this Plan shall be calculated as determined by the Committee but any resulting Performance Unit Award payable shall be subject to the following calculation:
each Unit payable shall be multiplied by the average of the daily means of the market prices of the Corporation's Common Stock during the month following the Performance Period. Performance Unit Awards earned will be determined as of the third Thursday of February following the close of the Performance Period and distribution of the Award will be made within ninety
(90) days following the close of the Performance Period. Awards will be subject to discretionary downward adjustment, for those executive officers affected by Section 162(m) of the Internal Revenue Code, by the Committee.

(b) Performance Unit Awards granted under this Plan shall be payable during the lifetime of the Participant to whom such Award was granted only to such Participant; and, except as provided in (d) and (e) of this Section 7, no such Award will be payable unless at the time of payment such Participant is an employee of and has continuously since the grant thereof been an employee of, the Corporation or an Affiliate. Neither absence on leave, if approved by the Corporation, nor any transfer of employment between Affiliates or between an Affiliate and the Corporation shall be considered an interruption or termination of employment for purposes of this Plan.

(c) Prior to the expiration of the Performance Period, all Participants will be provided an irrevocable option to defer all or a portion of any earned Performance Unit Award, if there be one, but not less than $1,000, in written form as prescribed by the Board under the provisions of a deferred compensation plan for executives of the Corporation and its Affiliates, if one be adopted.

(d) If a Participant to whom a Performance Unit Award was granted shall cease to be employed by the Corporation or its Affiliate for any reason (other than death, disability, or retirement) prior to the completion of any applicable Performance Period, said Performance Unit Award will be withdrawn and subsequent payment in any form at any time will not be made.

(e) If a Participant to whom a Performance Unit Award was granted shall cease to be employed by the Corporation or its Affiliate due to early, normal, or deferred retirement, or in the event of the death or disability of the Participant, during the Performance Period stipulated in the Performance Unit Award, such Award shall be prorated for the period of time from date of grant to date of retirement, disability or death, as applicable, and become payable within ninety (90) days following the close of the Performance Period to the Participant or the person to whom interest therein is transferred by will or by the laws of descent and distribution. Performance Unit Awards shall be determined at the same time and in the same manner (except for applicable proration) as described in
Section 11(a).

(f) There shall be deducted from all payment of Awards any taxes required to be withheld by any Federal, State, or local government and paid over to any such government in respect to any such payment.

12. ASSIGNMENTS AND TRANSFERS:

No Award to any Participant under the provisions of the Plan may be assigned, transferred, or otherwise encumbered except, in the event of death of a Participant, by will or the laws of descent and distribution.

13. AMENDMENT OR TERMINATION:

The Board may amend, suspend, or terminate the Plan or any portion thereof at any time provided, however, that no such amendment, suspension, or termination shall invalidate the Awards already made to any Participant pursuant to the Plan, without his consent.

14. EFFECTIVE DATE AND TERM OF PLAN:

The Plan shall be effective January 1, 1994, provided however, that any Award made under this Plan is subject to the approval of this Plan by the stockholders of The Dial Corp.

EXHIBIT 10.P

PERFORMANCE-BASED STOCK PLAN

THE DIAL CORP

MARCH, 1993

PLAN SPECIFICATIONS.

Purpose of the Plan:

Focus management on value creation as measured by returns to shareholders.

Reward sustained performance on a relative basis.

Provide an additional vehicle for linking compensation to company success over a longer time frame.

Retain management team.

Provide a means for building stock ownership by executives.

Concept:

Company makes grant of common stock subject to restrictions based on both performance that is measured on pre-specified dates and continued employment.

If performance goals are not met, a smaller number of shares (or none) may be delivered.

Eligibility:

A select group of key managers, as recommended by the Chairman and CEO and approved by the Executive Compensation Committee, will participate in the Plan.

Target Award Amounts:

An example of target award sizes follows, expressed as a percentage of base salary. Final targets should be adjusted periodically to maintain the desired long-term incentive grant mix and total compensation objectives.

Example of targets:

SALARY RANGE ($000)	TARGET AWARD AS % OF SALARY
Over $400	50% - 60%
$300 - $400	25% - 35%
$200 - $299	20% - 35%
$150 - $199	10% - 30%
$100 - $149	7% - 20%

Individuals having salaries within the same range may have different award sizes, due to the extent of their participation in other incentive plans.

DETERMINATION OF INITIAL GRANT SIZE.

The actual number of shares granted to each participant is determined by dividing the target-award dollar amount by the value of the performance-based shares.

Example:

Salary of participant:	$150,000
Target award:	15% of salary

Stock price:	$43.00
Economic value of performance-based stock:	77% of fair market value
Number of shares:	680 (see calculation below)

(Base Salary times Target Award)

divided by (Percentage Value of Performance-Based Stock times Stock Price) = ($150,000 x 15%) divided by (77% x $43.00) = 680 shares

Performance Period:

Performance Period will be measured over a three-year period, beginning April 1, 1993 and ending March 31, 1996. A new performance cycle will begin each year.

Grant Frequency:

Grants will usually be recommended each year.

Performance Measurement:

The shares will be delivered based upon the schedule below:

Performance (TSR) Relative to S&P 500	Percent of Shares Earned	Performance (TSR) Relative to Proxy Comparator Group	Percent of Shares Earned
120%	50%	120%	50%
110%	40%	110%	40%
100%	30%	100%	30%
90%	15%	90%	15%
Below 90%	0%	Below 90%	0%

If performance is not at threshold, no shares will be delivered. Any shares not delivered are forfeited at the end of the performance period.

Payout:

Within 30 days of the end of the performance period, the Company will provide the participant with the amount of shares that have been earned over the performance period. Participants will receive dividends paid currently on the entire initial grant until the end of the performance period.

Tax Treatment:

The participant recognizes ordinary income on the fair market value of the earned shares at the date on which the shares are delivered. Any dividend amounts received must be recognized as compensation income as well.

The Company incurs no tax liability at the date of grant. It recognizes deductible compensation expense for tax purposes at the same time as, and in the same amount as, the participant realizes taxable income. The Company is required to withhold income taxes to receive the deduction.

Accounting Treatment:

The Company must recognize a compensation expense that takes into account increases in market value after the grant date to the extent that the performance goals have been achieved.

Under the proposed changes to the accounting rules for stock-based compensation, a modified grant-date approach will apply to this performance-based stock plan. That is, the compensation expense will be based on both the stock price on the date of grant and an estimate of the outcome of service- and performance-related conditions. Subsequent adjustments will be made for expected changes in the service- and performance-related factors, but not for changes in the stock price.

EXHIBIT 10.Q

THE DIAL CORP

DEFERRED COMPENSATION PLAN

1. Purpose of the Plan.

The purpose of the Deferred Compensation Plan (the Plan) is to provide a select group of management or highly compensated employees of The Dial Corp (the Corporation) and its subsidiaries with an opportunity to defer the receipt of incentive compensation awarded to them under the Management Incentive Plan, the Performance Unit Incentive Plan and certain other incentive plans of The Dial Corp and its subsidiaries (the Incentive Plans) and thereby enhance the long-range benefits and purposes of the incentive awards. Each plan year shall extend from January 1 through December 31 of each calendar year.

2. Administration of the Plan.

The Plan shall be administered by the Compensation Advisory Committee (the Committee). Subject to the express provisions of the Plan, and the Incentive Plans, the Committee shall have the authority to adopt, amend and rescind such rules and regulations, and to make such determinations and interpretations relating to the Plan, which it deems necessary or advisable for the administration of the Plan, but it shall not have the power to amend, suspend or terminate the Plan. All such rules, regulations, determinations and interpretations shall be conclusive and binding on all parties.

3. Participation in the Plan.

(a) Participation in the Plan shall be restricted to a select group of management or highly compensated employees of the Corporation or one of its subsidiaries who are participants in certain plans of The Dial Corp and its subsidiaries (the Plans) including the Management Incentive Plan, The Dial Corp Performance Unit Incentive Plan, and any other bonus or bonuses or similar or successor plans, and whose timely written requests to defer the receipt of all or a portion of any incentive compensation which may be awarded to them, are honored in whole or in part by the Committee. Any individual whose request for deferral is not accepted or honored by the Committee, whether for failure of timely submission or for any other reason, shall not become a participant in the Plan, and the Committee's determination in this regard shall be conclusive and binding.

(b) If a participant in the Plan shall 1) sever his employment with the Corporation or one of its subsidiaries, 2) engage in any activity in competition with the Corporation or any of its subsidiaries during or following such employment, or 3) remain in the employ of a corporation which for any reason ceases to be a subsidiary of the Corporation, the Committee may at any time thereafter direct, in its sole and exclusive discretion, that his participation in the Plan shall terminate, and that he be paid in a lump sum the aggregate amount credited to his deferred incentive account as of the date such participation is terminated.

(c) The Corporation and each participating subsidiary shall be solely liable for maintenance of deferred incentive accounts pursuant to paragraph 6 and payment of any benefits with respect to its own employees who participate in the Plan. In the event a participant leaves the employ of the Corporation, or a participating subsidiary ("former employer") and is subsequently employed by another employer, the Corporation or another subsidiary of the Corporation ("new employer"), the former employer may agree to transfer and the new employer may agree to assume the benefit liability reflected in such participant's deferred incentive account, without the consent of such participant and subject to the approval of the Committee, in its sole discretion. In the event of such a transfer and assumption of liability, the former employer shall have no further liability for any benefit under the Plan to its former employee or otherwise with respect to such transferred account.

4. Requests for Deferral.

All requests for deferral of incentive awards must be made in writing prior to November 15 of the year in which the bonus is being earned and shall be in such form and shall contain such terms and conditions as the Committee may determine. Each such request shall specify the dollar amount or the percentage to be deferred of incentive award which would otherwise be received in the following calendar year, but in no event shall the amount to be deferred be less than $1,000. Each such request shall also specify 1) the date (no later than the employee's actual retirement date) when payment of the aggregate amount credited to the deferred incentive account is to commence, 2) whether such payment is then to be made in a lump sum or in quarterly or annual installments, and 3) if payment is to be made in installments, the period of time (not in excess of ten years) over which the installments are to be paid. The Committee shall, under no circumstances, accept any request for deferral of less than $1,000 of an incentive award or any request which is not in writing or which is not timely submitted.

5. Deferral of Incentive Awards.

The Committee shall, prior to December 15 of the year in which the bonus is being earned notify each individual who has submitted a request for deferral of an incentive award whether or not such request has been accepted and honored. If the request has been honored in whole or in part, the Committee shall advise the participant of the dollar amount or percentage of his incentive compensation which the Committee has determined to be deferred. The Committee shall further advise the participant of its determination as to the date when payment of the aggregate amount credited to the participant's deferred incentive account is to commence, whether payment of the amount so credited as of that date will then be made in a lump sum or in quarterly or annual installments, and if payment is to be made in installments, the period of time over which the installments will be paid. Upon subsequently being advised of the existence of special circumstances which are beyond the participant's control and which impose an unforeseen severe financial hardship on the participant or his beneficiary, the Committee may, in its sole and exclusive discretion, modify the deferral arrangement established for that participant to the extent necessary to remedy such financial hardship.

6. Deferred Incentive Account.

(a) A deferred incentive account shall be maintained by his employer for each participant in the Plan, and there shall be credited to each participant's account, on the date incentive compensation is paid, the incentive award, or portion thereof, which would have been paid to such participant on said date if the receipt thereof had not been deferred.

(b) In addition, there shall be credited on the last day of the quarter to each participant's account, an interest credit on his deferred incentive award at the interest rates determined by the Committee to be payable during each calendar year, or portion thereof, prior to the termination of such participant's deferral period or, if the amount then credited to his deferred incentive account is to be paid in installments, prior to the termination of such installment period. Interest will be paid on a prorated basis for amounts withdrawn from the account during the quarter, with the remaining balance accruing interest for the duration of the quarter. The interest credit shall be a rate equal to the yield as of January 1, April 1, July 1 and October 1 on Merrill Lynch Taxable Bond Index - Long Term Medium Quality (A3) Industrial Bonds, unless and until otherwise determined.

(c) The Plan shall at all times be unfunded. The Corporation shall not be required to segregate physically any amounts of money or otherwise provide funding or security for any amounts credited to the deferred incentive accounts of participants in the Plan.

7. Designation of Beneficiary.

Each participant in the Plan shall deliver to the Committee a written instrument, in the form provided by the Committee, designating one or more beneficiaries to whom payment of the amount credited to his deferred incentive account shall be made in the event of his death. Unless the Committee shall otherwise determine, such payments shall be made in such amounts and at such times as they would otherwise have been paid to the participant if he had survived.

8. Nonassignability of Participation Rights.

No right, interest or benefit under the Plan shall be assignable or transferable under any circumstances other than to a participant's designated beneficiary in the event of his death, nor shall any such right, interest or benefit be subject to or liable for any debt, obligation, liability or default of any participant. The payments, benefits or rights arising by reason of this Plan shall not in any way be subject to a participant's debts, contracts or engagements, and shall not be subject to attachment, garnishment, levy, execution or other legal or equitable process.

9. Rights of Participants.

A participant in the Plan shall have only those rights, interests or benefits as are expressly provided in the Plan and in the Incentive Plans. The Plan shall be deemed to be ancillary to the Incentive Plans and the rights of participants in the Plan shall be limited as provided in the Incentive Plans.

10. Claims for Benefits.

Claims for benefits under the Plan shall be filed with the Committee. Written notice of the disposition of a claim shall be furnished the claimant within 60 days after the application therefor is filed. In the event the claim is denied, the reasons for the denial shall be specifically set forth. Pertinent provisions of this Plan shall be cited. In addition, the written notice shall describe any additional material or information necessary for the claimant to perfect the claim (along with an explanation of why such material or information is needed), and the written notice will fully describe the claim review procedures of Section 11 below.

11. Claim Review.

Any claimant who has been denied a benefit shall be entitled, upon request to the Committee, to receive a written notice of such action, together with a full and clear statement of the reasons for the action. The claimant may also review this Plan if he chooses. If the claimant wishes further consideration of his position, he may request a hearing. The request, together with a written statement of the claimant's position, shall be filed with a Committee member no later than 60 days after receipt of the written notification provided for above. The Committee shall schedule an opportunity for a full and fair hearing of the issue within the next 60 days. The decision following the hearing shall be made within 60 days and shall be communicated in writing to the claimant. If the claimant requests, the hearing may be waived, in which case the Committee's decision shall be made within 60 days from the date on which the hearing is waived and shall be communicated in writing to the claimant.

12. Amendment, Suspension or Termination of the Plan.

The Board of Directors of the Corporation (the Board) may from time to time amend, suspend or terminate the Plan, in whole or in part, and if the Plan is suspended or terminated, the Board may reinstate any or all provisions of the Plan, except that no amendment, suspension or termination of the Plan shall, without the consent of a participant, adversely affect such participant's right to receive payment of the entire amount credited to his deferred incentive account on the date of such Board action. In the event the Plan is suspended or terminated, the Board may, in its discretion, direct the Committee to pay to each participant the amount credited to his account either in a lump sum or in accordance with the Committee's prior determination regarding the method of payment.

12. Effective Date.

The Plan shall become effective on the date of its approval by the Executive Compensation Committee of the Dial Corp Board of Directors or on such other date as the Executive Compensation Committee may direct, but the Plan shall become operative with respect to a select group of management or highly compensated employees of each subsidiary only upon the adoption of the Plan by that subsidiary's Board of Directors.

Exhibit 11

THE DIAL CORP
STATEMENT RE COMPUTATION OF NET INCOME (LOSS)
PER COMMON SHARE
(000 omitted)

	Year Ended December 31,		
PRIMARY:	1993	1992	1991
Net income (loss)	$120,485	$(81,515)	$(57,608)
Less: Preferred stock dividends	(1,122)	(1,122)	(1,123)
Dilution due to outstanding options of subsidiaries considered common stock equivalents			(17)
	$119,363	$(82,637)	$(58,748)
Weighted average common shares outstanding before common equivalents	42,002	41,163	39,578
Common equivalent stock options	701	850	333
Average common and equivalent shares	42,703	42,013	39,911
Net income (loss) per share (dollars)	$ 2.80	$ (1.97)	$ (1.47)
FULLY DILUTED:			
Adjusted net income (loss) per above	$119,363	$(82,637)	$(58,748)
Less: Additional dilution due to outstanding options of subsidiaries considered common stock equivalents	(9)		
	$119,354	$(82,637)	$(58,748)
Average common and equivalent shares per above	42,703	42,013	39,911
Common equivalent stock options	42		
Average common and equivalent shares	42,745	42,013	39,911
Net income (loss) per share (dollars)	$ 2.79	$ (1.97)	$ (1.47)

EXHIBIT 22

THE DIAL CORP
ACTIVE AND INACTIVE (I) SUBSIDIARIES AND
AFFILIATES* AS OF MARCH 15, 1994

AIRLINE CATERING & OTHER FOOD SERVICES GROUP

Dobbs International (U.K.) Limited (United Kingdom) Faber Enterprises, Inc. (Delaware)
Faber Drug Co., Inc. (Illinois) (70%) Franklin Ventures, Inc. (Illinois)
Greyhound-Dobbs Incorporated (Delaware)
Carson International Inc. (Delaware)+ Dobbs Houses, Inc. (Delaware)+
Dobbs-Paschal Midfield Corporation (Georgia) (75%)+
DOBBS INTERNATIONAL SERVICES, INC. (Delaware)

Dobbs Houses International, Inc. (Delaware)

RESTAURA, INC. (Michigan)
Glacier Park, Inc. (Arizona) (80%)
Waterton Transport Company, Limited (Alberta)

CONSUMER PRODUCTS GROUP

Andora, S.A. (Mexico)
Ardison Properties, Inc. (Delaware)
Armour Foods (U.K.) Ltd. (United Kingdom) Armour International Limited (United Kingdom)
ARMOUR INTERNATIONAL COMPANY (Arizona)
AIC Foreign Sales Corporation (Virgin Islands) Armour-Dial del Ecuador, S.A. (Ecuador) Armour Foods (Benelux) N.V. (Belgium) Armour Foods (Canada) Limited (Ontario) Armour Foods (Deutschland) GmbH (Germany) The Dial Corp. (Deutschland) mbH (Germany) The Dial Corporation (Panama), S.A. (Panama) The Dial Corp. (Korea) Ltd. (Korea)
The Dial Corporation (Hong Kong) Limited (Hong Kong) The Dial Corporation Mexico, S.A. de C.V. (Mexico) The Dial Corporation (Puerto Rico), Inc. (Arizona) The Dial Corporation (Thailand) Limited (Thailand) Ft. Madison Dial, Inc. (Iowa)
Purex de Panama, S.A. (Panama)

CONVENTION SERVICES GROUP

EXHIBITGROUP INC. (Delaware)
Exhibitgroup (Canada) Ltd. (Canada) David H. Gibson Company, Inc. (Texas) Longchamp International, Inc. (Nevada) (50%)
GES EXPOSITION SERVICES, INC. (Nevada)
Andrews, Bartlett & Associates, Inc. (Ohio) Classic Decorating, Inc. (Oregon)
Gelco Convention Services, Inc. (Florida) Gelco Convention Services of Orlando, Inc. (Florida) Rowan Northwestern Decorators, Inc. (Washington) United Exposition Service Co., Inc. (Texas) Apollo Moving & Storage, Inc. (Nevada) Concourse Graphics, Inc. (Delaware) (50%) Expo-Tech Electrical & Plumbing Services, Inc.

(California)

Las Vegas Transfer & Storage, Inc. (Texas) United Exposition Service Redevelopment Corporation

(Missouri)

Las Vegas Convention Service Co. (Nevada)

CORPORATE AND OTHER

Dialcor Realty Inc. (Arizona)
Greyhound Realty of Texas Inc. (Texas) Essex Place Inc. (Arizona)
GCMC Inc. (Arizona)
Grey Gateway Realty Corporation (Arizona) GRT Inc. (Arizona)
GDC Insurance Company Ltd. (Bermuda)

TRAVEL & LEISURE & PAYMENT SERVICES GROUP

Air Agency, Inc. (Florida)
AIRCRAFT SERVICE INTERNATIONAL, INC. (Delaware)
ASII Holding GmbH (Germany)
Omni Aircraft Service GmbH (Germany) (50%) Aircraft Service Limited (United Kingdom) Bahamas Airport Services Limited (Bahama)
Freeport Flight Services Limited (Bahama) Dispatch Services, Inc. (Florida)
Florida Aviation Fueling Company, Inc. (Florida)
GREYHOUND LEISURE SERVICES, INC. (Florida)
European Cruise Shops Limited (Cayman Islands) (51%) Greyhound-ANA Venture Company (Florida) (51%) International Cruise Shops, Ltd. (Cayman Islands) Greyhound World Travel GmbH (Germany)
JETSAVE INC. (Florida)
Jetsave Travel Limited (United Kingdom)
Crystal Holidays, Limited (United Kingdom) Charles Grimsey Associates Limited (United Kingdom) Greyhound World Travel Limited (United Kingdom) Jetsave Limited (United Kingdom)
Jetsave Transatlantic Limited (United Kingdom) PREMIER CRUISE LINES, LTD. (Cayman Islands)
TRANSPORTATION LEASING CO. (California)~~
GCCP, Inc. (Delaware)~~
Greyhound Canada Holdings, Inc. (Alberta)~~ The Dial Corporation (Canada) Ltd. (Alberta)#
GREYHOUND LINES OF CANADA LTD. (Canada) (69%)
A-1 Bus Line Pick-Up Ltd. (British Columbia)
BREWSTER TRANSPORT COMPANY LIMITED (Alberta)
Banff Norquay Ski Corporation (Alberta) (50%)**
Gray Coach Lines Inc. (Ontario) Greyhound Courier Express Ltd. (British Columbia)
TRAVELERS EXPRESS COMPANY, INC. (Minnesota)
CAG Inc. (Nevada)
RM/BS GP Inc. (Minnesota)
Travelers Express Co. (P.R.) Inc. (Puerto Rico)

* Parent-subsidiary or affiliate relationships are shown by marginal indentation. State, province or country of incorporation and ownership percentage are shown in parentheses following name, except that no ownership percentage appears for subsidiaries owned 100% (in the aggregate) by The Dial Corp. List does not include companies in which the aggregate direct and indirect interest of The Dial Corp is less than 50%.

# Indicates a Consumer Products Group Subsidiary. ~~ Indicates a Corporate and Other Subsidiary.
+ Indicates a Travel & Leisure & Payment Services Group Subsidiary. ** Through partnership.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in The Dial Corp's Registration Statements No.'s 33-41870, 33-57630, 33-65420, 33- 10150 and 33-65424 on Form S-8 and No.'s 33-57346 and 33-55360 on Form S-3, of our reports dated February 25, 1994 on the consolidated financial statements and schedules of The Dial Corp appearing in this Annual Report on Form 10-K of The Dial Corp for the year ended December 31, 1993.

/s/Deloitte & Touche
Deloitte & Touche
March 25, 1994
Phoenix, Arizona

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each director whose signature appears below constitutes and appoints Richard C. Stephan and John W. Teets, and each of them severally, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Form 10-K Annual Report of The Dial Corp for the fiscal year ended December 31, 1993, and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection herewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ Joe T. Ford	*February 17, 1994*
/s/ Thomas L. Gossage	*February 17, 1994*
/s/ Donald E. Guinn	*February 17, 1994*
/s/ Jess Hay	*February 17, 1994*
/s/ Judith K. Hofer	*February 17, 1994*
/s/ Jack F. Reichert	*February 17, 1994*
/s/ Linda Johnson Rice	*February 17, 1994*
/s/ Dennis C. Stanfill	*February 17, 1994*
/s/ A. Thomas Young	*February 17, 1994*
/s/ James E. Cunningham	*February 17, 1994*

Exhibit J

VIAD CORP

FORM 10-K405

(Annual Report (Regulation S-K, item 405))

Filed 3/24/1999 For Period Ending 12/31/1998

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

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 1998 Commission File Number 001-11015

VIAD CORP
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	36-1169950 (I.R.S. Employer Identification No.)
Viad Tower, Phoenix, Arizona (Address of Principal Executive Offices)	85077 (Zip Code)

Registrant's Telephone Number, Including Area Code: 602-207-4000

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $1.50 par value	New York Stock Exchange
$4.75 Preferred Stock (stated value $100 per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

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, and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 12 , 1999, 99,082,458 shares of Common Stock ($1.50 par value) were outstanding and the aggregate market value of the Common Stock (based on its closing price per share on such date) held by nonaffiliates was approximately $2.54 billion.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENTS	WHERE INCORPORATED
A portion of Proxy Statement for Annual Meeting of Shareholders to be held May 11, 1999	Part III

PART I

ITEM 1. BUSINESS.

Viad Corp ("Viad" or the "Corporation") is comprised of operating companies and a division which constitute a diversified services business. Most of Viad's services are provided to businesses for use by their customers. Accordingly, the Corporation markets its services to approximately 76,000 retail and financial locations primarily in the U.S. (payment services), numerous trade show organizers and exhibitors (convention and exhibit services), more than 100 domestic and international airlines (in-flight food service), and others. Occupying the number one or number two position in many of the markets in which they compete, each of the Corporation's businesses seek to provide quality, convenient and cost-effective services with a discernible difference to the ultimate users and thereby be considered a value-added provider by Viad's business customers.

Viad's services are classified into three reportable business segments, namely (1) Payment Services, (2) Convention and Event Services, and (3) Airline Catering. The Corporation also provides travel and recreation services. A description of each of the Viad reportable business segments, the travel and recreation businesses, and recent developments relating to each follows.

VIAD BUSINESS UNITS

Viad is built around several operating groups which are leading competitors in their businesses, including companies engaged in payment services (Travelers Express Company, Inc., MoneyGram Payment Systems, Inc., and Game Financial Corporation), convention and event services (GES Exposition Services, Inc. and Exhibitgroup/Giltspur division), and airline catering (Dobbs International Services, Inc.). Viad business units also provide travel tour services (Brewster Transport Company Limited) and recreation services (ProDine division and Glacier Park, Inc.).

PAYMENT SERVICES

Viad's payment services business is conducted by the Travelers Express group of companies. These companies engage in a variety of payment service activities, including issuance and processing of money orders, processing of official checks and share drafts, and money transfer and cash access services.

Travelers Express sells money orders to the public through approximately 52,600 retail and financial locations in the United States and Puerto Rico, and is one of the nation's leading issuers of money orders, issuing more than 274 million money orders in 1998. Travelers Express also provides processing services for approximately 5,000 banks, credit unions and other financial institutions which offer official checks (used by financial institutions in place of their own bank check or cashier's check) and share drafts (the credit union industry's version of a personal check). In addition, MoneyGram Payment Systems, Inc. ("MoneyGram"), a subsidiary of Travelers Express, provides money transfer services through approximately 26,000 agent locations in 110 countries worldwide. Another subsidiary, Game Financial Corporation ("Game Financial"), provides cash access services, including credit card advances, check cashing and ATM services to 77 casinos in the gaming industry. The company also provides in-person bill payment services for utility companies and others, and high volume processing of refund and rebate checks, food vouchers, gift certificates and other financial instruments.

Game Financial was acquired in December 1997 and MoneyGram was acquired effective June 1, 1998. These major acquisitions provide new products for Travelers Express and provide an opportunity for Travelers Express and the acquired companies to cross-sell their existing products and services.

CONVENTION AND EVENT SERVICES

Convention and event services are provided by the Corporation's GES Exposition Services and Exhibitgroup/Giltspur companies.

GES Exposition Services ("GES"), North America's leading supplier of convention services to trade associations, show management companies and exhibitors, provides tradeshow design and planning, decorating, exhibit design, installation and dismantling, display rental, custom graphics, furnishings, audio visual, electrical, logistics, transportation and management services for conventions, tradeshows, and corporate and special events. GES provides convention services through a network of offices in North America's most active and popular tradeshow service markets, and is also an official contractor for ZD Events, Inc., one of the largest independent producers of trade shows in the world and the operator of COMDEX, the largest technology trade show in North America. GES acquired ESR Exposition Services, Inc., a tradeshow contractor headquartered in Teterboro, New Jersey, in May 1998. The company also acquired the trade show business of Puliz of Utah, Inc. and Puliz Moving and Storage, Inc., in June 1998, and electrical contractor business of Ainsworth Electric Company Limited in July 1998. The Puliz businesses are headquartered in Reno, Nevada, and Ainsworth Electric is headquartered in Toronto, Ontario, Canada.

Exhibitgroup/Giltspur ("EXG") operates the largest exhibit and display business in the world. EXG is a designer, builder and installer of convention, tradeshow, museum and other exhibits and displays with locations in 26 U.S. cities, one Canadian city and two German cities, and an international network of strategic partners in 21 countries. The company also offers exhibition marketing, planning and strategy services, including advertising, multimedia, video and event design. In April 1998, the company added retail kiosks to its product mix by acquisition of T.L. Horton Design, a business headquartered in Dallas, Texas. EXG also acquired Dimension Works, Inc. and the business of Impact Group, Inc., in November, 1998, and an 80% interest in Voblo Innenausbau in September 1998. The acquisition of Voblo, an exhibit company headquartered outside of Dusseldorf, Germany, will permit EXG to compete in the European trade show market. EXG is operated as a division of Viad.

AIRLINE CATERING

Airline catering operations are conducted by Dobbs International Services, Inc. Dobbs International, which has been conducting airline catering operations since 1941, is the second largest domestic in-flight caterer. At the end of 1998, Dobbs International's in-flight catering operations were preparing and providing in-flight meals, snacks, beverages and related services to more than 100 domestic and international airlines at 46 airports in the United States and 5 airports in the United Kingdom. Dobbs International prepares approximately 145 million meals or snacks per year. The four largest customers of Dobbs International are United Airlines, Delta Airlines, American Airlines, and Northwest Airlines. Dobbs International and/or its predecessors have provided airline catering services to these and other customers for over 50 years, on average.

Dobbs International will enter a new market in April 1999 as a result of a seven-year contract to provide food service for National Railroad Passenger Corporation, commonly known as "Amtrak." The company will manage the operation of Amtrak's 14 commissaries nationwide and will provide food service to railroad operations in major cities throughout the country. In June 1998, Dobbs International also acquired a flight kitchen in Las Vegas, Nevada.

Dobbs International has been involved in a "Quality Improvement Process" for many years and has been consistently recognized by its customers and suppliers as a superior caterer due to its high standards of quality, excellence and innovation.

TRAVEL AND RECREATION SERVICES

Travel and recreation services are provided by the Brewster Transport and ProDine business units.

Brewster Transport Company Limited, an Alberta, Canada corporation, operates tour and charter buses in the Canadian Rockies, and engages in travel agency, hotel and snocoach tour operations. Brewster Transport owns and operates 96 intercity coaches and 4 transit buses, as well as 18 snocoaches which transport sightseers on tours of the glaciers of the Columbia Icefield.

The Corporation's ProDine recreation division acts as the prime concessionaire for all food and beverage services at the America West Arena and Bank One Ballpark in Phoenix, Arizona. America West Arena is the home of the Phoenix Suns basketball and Phoenix Coyotes hockey teams, and Bank One Ballpark is the home of the Arizona Diamondbacks major league baseball franchise. The division, through a subsidiary, also operates 7 historic lodges in and around Glacier National Park in Montana and Canada.

COMPETITION

The Corporation's businesses generally compete on the basis of price, value, quality, discernible difference, convenience and service, and encounter substantial competition from a large number of providers of similar services, including numerous well-known local, regional and national companies, private payment service companies and the U.S. Postal Service (money orders), many of which have greater resources than the Corporation. Travelers Express also competes on the basis of quality and number of sales outlet locations, business automation, technology and accounting controls, and Dobbs International also competes on the basis of reliability, condition of kitchen facilities and truck fleet, and on-time record. The U.S. Postal Service, First Data Corporation and its subsidiary Western Union Financial Services, Inc., and American Express are the principal competition of Travelers Express, and SC International Services, Inc. (LSG Sky Chefs) is the principal competitor of Dobbs International. On a national basis, Freeman Decorating Company is the principal competitor of GES Exposition, and George P. Johnson, Co. Inc. is the principal competitor of Exhibitgroup/Giltspur.

PATENTS AND TRADEMARKS

United States patents are currently granted for a term of 20 years from the date a patent application is filed. The Viad companies own a number of patents which give them competitive advantages in the marketplace, including a number of patents owned by Exhibitgroup/Giltspur covering exhibit systems and by Travelers Express for automated money order dispensing systems. The Travelers Express patents cover security, automated reporting and control, and other features which are important in the issuance of money orders.

United States trademark registrations are for a term of 10 years, renewable every 10 years as long as the trademarks are used in the regular course of trade. The Viad companies maintain a portfolio of trademarks representing substantial goodwill in the businesses using the marks.

Many trademarks used by Viad and its subsidiaries, including the TRAVELERS EXPRESS, MONEYGRAM, EXHIBITGROUP/GILTSPUR, GES, DOBBS, and DOBBS INTERNATIONAL SERVICES service marks, have substantial importance and value. Certain rights in software held by Travelers Express and its subsidiaries also provide competitive advantage.

GOVERNMENT REGULATION

Compliance with legal requirements and government regulations are a day-to-day integral part of the Corporation's operations and represent a normal cost of doing business. Financial transaction reporting and state banking department regulations affect Travelers Express; state gaming department regulations affect Game Financial; and food safety and airport security regulations are of importance to Dobbs International. Environmental, labor and employment and other regulations affect virtually all operations. As is the case with many companies, the Corporation faces exposure to actual or potential claims and lawsuits involving environmental matters. Although the Corporation is a party to certain environmental disputes, the Corporation believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recoveries, will not have a material effect on the Corporation's financial position or results of operations.

EMPLOYEES

EMPLOYMENT AT DECEMBER 31, 1998

SEGMENT	APPROXIMATE NUMBER OF EMPLOYEES	REGULAR FULL TIME EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS
Payment Services	1,800	0
Convention and Event Services	4,500	2,000
Airline Catering	12,400	8,000
Travel and Recreation Services	1,100*	100

* Excludes employees of the contract foodservice operations of Restaura, Inc., which were sold January 27, 1999.

Viad believes that relations with its employees are satisfactory and that collective bargaining agreements expiring in 1999 will be renegotiated in the ordinary course of business without adverse effect on Viad's operations.

Viad had 129 employees at its corporate center at December 31, 1998, providing management, financial and accounting, tax, administrative, legal and other services to its operating units and handling residual matters pertaining to businesses previously discontinued or sold by the Corporation. Viad is managed by a Board of Directors comprised of seven nonemployee directors and one employee director and has an executive management team consisting of seven Viad officers (including the one employee director) and four principal executives of significant operating divisions or companies.

SEASONALITY

The first quarter is normally the slowest quarter of the year for Viad. Due to increased leisure travel during the summer and year-end holidays, Viad's airline catering and travel and recreation operations generally experience peak activity at these times. Convention and event service companies generally experience increased activity during the first half of the year. As a result of these factors, Viad's 1998 quarterly diluted earnings per share (before nonrecurring items), as a percentage of the full year's earnings, were approximately 12% (first quarter), 28% (second quarter), 33% (third quarter), and 27% (fourth quarter). See Note [R] of Notes to Consolidated Financial Statements.

OTHER MATTERS

The Corporation disposed of several noncore businesses during 1998 and early 1999. Effective April 1, 1998, the Corporation sold its Aircraft Services International group of companies, which conducted aircraft fueling and ground handling operations, and on September 15, 1998, the Corporation completed the sale of Greyhound Leisure Services, Inc., which conducted duty-free and shipboard concessions business. Restaura, Inc., a dining services company, was sold in late January 1999. (See Notes C and S of Notes to Consolidated Financial Statements for further information.)

SHELF REGISTRATION

The Corporation has a shelf registration on file with the Securities and Exchange Commission covering $500 million of debt and equity securities. To date, no securities have been offered under the registration.

BUSINESS SEGMENTS

Business segment information is set forth in Exhibit 13.

ITEM 2. PROPERTIES.

Viad and its subsidiaries operate service or production facilities, and maintain sales and service offices in the United States, Canada, the United Kingdom and Germany. The Corporation also conducts business in certain other foreign countries.

Viad's headquarters are located at Viad Tower in Phoenix, Arizona. Viad leases seven floors (consisting of approximately 159,000 square feet).

PAYMENT SERVICES operates 17 offices (including Travelers Express corporate headquarters located in Minneapolis, Minnesota) and three payment services processing centers, two of which are located in Minnesota and one in Colorado. All of the facilities are leased.

CONVENTION AND EVENT SERVICES operates 17 offices and 82 multi-use facilities (exhibit construction, office and/or warehouse). The principal facilities, used in the design and production of exhibits and in connection with providing trade show and exposition services, range in size from approximately 100,000 square feet to 475,000 square feet. All of the properties are in the United States, except for one office and eight multi-use facilities that are located in Canada, and three multi-use facilities that are located in Germany. Five of the multi-use facilities are owned; all other properties are leased. GES and Exhibit/Giltspur corporate headquarters are located in Las Vegas, Nevada, and Roselle, Illinois, respectively.

AIRLINE CATERING operates eight administrative offices (including Dobbs International's corporate headquarters located in Memphis, Tennessee), one maintenance garage and 64 catering kitchens. All of the properties are in the United States, except for five catering kitchens that are located in the United Kingdom. Twelve of the catering kitchens are owned. All other properties are leased, except for two catering kitchens provided by airlines to which services are rendered.

The catering kitchens, aggregating approximately three million square feet, are located at or near major airports. Actual sizes of the kitchens vary, depending on the level of business activity at each location.

TRAVEL AND RECREATION SERVICES operates two offices, two retail stores, three bus terminals, four garages and nine hotels/lodges (with approximately 900 rooms, and ancillary foodservice and recreational facilities). All of the properties are in the United States, except for one retail store, the bus terminals, garages, icefield tour facility, and three hotels/lodges that are located in Canada. Travel and Recreation Services owns four hotels/lodges and five other hotels/lodges are operated pursuant to a concessionaire agreement. One bus terminal and three garages are owned; the icefield tour facility is jointly owned and operated with Parks Canada; all other properties are leased.

Management believes that Viad's facilities in the aggregate are adequate and suitable for their purposes and that capacity is sufficient for current needs.

ITEM 3. LEGAL PROCEEDINGS

The Corporation and certain subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims, including pending or potential claims by or on behalf of approximately 6,500 former railroad workers claiming asbestos-related health conditions from exposure to railroad equipment made by former subsidiaries. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against the Corporation. Although the amount of liability at December 31, 1998, with respect to these matters is not ascertainable, Viad believes that any resulting liability will not have a material effect on the Corporation's financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS.

No matters were submitted to a vote of securityholders during the fourth quarter of 1998.

OPTIONAL ITEM. EXECUTIVE OFFICERS OF REGISTRANT.

The names, ages and positions of the executive officers of the Corporation as of March 12, 1999, are listed below:

NAME	AGE	OFFICE	EXECUTIVE POSITION HELD SINCE
Robert H. Bohannon	54	Chairman of the Board, President and Chief Executive Officer of the Corporation	1997
John A. Modzelewski	51	Chief Financial Officer of the Corporation	1999
Ronald G. Nelson	57	Vice President-Finance and Treasurer of the Corporation	1987
Peter J. Novak	59	Vice President and General Counsel of the Corporation	1996
Scott E. Sayre	52	Secretary and Associate General Counsel of the Corporation	1997
Richard C. Stephan	59	Vice President-Controller of the Corporation (Retiring March 31, 1999)	1980
Wayne A. Wight	56	Vice President-Corporate Development of the Corporation	1998
George H. Alvord	52	President and Chief Executive Officer of Dobbs International Services, Inc., a subsidiary of the Corporation	1999
Charles J. Corsentino	52	President and Chief Executive Officer of Exhibitgroup/Giltspur, a division of the Corporation	1991
Philip W. Milne	40	President and Chief Executive Officer of Travelers Express Company, Inc., a subsidiary of the Corporation	1996
Paul B. Mullen	44	President and Chief Executive Officer of GES Exposition Services, Inc. a subsidiary of the Corporation	1996

Each of the foregoing officers, with the exceptions set forth below, has served in the same, similar or other executive positions with Viad or its subsidiaries for more than the past five (5) years.

Prior to February 1999, Mr. Alvord served as Vice President-Marketing and Sales of Dobbs International Services, Inc., since November, 1987.

Prior to January 1997, Mr. Bohannon served as President and Chief Operating Officer of the Corporation since August 15, 1996. Prior thereto he was President and Chief Executive Officer of Travelers Express Company, Inc. since 1993.

Prior to August 1996, Mr. Milne was Vice President-General Manager-Retail Payment Products of Travelers Express Company, Inc., since May, 1993.

Prior to February 1999, Mr. Modzelewski was a Senior Vice President of PaineWebber Incorporated since 1996, and prior thereto was a First Vice President of that company.

Prior to May 1996, Mr. Mullen was President and Chief Executive Officer of Giltspur, Inc., since 1995. Prior thereto he was Executive Vice President and Chief Operating Officer of Giltspur, Inc. since 1994, and prior to that, he was President of the Pittsburgh Division of Giltspur, Inc. since 1992.

Prior to February 1996, Mr. Novak was Deputy General Counsel of the Corporation, and prior to serving in that position was Group General Counsel of the Corporation.

Prior to January 1997, Mr. Sayre served as Assistant Secretary and Assistant General Counsel of the Corporation since February 1996, and prior thereto was Assistant General Counsel.

Prior to February 1998, Mr. Wight served as Executive Director-Corporate Development of the Corporation since 1992.

The term of office of the executive officers is until the next annual organization meetings of the Boards of Directors of Viad or appropriate subsidiaries, all of which are scheduled for May or June of this year.

The Directors of Viad are divided into three classes, with the terms of one class of Directors to expire at each Annual Meeting of Stockholders. The current term of office of Robert H. Bohannon is scheduled to expire at the 2000 Annual Meeting of Stockholders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The principal market on which the common stock of Viad is traded is the New York Stock Exchange. The common stock is also admitted for trading on the Midwest, Pacific, Philadelphia and Cincinnati Exchanges. The following tables summarize the high and low market prices as reported on the New York Stock Exchange Composite Tape and the cash dividends declared for the two years ended December 31, 1998:

	Sales Price Range of Common Stock			
Calendar	1998		1997	
Quarters	High	Low	High	Low
First	$25.0625	$18.5625	$18.0000	$14.8750
Second	27.7500	23.4375	19.5000	14.6250
Third	29.7500	20.6250	20.3750	17.0000
Fourth	30.5625	21.5625	20.3125	17.1250

Dividends Declared on Common Stock

	1998	1997
February	$ .08	$ .08
May	.08	.08
August	.08	.08
November	.08	.08
TOTAL	$0.32	$0.32

Regular quarterly dividends have been paid on the first business day of January, April, July and October.

As of March 12, 1999, there were 34,303 stockholders of record of Viad's common stock.

ITEM 6. SELECTED FINANCIAL DATA.

Applicable information is included in Exhibit 13.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Applicable information is included in Exhibit 13.

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

See Management's Discussion and Analysis of Results of Operations and Financial Condition included in Exhibit 13.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

1. Financial Statements--See Item 14 hereof.

2. Supplementary Data--See Condensed Consolidated Quarterly Results in Exhibit 13.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information regarding Directors of the Registrant is included in Viad's Proxy Statement for Annual Meeting of Stockholders to be held on May 11, 1999 ("Proxy Statement") and is incorporated herein and made a part hereof. The information regarding executive officers of the Registrant is found as an Optional Item in Part I hereof.

ITEM 11. EXECUTIVE COMPENSATION.

The information is contained in the Proxy Statement and is incorporated herein and made a part hereof.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information is contained in the Proxy Statement and is incorporated herein and made a part hereof.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) The following documents are filed as a part of the report:

FINANCIAL STATEMENTS.

The following are included in Exhibit 13: Independent Auditors' Report and Consolidated Financial Statements (Balance Sheet, Statements of Income, Comprehensive Income, Common Stock and Other Equity, Cash Flows, and Notes to Financial Statements).

3.A Copy of Restated Certificate of Incorporation of Viad Corp, as amended through August 15, 1996, filed as Exhibit 3.A to Viad's 1996 Form 10-K, is hereby incorporated by reference.

3.B Copy of Bylaws of Viad Corp, as amended through November 19, 1998.

4.A Instruments with respect to issues of long-term debt have not been filed as exhibits to this Annual Report on Form 10-K if the authorized principal amount of any one of such issues does not exceed 10% of total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation agrees to furnish a copy of each such instrument to the Securities and Exchange Commission upon request.

4.B Copy of Amended and Restated Credit Agreement dated as of July 24, 1996, among Viad, the Bank parties thereto, Citicorp USA, Inc., as Administrative Agent, and Bank of America National Trust and Savings Association as Documentation Agent, filed as Exhibit 4.B to Viad's 1996 Form 10-K, is hereby incorporated by reference.

4.B1 First Amendment dated as of August 1, 1997, to Amended and Restated Credit Agreement, filed as Exhibit 4.B1 to Viad's 1997 Form 10-K, is hereby incorporated by reference.

4.B2 Second Amendment dated as of September 11, 1997, to Amended and Restated Credit Agreement, filed as Exhibit 4.B2 to Viad's 1997 Form 10-K, is hereby incorporated by reference.

10.A1 Copy of Viad Corp 1983 Stock Option and Incentive Plan, filed as Exhibit (28) to Viad's Registration Statement on Form S-8 (Registration No. 33-41870), is hereby incorporated by reference.+

10.A2 Copy of amendment, effective August 1, 1994, to Viad Corp 1983 Stock Option and Incentive Plan, filed as Exhibit 10.H2 to Viad's 1994 Form 10-K, is hereby incorporated by reference.+

10.B1 Copy of Viad Corp 1992 Stock Incentive Plan as amended August 15, 1996, filed as Exhibit 4.3 to Viad's Form S-8 Registration Statement (#333-63397), is hereby incorporated by reference.+

10.B2 Copy of amendment, effective August 1, 1994, to Viad Corp 1992 Stock Incentive Plan, filed as Exhibit 10.I2 to Viad's 1994 Form 10-K, is hereby incorporated by reference.+

10.C Copy of 1997 Viad Corp Omnibus Incentive Plan, as amended through February 18, 1999.+

10.D Copy of Viad Corp Management Incentive Plan (pursuant to the Viad 1997 Omnibus Incentive Plan), as amended March 23, 1999.*+

10.E Copy of Viad Corp Performance Unit Incentive Plan, as amended through March 23, 1999.*+

10.F Copy of Viad Corp Performance-Based Stock Plan, as amended and restated effective May 1998, filed as Exhibit 10D to Viad's Second Quarter 1998 Form 10Q, is hereby incorporated by reference.+

10.G Copy of form of Viad Corp 1983 Stock Option and Incentive Plan Amended and Restated Restricted Stock Agreements dated August 12, 1994, between Viad and certain executive officers, filed as Exhibit 10.R to Viad's 1994 Form 10-K, is hereby incorporated by reference.+

10.H Copy of form of Viad Corp 1992 Stock Incentive Plan Restricted Stock Agreements dated August 12, 1994, between Viad and certain executive officers, filed as Exhibit 10.S to Viad's 1994 Form 10-K, is hereby incorporated by reference.+

10.I Viad Corp Deferred Compensation Plan Amended and Restated as of August 21, 1997, filed as Exhibit 10.A to Viad's Third Quarter 1997 Form 10-Q, is hereby incorporated by reference.+

10.J1 Copy of form of Executive Severance Agreement between Viad Corp and Chairman, President and Chief Executive Officer, filed as Exhibit (10)(G)(i) to Viad's 1991 Form 10-K, is hereby incorporated by reference.+

10.J2 Copy of forms of Viad Corp Executive Severance Plans covering certain executive officers, filed as Exhibit (10)(G)(ii) to Viad's 1992 Form 10-K, is hereby incorporated by reference.+

10.K Description of Spousal Income Continuation Plan, filed as Exhibit 10(Q) to Viad's 1985 Form 10-K, is hereby incorporated by reference.+

10.L Copy of Employment Agreement between Viad Corp and Robert H. Bohannon dated April 1, 1998, filed as

Exhibit 10 to Viad's First Quarter 1998 Form 10-Q, is hereby incorporated by reference.+

10.M Copy of Employment Agreement between Viad Corp and Paul B. Mullen dated April 25, 1996, filed as Exhibit 10.O to Viad's 1996 Form 10-K, is hereby incorporated by reference.+

10.N Copy of Consulting Agreement between Viad Corp and Richard C. Stephan dated December 4, 1998, and effective as of April 1, 1999.*

10.O Copy of Viad Corp Supplemental TRIM Plan, filed as Exhibit 10.M to Viad's 1994 Form 10-K, is hereby incorporated by reference.+

10.P Copy of Viad Corp Supplemental Pension Plan (Amended and Restated as of September 30, 1997) (Previously Amended and Restated as of January 1, 1987) dated December 30, 1997 filed as Exhibit 10.Q to Viad's 1997 Form 10K, is hereby incorporated by reference.+

10.Q Copy of Travelers Express Company, Inc. Supplemental Pension Plan dated December 30, 1997, filed as Exhibit 10.R to Viad's 1997 Form 10-K, is hereby incorporated by reference.+

10.R Copy of GES Exposition Services, Inc. Supplemental Executive Retirement Plan, as amended effective January 1, 1998, filed as Exhibit 10.S to Viad's 1997 Form 10-K, is hereby incorporated by reference.+

10.S Copy of Viad Corp Deferred Compensation Plan for Directors, as Amended and Restated July 25, 1996, filed as Exhibit 10.D to Viad's 1996 Form 10-K, is hereby incorporated by reference.+

10.T Copy of Viad Corp Director's Charitable Award Program as amended through March 15, 1996, filed as Exhibit 10.T to Viad's 1995 Form 10-K, is hereby incorporated by reference.+

13 Financial Information set forth in Annual Report to Securityholders.*

21 List of Subsidiaries of Viad.*

23 Independent Auditors' Consent to the incorporation by reference into specified registration statements on Form S-3 or on Form S-8 of their report contained in this report.*

24 Power of Attorney signed by Directors of Viad.*

27 Financial Data Schedule.*

* Filed herewith.

+ Management contract or compensation plan or arrangement.

Viad Corp was previously named The Dial Corp.

Note: The 1998 Annual Report to Securityholders will be furnished to the Commission when, or before, it is sent to securityholders.

(b) REPORTS ON FORM 8-K.

The Corporation filed no reports on Form 8-K during the last quarterly period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 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, in Phoenix, Arizona, on the 24th day of March, 1999.

VIAD CORP

By: /s/ Robert H. Bohannon
Chairman of the Board, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Principal Executive Officer

Date: March 24, 1999 By: /s/ Robert H. Bohannon
Director; Chairman of the Board,
President and Chief Executive
Officer

Principal Financial Officer

Date: March 24, 1999 By: /s/ John A. Modzelewski
Chief Financial Officer

Principal Accounting Officer

Date: March 24, 1999 By: /s/ Richard C. Stephan
Vice President-Controller

Directors

Jess Hay Judith K. Hofer Jack F. Reichert Linda Johnson Rice Douglas L. Rock John C. Tolleson Timothy R. Wallace

Date: March 24, 1999 By: /s/ Richard C. Stephan
Attorney-in-Fact

Exhibit 3.B

BYLAWS
OF
VIAD CORP

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE
AS AMENDED NOVEMBER 19, 1998

ARTICLE I

OFFICES AND RECORDS

SECTION 1.1. DELAWARE OFFICE. The principal office of the Corporation in the State of Delaware shall be located in the City of Wilmington, County of New Castle, and the name and address of its registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware.

SECTION 1.2. OTHER OFFICES. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the Corporation may from time to time require.

SECTION 1.3. BOOKS AND RECORDS. The books and records of the Corporation may be kept at the Corporation's headquarters in Phoenix, Arizona or at such other locations as may from time to time be designated by the Board of Directors.

ARTICLE II

STOCKHOLDERS

SECTION 2.1. ANNUAL MEETING. The annual meeting of the stockholders of the Corporation shall be held on the second Tuesday in May of each year, if not a legal holiday, and if a legal holiday then on the next succeeding business day, at 9:00 a.m., local time, at the principal executive offices of the Corporation, or at such other date, place and/or time as may be fixed by resolution of the Board of Directors.

SECTION 2.2. SPECIAL MEETING. Subject to the rights of the holders of the Series $4.75 Preferred Stock, without par value but with a stated value of $100 per share (the "$4.75 Preferred Stock"), any series of preferred stock, par value $.01 per share (the "Preferred Stock"), or any other series or class of stock as set forth in the Certificate of Incorporation of the Corporation to elect additional directors under specified circumstances, special meetings of the stockholders may be called only by the Chairman of the Board or by the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors which the Corporation would have if there were no vacancies (the "Whole Board").

SECTION 2.3. PLACE OF MEETING. The Board of Directors may designate the place of meeting for any meeting of the stockholders. If no designation is made by the Board of Directors, the place of meeting shall be the principal office of the Corporation.

SECTION 2.4. NOTICE OF MEETING. Written or printed notice, stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called, shall be prepared and delivered by the Corporation not less than ten days nor more than sixty days before the date of the meeting, either personally, or by mail, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation. Such further notice shall be given as may be required by law. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present. Any previously scheduled meeting of the stockholders may be postponed by resolution of the Board of Directors upon public notice given prior to the time previously scheduled for such meeting of stockholders.

SECTION 2.5. QUORUM AND ADJOURNMENT. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the voting power of the outstanding shares of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum for the transaction of such business. The chairman of the meeting or a majority of the voting power of the shares of Voting Stock so represented may adjourn the meeting from time to time, whether or not there is such a quorum (or in the case of specified business to be voted on a class or series, the chairman or a majority of the shares of such class or series so represented may adjourn the meeting with respect to such specified business). No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

SECTION 2.6. PROXIES. At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or as otherwise permitted by law, or by his duly authorized attorney-in-fact. Such proxy must be filed with the Secretary of the Corporation or his representative at or before the time of the meeting.

SECTION 2.7. NOTICE OF STOCKHOLDER BUSINESS AND NOMINATIONS.

(A) ANNUAL MEETINGS OF STOCKHOLDERS. (1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting delivered pursuant to Section 2.4 of these Bylaws, (b) by or at the direction of the Chairman or the Board of Directors or (c) by any stockholder of the Corporation who is entitled to vote at the meeting, who complied with the notice procedures set forth in clauses (2) and (3) of this paragraph (A) and this Bylaw and who was a stockholder of record at the time such notice is delivered to the Secretary of the Corporation.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Bylaw, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than ninety days nor more than one hundred twenty days prior to the first anniversary of the preceding year's annual meeting; PROVIDED, HOWEVER, that in the event that the date of the annual meeting is advanced by more than thirty days, or delayed by more than sixty days, from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the one hundred twentieth day prior to such annual meeting and not later than the close of business on the later of the ninetieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number

of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A)
(2) of this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least eighty days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(B) SPECIAL MEETINGS OF STOCKHOLDERS. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting pursuant to Section 2.4 of these Bylaws. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting
(a) by or at the direction of the Board of Directors or (b) by any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Bylaw and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation. Nominations by stockholders of persons for election to the Board of Directors may be made at such a special meeting of stockholders if the stockholder's notice as required by paragraph (A) (2) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the one hundred twentieth day prior to such special meeting and not later than the close of business on the later of the ninetieth day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(C) GENERAL. (1) Only persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Restated Certificate of Incorporation or these Bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13,14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

SECTION 2.8. PROCEDURE FOR ELECTION OF DIRECTORS. Election of directors at all meetings of the stockholders at which directors are to be elected shall be by written ballot, and, except as otherwise set forth in the Certificate of Incorporation with respect to the right of the holders of the $4.75 Preferred Stock, any series of Preferred Stock or any other series or class of stock to elect additional directors under specified circumstances, a plurality of the votes cast thereat shall elect. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, all matters other than the election of directors submitted to the stockholders at any meeting shall be decided by a majority of the votes cast with respect thereto.

SECTION 2.9. INSPECTORS OF ELECTIONS; OPENING AND CLOSING THE POLLS.

(A) The Board of Directors by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives of the Corporation, to act at the meeting and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act, or if all inspectors or alternates who have been appointed are unable to act, at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by the General Corporation Law of the State of Delaware.

(B) The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

SECTION 2.10. NO STOCKHOLDER ACTION BY WRITTEN CONSENT. Subject to the rights of the holders of the $4.75 Preferred Stock, any series of Preferred Stock or any other series or class of stock as set forth in the Certificate of Incorporation to elect additional directors under specific circumstances, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

ARTICLE III

BOARD OF DIRECTORS

SECTION 3.1. GENERAL POWERS. The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors. In addition to the powers and authorities by these Bylaws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate of Incorporation or by these Bylaws required to be exercised or done by the stockholders.

SECTION 3.2. NUMBER, TENURE AND QUALIFICATIONS. Subject to the rights of the holders of the $4.75 Preferred Stock, any series of Preferred Stock, or any other series or class of stock as set forth in the Certificate of Incorporation, to elect directors under specified circumstances, the number of directors shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the Whole Board, but shall consist of not more than seventeen nor less than three directors. The directors, other than those who may be elected by the holders of the $4.75 Preferred Stock, any series of Preferred Stock, or any other series or class of stock as set forth in the Certificate of Incorporation, shall be divided, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, with the term of office of the first class to expire at the 1992 annual meeting of stockholders, the term of office of the second class to expire at the 1993 annual meeting of stockholders and the term of office of the third class to expire at the 1994 annual meeting of stockholders. Each director shall hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, commencing with the 1992 annual meeting, (i) directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her successor shall have been duly elected and qualified, and (ii) if authorized by a resolution of the Board of Directors, directors may be elected to fill any vacancy on the Board of Directors, regardless of how such vacancy shall have been created.

Notwithstanding the foregoing, no outside director shall be nominated by the Board of Directors for election as a director for another term of office unless such term of office shall begin before he attains age 72, provided, however, that any outside director who had attained age 65 on May 10, 1983 may be nominated by the Board of Directors for election as a director for another term of office unless such term of office shall begin before he attains age 72; and no inside director's term of office shall continue after he attains age 65 or after the termination of his services as an officer or employee of the Corporation, unless such continuance is approved by a majority of the outside directors on the Board of Directors at the time the disqualifying event occurs and each time thereafter that such inside director is nominated for reelection. The term "outside director" means any person who has never served as an officer or employee of the Corporation or an affiliate and the term "inside director" means any director who is not an "outside director." Any person who is ineligible for re-election as a director under this paragraph may, by a majority vote of the Board of Directors, be designated as a "Director Emeritus" and as such shall be entitled to receive notice of, and to attend meetings of, the Board of Directors, but shall not vote at such meetings.

SECTION 3.3. REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, each annual meeting of stockholders. The Board of Directors may, by resolution, provide the time and place for the holding of additional regular meetings without other notice than such resolution.

SECTION 3.4. SPECIAL MEETINGS. Special meetings of the Board of Directors shall be called at the request of the Chairman of the Board, the President or a majority of the Board of Directors. The person or persons authorized to call special meetings of the Board of Directors may fix the place and time of the meetings.

SECTION 3.5. NOTICE. Notice of any special meeting shall be given to each director at his business or residence in writing or by telegram or by telephone communication. If mailed, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least five days before such meeting. If by telegram, such notice shall be deemed adequately delivered when the telegram is delivered to the telegraph company at least twenty-four hours before such meeting. If by facsimile transmission, such notice shall be transmitted at least twenty-hours before such meeting. If by telephone, the notice shall be given at least twelve hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice of such meeting, except for amendments to these Bylaws as provided under Section 7.1 of Article VII hereof. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in writing, either before or after such meeting.

SECTION 3.6. QUORUM. A whole number of directors equal to at least a majority of the Whole Board shall constitute a quorum for the transaction of business, but if at any meeting of the Board of Directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

SECTION 3.7. VACANCIES. Subject to the rights of the holders of the $4.75 Preferred Stock, any series of Preferred Stock or any other series or class of stock, as set forth in the Certificate of Incorporation, to elect additional directors under specified circumstances, and unless the Board of Directors otherwise determines, vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors, and directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the Whole Board shall shorten the term of any incumbent director.

SECTION 3.8. EXECUTIVE COMMITTEE. The Board of Directors, immediately following each annual meeting of stockholders or a special meeting of the same held in lieu of the annual meeting for the election of directors, shall meet and shall appoint from its number an Executive Committee of such number of members as from time to time may be selected by the Board, to serve until the next annual or special meeting at which a majority of directors is elected or until the respective successor of each is duly appointed. The Executive Committee shall possess and may exercise all the powers and authority of the Board of Directors in the management and direction of the business and affairs of the Corporation, except as limited by law and except for the power to change the membership or to fill vacancies in the Board or said Committee. The Board shall have the power at any time to change the membership of said Committee, to fill vacancies in it or to make rules for the conduct of its business.

SECTION 3.9. REMOVAL. Subject to the rights of the holders of the $4.75 Preferred Stock, any series of Preferred Stock or any other series or class of stock, as set forth in the Certificate of Incorporation, to elect additional directors under specified circumstances, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 80 percent of the voting power of the then outstanding Voting Stock, voting together as a single class.

ARTICLE IV

OFFICERS

Section 4.1. ELECTED OFFICERS. The elected officers of the Corporation shall be a Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers as the Board of Directors from time to time may deem proper. The Chairman of the Board shall be chosen from the directors. All officers chosen by the Board of Directors shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article IV. Such officers shall also have such powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof.

SECTION 4.2. ELECTION AND TERM OF OFFICE. The elected officers of the Corporation shall be elected annually by the Board of Directors at the regular meeting of the Board of Directors held after each annual meeting of the stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Subject to Section 4.7 of these Bylaws, each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign.

SECTION 4.3. CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board shall be responsible for the general management of the affairs of the Corporation and shall perform all duties incidental to his office which may be required by law and all such other duties as are properly required of him by the Board of Directors. Except where by law the signature of the President is required, the Chairman of the Board shall possess the same power as the President to sign all certificates, contracts, and other instruments of the Corporation which may be authorized by the Board of Directors. He shall make reports to the Board of Directors and the stockholders, and shall perform all such other duties as are properly required of him by the Board of Directors. He shall see that all orders and resolutions of the Board of Directors and of any committee thereof are carried into effect.

SECTION 4.4. PRESIDENT. The President shall act in a general executive capacity and shall assist the Chairman of the Board in the administration and operation of the Corporation's business and general supervision of its policies and affairs. The President shall, in the absence of or because of the inability to act of the Chairman of the Board, perform all duties of the Chairman of the Board and preside at all meetings of stockholders and of the Board of Directors. The President may sign, alone or with the Secretary, or an Assistant Secretary, or any other proper officer of the Corporation authorized by the Board of Directors, certificates, contracts, and other instruments of the Corporation as authorized by the Board of Directors.

SECTION 4.5. SECRETARY. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and Directors and all other notices required by law or by these Bylaws, and in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the Chairman of the Board or the President, or by the Board of Directors, upon whose request the meeting is called as provided in these Bylaws. He shall record all the proceedings of the meetings of the Board of Directors, any committees thereof and the stockholders of the Corporation in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him by the Board of Directors, the Chairman of the Board or the President. He shall have the custody of the seal of the Corporation and may affix the same to all instruments requiring it, and attest to the same.

SECTION 4.6. TREASURER. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositaries as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, the Chairman of the Board, or the President, taking proper vouchers for such disbursements. The Treasurer shall render to the Chairman of the Board, the President and the Board of Directors, whenever requested, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond for the faithful discharge of his duties in such amount and with such surety as the Board of Directors shall prescribe.

SECTION 4.7. REMOVAL. Any officer elected by the Board of Directors may be removed by a majority of the members of the Whole Board whenever, in their judgment, the best interests of the Corporation would be served thereby. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of his successor, his death, his resignation or his removal, whichever event shall first occur, except as otherwise provided in an employment contract or an employee plan.

SECTION 4.8. VACANCIES. A newly created office and a vacancy in any office because of death, resignation, or removal may be filled by the Board of Directors for the unexpired portion of the term at any meeting of the Board of Directors.

ARTICLE V

STOCK CERTIFICATES AND TRANSFERS

SECTION 5.1. STOCK CERTIFICATES AND TRANSFERS

(A) The interest of each stockholder of the Corporation shall be evidenced by certificates for shares of stock in such form as the appropriate officers of the Corporation may from time to time prescribe, provided, that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of the stock of the Corporation shall be uncertificated shares. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the Chairman or Vice-Chairman of the Board of Directors, or the President or Vice-President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation representing the number of shares registered in certificate form. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

(B) The certificates of stock shall be signed, countersigned and registered in such manner as the Board of Directors may by resolution prescribe, which resolution may permit all or any of the signatures on such certificates to be in facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

(C) The shares of the stock of the Corporation represented by certificates shall be transferred on the books of the Corporation by the holder thereof in person or by his attorney, upon surrender for cancellation of certificates for the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the corporation or its agents may reasonably require. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares such uncertificated shares shall be canceled and issuance of new equivalent uncertificated shares or certificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the Corporation. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to the Delaware General Corporation Law or, unless otherwise provided by the Delaware General Corporation Law, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

SECTION 5.2. LOST, STOLEN, OR DESTROYED CERTIFICATES. No Certificate for shares or uncertificated shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of such evidence of such loss, destruction or theft and on delivery to the Corporation of a bond of indemnity in such amount, upon such terms and secured by such surety, as the Board of Directors or any financial officer may in its or his discretion require.

ARTICLE VI

MISCELLANEOUS PROVISIONS

SECTION 6.1. FISCAL YEAR. The fiscal year of the Corporation shall begin on the first day of January and end on the thirty-first day of December of each year.

SECTION 6.2. DIVIDENDS. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Restated Certificate of Incorporation.

SECTION 6.3. SEAL. The corporate seal shall be in circular form and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal--Delaware."

SECTION 6.4. WAIVER OF NOTICE. Whenever any notice is required to be given to any stockholder or director of the Corporation under the provisions of the General Corporation Law of the State of Delaware, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders of the Board of Directors need be specified in any waiver of notice of such meeting.

SECTION 6.5. AUDITS. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant selected by the Board of Directors, and it shall be the duty of the Board of Directors to cause such audit to be made annually.

SECTION 6.6. RESIGNATIONS. Any director or any officer, whether elected or appointed, may resign at any time by serving written notice of such resignation on the Chairman of the Board, the President or the Secretary, and such resignation shall be deemed to be effective as of the close of business on the date said notice is received by the Chairman of the Board, the President, or the Secretary or at such later date as is stated therein. No formal action shall be required of the Board of Directors or the stockholders to make any such resignation effective.

SECTION 6.7. INDEMNIFICATION AND INSURANCE. (A) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of any other corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; PROVIDED, HOWEVER, that except as provided in paragraph (B) of this Bylaw with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

(B) If a claim under paragraph (A) of this Bylaw is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of

Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(C) Following any "change in control" of the Corporation of the type required to be reported under Item 1 of Form 8-K promulgated under the Exchange Act, any determination as to entitlement to indemnification shall be made by independent legal counsel selected by the claimant, which independent legal counsel shall be retained by the Board of Directors on behalf of the Corporation.

(D) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Bylaw shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

(E) The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

(F) The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any agent of the Corporation to the fullest extent of the provisions of this Bylaw with respect to the indemnification and advancement of expenses of directors, officers and employees of the Corporation.

(G) The right to indemnification conferred in this Bylaw shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; PROVIDED, HOWEVER, that if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Bylaw or otherwise.

(H) Any amendment or repeal of this Article VI shall not adversely affect any right or protection existing hereunder in respect of any act or omission occurring prior to such amendment or repeal.

SECTION 6.8. ELECTION NOT TO BE SUBJECT TO ARIZONA CONTROL SHARE ACQUISITIONS STATUTE. The Corporation elects not to be subject to Title 10, Chapter 23, Article 2 of the Arizona Revised Statutes, relating to "Control Share Acquisitions."

ARTICLE VII

AMENDMENTS

SECTION 7.1. AMENDMENTS. These Bylaws may be amended, added to, rescinded or repealed at any meeting of the Board of Directors or of the stockholders, provided notice of the proposed change was given in the notice of the meeting and, in the case of a meeting of the Board of Directors, in a notice given no less than twenty-four hours prior to the meeting; PROVIDED, HOWEVER, that, in the case of amendments by stockholders, notwithstanding any other provisions of these Bylaws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of stock required by law, the Certificate of Incorporation or these Bylaws, the affirmative vote of the holders of at least 80 percent of the voting power of the then outstanding Voting Stock, voting together as a single class, shall be required to alter, amend or repeal any provision of these Bylaws.

Exhibit 10.C

1997 VIAD CORP OMNIBUS INCENTIVE PLAN, AS AMENDED THROUGH FEBRUARY 18, 1999

SECTION 1. PURPOSE; DEFINITIONS.
The purpose of the Plan is to give the Company a significant advantage in attracting, retaining and motivating officers, employees and directors and to provide the Company and its subsidiaries with the ability to provide incentives more directly linked to the profitability of the Company's businesses and increases in stockholder value. It is the current intent of the Committee that the Plan shall replace the 1992 Stock Incentive Plan for purposes of new Awards and that the Viad Corp Management Incentive Plan, the Viad Corp Performance Unit Incentive Plan, and the Viad Corp Performance-Based Stock Plan continue under the auspices of Sections 7 and 8 hereof subject to the discretion of the Committee under the terms and conditions of this Plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 2. ADMINISTRATION.
The Plan will be administered by the Human Resources Committee of the Board pursuant to authority delegated by the Board in accordance with the Company's By-Laws. If at any time there is no such Human Resources Committee or such Human Resources Committee shall fail to be composed of at least two directors each of whom is a Non-Employee Director and is an "outside director" under Section 162(m)(4) of the Code, the Plan will be administered by a Committee selected by the Board and composed of not less than two individuals, each of whom is such a Non-Employee Director and such an "outside director."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Subject to adjustment as provided herein, the number of shares of Stock covered by Awards granted to any one participant will not exceed 750,000 shares for any consecutive three-year period and the aggregate dollar amount for Awards denominated solely in cash will not exceed $7.5 million for any such period.

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

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

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

SECTION 4. ELIGIBILITY.
Officers, employees and directors of the Company, its subsidiaries and Affiliates who are responsible for or contribute to the management, growth and profitability of the business of the Company, its subsidiaries and Affiliates are eligible to be granted Awards under the Plan.

SECTION 5. STOCK OPTIONS.
Stock Options may be granted alone or in addition to other Awards granted under the Plan and may be of two types: Incentive Stock Options and Non-Qualified Stock Options. Any Stock Option granted under the Plan will be in such form as the Committee may from time to time approve.

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

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

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

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

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

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

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

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

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

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

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

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

(2) Notwithstanding Section 5(e)(1) above, the Committee may grant Stock Options that are transferable, or amend

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

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

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

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

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

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

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

SECTION 6. STOCK APPRECIATION RIGHTS.
(a) GRANT AND EXERCISE. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of grant of such Stock Option. A Stock Appreciation Right will terminate and no longer be exercisable upon the termination or exercise of the related Stock Option.

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

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

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

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

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

SECTION 7. RESTRICTED STOCK.

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

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

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

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

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

(1) The Committee may, prior to or at the time of grant, designate an Award of Restricted Stock as a Qualified Performance-Based Award, in which event it will condition the grant or vesting, as applicable, of such Restricted Stock upon the attainment of Performance Goals. If the Committee does not designate an Award of Restricted Stock as a Qualified Performance-Based Award, it may also condition the grant or vesting thereof upon the attainment of Performance Goals or such other performance-based criteria as the Committee shall establish (such an Award, a "Performance-Based Restricted Stock Award"). Regardless of whether an Award of Restricted Stock is a Qualified Performance-Based Award or a Performance-Based Restricted Stock Award, the Committee may also condition the grant or vesting upon the continued service of the participant. The provisions of Restricted Stock Awards (including the conditions for grant or vesting and any applicable Performance Goals) need not be the same with respect to each recipient. The Committee may

at any time, in its sole discretion, subject to the provisions of Section 7(c)(10), accelerate or waive, in whole or in part, any of the foregoing restrictions; provided, however, that in the case of Restricted Stock that is a Qualified Performance-Based Award, the applicable Performance Goals have been satisfied.

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

(3) Except as provided in this paragraph (3) and Sections 7(c)(1) and (2) and the Restricted Stock Agreement, the participant will have, with respect to the shares of Restricted Stock, all of the rights of a stockholder of the Company holding the class or series of Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right to receive any dividends. If so determined by the Committee in the applicable Restricted Stock Agreement and subject to Section 12(f) of the Plan, (A) dividends consisting of cash, stock or other property (other than Stock) on the class or series of Stock that is the subject of the Restricted Stock shall be automatically deferred and reinvested in additional Restricted Stock (in the case of stock or other property, based on the fair market value thereof, and the Fair Market Value of the Stock, in each case as of the record date for the dividend) held subject to the vesting of the underlying Restricted Stock, or held subject to meeting any Performance Goals applicable to the underlying Restricted Stock, and (B) dividends payable in Stock shall be paid in the form of Restricted Stock of the same class as the Stock with which such dividend was paid and shall be held subject to the vesting of the underlying Restricted Stock, or held subject to meeting any Performance Goals applicable to the underlying Restricted Stock.

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

(5) Except to the extent otherwise provided in Section 9(a)(2) and Sections 7(c)(9) and (10), in the event that a

participant retires or such participant's employment is involuntarily terminated (other than for Cause), the Committee will have the discretion to waive in whole or in part any or all remaining restrictions (other than, in the case of Restricted Stock which is a Qualified Performance-Based Award, satisfaction of the applicable Performance Goals unless the participant's employment is terminated by reason of death or Disability) with respect to any or all of such participant's shares of Restricted Stock.

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

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

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

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

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

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

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

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

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

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

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

by the Committee to have been earned or (C) a combination of shares of Stock and cash if so specified in the Award.

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

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

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

SECTION 9. CHANGE IN CONTROL PROVISIONS.
(a) IMPACT OF EVENT. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control:

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

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

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

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

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

sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (3) of this Section 9(b); or

(2) A change in the composition of the Board such that the individuals who, as of February 20, 1997, constitute the Board (such Board will be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 9(b), that any individual who becomes a member of the Board subsequent to February 20, 1997, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) will be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board will not be so considered as a member of the Incumbent Board; or

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

outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Corporate Transaction and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

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

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

SECTION 10. TERM, AMENDMENT AND TERMINATION.
The Plan will terminate May 31, 2007, but may be terminated sooner at any time by the Board, provided that no Incentive Stock Options shall be granted under the Plan after February 19, 2007. Awards outstanding as of the date of any such termination will not be affected or impaired by the termination of the Plan.

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

The Committee may amend the terms of any Stock Option or other Award theretofore granted, prospectively or retroactively, but no such amendment will (1) impair the rights of any holder without the holder's consent except such an amendment which is necessary to cause any Award or transaction under the Plan to qualify, or to continue to qualify, for the exemption provided by Rule 16b-3 or (2) amend any Qualified Performance-Based Award in such a way as to cause it to cease to qualify for the exemption set forth in Section 162(m)(4)(C). The Committee may also substitute new Stock Options for previously granted Stock Options, including previously granted Stock Options having higher option prices; provided, however, that the Committee may take such action only with respect to Stock Options representing not more than 10% of then outstanding Stock Options.

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

SECTION 11. UNFUNDED STATUS OF PLAN.
It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 12. GENERAL PROVISIONS.
(a) The Committee may require each person purchasing or receiving shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring any shares without a view to the distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 13. EFFECTIVE DATE OF PLAN.
The Plan will be effective on the later of (a) the time it is approved by the Board and (b) the time certain provisions of the Plan are approved by stockholders for tax purposes.

SECTION 14. DIRECTOR STOCK OPTIONS.
(a) Each director of the Company who is not otherwise an employee of the Company or any of its subsidiaries or Affiliates, will (1) on the date of his or her first election as a director of the Company (such initial grant being an "Initial Grant"), and (2) annually on the Monday preceding the second Tuesday of May, during such director's term (the "Annual Grant"), automatically be granted Non-Qualified Stock Options to purchase Common Stock having an exercise price per share of Common Stock equal to 100% of Fair Market Value per share of Common Stock at the date of grant of such Non-Qualified Stock Option. The number of shares subject to each such Initial Grant, and each such Annual Grant, will be equal to the annual retainer fee in effect at the date of grant for non-employee directors of the Company divided by an amount equal to one-third (1/3) of the Fair Market Value of the Common Stock at the date of grant, rounded to the nearest 100 shares. A non-employee director who is first elected as a director of the Company during the course of a year (i.e., on a date other than the date of the Annual Grant) will, in addition to the Initial Grant, receive upon election a grant of Non-Qualified Stock Options prorated to reflect the number of months served in the initial year of service, with the number of shares

of Common Stock subject to such Stock Option being equal to (1) the number of shares subject to the Initial Grant multiplied by (2) a fraction the numerator of which will be the number of months from the date of such election through the date of the next Annual Grant and the denominator of which will be twelve (12).

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

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

Exhibit 10.D
VIAD CORP

ANNUAL MANAGEMENT INCENTIVE PLAN

PURSUANT TO THE VIAD 1997 OMNIBUS INCENTIVE PLAN

AS AMENDED MARCH 23, 1999

I. PURPOSE:

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

II. PHILOSOPHY:

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

III. SUBSIDIARIES, SUBSIDIARY GROUPS AND DIVISIONS:

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

NAME OF COMPANY

Brewster Transport Company Limited
Dobbs International Services, Inc. group Exhibitgroup/Giltspur group
GES Exposition Services, Inc. group Recreation Division (ProDine) group Travelers Express Company, Inc. group

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

B. FUNDING LIMIT:

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

C. PERFORMANCE GOALS:

1. NET INCOME:

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

Net income to be used in calculating the bonus pool of each Company shall mean net income (after deducting charges against income for all incentives earned, including those earned under this Plan as detailed below) adjusted to appropriately exclude the effects of gains and losses from the sale or other disposition of capital assets other than vehicles. There will be an addback to actual net income for any additional intercompany interest cost (net of tax) incurred during the year by a subsidiary as the result of any special dividend paid (in excess of 100% of net income for the year). In addition, an addback to actual net income will be allowed for any increased cost to a subsidiary if there is an increase in the actual formula allocation of corporate overhead over amounts included in the Plan for the year.

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

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

2. VALUE ADDED MEASUREMENT:

An appropriate "Value Added" target for the plan year for each Company will be recommended by the Chief Executive Officer of Viad Corp to the Committee for approval. This measurement is intended to place increased emphasis on securing an adequate return to Viad on all capital employed in the business (e.g., receivables, inventory, fixed assets, and goodwill). Viad Value Added (VVA) compares net operating income to the return required on capital invested in the business.

In calculating the bonus pool of each Company, VVA shall mean Net Operating Profit After Taxes (NOPAT is defined as sales minus operating expenses minus taxes) minus a Capital Charge calculated by multiplying a Cost of Capital times the actual Capital (Capital is defined as net working capital plus fixed capital). Certain adjustments are necessary to determine NOPAT and Capital, or set forth in the VVA user guide.

3. OTHER PERFORMANCE MEASUREMENTS:

An appropriate number of performance measurements other than net income and VVA will be established for each Company, to place increased emphasis on areas of importance to achieving overall corporate objectives, with the Chief Executive Officer of Viad to recommend to the HR committee the measures to be used and, at the end of the year, the level of achievement against each. Measures which may be used include, but are not limited to:

1) Operating income margin growth*
2) Revenue growth*
3) Control/reduce workers compensation and liability claims/costs
4) Profitability per employee
5) Growth in funds for payment service
* Fully taxable equivalent basis (where appropriate)

4. ESTABLISHING TARGETS:

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

D. PARTICIPANT ELIGIBILITY:

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

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

E. TARGET BONUSES:

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

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

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

* Target Bonus, as determined by the Committee, is dependent upon organization reporting relationships. ** Reflects minimum achievement of both performance targets. Threshold could be lower if minimum achievement of only one performance target is met.

F. BONUS POOL TARGET:

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

2. The bonus pool will accrue ratably such that

a) on 60% of the sum of target bonuses:

(i) no bonus will be earned if less than 90% of the net income target is achieved;

(ii) 50% (threshold) to 100% will be earned if 90% to 100% of the net income target is achieved.

(iii) 100% to 178.5% will be earned if 100% to 110% of the net income target is achieved.

b) on 30% of the sum of target bonuses:

(i) No bonuses will be earned if less than 90% of the VVA target is achieved;

(ii) 50% (threshold) to 100% will be earned if 90% to 100% of the VVA target is achieved.

(iii) 100% to 178.5% (cap) will be earned if 100% to 110% of the VVA target is achieved.

Notwithstanding 2.a) i), ii) and iii) and 2.b) i), ii) and iii), of this paragraph F, the ratable accrual of the net income and VVA targets may be established for threshold within the range of above 90%, up to and including 95% and for maximum within the range of below 110% down to 105%, for a Company as may be designated by the Committee after considering the recommendations of the Chief Executive Officer of Viad Corp; however, the Committee may, when appropriate, adjust such ranges upward or downward.

Further, the bonus pool shall include any excess of the funding limit established pursuant to paragraph B for a Company's Executive Officer(s) over the amount of bonus pool funds otherwise provided with respect to such person(s) pursuant to 2a) and b) of this Paragraph F.

c) on 10% of the sum of target bonuses:

(i) No bonuses will be earned if achievement relating to the other designated performance measurements is considered unsatisfactory;

(ii) 50% (threshold) to 178.5% will be earned as determined by the Committee after considering the recommendation of the Chief Executive Officer of Viad of the level of acceptable achievement relating to the other designated performance measurements.

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

G. INDIVIDUAL BONUS AWARDS:

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

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

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

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

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

IV. VIAD CORP CORPORATE STAFF:

A. FUNDING LIMIT:

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

B. PERFORMANCE GOALS:

1. INCOME PER SHARE:

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

Income per share from continuing operations is determined before extraordinary items, effects of changes in accounting principles or a change in federal income tax rates after the target has been set. (For example, new FASB release on Accounting for Derivatives, to be effective for periods after December 15, 1999, which could be adopted earlier, but was not taken into account in setting 1999 target income per share.) Reclassification of a major business unit to discontinued operations status after targets have been set would also require adjustment because of effect on continuing operations results. While gains on disposition of a business would normally not be included in determining actual Plan Year net income or income per share, in the event of the sale of a subsidiary or major business unit, a portion of gain would be included equal to the difference between the sold unit's planned net income for the year and actual results to date of sale plus calculated interest savings on proceeds for the balance of the year, so that actual results are not penalized for selling a business.

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

2. VALUE ADDED MEASUREMENT:

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

In calculating the bonus pool for Corporate, VVA shall mean Net Operating Profit After Taxes (NOPAT is defined as sales minus operating expenses minus taxes) minus a Capital Charge calculated by multiplying a Cost of Capital times the actual Capital (Capital is defined as net working capital plus fixed capital). Certain adjustments are necessary to determine NOPAT and Capital, as set forth in the VVA user guide.

3. OTHER PERFORMANCE MEASUREMENTS:

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

The measures to be considered include, but are not limited to:

1) Reduction of investment in non-core assets
2) Management of 'legacy' liabilities of discontinued and/or sold businesses (primarily for legal, self-insurance, reinsurance and environmental matters)
3) Strategic positioning through effective portfolio management
4) Corporate center cost control
5) Through analysis and support, identify and help correct problems in operating units

4. ESTABLISHING TARGETS:

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

C. PARTICIPANT ELIGIBILITY:

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

a) Salary grade 25 and above; and

b) Not more than Organizational Level Four below the Chief Executive Officer.

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

D. TARGET BONUSES:

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

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

Corporate Positions	As a Percentage of Salary Threshold**	Target	Cap
Chairman, President & Chief Executive Officer	37.50%	75%	135.0%
Senior Advisory Group	22.50%	45%	76.5%
Corporate Staff Officers	20.00%	40%	68.0%
Staff Directors*	17.50%	35%	59.5%
	15.00%	30%	51.0%
	12.50%	25%	42.5%
	10.00%	20%	34.0%
Staff Professionals*	7.50%	15%	25.5%
	5.00%	10%	17.0%

* Target Bonus, as determined by the Committee, is dependent upon Organization Reporting Relationships. ** Reflects minimum of achievement of both performance targets. Threshold could be less if minimum achievement of only one performance target is met.

E. BONUS POOL TARGET:

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

2. The bonus pool will accrue ratably such that

a) on 60% of the sum of the target bonuses:

(i) no bonus will be earned if less than 90% of income per share target is achieved;

(ii) 50% to 100% will be earned if 90% to 100% of income per share target is achieved; and

(iii) 100% to 170% (180% in the case of Chairman, President and Chief Executive Officer) will be earned if 100% to 110% of income per share target is achieved.

b) on 30% of the sum of target bonuses:

(i) no bonus will be earned if less than 90% of the VVA target is achieved;

(ii) from 50% (threshold) to 100% will be earned if 90% to 100% of the VVA target is achieved.

(iii) 100% to 170% (180% in the case of Chairman, President and Chief Executive Officer) (cap) will be earned if 100% to 110% of the VVA target is achieved.

provided no less than an amount equal to 12.5% of the actual bonus accruals earned under section III of this Plan or any Line of Business Incentive Plan established after 1984, for participants under section III herein will be earned hereunder, up to an aggregate maximum of 170% of Bonus Pool Target and transferred by the companies covered in section III, herein, to Viad Corp. For purposes of this determination only, the 178.5% upper limit shall not apply on such actual bonus accrual calculations for subsidiaries, subsidiary groups and divisions, and the calculation will exclude the excess if any, of funding limit amounts over bonus pool funds otherwise calculated under this provision.

c) on 10% of the sum of target bonuses:

(i) no bonus will be earned if achievement relating to the other designated performance measurements is considered unsatisfactory;

(ii) from 50% (threshold) to 170% (180% in the case of Chairman, President and Chief Executive Officer) will be earned as designated by the Committee after considering the recommendation of the Chief Executive Officer of Viad of the level of acceptable achievement relating to the other designated performance measures

d) Notwithstanding 2.a) i), ii) and iii) and 2.b) i), ii) and
iii) of this paragraph E, the ratable accrual of the income per share and VVA targets may be established for threshold within the range of above 90% up to and including 95% and for maximum within the range of below 110% down to 105% as may be designated by the Committee; however, the Committee may, when appropriate, adjust such ranges upward or downward. Further, the bonus pool shall include any excess of the funding limit established pursuant to Paragraph B for each Corporate Executive Officer over the amount of bonus pool funds otherwise provided with respect to such persons pursuant to 2 a) and b) of this Paragraph E.

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

F. INDIVIDUAL BONUS AWARDS:

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

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

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

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

V. SPECIAL ACHIEVEMENT AWARDS:

Special bonuses of up to 15% of base salary for exceptional performance to employees (primarily exempt employees) who are not participants in this Plan, including newly hired employees, may be recommended at the discretion of the

Chief Executive Officer to the Committee from the separate funds for discretionary awards provided for under paragraphs III F and IV E.

VI. APPROVAL AND DISTRIBUTION:

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

VII. COMPENSATION ADVISORY COMMITTEE:

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

VIII. SPECIAL COMPENSATION STATUS:

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

IX. DEFERRALS:

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

X. PLAN TERMINATION:

This plan shall continue in effect until such time as it may be canceled or otherwise terminated by action of the Board of Directors of Viad Corp and will not become effective with respect to any Company unless and until its Board of Directors adopts a specific plan for such Company. While it is contemplated that incentive awards from the Plan will be made, the Board of Directors of Viad Corp, or any other Company hereunder, may terminate, amend, alter, or modify this Plan at any time and from time to time. Participation in the Plan shall create not right to participate in any future year's Plan.

XI. EMPLOYEE RIGHTS:

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

EFFECTIVE DATE:

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

VIAD CORP
Exhibit 10.E

PERFORMANCE UNIT INCENTIVE PLAN

PURSUANT TO THE VIAD 1997 OMNIBUS INCENTIVE PLAN

AS AMENDED MARCH 23, 1999

1. PURPOSE

The purpose of the Plan is to promote the long-term interests of the Corporation and its shareholders by providing a means for attracting and retaining designated key executives of the Corporation and its Affiliates through a system of cash rewards for the accomplishment of long-term predefined objectives.

2. DEFINITIONS

The following definitions are applicable to the Plan:

"Affiliate" - Any "Parent Corporation" or "Subsidiary Corporation" of the Corporation as such terms are defined in Section 425(e) and (f), or the successor provisions, if any, respectively, of the Code (as defined herein).

"Award" - The grant by the Committee of a Performance Unit or Units as provided in the Plan.

"Board" - The Board of Directors of Viad Corp.

"Code" - The Internal Revenue Code of 1986, as amended, or its successor general income tax law of the United States.

"Committee" - The Human Resources Committee of the Board.

"Corporation" - Viad Corp.

"Participant" - Any executive of the Corporation or any of its Affiliates who is selected by the Committee to receive an Award.

"Performance Period" - The period of time selected by the Committee for the purpose of determining performance goals and measuring the degree of accomplishment. Generally, the Performance Period will be a period of three successive fiscal years of the Corporation.

"Performance Unit Award" - An Award.

"Plan" - The Performance Unit Incentive Plan of the Corporation.

"Unit" - The basis for any Award under the Plan.

3. ADMINISTRATION

The Plan shall be administered by the Committee. Except as limited by the express provisions of the Plan, the Committee shall have sole and complete authority and discretion to (i) select Participants and grant Awards; (ii) determine the number of Units to be subject to Awards generally, as well as to individual Awards granted under the Plan; iii) determine the targets that must be achieved in order for the Awards to be payable and the other terms and conditions upon which Awards shall be granted under the Plan;
(iv) prescribe the form and terms of instruments evidencing such grants; and (v) establish from time to time regulations for the administration of the Plan, interpret the Plan, and make all determinations deemed necessary or advisable for the administration of the Plan.

4. PERFORMANCE GOALS

The Performance Unit Incentive Plan is intended to provide Participants with a substantial incentive to achieve or surpass two pre-defined long-range financial goals which have been selected because they are key factors (goals) in increasing shareholder value.

The first goal for each SUBSIDIARY Participant principally emphasizes growth in Average Three-Year Net Income.

The first goal for CORPORATE Participants also emphasizes Growth in Average Three-Year Net Income but the target will be based on income per share from continuing operations, the most appropriate measure in increasing shareholder value.

The second goal for CORPORATE and SUBSIDIARY Participants is a Viad Value Added (VVA) measure.

5. DETERMINATION OF TARGETS

A. AVERAGE THREE-YEAR GROWTH IN SUBSIDIARY EARNINGS

An appropriate average three-year net income target for the Performance Period for each Subsidiary Company will be established taking into account historical income, financial plan income for the Performance Period, overall Corporate objectives, and if appropriate, other circumstances. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

B. AVERAGE GROWTH IN THREE-YEAR VIAD INCOME PER SHARE

An appropriate average three-year "Income Per Share" from continuing operations target for Viad Corp will be established after considering historical income per share from continuing operations, financial plan income for the Performance Period, overall Corporate objectives and, if appropriate, other circumstances. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

C. VALUE ADDED MEASUREMENT:

The VVA measurement is intended to place increased emphasis on securing an adequate return to Viad on all capital employed in the business (e.g., receivables, inventory, fixed assets, and goodwill). VVA compares net operating income to the return required on capital invested in the business.

In calculating the bonus pool of each Company, VVA shall mean Net Operating Profit After Taxes (NOPAT is defined as sales minus operating expenses minus taxes) minus a Capital Charge calculated by multiplying a Cost of Capital times the actual Capital (Capital is defined as net working capital plus fixed capital). Certain adjustments are necessary to determine NOPAT and Capital, as set forth in the VVA user guide.

D. ESTABLISHING TARGETS

The appropriate weighting of goals, targets, range of values above and below such targets and the Performance Period to be used as a basis for the measurement of performance for Awards under the Plan will be determined by the Committee no later than 90 days after the beginning of each new Performance Period during the life of the Plan, after giving consideration to the recommendations of the Chief Executive Officer of Viad Corp. Performance Units will be earned based upon the degree of achievement of pre-defined targets over the Performance Period following the date of grant. Earned Units can range, based on operating performance using an award range of values, from 0% to 200% of the target Units.

6. OTHER PLAN PROVISIONS

Subsidiary net income and Viad income per share from continuing operations are determined before extraordinary items, effects of changes in accounting principles or a change in federal income tax rates after the target has been set. (For example, new FASB release on Accounting for Derivatives to be effective for periods after December 15, 1999 but not considered when targets were set). Reclassification of a major business unit to discontinued operations status after targets have been set would also require adjustment because of effect on Viad continuing operations results. While gains on disposition of a business would normally not be included in determining income per share, in the event of the sale of a subsidiary or major business unit, a portion of gain would be included for the difference between the sold unit's planned net income for the performance period and actual results to date of sale plus calculated interest savings on proceeds for the balance of the performance period, so that actual results are not penalized for selling a business.

There will be an addback to actual net income for any additional intercompany interest cost (net of tax) incurred by a subsidiary as the result of any special dividend paid (in excess of 100% of net income for a year) during the applicable performance period. In addition, an addback to actual net income will be allowed for any increased cost to a subsidiary for an increase in the formula allocation of corporate overhead over amounts included in the Plan/Forecast at the beginning of the applicable performance period.

Incentives to be paid under this Plan must be deducted from the subsidiary corporation's and the Corporation's earnings during the Performance Period (generally in the third year, when the amounts to be paid can be reasonably estimated). Goals must be achieved after deducting from actual results all incentive compensation applicable to such performance periods, including those incentives earned under this Plan.

7. RANGE OF PERFORMANCE AWARDS

The range of values for the Corporation's or a Subsidiary Company's net income or income per share performance and the VVA measurement is set at a minimum of 80% of target for threshold and capped at 120% of the target. Notwithstanding the foregoing, targets may be established for threshold within the range of above 80% up to and including 95% and for maximum within the range of below 120% down to 105%, as may be designated by the Committee; however, the Committee may, when appropriate, adjust such ranges upward or downward.

Performance Units will be earned based upon the degree of achievement of each of the pre-defined targets (net income or income per share and VVA) over the Performance Period following the date of grant. A range of values will be established for the net income or income per share target (to carry a 70% weighting) and for the VVA measurement (to carry a 30% weighting).

8. PARTICIPANT ELIGIBILITY

Personnel will be eligible for participation as recommended by the Viad Corp, Chief Executive Officer for approval by the Committee no later than 90 days after the beginning of each new Performance Period during the life of the Plan, limited only to those key executives who contribute in a substantial measure to the successful performance of the Corporation or its Affiliates.

The Chief Executive Officer will recommend for approval by the Committee which Affiliates among its Affiliates should be included in the Plan.

9. AWARD DETERMINATION

The number of Units to be awarded will be determined, generally, by multiplying a factor times the Participant's annual base salary in effect at the time the Award is granted and dividing the result by the average of the high and low of the Corporation's Common Stock on the date of approval of the grant by the Committee. The Award factor will be recommended by the Chief Executive Officer of Viad Corp for approval by the Committee annually no later than 90 days after the beginning of each new performance period. The Committee may adjust the number of Units awarded in its discretion.

10. GENERAL TERMS AND CONDITIONS

The Committee shall have full and complete authority and discretion, except as expressly limited by the Plan, to grant Units and to provide the terms and conditions (which need not be identical among Participants) thereof. Without limiting the generality of the foregoing, the Committee may specify a Performance Period of not less than two years or not more than five years, rather than the three-year Performance Period provided for above, and such time period will be substituted as appropriate to properly effect the specified Performance Period. No Participant or any person claiming under or through such person shall have any right or interest, whether vested or otherwise, in the Plan or in any Award thereunder, contingent or otherwise, unless and until all the terms, conditions, and provisions of the Plan and its approved administrative requirements that affect such Participant or such other person shall have been complied with. Nothing contained in the Plan or its Administrative Guidelines shall (i) require the Corporation to segregate cash or other property on behalf of any Participant or (ii) affect the rights and power of the Corporation or its Affiliates to dismiss and/or discharge any Participant at any time.

Any recapitalization, reclassification, stock split, stock dividend sale of assets, combination or merger not otherwise provided for herein which affects the outstanding shares of Common Stock of the Corporation or any other change in the capitalization of the Corporation affecting the Common Stock shall be appropriately adjusted for by the Committee or the Board, and any such adjustments shall be final, conclusive and binding.

11. PAYMENTS OF AWARDS

(a) Performance Unit Awards which may become payable under this Plan shall be calculated as determined by the Committee but any resulting Performance Unit Award payable shall be subject to the following calculation: each Unit payable shall be multiplied by the average of the daily means of the market prices of the Corporation's Common Stock during the ten trading day period beginning on the day following public announcement of the Corporation's year-end financial results following the Performance Period. Distribution of the Award will be made within ninety (90) days following the close of the Performance Period. For those Executive Officers affected by Section 162(m) of the Internal Revenue Code, awards will be subject to discretionary downward adjustment by the Committee.

(b) Performance Unit Awards granted under this Plan shall be payable during the lifetime of the Participant to whom such Award was granted only to such Participant; and, except as provided in (d) and (e) of this Section 7, no such Award will be payable unless at the time of payment such Participant is an employee of and has continuously since the grant thereof been an employee of, the Corporation or an Affiliate. Neither absence on leave, if approved by the Corporation, nor any transfer of employment between Affiliates or between an Affiliate and the Corporation shall be considered an interruption or termination of employment for purposes of this Plan.

(c) Prior to the expiration of the Performance Period, all Participants will be provided an irrevocable option to defer all or a portion of any earned Performance Unit Award, if there be one but not less than $1,000, in written form as prescribed by the Board under the provisions of a deferred compensation plan for executives of the Corporation and its Affiliates, if one be adopted.

(d) If a Participant to whom a Performance Unit Award was granted shall cease to be employed by the Corporation or its Affiliate for any reason (other than death, disability, or retirement) prior to the completion of any applicable Performance Period, said Performance Unit Award will be withdrawn and subsequent payment in any form at any time will not be made.

(e) If a Participant to whom a Performance Unit Award was granted shall cease to be employed by the Corporation or its Affiliate due to early, normal, or deferred retirement, or in the event of the death or disability of the Participant, during the Performance Period stipulated in the Performance Unit Award, such Award shall be prorated for the period of time from date of grant to date of retirement, disability or death, as applicable, and become payable within ninety (90 days) following the close of the Performance Period to the Participant or the person to whom interest therein is transferred by will or by the laws of descent and distribution. Performance Unit Awards shall be determined at the same time and in the same manner (except for applicable proration) as described in Section 11(a).

(f) There shall be deducted from all payment of Awards any taxes required to be withheld by any Federal, State, or local government and paid over to any such government in respect to any such payment.

12. ASSIGNMENTS AND TRANSFERS

No award to any Participant under the provisions of the Plan may be assigned, transferred, or otherwise encumbered except, in the event of death of a Participant, by will or the laws of descent and distribution.

13. AMENDMENT OR TERMINATION

The Board may amend, suspend, or terminate the Plan or any portion thereof at any time provided, however, that no such amendment, suspension, or termination shall invalidate the Awards already made to any Participant pursuant to the Plan, without his consent.

14. EFFECTIVE DATE

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

Exhibit 10.N

AGREEMENT

This Agreement ("Agreement") shall become effective April 1, 1999 ("Effective Date") between Viad Corp, a Delaware corporation ("Corporation"), and Richard C. Stephan ("Consultant").

Whereas, Consultant will provide services to the Corporation under the terms of this Agreement; and

Whereas, Consultant has elected to retire as an officer and employee of the Corporation and its subsidiaries and affiliates effective March 31, 1999;

Now, therefore, Corporation and Consultant agree as follows:

1. RETENTION AS CONSULTANT. Corporation hereby retains Consultant during the term hereof. Consultant hereby accepts such undertaking and commits his availability to perform the consulting services herein defined. The Vice President-Controller of the Corporation or his designee ("Contact Person") shall be responsible for assigning work to Consultant.

2. CONSULTING SERVICES. Consultant shall perform the following services for the Corporation ("Services"):

a) Assist with quarterly closings;

b) Assist with year-end 1999 and 2000 closings;

c) Assist as needed on Special Projects (acquisitions, dispositions, reorganizations, etc.); and

d) Serve as the Corporation's Representative with respect to the Corporation's investment in the Diamondbacks baseball franchise.

Contact Person shall coordinate with Consultant as to dates or times when Services are required, it being understood that five to seven full-time days will be required for each quarterly closing, ten to fourteen full-time days will be required for each year-end closing, and reasonable amounts of time will be required to provide other Services hereunder.

3. OFFICE. The Corporation, at its sole expense, shall provide reasonable support facilities to Consultant at Viad Tower, Phoenix, Arizona, including parking, access to and utilization of an office, and telephone and secretarial services.

4. TERM. The term of this Agreement shall commence April 1, 1999, for a two-year period expiring March 31, 2001, subject to earlier termination as provided in Section 10 ("Term").

5. COMPENSATION AND OTHER MATTERS. In consideration of the performance and observance by Consultant of his agreements hereunder, Corporation during the term of this Agreement shall:

a) Pay Consultant $70,000 per annum, payable pro rata on a monthly basis in arrears;

b) Reimburse Consultant or pay directly for up to $5,000 per annum for financial services provided to Consultant by AYCO; and

c) Provide continued coverage to Consultant under the Limited Executive Medical Plan of the Corporation, such coverage to be provided to Consultant at a cost equal to the COBRA premium applicable to such coverage. Normal COBRA period for such coverage to begin at the termination of this Agreement for the statutory period and thereafter retiree medical premiums and coverages under the Viad Corp Medical Plan shall apply. Equivalent coverage will be provided in the event that COBRA is or becomes unavailable.

6. EXPENSES. Corporation shall reimburse Consultant for all reasonable, ordinary and necessary business expenses, including business travel, incurred by Consultant in the performance of Services hereunder, provided such expenses are substantiated and documented as may be required by Corporation.

7. INDEPENDENT CONTRACTOR. It is the intention of the parties hereto that Consultant shall be an independent contractor in the performance of Services hereunder, and that nothing herein contained shall be construed to be inconsistent with his status as an independent contractor.

Consultant hereby resigns as an officer and employee of the Corporation effective March 31, 1999. It is understood that the fees or any other amounts Corporation pays Consultant under this Agreement shall not be considered salary for pension or any other purposes, and Consultant will not be entitled to any of the other fringe and supplemental benefits of Corporation; that Corporation shall have no liability whatsoever to Consultant on account of this Agreement except payment of the amounts provided for hereunder; and that Corporation shall pay no employment-related withholding or other taxes or charges of any nature, nor be subject to liability for any torts or other wrongs committed by Consultant.

8. CONSULTANT SKILLS. Consultant shall devote his best efforts and skills to the performance of Services hereunder. Consultant shall act in accordance with his own expertise, experience, manner and methods and shall not be subject to the supervision and control of employees or executives of the Corporation in the day-to-day exercise of his expertise or the application of his experience, or manner and methods of service; and Consultant shall comply with all applicable governmental laws, rules and regulations with reference to taxation and otherwise, provided, however, that nothing in this section shall be construed to relieve Consultant from any obligation to act in accordance with policies and procedures established by the Corporation with respect to its contractors generally, or in accordance with general instructions from the Corporation with respect to Consultant's assignments.

9. COVENANTS AND RESTRICTIONS. A material portion of the consideration to Consultant provided herein is intended as consideration for the following covenants and restrictions:

9.1 While representing Corporation, its subsidiaries and affiliates hereunder, Consultant shall make no representation in any way detrimental to their interests, nor shall Consultant at any time hold himself out as an agent, officer or employee of any of them for any purpose, including reporting to any governmental authority, excepting pursuant to special powers that may be granted from time to time by the chief executive officer of the Corporation.

9.2 Consultant agrees that during the Term and thereafter he will not disclose to others any of Corporation's, its subsidiaries' or affiliates' business information, including, without limitation, business plans or strategies, financial information, organization, budget, marketing expenditures, acquisitions, investigations, new products, customer or supplier lists (including price lists) or any information or data of a secret or confidential nature, unless and to the extent such information becomes publicly available or he is instructed by the chief executive officer of the Corporation to the contrary during the term of this Agreement.

9.3 During the Term, Consultant shall not serve as an advisor, consultant, agent or employee of any entity engaged in competition with Corporation or any subsidiary or affiliate for which Consultant is performing or has performed services hereunder.

10. TERMINATION. Either party may terminate this Agreement prior to the expiration of the Term specified in Section 4 herein, for any reason or no reason, on sixty (60) days' prior written notice of such termination.

11. EFFECT OF TERMINATION. Upon termination of this Agreement, Corporation shall pay Consultant the portion of any fee or other compensation earned or accrued up to the date of termination, but shall not be obligated to pay any fee or other compensation in respect of any period after the date of termination.

12. NOTICES. All notices or other relevant communications to be given hereunder shall be in writing and shall be deemed to have been effectually given if delivered or mailed by certified, registered, express or similar method of mail, postage prepaid, addressed as follows:

```
To Consultant:      Richard C. Stephan
                    6121 North 34th Place
                    Paradise Valley, Arizona  85253

To Corporation:     Viad Corp
                    1850 North Central Avenue
                    Phoenix, Arizona  85077
                    Attn:  Vice President and General Counsel
```

or to such other person or address as either party may notify the other in writing. The effective date of any such notice or communication shall be the date of mailing.

13. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement and understandings of the parties hereto with respect to the Corporation's retention of Consultant to provide Services and supersedes any and all prior agreements and understandings, whether oral or written, relating to such Services. This Agreement shall not be modified or amended except by written agreement signed by Consultant and by a duly authorized officer of Corporation.

14. PARTIAL INVALIDITY. The invalidity, by statute, court decision or otherwise, of any term or condition of this Agreement shall not affect the validity or enforceability or any other term or condition hereof.

15. ASSIGNS. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of Corporation, whether by merger, consolidation, sale of shares or assets or operation of law, but shall not be assignable by Consultant.

16. OTHER MATTERS. This Agreement is entered into between Corporation and Consultant in connection with the retirement of Consultant as an officer and employee of the Corporation. Notwithstanding anything to the contrary herein, it is agreed with respect to such retirement as follows:

a) RETIREMENT. Consultant shall retire as an officer and employee of the Corporation and its subsidiaries and affiliates effective March 31, 1999.

b) VACATION PAY. Consultant shall be entitled to vacation pay earned in 1998 for 1999 (five weeks) plus vacation pay earned in 1999 through the date of Consultant's retirement (one quarter of five weeks) in accordance with normal policy of the Corporation, less excess vacation days taken in 1998 and any vacation days taken in 1999.

c) PENSION. Consultant shall receive his qualified pension benefit under the Viad Corp Retirement Income Plan. No additions, reductions, offsets or withholdings shall be made with respect to the Supplemental Pension Trust applicable to Consultant.

d) DISCLOSURE. The retirement of Consultant as an officer and employee of the Corporation shall be announced internally on or about December 15, 1998. No press release or other public announcement of Consultant's retirement shall be made without the written consent of Consultant and Corporation.

By their signatures below, the parties hereto evidence their complete agreement as of December 4, 1998, to all the terms and conditions hereof.

Signed this 4th day of December, 1998.

VIAD CORP	*CONSULTANT*
/s/ Peter J. Novak	*/s/ Richard C. Stephan*
Vice President and General Counsel	

Viad Corp Selected Financial and Other Data

YEAR ENDED DECEMBER 31,	1998	1997	1996	1995	1994
OPERATIONS (000 omitted)					
Revenues(1)	$2,542,135	$2,417,470	$2,263,228	$1,976,745	$1,806,597
Income from continuing operations(2)	$ 150,640	$ 97,794	$ 69,071	$ 70,781	$ 61,173
Income (loss) from discontinued operations(3)			(40,694)	(73,465)	79,138
Extraordinary charge for early retirement of debt		(8,458)			
Cumulative effect of change in accounting principle(4)				(13,875)	
Net income (loss)	$ 150,640	$ 89,336	$ 28,377	$ (16,559)	$ 140,311
DILUTED INCOME PER COMMON SHARE (dollars)					
Continuing operations(2)	$ 1.52	$ 1.03	$ 0.74	$ 0.79	$ 0.69
Discontinued operations(3)			(0.44)	(0.83)	0.92
Extraordinary charge		(0.09)			
Cumulative effect of change in accounting principle(4)				(0.16)	
Diluted net income (loss) per common share	$ 1.52	$ 0.94	$ 0.30	$ (0.20)	$ 1.61
Average outstanding and potentially dilutive common shares (000 omitted)	98,367	93,786	91,339	88,479	86,507
BASIC INCOME PER COMMON SHARE (dollars)					
Continuing operations(2)	$ 1.58	$ 1.06	$ 0.76	$ 0.80	$ 0.71
Discontinued operations(3)			(0.45)	(0.84)	0.93
Extraordinary charge		(0.09)			
Cumulative effect of change in accounting principle(4)				(0.16)	
Basic net income (loss) per common share	$ 1.58	$ 0.97	$ 0.31	$ (0.20)	$ 1.64
Average outstanding common shares (000 omitted)	94,382	90,804	88,814	86,543	84,861
Dividends declared per common share(5)	$ 0.32	$ 0.32	$ 0.48	$ 0.62	$ 0.59
FINANCIAL POSITION AT YEAR-END (000 omitted)					
Total assets	$4,802,772	$3,730,313	$3,453,312	$3,716,548	$3,228,083
Total debt(5)	534,453	410,140	521,127	889,291	741,969
$4.75 Redeemable preferred stock	6,625	6,612	6,604	6,597	6,590
Common stock and other equity(5)	645,881	529,161	432,218	548,169	555,093
OTHER DATA					
EBITDA (000 omitted)(1,6)	$ 300,405	$ 266,100	$ 240,943	$ 218,737	$ 200,633
Debt-to-capital ratio(7)	45%	43%	54%	61%	57%
Market capitalization (000 omitted)(5)	$2,882,567	$1,818,276	$1,478,256	$2,605,575	$1,825,178
Stockholders of record	37,960	52,953	69,772	63,925	55,241

(1) A Viad payment services subsidiary is investing increasing amounts in tax-exempt securities. On a fully taxable equivalent basis using a combined income tax rate of 39%, revenues and EBITDA would be higher by $39,309,000, $28,724,000, $21,489,000, $16,000,000 and $7,897,000 for 1998, 1997, 1996, 1995 and 1994, respectively.
(2) Includes nonrecurring gains on sales of businesses of $32,855,000, or $0.33 per diluted share ($0.34 per basic share) and a provision for payments previously received pursuant to patent infringement litigation of $6,917,000, or $0.07 per diluted and basic share in 1998; and a nonrecurring gain on the sale of Viad's interest in the Phoenix Suns of $19,025,000, or $0.21 per diluted and basic share, and nonrecurring spin-off costs and management transition expenses of $28,985,000, or $0.32 per diluted and basic share, in 1996. See Note C of Notes to Consolidated Financial Statements. Excluding these items, diluted income per share was $1.26 in 1998 and $0.85 in 1996.
(3) See Note D of Notes to Consolidated Financial Statements.
(4) Initial application of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

(5) The declines in dividends declared per common share in 1997 and 1996, as well as the decline in total debt, common stock and other equity and market capitalization in 1996, reflect the spin-off of the consumer products business to stockholders on August 15, 1996.
(6) EBITDA is defined as income from continuing operations before interest expense, income taxes, depreciation and amortization and the nonrecurring items described above. EBITDA data are presented as a measure of the ability to service debt, fund capital expenditures and finance growth. Such data should not be considered an alternative to net income, operating income, cash flows from operations or other operating or liquidity performance measures prescribed by generally accepted accounting principles. Cash expenditures for various long-term assets, interest expense and income taxes have been, and will be, incurred which are not reflected in the EBITDA presentations.
(7) Debt-to-capital is defined as total debt divided by capital. Capital is defined as total debt plus minority interests, preferred stock and common stock and other equity.

RESULTS OF OPERATIONS:

Viad Corp ("Viad") focuses on three principal service businesses: Payment Services, Convention and Event Services and Airline Catering.

Effective June 1, 1998, Viad acquired MoneyGram Payment Systems, Inc. ("MoneyGram"), a provider of consumer money wire transfer services. MoneyGram's operations from the date of acquisition are included in Viad's Payment Services reportable segment.

During 1998, Viad continued to dispose of noncore businesses and assets in order to concentrate on its core businesses. Effective April 1, 1998, Viad sold its Aircraft Services International Group ("ASIG"), which conducted aircraft fueling and ground-handling operations. On September 15, 1998, Viad sold its duty-free and shipboard concessions business, Greyhound Leisure Services, Inc. ("GLSI"). As discussed further under "Recent Developments," Viad completed the sale of the contract foodservice operations of Restaura, Inc. in late January 1999. ASIG's and GLSI's operations are included in Viad's results through the respective sale dates and, along with the results of the sold contract foodservice operations, are reported under "Sold businesses" in the segment information presented in Note Q of Notes to Consolidated Financial Statements.

In early 1997, Viad finalized the sale of Premier Cruise Lines; in May 1997, Viad sold its corporate headquarters building; and in October 1997, Viad completed the sale of two small United Kingdom travel tour companies, with the gain on sale recognized in 1998 after release of all related guarantees and bonding.

During 1996, Viad spun off its consumer products business to stockholders and disposed of its 68.5 percent ownership interest in its Canadian intercity bus transportation business. See Note D of Notes to Consolidated Financial Statements.

The following discussion and analysis should be read in conjunction with the accompanying Consolidated Financial Statements, which include the accounts of Viad and all of its subsidiaries. All per share figures discussed are stated on the diluted basis.

1998 vs. 1997:

Revenues for 1998 were $2.54 billion compared with $2.42 billion in 1997. A Viad payment services subsidiary continues to invest increasing amounts of its growing money order and official check funds in tax-exempt securities. On a fully taxable equivalent basis, and excluding the effects of the sold businesses noted previously, revenues increased 16 percent.

Net income for 1998 was $150.6 million, or $1.52 per share. Excluding the gains on sales of businesses of $32.9 million, or $0.33 per share, and the provision for payments previously received pursuant to patent litigation of $6.9 million, or $0.07 per share, income was $124.7 million, or $1.26 per share. See Note C of Notes to Consolidated Financial Statements. Income before an extraordinary charge for 1997 was $97.8 million, or $1.03 per share. Net income for 1997 was $89.3 million, or $0.94 per share, after deducting the extraordinary charge of $8.5 million, or $0.09 per share, for the early retirement of debt.

(000 omitted, except per share data)	1998	1997
INCOME BEFORE EXTRAORDINARY CHARGE (1997):		
BEFORE NONRECURRING ITEMS	$ 124,702	$ 97,794
Gains on sales of businesses	32,855	
Provision for payments previously received pursuant to patent infringement litigation	(6,917)	
INCOME BEFORE EXTRAORDINARY CHARGE	$ 150,640	$ 97,794
DILUTED INCOME PER COMMON SHARE BEFORE EXTRAORDINARY CHARGE:		
BEFORE NONRECURRING ITEMS	$ 1.26	$ 1.03
Gains on sales of businesses	0.33	
Provision for payments previously received pursuant to patent infringement litigation	(0.07)	
INCOME PER COMMON SHARE BEFORE EXTRAORDINARY CHARGE	$ 1.52	$ 1.03

There were 4.6 million more average outstanding and potentially dilutive common shares in 1998 than in 1997, due primarily to the acquisition of Game Financial Corporation ("Game") in December 1997 (for approximately 2.6 million shares of Viad stock), stock option exercises and the effects of a higher Viad stock price on the calculation of additional common shares arising from unexercised stock options. A stock repurchase program commenced in July 1998 to replace common shares issued upon exercise of stock options and in connection with other stock compensation plans.

PAYMENT SERVICES. Revenues of the Payment Services segment were $391.8 million in 1998 compared to $206.2 million in 1997. On the fully taxable equivalent basis, 1998 revenues of the Payment Services segment would be higher by $39.3 million and $28.7 million in 1998 and 1997, respectively, resulting in an 84 percent segment revenue increase. Excluding the effects in 1998 and 1997 of the patent litigation matter discussed in Note C of Notes to Consolidated Financial Statements, net income increased $11.5 million, or 29 percent, in 1998. These results were accomplished despite incremental costs to remediate key systems to be Year 2000 compliant and were driven by continuing strong growth in traditional Travelers Express money order and official check operations, supplemented by Game and MoneyGram results.

CONVENTION AND EVENT SERVICES. Revenues of the Convention and Event Services segment were $849.2 million in 1998, an increase of $21.7 million, or 3 percent, from 1997 revenues of $827.5 million. GES Exposition Services ("GES") concentrated on eliminating low-margin business during 1998, resulting in a disproportionately low revenue increase. Net income for the segment increased $7.6 million, or 22 percent, to $42.9 million in 1998 from $35.3 million in 1997. Both GES and Exhibitgroup/Giltspur had solid gains in net income due to improved cost controls and higher margin business in 1998.

AIRLINE CATERING. Revenues for the Airline Catering segment were $892.0 million, an increase of $89.7 million, or 11 percent, over 1997 revenues of $802.3 million. Net income was $37.0 million, an 11 percent increase over that of 1997. These results were accomplished primarily as a result of new business added over the past year, including the acquisition of a catering kitchen in Las Vegas in the second quarter of 1998, and by strong airline traffic. Net income grew at the same rate as revenues despite the start-up of new and replacement kitchens and the effects of the Northwest Airlines strike in the third quarter of 1998, as strong cash flow resulted in lower interest expense.

TRAVEL AND RECREATION SERVICES. The ongoing travel and recreation businesses include the Canadian travel tour service subsidiary, which operates tours and charters in the Canadian Rockies and engages in hotel operations and snocoach tours of the Columbia Icefield; and the Recreation Division of Viad, which operates concessions at America West Arena and Bank One Ballpark in Phoenix, Arizona, and also operates, through a subsidiary, the historic lodges at Glacier National Park. Revenues of the travel and recreation businesses increased $11.7 million, or 13 percent, to $103.0 million in 1998. The revenue increase resulted primarily from the first year's operation of concessions at Bank One Ballpark, home of the new Arizona Diamondbacks major league baseball franchise, partially offset by a decline in Japanese and other Asian tourism into Canada. Net income for the travel and recreation businesses was $9.5 million, an increase of $1.7 million, or 21 percent, over that of 1997, primarily from the addition of the Bank One Ballpark operation as well as improved cost controls.

SOLD BUSINESSES. As noted previously, the sold businesses include the results of ASIG, GLSI, the Restaura contract foodservice operations, and the United Kingdom travel and tour companies, Jetsave and Crystal Holidays. Revenues of the sold businesses were $306.1 million in 1998 compared to $490.2 million in 1997. Net income of the sold businesses was $9.2 million in 1998 compared to $18.4 million in 1997.

CORPORATE ACTIVITIES, NET. These expenses decreased $7.4 million from 1997 to 1998. In addition to ongoing cost reduction efforts, Viad began charging its operating companies an increased allocation of corporate expenses in 1998.

INTEREST EXPENSE. Interest expense decreased from $48.7 million in 1997 to $40.8 million in 1998. Interest expense from new borrowings for the June 1998 acquisition of MoneyGram was more than offset by the effects of repayment of debt and termination of related interest rate swap agreements with proceeds from the sales of noncore assets and businesses in 1997 and 1998.

INCOME TAXES. Excluding the effect of nonrecurring items, the 1998 effective tax rate was 28.2 percent, down from 29.6 percent in 1997. The relatively low effective tax rate is primarily attributable to increased tax-exempt investment income.

1997 vs. 1996:

Revenues for 1997 were $2.42 billion compared with $2.26 billion in 1996. On a fully taxable equivalent basis, and excluding businesses sold, revenues rose 9 percent.

Income from continuing operations was $97.8 million, or $1.03 per share, in 1997. Before nonrecurring items, 1996 income from continuing operations was $79.0 million, or $0.85 per share. After a nonrecurring gain on the sale of Viad's interest in the Phoenix Suns of $19.0 million, or $0.21 per share, and nonrecurring spin-off costs and management transition expenses of $29.0 million, or $0.32 per share, 1996 income from continuing operations was $69.1 million, or $0.74 per share.

Viad reported 1997 net income of $89.3 million, or $0.94 per share, compared to $28.4 million, or $0.30 per share, in 1996. The 1997 net income is after deducting an extraordinary charge of $8.5 million, or $0.09 per share, for early retirement of debt. The 1996 net income is after deducting a loss from discontinued operations of $40.7 million, or $0.44 per share. Discontinued operations included the consumer products, Canadian intercity bus transportation and cruise line businesses. See Note D of Notes to Consolidated Financial Statements.

PAYMENT SERVICES. Revenues of the Payment Services companies were $206.2 million in 1997, up $36.2 million over those of 1996. On the fully taxable equivalent basis, revenues would be higher by $28.7 million and $21.5 million in 1997 and 1996, respectively, resulting in a 23 percent segment revenue increase. Net income increased $7.2 million, or 21 percent. The growth over 1996 was due to an increase in money order and official check volume, as well as business generated from several smaller acquisitions made in 1997. The acquisition of Game was completed in December 1997 but had little impact on 1997 results.

CONVENTION AND EVENT SERVICES. Revenues of the Convention and Event Services segment were $827.5 million, an increase of $53.5 million, or 7 percent, over 1996 revenues of $774.0 million. Included in 1996 were nonrecurring revenues from the Atlanta Olympic Games and the Democratic National Convention. Net income increased $3.9 million, or 13 percent, as a result of efficiencies from the consolidation of Exhibitgroup/Giltspur facilities, better margins from building exhibits, and improved show management cost controls at GES.

AIRLINE CATERING. Revenues of the Airline Catering segment were $802.3 million, an increase of $68.1 million, or 9 percent, over 1996 revenues of $734.2 million. On a fully comparable basis, the revenue increase was 7 percent, as reported 1996 revenues did not include two catering kitchens which had only been 50 percent owned in 1996 but were wholly owned in 1997. Net income increased $2.3 million, or 7 percent, over 1996. Catering revenues and net income increased primarily as a result of new business added during 1997, including the acquisition of a flight kitchen in Miami and expansion of its American Airlines business to Miami and five other new cities, which was phased in beginning in the 1997 second quarter.

TRAVEL AND RECREATION SERVICES. Revenues and net income of the travel and recreation businesses decreased $100,000 and $200,000, respectively, from 1996 to 1997, as a decline in Japanese tourism into Canada in the second half of 1997 was mostly offset by increased concession business at America West Arena, due to having a full year of Phoenix Coyotes hockey games in 1997 compared to calendar year 1996's initial (September through December) hockey schedule.

SOLD BUSINESSES. Revenues of the sold businesses described above decreased $3.4 million from 1996 to 1997, while net income from the sold businesses increased $2.2 million over the same period, as Restaura's results recovered from 1996's General Motors strike activity.

CORPORATE ACTIVITIES, NET. These expenses decreased $3.8 million in 1997 from those in 1996, primarily as a result of cost reduction efforts.

INTEREST EXPENSE. Interest expense in 1997 decreased $4.4 million from that of 1996. Viad repurchased $58.4 million par value of its 10.5 percent subordinated debentures at a premium in March 1997, resulting in the extraordinary charge for early retirement of debt and lower ongoing interest expense. In addition, proceeds from the sales of noncore assets and businesses resulted in lower debt levels and reduced interest expense.

INCOME TAXES. The 1997 effective tax rate was 29.6 percent. Excluding the effect of nonrecurring items, the 1996 effective tax rate was 30.4 percent. The reduction in the effective tax rate results primarily from the increased tax-exempt investment income.

LIQUIDITY AND CAPITAL RESOURCES:

Proceeds from the previously discussed sales of noncore assets and businesses in 1997 and 1998 were used to repay short-term borrowings and, in 1998, to terminate certain related interest rate swap agreements, resulting in lower ongoing interest expense.

In mid-1998, Viad completed its cash tender offer for MoneyGram at $17.35 per share, for a total acquisition cost of approximately $286.5 million. The acquisition was financed with cash and short-term borrowings supported by Viad's long-term revolving bank credit agreement.

Viad's total debt at December 31, 1998, was $534.5 million compared with $410.1 million at December 31, 1997. The debt-to-capital ratio at December 31, 1998, was 0.45 to 1, up slightly from 0.43 to 1 at December 31, 1997. Capital is defined as total debt plus minority interests, preferred stock and common stock and other equity.

Under a Shelf Registration filed in 1994 with the Securities and Exchange Commission, Viad can issue up to an aggregate $500 million of debt and equity securities. No securities have yet been issued under the program.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings, Viad strives to maintain current assets (principally cash, inventories and receivables) at the lowest practicable levels while at the same time taking advantage of the payment terms offered by trade creditors and obtaining advance deposits from customers for certain projects and services. These efforts notwithstanding, working capital requirements fluctuate significantly from seasonal factors as well as changes in levels of receivables and inventories caused by numerous business factors.

Viad satisfies a portion of its working capital and other financing requirements with short-term borrowings (through commercial paper, bank note programs and bank lines of credit) and the sale of trade accounts receivable. As discussed in Note I of Notes to Consolidated Financial Statements, short-term borrowings are supported by a $300 million long-term revolving bank credit agreement.

As discussed in Note O of Notes to Consolidated Financial Statements, Viad has an agreement to sell up to $75 million of trade accounts receivable under which the purchaser has agreed to invest collected amounts in new purchases on a revolving basis. The accounts receivable sold totaled $75 million at December 31, 1998. The agreement expires in August 1999 but is expected to be extended annually.

During July 1998, Viad announced a stock repurchase program for the purpose of replacing common shares issued upon exercise of stock options and in connection with other stock compensation plans, with the intended effect of reducing dilution caused by the issuance of such shares. In 1998, a total of 909,000 shares were purchased under the program for $23 million. Total proceeds received from the issuances of treasury stock related to stock option exercises in 1998 were $17 million.

Capital spending has been reduced by obtaining, where appropriate, equipment and other property under operating leases. Viad's capital asset needs and working capital requirements are expected to be financed primarily with internally generated funds.

Cash flows from operations, trade accounts receivable sales and proceeds from the sales of noncore businesses and assets during the past three years have generally been sufficient to fund capital expenditures, purchase businesses and pay cash dividends to stockholders. Viad expects these trends to continue, with operating cash flows and, to a lesser extent, proceeds from the sale of noncore businesses and assets generally being sufficient to finance its business. Should financing requirements exceed such sources of funds, Viad believes it has adequate external financing sources available, including Viad's $300 million long-term revolving bank credit agreement and its $500 million Shelf Registration, to cover any such shortfall.

EBITDA is a measure of Viad's ability to service debt, fund capital expenditures and finance growth, and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with generally accepted accounting principles. EBITDA, defined as income from continuing operations before interest expense, income taxes, depreciation and amortization and nonrecurring items and including the fully taxable equivalent adjustment, increased 15 percent to $340 million in 1998, while EBITDA in 1997 increased 12 percent to $295 million.

Viad's payment service operations generate funds from the sale of money orders and other payment instruments (classified as "Payment service obligations"). The proceeds of such sales are invested by a payment services subsidiary, in accordance with applicable state laws, in high-quality, readily liquid debt instruments (classified, along with cash on hand and cash in transit from agents, as "Funds, agents' receivables and current maturities of investments restricted for payment service obligations"), which before consolidating eliminations included investment-grade commercial paper issued by Viad and supported along with the rest of Viad's outstanding commercial paper by a credit commitment under a long-term revolving bank credit agreement, as described in Note I of Notes to Consolidated Financial Statements; and in a portfolio of longer-term high-quality investments (approximately 99 percent of the investments at December 31, 1998, have ratings of A- or higher or are collateralized by federal agency securities), including federal, state and municipal obligations, asset-backed securities and corporate debt securities (classified as "Investments restricted for payment service obligations"). These investments are restricted by state regulatory agencies for use by the payment services subsidiary to satisfy the liability to pay, upon presentment, the face amount of such payment service obligations. Accordingly such restricted assets are not available to satisfy working capital or other financing requirements of Viad. Fluctuations in the balances of payment service assets and obligations result from varying levels of sales of money orders and other payment instruments, the timing of the collections of agents' receivables and the timing of the presentment of such instruments.

In September 1997, Viad's payment services subsidiary entered into a five-year agreement to sell, on a periodic basis, undivided percentage ownership interests in certain receivables in an amount not to exceed $250 million. In June 1998, the maximum amount to be sold under the agreement was increased to $400 million, and the expiration date was extended to June 30, 2003. Items in the program include receivables from bill payment and money order agents. The receivables are sold in order to accelerate payment services' cash flow for investments in admissible securities.

As discussed in Note J of Notes to Consolidated Financial Statements, Viad sold treasury stock in 1992 to Viad's Employee Equity Trust (the "Trust") for a $200 million promissory note. This Trust is being used to fund certain existing employee compensation and benefit plans over the scheduled 15-year term of the Trust. For financial reporting purposes, the Trust is consolidated with Viad. The fair market value of the shares held by the Trust, representing unearned employee benefits, was recorded as a deduction from common stock and other equity, and is reduced as employee benefits are funded. At December 31, 1998, a total of 4,495,736 shares remained in the Trust and were available to fund future benefit obligations.

As indicated in Note M of Notes to Consolidated Financial Statements, Viad has certain unfunded pension and other postretirement benefit plans that require payments over extended periods of time. Such future benefit payments are not expected to materially affect Viad's liquidity.

As of December 31, 1998, Viad has recorded U.S. deferred income tax assets totaling $109 million, which Viad believes to be fully realizable in future years. The realization of such benefits will require average annual taxable income over the next 15 years (the current Federal net operating loss carryforward period) of approximately $21 million. Viad's average U.S. pretax income from continuing operations, exclusive of nondeductible goodwill amortization and minority interests, over the past three years has been $146 million. Furthermore, $48 million of the deferred income tax benefits relate to unfunded pension, compensation and other employee benefits which will become deductible for income tax purposes as paid, which will occur over extended periods of time.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recovery, should not have a material effect on Viad's financial position or results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:

Viad's primary market risk exposure is interest rate risk.

As discussed in Notes A and F of Notes to Consolidated Financial Statements, Viad's portfolio of investment securities arises primarily from the sale of payment instruments (principally money orders and official checks) by a Viad payment services subsidiary. The proceeds of such sales are invested in permissible securities (primarily debt instruments), in accordance with applicable state laws, pending the settlement, upon presentment, of the payment instrument obligations. Although Viad's investment portfolio exposes Viad to certain credit risks, Viad believes the high quality of its investments reduces this risk substantially (approximately 99 percent of the investments at December 31, 1998, have ratings of A- or higher or are collateralized by federal agency securities).

As discussed in Note O of Notes to Consolidated Financial Statements, derivatives are used as part of Viad's risk management strategy to manage exposure to fluctuations in short-term interest rates. Derivatives are not used for speculative purposes.

A portion of Viad's payment services business involves the payment of commissions to selling agents of its official check program. A Viad payment services subsidiary has also entered into agreements to sell receivables from its bill payment and money order agents. The commissions and expense of selling receivables are computed based on short-term variable interest rates, and thus Viad is subject to risk arising from changes in such rates. Viad has hedged a substantial portion of this risk through the purchase of swap agreements which convert the variable rate payments to a fixed rate.

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

A 10 percent proportionate increase (decrease) in short-term interest rates in 1999, as compared to the average level of interest rates in 1998, would result in an increase (decrease) in pre-tax income of approximately $900,000. This estimate takes into consideration expected investment positions, commissions paid to selling agents, growth in new business, agents' receivable sales and the effects of the swap agreements. The estimate also assumes that the borrowing level and trade accounts receivable sales levels subject to fluctuating interest rates will approximate 1998 levels.

READINESS FOR THE YEAR 2000:

Viad is continuing the implementation of initiatives necessary to make its systems, products and infrastructure "Year 2000" compliant on a timely basis, including replacing and/or updating certain systems. Internal initiatives to address Year 2000 compliance within each business unit have been broken down into various phases, including the following:

1. Identification of business systems and applications subject to Year 2000 risk;

2. Assessment of such business systems and applications to determine the appropriate method of correcting Year 2000 problems;

3. Implementation of corrective measures to bring systems and applications to Year 2000 compliance;

4. Testing and maintaining Year 2000 compliance.

Although no assurances can be made, Viad believes that it has identified all material systems and applications that are subject to Year 2000 risk and has either achieved Year 2000 compliance or initiated the implementation of plans to achieve timely Year 2000 compliance for such systems. A significant portion of Viad's Year 2000 initiatives have been finished with the remainder in various stages of completion. Viad's entire Year 2000 project is expected to be completed by mid-1999. Incremental costs (primarily for software consultants and outside programming help) necessary to bring systems and applications into Year 2000 compliance are being expensed as incurred. Viad currently estimates that the incremental cost of its Year 2000 projects will total approximately $13.5 million, of which approximately 60 percent and 10 percent was expensed in 1998 and 1997, respectively. A substantial portion of the aggregate Year 2000 cost estimate pertains to efforts at Viad's payment services operations, where remediation of several key systems has already been completed, with the remaining systems scheduled for completion by the end of 1999's first quarter. The Year 2000 costs are exclusive of costs which would have been incurred as part of normal systems and application replacements and/or upgrades to meet current and future business needs. Viad continues to monitor and evaluate the additional efforts and costs associated with the Year 2000 initiative.

Viad is also communicating with key vendors, service providers, customers and other third parties with whom business is conducted to determine the nature of any impact of Year 2000 issues on Viad. While Viad does not anticipate any material adverse effect on its business or its financial position or results of operations as a result of failure of such parties to achieve Year 2000 readiness, no assurance can be given that the parties on whom Viad relies will have accurately assessed and completed their Year 2000 remediation requirements. Viad's aggregate cost estimate does not include any expenses that may be incurred as a result of the failure of any such parties to become Year 2000 compliant.

In response to a specific requirement set forth in a recent Securities and Exchange Commission release, Viad believes that the most reasonably likely worst case scenario would involve the failure by Viad to achieve timely Year 2000 compliance of its remaining systems and/or the failure of third parties to be Year 2000 compliant, which in turn would result in increased costs associated with additional staffing and remediation efforts to address shortfalls in systems compliance and increased costs to meet processing, service and production requirements, all of which could have a material adverse effect on Viad and its results of operations. As a part of its Year 2000 initiative, Viad is developing contingency plans for actions that would need to be taken in the event any critical system of Viad and/or key vendors, service providers, customers and other third parties with whom Viad conducts business was not Year 2000 compliant.

Viad believes, based on information available to date, that it will be able to accomplish its total Year 2000 transition by mid-1999, without any material adverse effect on its business operations, products, financial position or results of operations. However, due to the complexity and pervasiveness of the Year 2000 issues and in particular the uncertainty regarding the compliance programs of third parties, no assurance can be given that successful transition will be achieved by the Year 2000 deadline or that Viad would not suffer any material adverse effect on its business, financial position or results of operations if such changes are not completed timely.

RECENT DEVELOPMENTS:

In late January 1999, Viad completed the sale of the contract foodservice operations of Restaura, Inc. Viad is retaining Restaura's leisure and entertainment group that includes the restaurant and concession contracts at Bank One Ballpark and America West Arena, as well as Glacier Park, Inc. The sale will be recorded in the first quarter of 1999. Proceeds from the sale will be used to reduce debt and acquire growth businesses in Viad's core subsidiaries.

FORWARD-LOOKING STATEMENTS:

As provided by the "Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995," Viad cautions readers that, in addition to the historical information contained herein, this Annual Report includes certain forward-looking statements, assumptions and discussions, including those relating to expectations of or current trends in airline traffic, consumer demand, new business, ongoing cost reduction efforts, Year 2000 compliance issues and market risk disclosures. Such statements involve risks and uncertainties which may cause results to differ materially from those set forth in those statements. Among other things, the rate of expansion of flights to new locations, consumer demand patterns, purchasing decisions related to customer demand for convention and event services, existing and new competition, industry alliances, consolidation and growth patterns within the industries in which Viad competes, and the timely achievement of Year 2000 compliance by Viad and third parties with whom Viad conducts business, may individually or in combination impact future results. In addition to the factors mentioned elsewhere, economic, competitive, governmental, technological, capital marketplace and other factors could affect the forward-looking statements contained in this Annual Report.

VIAD CORP CONSOLIDATED BALANCE SHEET

DECEMBER 31, (000 omitted, except share data)	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,197	$ 12,341
Receivables	128,939	131,620
Inventories	73,059	105,331
Deferred income taxes	38,063	29,444
Other current assets	36,867	29,207
	282,125	307,943
Funds, agents' receivables and current maturities of investments restricted for payment service obligations, after eliminating $90,000 invested in Viad commercial paper	561,266	617,887
Total current assets	843,391	925,830
Investments restricted for payment service obligations	2,415,588	1,615,464
Property and equipment	467,577	470,052
Other investments and assets	137,599	113,274
Deferred income taxes	70,860	74,659
Intangibles	867,757	531,034
	$4,802,772	$3,730,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 136,805	$ 145,641
Accrued compensation	92,460	75,589
Other current liabilities	164,148	134,477
Current portion of long-term debt	3,105	32,291
	396,518	387,998
Payment service obligations	2,999,930	2,248,004
Total current liabilities	3,396,448	2,636,002
Long-term debt	531,348	377,849
Pension and other benefits	80,752	62,988
Other deferred items and insurance liabilities	138,622	109,323
Commitments and contingent liabilities (Notes N, O and P)		
Minority interests	3,096	8,378
$4.75 Redeemable preferred stock	6,625	6,612
Common stock and other equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 99,739,925 shares issued	149,610	149,610
Additional capital	327,866	291,414
Retained income	328,305	209,127
Unearned employee benefits and other	(162,543)	(121,968)
Accumulated other comprehensive income:		
Unrealized gain on securities classified as available for sale, net of tax	18,231	13,625
Cumulative translation adjustments	(7,009)	(3,022)
Common stock in treasury, at cost, 344,858 and 516,926 shares	(8,579)	(9,625)
Total common stock and other equity	645,881	529,161
	$4,802,772	$3,730,313

See Notes to Consolidated Financial Statements.

VIAD CORP CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, (000 omitted, except per share data)	1998	1997	1996
REVENUES	$2,542,135	$2,417,470	$2,263,228
Costs and expenses:			
Costs of sales and services	2,303,548	2,199,340	2,061,875
Corporate activities, net	21,913	29,294	33,102
Interest expense	40,818	48,652	53,019
Nonrecurring items:			
Gains on sales of businesses	(54,639)		
Provision for payments previously received pursuant to patent infringement litigation	10,642		
Gain on sale of interest in Phoenix Suns			(30,489)
Spin-off costs and management transition expenses			33,000
Minority interests	2,165	1,237	1,752
	2,324,447	2,278,523	2,152,259
Income before income taxes	217,688	138,947	110,969
Income taxes	67,048	41,153	41,898
INCOME FROM CONTINUING OPERATIONS	150,640	97,794	69,071
Loss from discontinued operations			(40,694)
Income before extraordinary charge	150,640	97,794	28,377
Extraordinary charge for early retirement of debt, net of tax benefit of $4,554		(8,458)	
NET INCOME	$ 150,640	$ 89,336	$ 28,377
DILUTED INCOME PER COMMON SHARE			
Continuing operations	$ 1.52	$ 1.03	$ 0.74
Discontinued operations			(0.44)
Income before extraordinary charge	1.52	1.03	0.30
Extraordinary charge		(0.09)	
Diluted net income per common share	$ 1.52	$ 0.94	$ 0.30
Average outstanding and potentially dilutive common shares	98,367	93,786	91,339
BASIC INCOME PER COMMON SHARE			
Continuing operations	$ 1.58	$ 1.06	$ 0.76
Discontinued operations			(0.45)
Income before extraordinary charge	1.58	1.06	0.31
Extraordinary charge		(0.09)	
Basic net income per common share	$ 1.58	$ 0.97	$ 0.31
Average outstanding common shares	94,382	90,804	88,814
Dividends declared per common share	$ 0.32	$ 0.32	$ 0.48

See Notes to Consolidated Financial Statements.

VIAD CORP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, (000 omitted)	1998	1997	1996
NET INCOME	$150,640	$ 89,336	$ 28,377
Other comprehensive income:			
Unrealized gain (loss) on securities classified as available for sale:			
Holding gains (losses) arising during the period, net of tax provision (benefit) of $7,562, $11,410 and $(56)	11,827	17,846	(87)
Reclassification adjustment for net realized gains included in net income, net of tax provision of $4,617, $2,830 and $745	(7,221)	(4,426)	(1,164)
	4,606	13,420	(1,251)
Unrealized foreign currency translation adjustments:			
Holding gains (losses) arising during the period	(4,038)	(2,591)	19
Reclassification adjustment for sales of investments in foreign entities included in net income	51	1,088	12,266
	(3,987)	(1,503)	12,285
Other comprehensive income	619	11,917	11,034
Comprehensive income	$151,259	$101,253	$ 39,411

See Notes to Consolidated Financial Statements.

VIAD CORP CONSOLIDATED STATEMENT OF COMMON STOCK AND OTHER EQUITY

(000 omitted)	Common Shares Issued	Common Shares Employee Equity Trust	Common Shares Treasury	Common Stock
BALANCE, DECEMBER 31, 1995	97,109	(6,279)	(2,878)	$ 145,663
Net income				
Dividends on common and preferred stock				
Distribution of consumer products business to Viad stockholders				
Disposition of Canadian intercity bus transportation business				
Treasury shares issued in connection with dividend reinvestment plan			517	
Employee benefit plans		608	1,200	
Employee Equity Trust adjustment to market value				
Unrealized translation gain				
Unrealized loss on securities classified as available for sale				
Other, net			(2)	
BALANCE, DECEMBER 31, 1996	97,109	(5,671)	(1,163)	145,663
Net income				
Dividends on common and preferred stock				
Treasury shares acquired in connection with dividend reinvestment plan			(90)	
Employee benefit plans		598	797	
Employee Equity Trust adjustment to market value				
Acquisition of subsidiary accounted for as a pooling of interests	2,631			3,947
Unrealized translation loss				
Unrealized gain on securities classified as available for sale				
Other, net			(61)	
BALANCE, DECEMBER 31, 1997	99,740	(5,073)	(517)	149,610
Net income				
Dividends on common and preferred stock				
Employee benefit plans		577	1,081	
Employee Equity Trust adjustment to market value				
Treasury shares acquired			(909)	
Unrealized translation loss				
Unrealized gain on securities classified as available for sale				
Other, net				
BALANCE, DECEMBER 31, 1998	99,740	(4,496)	(345)	$ 149,610

See Notes to Consolidated Financial Statements.

(000 omitted)	Additional Capital	Retained Income	Unearned Employee Benefits and Other
BALANCE, DECEMBER 31, 1995	$ 362,205	$ 322,439	$ (213,996)
Net income		28,377	
Dividends on common and preferred stock		(43,869)	
Distribution of consumer products business to Viad stockholders	(88,607)	(160,026)	88,607
Disposition of Canadian intercity bus transportation business			
Treasury shares issued in connection with dividend reinvestment plan	3,168		
Employee benefit plans	(7,916)		20,045
Employee Equity Trust adjustment to market value	13,422		(13,422)
Unrealized translation gain			
Unrealized loss on securities classified as available for sale			
Other, net	(69)	(257)	
BALANCE, DECEMBER 31, 1996	282,203	146,664	(118,766)
Net income		89,336	
Dividends on common and preferred stock		(30,295)	
Treasury shares acquired in connection with dividend reinvestment plan	(329)		
Employee benefit plans	(7,017)		11,591
Employee Equity Trust adjustment to market value	14,793		(14,793)
Acquisition of subsidiary accounted for as a pooling of interests	875	4,382	
Unrealized translation loss			
Unrealized gain on securities classified as available for sale			
Other, net	889	(960)	
BALANCE, DECEMBER 31, 1997	291,414	209,127	(121,968)
Net income		150,640	
Dividends on common and preferred stock		(31,480)	
Employee benefit plans	(15,422)		11,317
Employee Equity Trust adjustment to market value	51,892		(51,892)
Treasury shares acquired			
Unrealized translation loss			
Unrealized gain on securities classified as available for sale			
Other, net	(18)	18	
BALANCE, DECEMBER 31, 1998	$ 327,866	$ 328,305	$ (162,543)

(000 omitted)	Accumulated Other Comprehensive Income: Unrealized Gain on Securities Classified as Available for Sale	Cumulative Translation Adjustments	Subtotal Accumulated Other Comprehensive Income
BALANCE, DECEMBER 31, 1995	$ 1,456	$ (18,380)	$ (16,924)
Net income			
Dividends on common and preferred stock			
Distribution of consumer products business to Viad stockholders		4,576	4,576
Disposition of Canadian intercity bus transportation business		12,266	12,266
Treasury shares issued in connection with dividend reinvestment plan			
Employee benefit plans			
Employee Equity Trust adjustment to market value			
Unrealized translation gain		19	19
Unrealized loss on securities classified as available for sale	(1,251)		(1,251)
Other, net			
BALANCE, DECEMBER 31, 1996	205	(1,519)	(1,314)
Net income			
Dividends on common and preferred stock			
Treasury shares acquired in connection with dividend reinvestment plan			
Employee benefit plans			
Employee Equity Trust adjustment to market value			
Acquisition of subsidiary accounted for as a pooling of interests			
Unrealized translation loss		(1,503)	(1,503)
Unrealized gain on securities classified as available for sale	13,420		13,420
Other, net			
BALANCE, DECEMBER 31, 1997	13,625	(3,022)	10,603
Net income			
Dividends on common and preferred stock			
Employee benefit plans			
Employee Equity Trust adjustment to market value			
Treasury shares acquired			
Unrealized translation loss		(3,987)	(3,987)
Unrealized gain on securities classified as available for sale	4,606		4,606
Other, net			
BALANCE, DECEMBER 31, 1998	$ 18,231	$ (7,009)	$ 11,222

(000 omitted)	Common Stock in Treasury	Total
BALANCE, DECEMBER 31, 1995	$ (51,218)	$ 548,169
Net income		28,377
Dividends on common and preferred stock		(43,869)
Distribution of consumer products business to Viad stockholders		(155,450)
Disposition of Canadian intercity bus transportation business		12,266
Treasury shares issued in connection with dividend reinvestment plan	9,417	12,585
Employee benefit plans	19,584	31,713
Employee Equity Trust adjustment to market value		--
Unrealized translation gain		19
Unrealized loss on securities classified as available for sale		(1,251)
Other, net	(15)	(341)
BALANCE, DECEMBER 31, 1996	(22,232)	432,218
Net income		89,336
Dividends on common and preferred stock		(30,295)
Treasury shares acquired in connection with dividend reinvestment plan	(1,817)	(2,146)
Employee benefit plans	15,410	19,984
Employee Equity Trust adjustment to market value		--
Acquisition of subsidiary accounted for as a pooling of interests		9,204
Unrealized translation loss		(1,503)
Unrealized gain on securities classified as available for sale		13,420
Other, net	(986)	(1,057)
BALANCE, DECEMBER 31, 1997	(9,625)	529,161
Net income		150,640
Dividends on common and preferred stock		(31,480)
Employee benefit plans	24,027	19,922
Employee Equity Trust adjustment to market value		--
Treasury shares acquired	(22,979)	(22,979)
Unrealized translation loss		(3,987)
Unrealized gain on securities classified as available for sale		4,606
Other, net	(2)	(2)
BALANCE, DECEMBER 31, 1998	$ (8,579)	$ 645,881

VIAD CORP CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, (000 omitted)	1998	1997	1996
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES			
Net income	$ 150,640	$ 89,336	$ 28,377
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	85,896	78,501	74,444
Deferred income taxes	(905)	846	8,685
Spin-off costs and management transition expenses			33,000
Loss from discontinued operations			40,694
Extraordinary charge for early retirement of debt		8,458	
Gains on sales of businesses, property and other assets, net	(72,885)	(17,341)	(42,382)
Other noncash items, net	15,227	10,352	13,774
Change in operating assets and liabilities:			
Receivables and inventories	(26,964)	(21,057)	10,356
Payment service assets and obligations, net	779,217	466,559	236,736
Accounts payable and accrued compensation	24,683	13,097	38,472
Other assets and liabilities, net	(38,053)	(44,188)	(73,896)
Net cash provided by operating activities	916,856	584,563	368,260
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES			
Capital expenditures	(77,317)	(107,973)	(82,149)
Purchase of asset previously leased		(20,986)	
Acquisitions of businesses, net of cash acquired	(351,900)	(19,017)	(21,731)
Proceeds from sales of businesses, property and other assets, net	194,247	205,059	62,061
Investments restricted for payment service obligations:			
Proceeds from sales and maturities of securities classified as available for sale	839,128	819,813	581,192
Proceeds from maturities of securities classified as held to maturity	103,231	48,201	25,584
Purchases of securities classified as available for sale	(1,602,002)	(1,141,753)	(630,685)
Purchases of securities classified as held to maturity	(96,309)	(191,340)	(241,616)
Investments in and advances (to) from discontinued operations, net		(21,337)	33,156
Net cash used by investing activities	(990,922)	(429,333)	(274,188)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES			
Proceeds from long-term borrowings	3,926		
Payments on long-term borrowings	(32,639)	(76,046)	(77,615)
Premium paid upon early retirement of debt		(13,012)	
Net change in short-term borrowings classified as long-term debt	150,000	(34,000)	(12,888)
Dividends on common and preferred stock	(31,480)	(30,295)	(43,869)
Proceeds from issuances of treasury stock	17,216	12,466	40,032
Common stock purchased for treasury	(22,979)		
Cash payments on interest rate swap agreements related to debt	(17,122)	(6,424)	(13,255)
Net cash provided (used) by financing activities	66,922	(147,311)	(107,595)
Net increase (decrease) in cash and cash equivalents	(7,144)	7,919	(13,523)
Cash and cash equivalents, beginning of year	12,341	4,422	17,945
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,197	$ 12,341	$ 4,422

See Notes to Consolidated Financial Statements.

Viad Corp Notes to Consolidated Financial Statements

Years ended December 31, 1998, 1997 and 1996

A. SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION. The Consolidated Financial Statements of Viad Corp ("Viad") include the accounts of Viad and all of its subsidiaries.

The Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported results of operations during the period. Actual results may vary from those estimates.

Intercompany accounts and transactions between Viad and its subsidiaries have been eliminated in consolidation. Described below are those accounting policies significant to Viad, including those selected from acceptable alternatives.

CASH EQUIVALENTS. Viad considers all highly liquid investments with original maturities of three months or less as cash equivalents.

INVENTORIES. Inventories, which consist primarily of exhibit materials, food and supplies used in providing services, are stated at the lower of cost (first-in, first-out and average cost methods) or market.

FUNDS AND AGENTS' RECEIVABLES AND INVESTMENTS RESTRICTED FOR PAYMENT SERVICE OBLIGATIONS. A Viad payment services subsidiary generates funds from the sale of money orders and other payment instruments (with the related liability classified as "Payment service obligations"). The proceeds of such sales are invested primarily in permissible securities, principally debt instruments (classified, along with cash on hand and cash in transit from agents, as "Funds, agents' receivables and current maturities of investments restricted for payment service obligations"), which before consolidating eliminations, included investment-grade commercial paper issued by Viad and supported along with the rest of Viad's outstanding commercial paper by a credit commitment under a long-term revolving bank credit agreement, as described in Note I; and in a portfolio of high-quality, longer-term debt instruments (approximately 99% of the investments at December 31, 1998, have ratings of A- or higher or are collateralized by federal agency securities), including federal, state and municipal obligations, asset-backed securities and corporate debt securities (classified as "Investments restricted for payment service obligations"). These investments are restricted by state regulatory agencies for use by Viad's payment services subsidiary to satisfy the liability to pay, upon presentment, the face amount of such payment service obligations. Accordingly, such restricted assets are not available to satisfy working capital or other financing requirements of Viad.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," Viad classifies securities as either available for sale or held to maturity.

LONG-LIVED ASSETS. Viad reviews the carrying values of its long-lived assets and identifiable intangibles for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

PROPERTY AND EQUIPMENT. Property and equipment are stated at cost, net of impairment write-downs and accumulated depreciation. Property and equipment are depreciated principally over the following useful lives: buildings, from 15 to 40 years; equipment, from 3 to 10 years; and leasehold improvements over the lesser of the lease term or useful life.

INTANGIBLES. Intangibles are carried at cost less accumulated amortization. Intangibles are amortized on the straight-line method over the estimated lives or periods of expected benefit, but not in excess of 40 years. Viad evaluates the carrying value of goodwill and other intangible assets at each reporting period for possible impairment in accordance with the provisions of SFAS No. 121.

PENSION AND OTHER BENEFITS. Trusteed, noncontributory pension plans cover a significant portion of employees, with benefit levels supplemented in most cases by defined matching company stock contributions to employees' 401(k) plans. The 401(k) plans are available to almost all employees, including those not covered by the defined benefit plans. Defined benefits are based primarily on final average pay and years of service. Funding policies provide that payments to defined benefit pension trusts shall be at least equal to the minimum funding required by applicable regulations. Certain defined pension benefits, primarily those in excess of benefit levels permitted under qualified pension plans, are unfunded.

Viad has unfunded 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.

DERIVATIVES. Derivatives are used as part of Viad's risk management strategy to manage exposure to fluctuations in interest rates. Derivatives are not used for speculative purposes. Amounts receivable or payable under swap agreements are accrued and recognized as an adjustment to the expense of the related transaction.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, which will be effective for Viad's financial statements as of January 1, 2000, requires that entities record all derivatives as assets or liabilities, measured at fair value, with the change in fair value recognized in earnings or in other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. Viad is in the process of evaluating the impact which will result upon adoption of this standard.

STOCK-BASED COMPENSATION. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," Viad uses the intrinsic value method prescribed by APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans.

NET INCOME PER COMMON SHARE. Employee Stock Ownership Plan ("ESOP") shares are treated as outstanding for net income per share calculations. Shares held by the Employee Equity Trust (the "Trust") are not considered outstanding for net income per share calculations until the shares are released from the Trust.

RECLASSIFICATIONS. Certain prior year amounts have been reclassified to conform with the 1998 presentation.

B. ACQUISITIONS OF BUSINESSES

Effective June 1, 1998, Viad acquired MoneyGram Payment Systems, Inc. ("MoneyGram"), a provider of consumer money wire transfer services. Also during 1998, Viad acquired an airline catering flight kitchen as well as several convention and event services companies.

During 1997, Viad acquired an airline catering flight kitchen and several payment services businesses, including the nation's largest processor of rebate checks and a regional money order business. In addition, in December 1997, Viad acquired all of the common stock of Game Financial Corporation ("Game") in exchange for 2,631,000 shares of Viad's common stock. Game provides cash access services to casinos and other gaming establishments. The Game acquisition was accounted for as a pooling of interests.

During 1996, Viad purchased two convention and event services companies and the remaining interest in two airline catering joint ventures. Viad also acquired the remaining minority interest in its Canadian tourism business, Brewster Transport Company Limited, in a noncash exchange, as described in Note D.

Except for the Game pooling, the acquisitions were accounted for as purchases. The purchase prices, including acquisition costs, were allocated to the net tangible and identifiable intangible assets acquired based on estimated fair values at the dates of the acquisitions. The difference between the purchase prices and the related fair values of net assets acquired represents goodwill. Viad is still gathering certain information required to complete the allocation of the MoneyGram purchase price. Further adjustments may arise as a result of this analysis.

The accompanying financial statements include the accounts and results of operations from the dates of acquisition. The results of operations of the acquired companies from the beginning of the year to the dates of acquisition are not material to the consolidated results of operations. In addition, prior period financial statements have not been restated for the pooling of interests, as the results of Game for such periods were not significant.

Net cash paid, assets acquired and debt and other liabilities assumed in all acquisitions of businesses accounted for as purchases for the years ended December 31 were as follows:

(000 omitted)	1998	1997	1996
Assets acquired:			
Property and equipment	$ 19,008	$ 3,119	$ 3,813
Intangibles, primarily goodwill(1)	362,996	15,710	16,620
Other assets	41,873	188	9,517
Debt and other liabilities assumed	(71,977)		(8,219)
Net cash paid	$351,900	$19,017	$21,731

(1) Excludes additional goodwill of $15,688,000 recorded in 1996 in connection with the acquisition of the remaining minority interest in the Canadian tourism business in a noncash exchange.

C. NONRECURRING ITEMS

Effective April 1, 1998, Viad sold its Aircraft Services International Group ("ASIG"), which conducted aircraft fueling and ground-handling operations. After repaying short-term borrowings with proceeds of the sale, Viad terminated related interest rate swap agreements. The gain on the sale of ASIG, after deducting costs of sale and related expense provisions, was $21,155,000 ($13,201,000 after-tax).

On September 15, 1998, Viad completed the sale of its duty-free and shipboard concessions business, Greyhound Leisure Services, Inc. ("GLSI"). The gain on sale, after deducting costs of sale and related expense provisions, was $26,684,000 ($15,650,000 after-tax).

In the fourth quarter of 1998, Viad obtained release of all guarantees and bonding relating to its former United Kingdom travel and tour subsidiaries, Crystal Holidays and Jetsave, which had been sold in October 1997. Accordingly, the gain on sale of these subsidiaries, which was deferred pending resolution of the contingencies, was recognized in 1998's fourth quarter. The gain on sale of Crystal Holidays and Jetsave, after deducting costs of sale and related expense provisions, was $6,800,000 ($4,004,000 after-tax).

On January 27, 1999, Viad sold the contract foodservice operations of Restaura, Inc. Viad is retaining the leisure and entertainment group that includes the restaurant and concession contracts at Bank One Ballpark and America West Arena, as well as Glacier Park, Inc. The sale will be recorded in the first quarter of 1999.

Results of operations of the sold companies up to dates of sale are summarized in Note Q.

Following protracted efforts, including formal mediation, to settle patent infringement litigation initiated by Viad's payment services subsidiary, Travelers Express Company, Inc. ("TECI"), against Integrated Payment Systems ("IPS"), a subsidiary of First Data Corporation, TECI petitioned the Federal District Court in May 1998 to set aside a settlement term sheet entered into over three years previously because of the parties' failure to agree on final settlement terms. At the same time, TECI tendered back to IPS amounts which IPS had paid to TECI pursuant to the term sheet. The Court granted TECI's motion and set a future trial date for its patent infringement lawsuit against IPS. While TECI expects a favorable outcome, the timing and amount of recovery pursuant to litigation cannot be assured. Accordingly, TECI recorded a one-time provision in the second quarter of 1998 for payments received from IPS and recorded as income in prior years, plus interest thereon and related expenses totaling $10,642,000 ($6,917,000 after-tax).

On December 31, 1996, Viad sold its 26 percent limited partnership interest in the Phoenix Suns National Basketball Association team. The gain, after deducting transaction costs and carrying amount of the investment, was $30,489,000 ($19,025,000 after-tax).

As discussed in Note D, on August 15, 1996, Viad completed the spin-off of its consumer products business to stockholders. Spin-off costs and management transition expenses totaling $33,000,000 ($28,985,000 after-tax) were recorded as expenses of continuing operations. In addition, $5,000,000 of such costs, without tax benefit, were allocated to the consumer products business and are classified as discontinued operations expense. These charges are comprised primarily of spin-off transaction costs, professional fees and compensation required by certain former executive officers' employment contracts.

D. DISCONTINUED OPERATIONS

On August 15, 1996, Viad completed the spin-off of its consumer products business, now conducted under the name The Dial Corporation. In effecting the spin-off, the holders of common stock of Viad received a distribution (the "Distribution") of one share of common stock of The Dial Corporation for each share of Viad common stock.

In connection with the Distribution, Viad borrowed $280,000,000 under a new $350,000,000 bank credit facility and used the proceeds to repay floating-rate indebtedness of Viad. The credit facility and related liability were then assumed by The Dial Corporation upon the spin-off. Viad also transferred a variable-to-fixed interest rate swap agreement in the notional amount of $65,000,000 to The Dial Corporation. Interest expense of $13,096,000 in 1996 was allocated to the consumer products business based on interest on the debt and interest rate swap assumed by The Dial Corporation.

Effective May 31, 1996, shareholders of Greyhound Lines of Canada ("GLOC") voted to separate its intercity bus transportation business and its tourism business into two independent companies. At the same time, GLOC minority shareholders approved an automatic share exchange proposal whereby their ownership interests in the tourism business, aggregating 31.5 percent, were exchanged for Viad's 68.5 percent ownership interest in the intercity bus transportation company such that Viad became the owner of 100 percent of the tourism company, Brewster Transport Company Limited, in exchange for its ownership in the intercity bus transportation company.

In February 1997, Viad's Board of Directors approved plans to dispose of Viad's cruise line business, operated by Premier Cruise Lines. In March 1997, Viad sold the Star/Ship Atlantic, and on April 17, 1997, Viad finalized the sale of Premier Cruise Lines.

Revenues applicable to the operations of the discontinued consumer products, Canadian intercity bus transportation and cruise line businesses totaled $998,792,000 in 1996.

The caption "Loss from discontinued operations" in the Consolidated Statement of Income for the year ended December 31, 1996, includes the following:

(000 omitted)	
Consumer products business income from operations, net of tax provision of $22,817(1)	$ 30,620
Canadian intercity bus transportation business:	
Loss from operations, net of tax benefit of $510	(583)
Transaction costs, loss on disposition and foreign currency translation losses(2)	(15,866)
	(16,449)
Cruise line business:	
Loss from operations, net of tax benefit of $174	(70)
Provision for loss on disposal, net of tax benefit of $19,250(3)	(35,750)
	(35,820)
Provisions related to previously discontinued businesses, net of tax benefit of $10,955(4)	(19,045)
Loss from discontinued operations	$(40,694)

(1) After spin-off costs and management transition expenses of $5,000,000, without tax benefit.
(2) Includes spin-off and exchange transaction costs of $1,579,000 associated with the disposition of the Canadian intercity bus transportation business, along with a noncash loss recorded on the disposition of $2,021,000 and recognition of unrealized foreign currency translation losses of $12,266,000. The translation losses had previously been deducted from common stock and other equity in accordance with SFAS No. 52.
(3) Includes a $1,950,000 (after-tax) provision for operating losses during the phase-out period.
(4) Represents additional provisions for self insurance, legal and remediation matters arising from previously discontinued businesses.

E. EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators of diluted and basic per share computations for income from continuing operations as required by SFAS No. 128, "Earnings Per Share":

(000 omitted, except per share data)	1998	1997	1996
Income from continuing operations	$150,640	$97,794	$69,071
Less: Preferred stock dividends	(1,129)	(1,127)	(1,125)
Income available to common stockholders	$149,511	$96,667	$67,946
Average outstanding common shares	94,382	90,804	88,814
Additional dilutive shares related to stock-based compensation	3,985	2,982	2,525
Average outstanding and potentially dilutive common shares	98,367	93,786	91,339
Diluted income per share from continuing operations	$1.52	$1.03	$0.74
Basic income per share from continuing operations	$1.58	$1.06	$0.76

F. INVESTMENTS IN DEBT AND EQUITY SECURITIES

As discussed in Note A, a Viad payment services subsidiary generates funds from the issuance of money orders and other payment instruments, with the related liability classified as "Payment service obligations." The funds are invested primarily in permissible securities, principally debt instruments. Such investments, along with related cash and funds in transit, are restricted by state regulatory agencies for use by the subsidiary to satisfy the liability to pay, upon presentment, the face amount of such payment service obligations. Accordingly, such restricted assets are not available to satisfy working capital or other financing requirements of Viad. Securities are included in the Consolidated Balance Sheet under the caption, "Investments restricted for payment service obligations," except for those securities expected to be sold or maturing within one year, which are included under the caption, "Funds, agents' receivables and current maturities of investments restricted for payment service obligations."

The following is a summary of amounts related to the payment service obligations, including excess funds, at December 31:

(000 omitted)	1998	1997
Restricted assets:		
Funds, agents' receivables and current maturities of investments restricted for payment service obligations, including $90,000 invested in Viad commercial paper(1)	$ 651,266	$ 707,887
Investments restricted for payment service obligations(2)	2,415,588	1,615,464
	3,066,854	2,323,351
Payment service obligations	2,999,930	2,248,004
Asset carrying amounts in excess of 1:1 funding coverage of payment service obligations(2)	$ 66,924	$ 75,347

(1) See Note I for description of Viad's revolving bank credit agreement, which supports its commercial paper obligations.
(2) The fair value of investments restricted for payment service obligations (less current maturities) was $2,432,431,000 and $1,626,321,000 at December 31, 1998 and 1997, respectively; the aggregate fair value of restricted assets was $3,083,697,000 and $2,334,208,000 at December 31, 1998 and 1997, respectively; and the aggregate fair value of restricted assets in excess of 1:1 funding coverage of payment service obligations was $83,767,000 and $86,204,000 at December 31, 1998 and 1997, respectively.

Securities are classified as available for sale or held to maturity as required by SFAS No. 115.

Viad regularly monitors credit and market risk exposures and takes steps to mitigate the likelihood of these exposures resulting in actual loss. Although Viad's investment portfolio exposes Viad to certain credit risks, Viad believes the high quality of its investments reduces this risk substantially (approximately 99% of the investments at December 31, 1998 have ratings of A- or higher or are collateralized by federal agency securities).

SECURITIES CLASSIFIED AS AVAILABLE FOR SALE. Securities that are being held for indefinite periods of time, including those securities which may be sold in response to needs for liquidity or changes in interest rates, are classified as securities available for sale and are carried at fair value. The net unrealized holding gains of $18,231,000 and $13,625,000 (net of deferred tax liability of $11,656,000 and $8,710,000, respectively) at December 31, 1998 and 1997, respectively, are included in the Consolidated Balance Sheet as a component of "Accumulated other comprehensive income." The increase in the unrealized gain during 1998 and 1997 was due principally to decreases in longer-term market interest rates.

A summary of securities classified as available for sale at December 31, 1998 is presented below:

(000 omitted)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agencies	$ 16,193	$ 2	$ 14	$ 16,181
Obligations of states and political subdivisions	954,237	30,613	397	984,453
Corporate debt securities	16,937		2,963	13,974
Mortgage-backed and other asset-backed securities	778,417	7,306	2,789	782,934
Preferred stock	80,360	700	2,571	78,489
Securities classified as available for sale	$1,846,144	$38,621	$ 8,734	$1,876,031

A summary of securities classified as available for sale at December 31, 1997 is presented below:

(000 omitted)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 616,826	$19,796	$ 19	$ 636,603
Corporate debt securities	21,913	7	1,865	20,055
Mortgage-backed and other asset-backed securities	393,140	3,301	254	396,187
Preferred stock	42,492	1,433	64	43,861
Securities classified as available for sale	$1,074,371	$24,537	$2,202	$1,096,706

Gross gains of $11,843,000, $7,986,000 and $3,039,000 were realized during 1998, 1997 and 1996, respectively. Gross losses of $5,000, $730,000 and $1,130,000 were realized during 1998, 1997 and 1996, respectively. Gross gains and losses are based on the specific identification method of determining cost.

SECURITIES CLASSIFIED AS HELD TO MATURITY. Securities classified as held to maturity, which consist of securities that management has the ability and intent to hold to maturity, are carried at amortized cost, and are summarized as follows at December 31, 1998:

(000 omitted)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agencies	$ 55,059	$ 441	$ 30	$ 55,470
Obligations of states and political subdivisions	350,374	15,573	112	365,835
Corporate debt securities	20,507	193	33	20,667
Mortgage-backed and other asset-backed securities	120,743	1,384	316	121,811
Other securities	3,018		137	2,881
Securities classified as held to maturity	$549,701	$17,591	$628	$566,664

A summary of securities classified as held to maturity at December 31, 1997, is presented below:

(000 omitted)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agencies	$ 57,110	$ --	$ 563	$ 56,547
Obligations of states and political subdivisions	307,652	11,293	48	318,897
Corporate debt securities	55,707		397	55,310
Mortgage-backed and other asset-backed securities	125,273	985	86	126,172
Other securities	3,031		460	2,571
Securities classified as held to maturity	$548,773	$12,278	$1,554	$559,497

SCHEDULED MATURITIES. Scheduled maturities of securities at December 31, 1998 is presented below:

	Available for Sale		Held to Maturity	
(000 omitted)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in:				
1999	$ 2,790	$ 2,792	$ 7,352	$ 7,472
2000-2003	30,012	29,402	58,260	58,690
2004-2008	330,576	341,420	94,880	97,929
2009 and later	624,786	641,791	268,466	280,762
Mortgage-backed and other asset-backed securities	777,620	782,137	120,743	121,811
Preferred stock	80,360	78,489		

$1,846,144	$1,876,031	$549,701	$566,664

Actual maturities may differ from scheduled maturities because the borrowers have the right to call or prepay certain obligations, sometimes without penalties. Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations.

G. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

(000 omitted)	1998	1997
Land	$ 31,242	$ 35,779
Buildings and leasehold improvements	279,242	257,134
Equipment	532,331	567,463
	842,815	860,376
Less accumulated depreciation	375,238	390,324
Property and equipment	$467,577	$470,052

H. INTANGIBLES

Intangibles at December 31 consisted of the following:

(000 omitted)	1998	1997
Goodwill	$ 935,691	$577,434
Other intangibles	69,183	72,605
	1,004,874	650,039
Less accumulated amortization	137,117	119,005
Intangibles	$ 867,757	$531,034

I. DEBT

Long-term debt at December 31 was as follows:

(000 omitted)	1998	1997
Senior debt:(1)		
Short-term borrowings:		
Promissory notes, 5.8% (1998) and 6.2% (1997) weighted average interest rate at December 31	$148,000	$ 50,000
Commercial paper, 5.8% weighted average interest rate at December 31(2)	52,000	
Senior notes, 6.2% weighted average interest rate at December 31, due to 2009	269,711	299,647
Guarantee of ESOP debt, floating rate indexed to LIBOR, 4.6% (1998) and 5.0% (1997) at December 31, due to 2009	22,000	24,000
Real estate mortgages and other obligations, 5.7% (1998) and 5.4% (1997) weighted average interest rate at December 31, due to 2016	24,239	17,990
	515,950	391,637
Subordinated debt, 10.5% debentures, due 2006	18,503	18,503
Total debt	534,453	410,140
Less current portion	3,105	32,291
Long-term debt	$531,348	$377,849

(1) Rates shown are exclusive of the effects of commitment fees and other costs of long-term revolving bank credit used to support short-term borrowings, and for 1997, exclusive of the effects of interest rate swap agreements related to certain short-term and long-term borrowings.
(2) After eliminating $90,000,000 of commercial paper issued by Viad to a payment services subsidiary.

Viad satisfies its short-term borrowing requirements with bank lines of credit and the issuance of commercial paper and promissory notes. At December 31, 1998, outstanding promissory notes and commercial paper, including the commercial paper issued to a Viad payment services subsidiary, are supported by unused commitments under a $300,000,000 long-term revolving bank credit agreement, which expires on August 15, 2002. Annually, at Viad's request and with the participating banks' consent, the term of the agreement may be extended for another one-year period. The interest rate applicable to borrowings under the $300,000,000 credit commitment is, at Viad's option, indexed to the bank prime rate or the London Interbank Offering Rate ("LIBOR"), plus appropriate spreads over such indices during the period of the credit agreement. The agreement also provides for commitment fees. Such spreads and fees will change moderately should Viad's debt ratings change. Viad, in the event that it becomes advisable, intends to exercise its right under the agreement to borrow for the purpose of refinancing short-term borrowings; accordingly, short-term borrowings totaling $200,000,000 and $50,000,000 at December 31, 1998 and 1997, respectively, have been classified as long-term debt.

Annual maturities of long-term debt due in the next five years will approximate $3,105,000 (1999), $32,810,000 (2000), $68,588,000 (2001), $242,609,000 (2002), $102,459,000 (2003) and $84,882,000 thereafter. Included in the year 2002 is $200,000,000 which represents the maturity of short-term borrowings assuming they had been refinanced utilizing the revolving credit facility described above.

Viad previously entered into (a) interest rate swap agreements which converted floating interest rates on existing and anticipated replacement short-term borrowings into fixed interest rates ("variable-to-fixed swaps") and (b) interest rate swap agreements which converted fixed interest rates on a portion of the Senior notes into floating interest rates ("fixed-to-variable swaps"). The net effect of such interest rate swap agreements was to increase interest expense by $2,296,000, $5,041,000 and $3,404,000 for 1998, 1997 and 1996, respectively. As discussed in Note C, after repaying short-term borrowings with proceeds from the sale of ASIG, Viad terminated related interest rate swap agreements. At December 31, 1998, there were no interest rate swap agreements used to hedge debt obligations.

The weighted average interest rate on total debt, inclusive of the effect of interest rate swap agreements and excluding interest expense unrelated to debt obligations, was 6.7%, 7.5% and 7.8% for 1998, 1997 and 1996, respectively. Excluding the interest rate swap agreements, the weighted average interest rate related to debt obligations was 6.3%, 6.5% and 7.4% for 1998, 1997 and 1996, respectively.

Interest paid in 1998, 1997 and 1996 was $38,427,000, $40,211,000 and $61,402,000, respectively, including amounts charged to discontinued operations in 1996.

Under a Shelf Registration filed in 1994 with the Securities and Exchange Commission, Viad can issue up to an aggregate $500,000,000 of debt and equity securities. No securities have been issued under the program.

Viad's long-term debt agreements include various restrictive covenants and require the maintenance of certain defined financial ratios with which Viad is in compliance.

J. PREFERRED STOCK AND COMMON STOCK AND OTHER EQUITY

Viad has 442,352 shares of $4.75 Preferred Stock authorized, of which 358,352 shares are issued. The holders of the $4.75 Preferred Stock are entitled to a liquidation preference of $100 per share and to annual cumulative sinking fund redemptions of 6,000 shares. Viad presently holds 123,373 shares which will be applied to this sinking fund requirement; the 234,979 shares held by others are scheduled to be redeemed in the years 2019 to 2058. In addition, Viad has authorized 5,000,000 and 2,000,000 shares of Preferred Stock and Junior Participating Preferred Stock, respectively.

Viad has one Preferred Stock Purchase Right ("Right") outstanding on each outstanding share of its common stock. The Rights contain provisions to protect stockholders in the event of an unsolicited attempt to acquire Viad which is not believed by the Board of Directors to be in the best interest of stockholders. The Rights are represented by the common share certificates and are not exercisable or transferable apart from the common stock until such a situation arises. The Rights may be redeemed by Viad at $0.025 per Right prior to the time any person or group has acquired 20% or more of Viad's shares. Viad has reserved 1,000,000 shares of Junior Participating Preferred Stock for issuance in connection with the Rights.

Viad funds a portion of its matching contributions to employees' 401(k) plans through a leveraged ESOP. All eligible employees of Viad and its participating affiliates, other than certain employees covered by collective bargaining agreements that do not expressly provide for participation of such employees in an ESOP, may participate in the ESOP.

The ESOP borrowed $40,000,000 to purchase treasury shares in 1989. The ESOP's obligation to repay this borrowing is guaranteed by Viad; therefore, the unpaid balance of the borrowing ($22,000,000 and $24,000,000 at December 31, 1998 and 1997, respectively) has been reflected in the accompanying balance sheet as long-term debt. The same amounts, representing unearned employee benefits, have been recorded as a deduction from common stock and other equity. The liability is reduced as the ESOP repays the borrowing, and the amount in common stock and other equity is reduced as the employee benefits are charged to expense. The ESOP intends to repay the loan (plus interest) using Viad contributions and dividends received on the shares of common stock held by the ESOP.

Information regarding ESOP transactions for the years ended December 31 was as follows:

(000 omitted)	1998	1997	1996
Amounts paid by ESOP for:			
Debt repayment	$2,000	$2,000	$2,000
Interest	1,098	1,187	1,200
Amounts received from Viad as:			
Dividends	884	856	999
Contributions	2,205	2,226	2,064

Shares are released for allocation to participants based upon the ratio of the year's principal and interest payments to the sum of the total principal and interest payments expected over the remaining life of the plan. Expense of the ESOP is recognized based upon the greater of cumulative cash payments to the plan or 80% of the cumulative expense that would have been recognized under the shares allocated method, in accordance with Emerging Issues Task Force Abstract No. 89-8, "Expense Recognition for Employee Stock Ownership Plans." Under this method, Viad has recorded expense of $2,205,000, $2,123,000 and $2,138,000 in 1998, 1997 and 1996, respectively.

Unallocated shares held by the ESOP totaled 2,575,000 and 2,867,000 at December 31, 1998 and 1997, respectively. Shares allocated during 1998 and 1997 totaled 292,000 and 297,000, respectively.

In 1992, Viad sold treasury stock to Viad's Employee Equity Trust (the "Trust") for a $200,000,000 promissory note. The Trust is used to fund certain existing employee compensation and benefit plans. For financial reporting purposes, the Trust is consolidated with Viad and the promissory note ($43,315,000 at December 31, 1998) and dividend and interest transactions are eliminated in consolidation. The fair market value of the 4,495,736 remaining shares held by the Trust at December 31, 1998, representing employee benefits, is shown as a deduction from common stock and other equity and is reduced as employee benefits are funded. The difference between the cost and fair value of shares held is included in additional capital. Related unearned employee benefits at December 31, 1998 and 1997 were $136,558,000 and $97,968,000, respectively.

At December 31, 1998, retained income of $169,736,000 was unrestricted as to payment of dividends by Viad. A total of 94,899,331 common shares were issued and outstanding for income per share calculations at December 31, 1998, after deducting treasury shares and the Trust shares.

K. STOCK-BASED COMPENSATION

In 1997, stockholders adopted the 1997 Viad Corp Omnibus Incentive Plan ("Omnibus Plan"). The Omnibus Plan, which replaced prior incentive plans, provides for the following types of awards to officers, directors and certain key employees: (a) stock options (both incentive stock options and nonqualified stock options); (b) stock appreciation rights ("SARs"); (c) restricted stock; and (d) performance-based awards. The number of shares available for grant under the Omnibus Plan in each calendar year is equal to 2% of the total number of shares of common stock outstanding as of the first day of each year. Any shares available for grant in a particular calendar year which are not, in fact, granted in such year shall be added to the shares available for grant in any subsequent calendar year. In addition, no more than 7,500,000 shares of common stock will be cumulatively available for incentive stock option grants over the life of the Omnibus Plan.

Stock options are granted for terms of ten years at an exercise price based on the market value at the date of grant. Stock options are exercisable 50% after one year with the balance exercisable after two years from the date of grant.

SARs and Limited SARs ("LSARs") were granted, with terms of ten years, under the 1983 Stock Option and Incentive Plan. SARs are exercisable under the same terms as stock options, while LSARs vest fully at date of grant and are exercisable only for a limited period (in the event of certain tender or exchange offers for Viad's common stock). SARs and/or LSARs are issued in tandem with certain stock options and the exercise of one reduces, to the extent exercised, the number of shares represented by the other(s). SAR exercises totaled 2,812 and 131,520 shares in 1997 and 1996, respectively. There were no SARs exercised in 1998.

Performance-based stock awards (97,600, 120,900 and 141,700 shares awarded in 1998, 1997 and 1996, respectively, at an estimated fair value per share of $24.78, $18.34 and $13.88, respectively) vest at the end of a three-year period from the date of grant, based on total shareholder return relative to the applicable stock index and the proxy comparator groups specified at the time of each award. Vested shares with respect to performance periods beginning in 1995, 1994 and 1993 totaled 83,226 in 1998, 109,787 in 1997 and 39,596 in 1996, respectively. Throughout the performance period, holders of the performance-based stock have the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the stock.

Information with respect to stock options for the years ended December 31, at historical number of shares and option exercise prices, is as follows:

	Shares	Weighted Average Exercise Price(1)
Options outstanding at December 31, 1995	8,275,924	$18.55
Before spin-off of the consumer products business:		
Granted	50,000	28.75
Exercised	(1,488,373)	15.44
Canceled	(159,070)	15.20
Modification due to the Distribution, net(3)	1,968,392	N/A
After spin-off of the consumer products business:		
Granted	1,691,100	13.88
Exercised	(236,229)	9.26
Canceled	(78,837)	12.80
Options outstanding at December 31, 1996(2)	10,022,907	10.82
Granted	1,143,100	18.33
Conversion of Game options(4)	235,228	7.95
Exercised	(1,391,630)	9.73
Canceled	(202,578)	13.91
Options outstanding at December 31, 1997(2)	9,807,027	11.72
Granted	962,100	24.79
Exercised	(1,883,697)	10.05
Canceled	(163,511)	18.84
Options outstanding at December 31, 1998(2)	8,721,919	13.38

(1) Weighted average exercise prices for 1995 and 1996 up to the date of modification are based on original grant pricing before modification due to the Distribution described in Note D.
(2) Options exercisable totaled 7,342,669 shares, 8,052,840 shares and 7,580,872 shares at December 31, 1998, 1997 and 1996, respectively.
(3) Net of options surrendered by employees of Viad who became employees of The Dial Corporation after the Distribution.
(4) Existing Game options were converted into options to purchase Viad shares upon the acquisition of Game (see Note B). The original number of Game stock options and exercise prices were adjusted to reflect the acquisition exchange ratio.

The following tables summarize information concerning stock options outstanding and exercisable at December 31, 1998:

Options Outstanding

Weighted

Range of Exercise Prices	Shares	Weighted Remaining Contractual Life	Average Exercise Price
$3.93 to $7.54	1,201,668	1.9 years	$ 6.90
$9.33 to $12.22	3,209,057	4.0 years	10.96
$13.05 to $18.06	2,411,500	6.2 years	13.51
$18.34 to $25.25	1,899,694	8.8 years	21.41
$3.93 to $25.25	8,721,919	5.4 years	13.38

Options Exercisable

Range of Exercise Prices	Shares	Weighted Average Exercise Price
$3.93 to $7.54	1,201,668	$ 6.90
$9.33 to $12.22	3,209,057	10.96
$13.05 to $18.06	2,404,700	13.50
$18.34 to $25.25	527,244	18.56
$3.93 to $25.25	7,342,669	11.67

Viad applies APB No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than for performance-based stock awards and SAR exercises, which gave rise to compensation expense aggregating $3,753,000, $3,858,000 and $4,444,000 in 1998, 1997 and 1996, respectively.

Assuming Viad had recognized compensation cost for stock options and performance-based stock awards in accordance with the fair value method of accounting defined in SFAS No. 123, income from continuing operations and diluted income per share from continuing operations would be as presented in the accompanying table. The effects of applying SFAS No. 123 in this disclosure are not necessarily indicative of future amounts.

(000 omitted, except per share data)	1998	1997	1996
Income from continuing operations	$150,640	$97,794	$69,071
Additional compensation:(1)			
Stock option grants and performance-based stock awards	(4,631)	(3,279)	(2,876)
Modification of existing stock option grants(2)			(5,716)
Pro forma income from continuing operations	$146,009	$94,515	$60,479
Pro forma diluted income per share from continuing operations	$ 1.48	$ 1.00	$ 0.65

(1) Compensation cost calculated under SFAS No. 123 is expensed ratably over the vesting period. Compensation cost is net of estimated forfeitures and the tax benefit on nonqualified stock options.
(2) In connection with the spin-off of the consumer products business on August 15, 1996, the number of shares and the exercise price of each option held by employees of Viad who remained employees of Viad after the spin-off were modified so that the aggregate exercise price and the aggregate spread before the spin-off were preserved at the time of the spin-off. SFAS No. 123 requires such options modified as a result of a spin-off to be treated as new grants.

For purposes of applying SFAS No. 123, the estimated fair value of stock options granted during 1998, 1997 and 1996 was $7.16, $5.04 and $3.47 per share, respectively. The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	1998	1997	1996
Expected dividend yield	1.3%	1.7%	2.3%
Expected volatility	24.4%	23.6%	22.0%
Risk-free interest rate	5.78%	6.13%	6.38%
Expected life	5 years	5 years	5 years

L. INCOME TAXES

Deferred income tax assets (liabilities) included in the Consolidated Balance Sheet at December 31 related to the following:

(000 omitted)	1998	1997
Property and equipment	$(26,133)	$(28,721)
Deferred income	10,178	10,568
Pension, compensation and other employee benefits	48,196	38,287
Provisions for losses	46,241	35,509
Unrealized gain on securities classified as available for sale	(11,656)	(8,710)
Deferred state income taxes	6,419	7,091
Capital loss carryforward		20,170
Alternative minimum tax credit carryforward	5,193	
Other deferred income tax assets	44,710	42,989
Other deferred income tax liabilities	(23,923)	(23,890)
	99,225	93,293
Foreign deferred tax liabilities included above	9,698	10,810
United States deferred tax assets	$108,923	$104,103

The provision for income taxes on income from continuing operations for the years ended December 31 consisted of the following:

(000 omitted)	1998	1997	1996
Current:			
United States:			
Federal	$ 50,501	$ 25,233	$ 19,827
State	9,420	6,094	6,528
Foreign	8,032	8,980	6,858
	67,953	40,307	33,213
Deferred	(905)	846	8,685
Income taxes	$ 67,048	$ 41,153	$ 41,898

Certain tax benefits related primarily to stock option exercises and dividends paid to the ESOP are credited to common stock and other equity and amounted to $6,875,000, $2,491,000 and $3,401,000 in 1998, 1997 and 1996, respectively.

Eligible subsidiaries (including the consumer products business up to the spin-off date) are included in the consolidated federal and other applicable income tax returns of Viad. Certain benefits of filing such returns, including tax losses and credits which would not have been available to certain subsidiaries on a separate return basis, have been credited to such subsidiaries by Viad. These benefits are included in the determination of the income taxes of those subsidiaries.

Income taxes paid in 1998, 1997 and 1996, including amounts paid on behalf of the consumer products business for the periods up to the spin-off date as part of consolidated federal and other applicable tax returns of Viad, amounted to $24,721,000, $21,689,000 and $19,792,000, respectively.

A reconciliation of the provision for income taxes on income from continuing operations and the amount that would be computed using statutory federal income tax rates for the years ended December 31 was as follows:

(000 omitted)	1998	1997	1996
Computed income taxes at statutory federal income tax rate of 35%	$76,191	$48,631	$38,839
Nondeductible goodwill amortization	4,051	3,466	3,410
Minority interests	758	433	613
State income taxes	5,608	4,341	5,636
Tax-exempt income	(21,519)	(15,725)	(11,764)
Spin-off costs and management transition expenses			6,300
Other, net	1,959	7	(1,136)
Income taxes	$67,048	$41,153	$41,898

United States and foreign income before income taxes from continuing operations for the years ended December 31 was as follows:

(000 omitted)	1998	1997	1996
United States	$195,313	$118,159	$ 88,819
Foreign, principally Canada and United Kingdom	22,375	20,788	22,150
Income before income taxes	$217,688	$138,947	$110,969

M. PENSION AND OTHER BENEFITS

PENSION BENEFITS. The following table indicates the plans' funded status and amounts recognized in Viad's Consolidated Balance Sheet at December 31:

	Funded Plans		Unfunded Plans	
(000 omitted)	1998	1997	1998	1997
Change in projected benefit obligation:				
Benefit obligation at beginning of year	$161,846	$148,052	$ 28,930	$ 24,626
Service cost	4,936	5,716	804	689
Interest cost	12,007	11,408	2,258	2,067
Plan amendments	181	272	997	1,787
Actuarial adjustments(1)	19,835	5,486	2,899	1,390
Curtailments	(2,658)	(1,738)	(133)	
Benefits paid	(9,339)	(7,350)	(1,812)	(1,629)
Benefit obligation at end of year(2)	186,808	161,846	33,943	28,930
Change in plan assets:				
Fair value of plan assets at beginning of year	180,990	152,108	N/A	N/A
Actual return on plan assets	35,133	36,186		
Company contributions	42	46	1,812	1,629
Benefits paid	(9,339)	(7,350)	(1,812)	(1,629)
Fair value of plan assets at end of year	206,826	180,990	N/A	N/A
Plan assets over (under) projected benefit obligation	20,018	19,144	(33,943)	(28,930)
Unrecognized net transition (asset) obligation	(2,128)	(3,032)	565	835
Unrecognized prior service cost	577	576	6,024	6,360
Unrecognized actuarial (gain) loss	(9,181)	(10,288)	7,588	5,330
Net amount recognized	$ 9,286	$ 6,400	$(19,766)	$(16,405)

(1) The increased actuarial adjustment in 1998 arose primarily as a result of the reduction in the discount rate assumption from 7.5% to 7.0%.
(2) The accumulated benefit obligation for the unfunded pension plans was $27,074,000 and $23,261,000 as of December 31, 1998 and 1997, respectively.

The total amounts recognized in Viad's Consolidated Balance Sheet at December 31 were as follows:

	Funded Plans		Unfunded Plans	
(000 omitted)	1998	1997	1998	1997
Prepaid pension cost	$ 9,346	$ 6,482	$ --	$ --
Accrued pension liability	(137)	(150)	(27,469)	(23,862)
Intangible asset	13	22	6,301	6,624
Common stock and other equity	64	46	1,402	833
Net amount recognized	$ 9,286	$ 6,400	$(19,766)	$(16,405)

Weighted average assumptions used at December 31 were as follows:

	1998	1997
Discount rate	7.0%	7.5%
Expected return on plan assets	10.0%	9.5%
Rate of compensation increase	4.5%	4.5%

Net periodic pension cost for defined benefit plans for the years ended December 31 includes the following components:

(000 omitted)	1998	1997	1996
Service cost	$ 5,740	$ 6,405	$ 6,341
Interest cost	14,265	13,475	12,757
Expected return on plan assets	(15,551)	(13,953)	(13,060)
Amortization of prior service cost	591	500	182
Recognized net actuarial loss	511	211	178
Net periodic pension cost	$ 5,556	$ 6,638	$ 6,398

Curtailment gains totaling $1,868,000 in 1998 were primarily attributable to the sales of businesses. Net curtailment gains totaling $1,632,000 in 1997 were primarily attributable to freezing plan benefits for a business subsequently sold. Curtailment gains totaling $987,000 in 1996 were attributable to an acquired convention and event services company.

Contributions to multiemployer pension plans totaled $11,779,000, $12,141,000 and $10,737,000 in 1998, 1997 and 1996, respectively. Costs of 401(k) defined contribution and other pension plans totaled $3,885,000, $5,020,000 and $4,414,000 in 1998, 1997 and 1996, respectively.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS. Viad and certain of its subsidiaries have unfunded defined benefit postretirement plans that provide medical and life insurance for eligible employees, retirees and dependents. In addition, Viad retained the obligations for such benefits for certain retirees of sold businesses.

The status of the plans as of December 31 is set forth below:

(000 omitted)	1998	1997
Change in accumulated benefit obligation:		
Benefit obligation at beginning of year	$45,584	$41,159
Service cost	878	967
Interest cost	2,997	3,165
Plan amendments	(2,777)	
Actuarial adjustments	2,433	3,020
Curtailments	(4,983)	
Benefits paid	(3,129)	(2,727)
Benefit obligation at end of year	41,003	45,584
Unrecognized prior service reduction	3,277	1,115
Unrecognized net actuarial gain	3,203	4,175
Accrued postretirement benefit cost	$47,483	$50,874
Discount rate	7.0%	7.5%

The assumed health care cost trend rate used in measuring the 1998 and 1997 accumulated postretirement benefit obligation was 9% and 10%, respectively, gradually declining to 5% by the year 2002 and remaining at that level thereafter for retirees below age 65, and 7% and 7.5%, respectively, gradually declining to 5% by the year 2002 and remaining at that level thereafter for retirees above age 65.

The net periodic postretirement benefit cost for the years ended December 31 includes the following components:

(000 omitted)	1998	1997	1996
Service cost	$ 878	$ 967	$ 794
Interest cost	2,997	3,165	2,936
Amortization of prior service cost	(218)	(86)	(86)
Recognized net actuarial gain	(38)	(229)	(452)
Net periodic postretirement benefit cost	$3,619	$3,817	$3,192

Curtailment gains totaling $5,147,000 in 1998 were primarily attributable to the sales of businesses. There were no curtailment gains or losses in 1997 or 1996.

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, 1998 by approximately $4,373,000 and the ongoing annual expense by approximately $557,000. 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, 1998 by approximately $3,578,000 and the ongoing annual expense by approximately $445,000.

N. LEASES

Certain offices, equipment, and facilities for convention services, exhibit construction and catering are leased. The leases expire over periods generally ranging from one to 12 years and some provide for renewal options ranging from one to 33 years. Leases which expire are generally renewed or replaced by similar leases.

At December 31, 1998, Viad's future minimum rental payments and related sublease rentals receivable with respect to noncancelable operating leases with terms in excess of one year were as follows:

(000 omitted)	Rental Payments	Rentals Receivable Under Subleases
1999	$ 45,057	$ 2,387
2000	38,335	1,541
2001	32,863	936
2002	29,766	440
2003	25,546	145
Thereafter	174,193	709
Total	$345,760	$ 6,158

In May 1997, Viad sold its corporate headquarters and is leasing back a portion of the building. The future minimum rental payments are included in the table above. The excess of the net sales price over the net book value of the building was deferred and is being amortized over the term of the leaseback.

Information regarding net operating lease rentals for the years ended December 31 was as follows:

(000 omitted)	1998	1997	1996
Minimum rentals	$ 53,784	$ 58,446	$ 60,522
Contingent rentals(1)	751	562	887
Sublease rentals	(1,936)	(2,116)	(2,025)
Total rentals, net	$ 52,599	$ 56,892	$ 59,384

(1) Contingent rentals on operating leases, which are based primarily on sales and revenues for buildings and leasehold improvements and on usage for other equipment, exclude contingent fees under concession agreements.

O. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FAIR VALUE OF FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK. Viad is a party to financial instruments with off-balance-sheet risk which are entered into in the normal course of business to meet financing needs and to manage exposure to fluctuations in interest rates. These financial instruments include sale of receivable agreements and interest rate swap agreements. The instruments involve, to a varying degree, elements of credit and interest rate risk in addition to amounts recognized in the financial statements.

At December 31, 1998, Viad had an agreement to sell, on a revolving basis, undivided participating interests in a defined pool of trade accounts receivable from customers of Viad's Airline Catering and Convention and Event Services operations in an amount not to exceed $75,000,000 as a means of accelerating cash flow. The agreement expires in August 1999 but is expected to be extended annually. Under the terms of the trade receivables sales agreement, Viad has retained substantially the same risk of credit loss as if the receivables had not been sold, as Viad is obligated to replace uncollectible receivables with new trade accounts receivable. The average balance of proceeds from the sale of trade accounts receivable approximated $74,630,000, $75,000,000 and $51,500,000 during 1998, 1997 and 1996, respectively. The expense of selling such receivables, discounted based on short-term interest rates, was $4,404,000, $4,483,000 and $3,029,000 in 1998, 1997 and 1996, respectively, and is included in "Costs of sales and services."

In September 1997, a Viad payment services subsidiary entered into an agreement to sell, on a periodic basis, undivided percentage ownership interests in certain agents' receivables in an amount not to exceed $250,000,000. In June 1998, the maximum amount to be sold under the agreement was increased to $400,000,000. The agreement expires in June 2003. Items in the program include receivables from bill payment and money order agents. The receivables are sold in order to accelerate payment services' cash flow for investment in the admissible securities described in Note F. The average agents' receivables sold approximated $262,000,000 and $125,000,000 during 1998 and the latter part of 1997, respectively. The agents' receivables are sold at a discount based on short-term variable interest rates. The expense of selling such receivables was $16,768,000 and $2,790,000 in 1998 and 1997, respectively, and is included in "Costs of sales and services."

A portion of the payment services subsidiary's business involves the payment of commissions to selling agents of its official check program. The commissions are computed based on short-term variable interest rates. Variable-to-fixed rate swap agreements have been entered into to mitigate the effects of fluctuations on commission expense and on the net proceeds from the agents' receivables sales.

The notional amount of the variable-to-fixed swap agreements totaled $1,425,000,000 at December 31, 1998, with an average pay rate of 5.5% and an average receive rate of 4.9%. The variable-rate portion of the swaps is generally based on LIBOR, treasury bill or federal funds rates. The agreements expire as follows: $150,000,000 (1999), $100,000,000 (2000), $250,000,000 (2002), $875,000,000 (2003) and $50,000,000 (2007).

The notional amounts of such agreements are used to measure amounts to be paid or received and do not represent the amount of exposure to credit loss. The amounts to be paid or received under the swap agreements are accrued consistently with the terms of the agreements and market interest rates and are recognized as an adjustment to the expense of the related transaction. Viad maintains formal procedures for entering into swap transactions, and management regularly monitors and reports to the Audit Committee of the Board of Directors on swap activity. The agreements are with major financial institutions which are currently expected to fully perform under the terms of the agreements, thereby mitigating the credit risk from the transactions in the event of nonperformance by the counterparties. In addition, Viad continuously monitors the credit ratings of the counterparties, and the likelihood of default is considered remote.

FAIR VALUE OF FINANCIAL INSTRUMENTS. The carrying values of cash and cash equivalents, receivables, accounts payable and payment service obligations approximate fair values due to the short-term maturities of these instruments. The amortized cost and fair value of investments in debt and equity securities are disclosed in Note F. The carrying amounts and estimated fair values of Viad's other financial instruments at December 31 are as follows:

	1998		1997	
(000 omitted)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	$(534,453)	$(541,055)	$(410,140)	$(414,173)
Swap agreements(1)	(903)	(25,097)	(4,357)	(20,753)

(1) Carrying amount represents accrued interest.

The methods and assumptions used to estimate the fair values of the financial instruments are summarized below. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that Viad could realize in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

Debt--The fair value of debt was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity. The carrying values of the commercial paper and promissory notes were assumed to approximate fair values due to their short-term maturities.

Swap agreements--The fair value represents the estimated amount that Viad would pay to counterparties to terminate the swap agreements at December 31.

P. LITIGATION, CLAIMS AND OTHER CONTINGENCIES

Viad and certain subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims, including pending or potential claims by or on behalf of approximately 6,500 former railroad workers claiming asbestos-related health conditions from exposure to railroad equipment made by former subsidiaries. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against Viad. Although the amount of liability at December 31, 1998, with respect to these matters is not ascertainable, Viad believes that any resulting liability will not have a material effect on Viad's financial position or results of operations.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recoveries, will not have a material effect on Viad's financial position or results of operations.

Q. SEGMENT INFORMATION

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," adopted effective December 31, 1998, changes the way Viad reports information about its operating segments. SFAS No. 131 requires disclosure of certain financial information for reportable operating segments based on management's internal organizational decision-making structure. Viad measures segment profit and performance based on operating segment income from continuing operations after minority interests and income taxes, but before nonrecurring items.

The accounting policies of the operating segments are the same as those described in Note A, except that an adjustment is made to the Payment Services segment to present revenues, operating income and income taxes on a fully taxable equivalent basis to reflect amounts invested in tax-exempt securities. Intersegment sales and transfers are not significant. Interest expense is allocated to operations based on net funds advanced and current short-term interest rates. Income taxes are allocated based primarily on separate return calculations for each business. Certain benefits of filing combined and/or consolidated state income tax returns, including tax losses and credits which would not have been available to certain subsidiaries on a separate return basis, have been credited to such subsidiaries by Viad. Depreciation and amortization are the only significant noncash items for the reportable segments.

Viad's reportable segments include Payment Services, Convention and Event Services and Airline Catering. The Payment Services segment sells money orders through agents, performs official check and negotiable instrument clearing services for banks and credit unions, and provides cash access services to gaming establishments throughout the United States. In addition, the segment provides consumer money wire transfer services throughout the world. The Convention and Event Services segment provides decorating, exhibit preparation, installation and dismantling, and electrical, transportation and management services for conventions, tradeshows, associations and other corporate events; and designs and builds convention, tradeshow, museum and other exhibits and displays throughout the world. The Airline Catering segment provides in-flight meals, snacks, beverages and related services to domestic and international airlines throughout the United States, as well as in foreign countries.

The remaining categories represent sold businesses, other businesses below reportable segment quantitative thresholds and corporate and other. These categories are presented to reconcile to total results. Travel and Recreation Services includes Viad's Canadian travel tour service subsidiary, which operates tours and charters in the Canadian Rockies and engages in hotel operations and snocoach tours of the Columbia Icefield; and the Recreation Division of Viad, which operates concessions at America West Arena and Bank One Ballpark in Phoenix, Arizona, and through a subsidiary, operates historic lodges at Glacier National Park. Sold businesses includes ASIG, GLSI, Jetsave and Crystal Holidays and the contract foodservice operations of Restaura, Inc. as described in Note C. Corporate and other includes expenses of corporate activities and interest expense not allocated to operating segments, net of applicable income taxes.

MAJOR CUSTOMERS. Major customers are defined as those which individually accounted for more than 10% of Viad's revenues. Sales to one major customer in the Airline Catering segment accounted for 12%, 12% and 13% of Viad's consolidated revenues in 1998, 1997 and 1996, respectively.

Disclosures regarding Viad's reportable segments under SFAS No. 131 with reconciliations to consolidated totals are presented in the accompanying table. The information for 1997 and 1996 has been restated to conform to the new presentation. While classification and presentation differ from amounts previously reported, the adoption of SFAS No. 131 did not affect Viad's consolidated financial position, results of operations or cash flows as previously reported.

(000 omitted)	Revenues	Income from Continuing Operations (after-tax)(1,2)	Operating Income(3)	Interest Expense	Income Taxes (Benefit)
1998:					
Payment Services	$431,157(5)	$51,467	$87,206(5)	$ --	$ 34,536(5)
Convention and Event Services	849,165	42,924	87,446	16,159	28,353
Airline Catering	892,038	37,038	70,661	6,894	26,729
Reportable segments	2,172,360	131,429	245,313	23,053	89,618
Other:					
Travel and Recreation Services	102,952	9,523	17,729	1,688	6,160
Sold businesses	306,132	9,215	14,854	47	4,998
Corporate and other		(25,465)	(21,913)	16,030	(12,478)
Gains on sales of businesses		32,855			21,784
Provision for patent infringement payments received		(6,917)	(10,642)		(3,725)
Subtotal	2,581,444	150,640	245,341	40,818	106,357
Less: Fully taxable equivalent adjustment	(39,309)		(39,309)		(39,309)
Elimination of Viad commercial paper					
	$2,542,135	$150,640	$206,032	$40,818	$ 67,048
1997:					
Payment Services	$234,891(5)	$41,243	$65,348(5)	$ --	$ 24,105(5)
Convention and Event Services	827,500	35,298	72,753	12,718	24,737
Airline Catering	802,313	33,460	66,198	7,742	24,996
Reportable segments	1,864,704	110,001	204,299	20,460	73,838
Other:					
Travel and Recreation Services	91,256	7,863	14,590	497	5,949
Sold businesses	490,234	18,370	27,965	(670)	9,309
Corporate and other		(38,440)	(29,294)	28,365	(19,219)
Subtotal	2,446,194	97,794	217,560	48,652	69,877
Less: Fully taxable equivalent adjustment	(28,724)		(28,724)		(28,724)
Elimination of Viad commercial paper					
	$2,417,470	$97,794	$188,836	$48,652	$ 41,153
1996:					
Payment Services	$191,455(5)	$34,063	$56,019(5)	$ --	$ 21,956(5)
Convention and Event Services	774,040	31,368	64,042	11,206	21,468
Airline Catering	734,213	31,179	61,850	7,394	23,277
Reportable segments	1,699,708	96,610	181,911	18,600	66,701
Other:					
Travel and Recreation Services	91,401	8,076	14,561	639	5,807
Sold businesses	493,608	16,178	26,370	(513)	8,992
Corporate and other		(41,833)	(33,102)	34,293	(25,562)
Gain on sale of interest in Phoenix Suns		19,025			11,464
Spin-off costs and management transition expenses		(28,985)			(4,015)
Subtotal	2,284,717	69,071	189,740	53,019	63,387
Less: Fully taxable equivalent adjustment	(21,489)		(21,489)		(21,489)
Elimination of Viad commercial paper					
	$2,263,228	$69,071	$168,251	$53,019	$ 41,898

(000 omitted)	Assets	Depreciation and Amortization	Capital Expenditures
1998:			
Payment Services	$3,534,073(4)	$17,908	$16,938
Convention and Event Services	546,428	23,072	22,949
Airline Catering	500,780	27,591	25,596
Reportable segments	4,581,281	68,571	65,483
Other:			
Travel and Recreation Services	78,700	5,162	7,413
Sold businesses	35,219	8,030	3,662
Corporate and other	197,572	4,133	759
Gains on sales of businesses			
Provision for patent infringement payments received			
Subtotal	4,892,772	85,896	77,317
Less: Fully taxable equivalent adjustment			
Elimination of Viad commercial paper	(90,000)		
	$4,802,772	$85,896	$77,317
1997:			
Payment Services	$2,440,143(4)	$10,908	$10,195

Convention and Event Services	424,789	20,192	26,561
Airline Catering	508,267	25,527	37,298
Reportable segments	3,373,199	56,627	74,054
Other:			
Travel and Recreation Services	80,852	3,998	19,082
Sold businesses	148,099	12,825	13,962
Corporate and other	218,163	5,051	875
Subtotal	3,820,313	78,501	107,973
Less: Fully taxable equivalent adjustment			
Elimination of Viad commercial paper	(90,000)		
	$3,730,313	$78,501	$107,973
1996:			
Payment Services	$2,033,242(4)	$ 9,122	$ 7,969
Convention and Event Services	412,854	18,140	25,258
Airline Catering	475,914	26,311	18,133
Reportable segments	2,922,010	53,573	51,360
Other:			
Travel and Recreation Services	67,359	3,708	7,691
Sold businesses	208,952	11,671	20,993
Corporate and other	344,991	5,492	2,105
Gain on sale of interest in Phoenix Suns			
Spin-off costs and management transition expenses			
Subtotal	3,543,312	74,444	82,149
Less: Fully taxable equivalent adjustment			
Elimination of Viad commercial paper	(90,000)		
	$3,453,312	$74,444	$82,149

(1) Income from continuing operations is after deducting minority interests as follows: Payment Services $1,203,000 (1998); Convention and Event Services $10,000 (1998); Travel and Recreation Services $358,000 (1998), $281,000 (1997) and $39,000 (1996); and Sold businesses $594,000 (1998), $956,000 (1997) and $1,713,000 (1996).
(2) Net income was $150,640,000, $89,336,000 and $28,377,000 in 1998, 1997 and 1996, respectively, after deducting an extraordinary charge of $8,458,000 for the early retirement of debt in 1997 and after deducting a loss from discontinued operations of $40,694,000 in 1996.
(3) Operating income by segment is presented as additional information. The definition of operating income is revenues less (a) cost of sales and services, including depreciation, amortization and the expense of selling receivables, and (b) cost of corporate activities, net.
(4) Includes assets restricted for payment service obligations of $3,066,854,000 (1998), $2,323,351,000 (1997) and $1,938,919,000 (1996), including $90,000,000 invested in Viad commercial paper.
(5) The fully taxable equivalent adjustment for Payment Services' income from tax-exempt securities is calculated based on a combined income tax rate of 39%.

R. CONDENSED CONSOLIDATED QUARTERLY RESULTS (UNAUDITED)

(000 omitted, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
1998:					
Revenues(1)	$602,780	$657,071	$672,393	$609,891	$2,542,135
Operating income(1,2)	33,631	48,433	69,161	54,807	206,032
Net income(3)	15,379	40,622	57,033	37,606	150,640
Diluted income per common share(3)	0.15	0.41	0.58	0.38	1.52
Basic income per common share(3)	0.16	0.43	0.60	0.39	1.58
Fully taxable equivalent adjustment(1)	8,231	9,616	10,459	11,003	39,309
1997:					
Revenues(1)	$569,726	$614,945	$622,226	$610,573	$2,417,470
Operating income(1)	29,639	49,995	60,235	48,967	188,836
Net income:					
Before extraordinary charge	10,520	26,675	33,850	26,749	97,794
Extraordinary charge	(8,458)				(8,458)
Net income	2,062	26,675	33,850	26,749	89,336
Diluted income per common share:					
Before extraordinary charge	0.11	0.28	0.36	0.28	1.03
Extraordinary charge	(0.09)				(0.09)
Diluted income per common share	0.02	0.28	0.36	0.28	0.94
Basic income per common share:					
Before extraordinary charge	0.11	0.29	0.37	0.29	1.06
Extraordinary charge	(0.09)				(0.09)
Basic income per common share	0.02	0.29	0.37	0.29	0.97
Fully taxable equivalent adjustment(1)	6,460	7,477	7,103	7,684	28,724

(1) A Viad payment services subsidiary is investing increasing amounts in tax-exempt securities. On a fully taxable equivalent basis using a combined income tax rate of 39%, revenues and operating income would be higher by the fully taxable equivalent adjustments shown above.
(2) After deducting a $10,642,000 provision for payments previously received pursuant to patent infringement litigation in the second quarter of 1998 as described in Note C.
(3) Includes a gain on the sale of ASIG of $13,201,000 (after-tax), or $0.13 per diluted share ($0.14 per basic share), in the second quarter of 1998; a provision for payments previously received pursuant to patent infringement litigation of $6,917,000 (after-tax), or $0.07 per diluted and basic share, also in the second quarter of 1998; a gain on the sale of GLSI of $15,650,000 (after-tax), or $0.16 per diluted and basic share, in the third quarter of 1998; and a gain on the sale of Jetsave and Crystal Holidays of $4,004,000 (after-tax), or $0.04 per diluted and basic share, in the fourth quarter of 1998 (see Note C). Excluding these items, 1998 diluted income per common share was:

First Quarter	$ 0.15
Second Quarter	0.35
Third Quarter	0.42
Fourth Quarter	0.34
Total	$ 1.26

MANAGEMENT'S REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Viad Corp has the responsibility for preparing and assuring the integrity and objectivity of the accompanying financial statements and other financial information in this report. The financial statements were developed using generally accepted accounting principles and appropriate policies, consistently applied. They reflect, where applicable, management's best estimates and judgments and include disclosures and explanations which are relevant to an understanding of the financial affairs of Viad.

Viad's financial statements have been audited by Deloitte & Touche LLP. Management has made available to Deloitte & Touche LLP all of Viad's financial records and related data, and has made appropriate and complete written and oral representations and disclosures in connection with the audit.

Management has established and maintains a system of internal control that it believes provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets and the prevention and detection of fraudulent financial reporting. The system of internal control is believed to provide for appropriate division of responsibilities and is documented by written policies and procedures that are utilized by employees involved in the financial reporting process. Management also recognizes its responsibility for fostering a strong ethical climate. This responsibility is characterized and reflected in Viad's Code of Corporate Conduct, which is communicated to all Viad executives and managers as part of an overall Corporate Compliance Program.

Viad also maintains a comprehensive internal auditing function which independently monitors compliance and assesses the effectiveness of the internal controls and recommends potential improvements thereto. In addition, as part of their audit of Viad's financial statements, the independent auditors review and evaluate selected internal accounting and other controls to establish a basis for reliance thereon in determining the audit tests to be applied. There is close coordination of audit planning and coverage between Viad's internal auditing function and the independent auditors. Management has considered the recommendations of both internal auditing and the independent auditors concerning Viad's system of internal control and has taken actions believed to be cost-effective in the circumstances to implement appropriate recommendations and otherwise enhance controls. Management believes that Viad's system of internal control accomplishes the objectives discussed herein.

The Board of Directors oversees Viad's financial reporting through its Audit Committee. The Audit Committee regularly meets with management representatives and, jointly and separately, with the independent auditors and internal auditing management to review interest rate swap activity, accounting, auditing and financial reporting matters, the effectiveness of the Corporate Compliance Program, and during 1998, progress toward Year 2000 compliance.

/s/ Richard C. Stephan
Richard C. Stephan
Vice President -- Controller

/s/ R.G. Nelson
Ronald G. Nelson
Vice President -- Finance
and Treasurer

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of Viad Corp:

We have audited the accompanying consolidated balance sheets of Viad Corp as of December 31, 1998 and 1997, and the related consolidated statements of income, comprehensive income, common stock and other equity and of cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Viad Corp as of December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP
Phoenix, Arizona
February 19, 1999

Exhibit 21

VIAD CORP
(DELAWARE)

Active Subsidiaries and Affiliates* as of December 31, 1998

AIRLINE CATERING GROUP

Greyhound-Dobbs Incorporated (Delaware)
DOBBS INTERNATIONAL SERVICES, INC. (Delaware)
Dobbs Houses International, Inc. (Delaware)

CONVENTION & EVENT SERVICES GROUP

Dimension Works, Inc. (Illinois)
EXG, Inc. (Delaware)
Giltspur Exhibits of Canada, Inc. (Ontario) GES Exposition Services (Canada) Limited (Canada) Exposervice Standard Inc. (Canada)
Clarkson-Conway Inc. (Canada)
Stampede Display and Convention Services Ltd. (Alberta)
GES EXPOSITION SERVICES, INC. (Nevada)
Concourse Graphics, Inc. (Delaware)
ESR Exposition Service, Inc. (New Jersey) Expo Accessories, Inc. (New York)
Expo Display & Design, Inc. (New Jersey) Expo-Tech Electrical & Plumbing Services, Inc. (California) Shows Unlimited, Inc. (Nevada)
United Exposition Service Redevelopment Corporation (Missouri) David H. Gibson Company, Inc. (Texas)
Las Vegas Convention Service Co. (Nevada) Viad Holding GmbH (Germany)
Voblo Verwaltungs GmbH (Germany) (80%)

CORPORATE AND OTHER

GCMC Inc. (Arizona)
Viad Realty Corporation (Arizona)
Greyhound Realty of Texas Inc. (Texas) VREC, Inc. (Delaware)

TRAVEL & RECREATION SERVICES GROUP

Glacier Park, Inc. (Arizona) (80%)
Waterton Transport Company, Limited (Alberta) Greyhound Support Services, Inc. (Delaware) (I) Greyhound Maintenance, Inc. (Arizona)
ProDine, Inc. (Arizona)
RESTAURA, INC. (Michigan)
TRANSPORTATION LEASING CO. (California)~~
Greyhound Canada Holdings, Inc. (Alberta)~~ Brewster Tours Inc. (Canada)
BREWSTER TRANSPORT COMPANY LIMITED (Alberta)

Cascade Holdings (Banff) Inc. (Alberta)

PAYMENT SERVICES GROUP

TRAVELERS EXPRESS COMPANY, INC. (Minnesota)
CAG Inc. (Nevada)
FSMC, Inc. (Minnesota)
Game Financial Corporation (Minnesota) GameCash, Inc. (Minnesota)
Game Financial Corporation of Louisiana (Louisiana) Game Financial Corporation of Mississippi (Mississippi) Game Financial Corporation of Wisconsin (Wisconsin) MoneyGram Payment Systems, Inc. (Delaware) Consorcio Oriental LLC (Delaware)
Mid-America Money Order Company (Kentucky) MoneyGram Payment Systems (Canada), Inc. (Ontario) MoneyGram Finance Inc. (Delaware)
MoneyGram International Limited (United Kingdom) (51%) MoneyLine Express, Inc. (Wisconsin)
Travelers Express Co. (P.R.) Inc. (Puerto Rico) Viad Service Companies Limited (United Kingdom) Dobbs International (U.K.) Limited (United Kingdom)#

# Indicates an Airline Catering Subsidiary --Indicates a Corporate and Other Subsidiary

*Parent-subsidiary or affiliate relationships are shown by marginal indentation. State, province or country of incorporation and ownership percentage are shown in parentheses following name, except that no ownership percentage appears for subsidiaries owned 100% (in the aggregate) by Viad Corp.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

To The Board of Directors
Viad Corp
Phoenix, Arizona

We consent to the incorporation by reference in Registration Statement Nos. 33-54465, 333-06357, and 33-55360 on Form S-3 and Nos. 33-41870, 333-63397, 333-27327, 33-56531, and 333-35231 on Form S-8 of Viad Corp, of our report dated February 19, 1999, appearing in this Annual Report on Form 10-K of Viad Corp for the year ended December 31, 1998.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona

March 23, 1999

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each director whose signature appears below constitutes and appoints Robert H. Bohannon and Richard C. Stephan, and each of them severally, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Form 10-K Annual Report of Viad Corp for the fiscal year ended December 31, 1998, and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ Jess Hay	February 18, 1999
/s/ Judith K. Hofer	February 18, 1999
/s/ Jack F. Reichert	February 18, 1999
/s/ Linda Johnson Rice	February 18, 1999
/s/ Douglas L. Rock	February 18, 1999
/s/ John C. Tolleson	February 18, 1999
/s/ Timothy R. Wallace	February 18, 1999

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM VIAD CORP'S FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	DEC 31 1998
CASH	5,197
SECURITIES	0
RECEIVABLES	133,005
ALLOWANCES	4,066
INVENTORY	73,059
CURRENT ASSETS	843,391
PP&E	842,815
DEPRECIATION	375,238
TOTAL ASSETS	4,802,772
CURRENT LIABILITIES	3,396,448
BONDS	531,348
PREFERRED MANDATORY	6,625
PREFERRED	0
COMMON	149,610
OTHER SE	496,271
TOTAL LIABILITY AND EQUITY	4,802,772
SALES	0
TOTAL REVENUES	2,542,135
CGS	0
TOTAL COSTS	2,314,190
OTHER EXPENSES	21,913
LOSS PROVISION	0
INTEREST EXPENSE	40,818
INCOME PRETAX	217,688
INCOME TAX	67,048
INCOME CONTINUING	150,640
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	150,640
EPS PRIMARY	1.58
EPS DILUTED	1.52

End of Filing

Exhibit K

VIAD CORP

FORM 10-K405
(Annual Report (Regulation S-K, item 405))

Filed 3/17/2000 For Period Ending 12/31/1999

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

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 1999
Commission File Number 001-11015

VIAD CORP

(Exact name of registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**36-1169950** **(I.R.S. Employer Identification No.)**
Viad Tower, Phoenix, Arizona **(Address of principal executive offices)**	**85077** **(Zip Code)**

Registrant's telephone number, including area code: 602-207-4000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.50 par value	New York Stock Exchange
$4.75 Preferred Stock (stated value $100 per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 10, 2000, 94,063,572 shares of Common Stock ($1.50 par value) were outstanding and the aggregate market value of the Common Stock (based on its closing price per share on such date) held by nonaffiliates was approximately $2.0 billion.

Documents Incorporated by Reference

A portion of the Proxy Statement for the Annual Meeting of Stockholders of Viad Corp to be held May 9, 2000 is incorporated by reference into Part III of this Report.

INDEX

PART I

Item 1. *Business*

Viad Corp (“Viad” or the “Corporation”) is comprised of operating companies and a division which constitute a diversified services business. Most of Viad’s services are provided to businesses for use by their customers. Accordingly, the Corporation markets its services through approximately 76,000 retail and financial locations primarily in the U.S. (payment services), to numerous trade show organizers and exhibitors (convention and event services), and others. Occupying the number one or number two position in many of the markets in which they compete, each of the Corporation’s businesses seek to provide quality, convenient and cost-effective services with a discernible difference to the ultimate users and thereby be considered a value-added provider by Viad’s business customers.

Viad’s services are classified into two reportable business segments, namely (1) Payment Services, and (2) Convention and Event Services. The Corporation also provides Travel and Recreation Services. A description of each of the Viad reportable business segments, the travel and recreation businesses, and recent developments relating to each follows.

Viad Business Units

Viad is built around several operating groups which are leading competitors in their businesses, including companies engaged in payment services (Travelers Express Company, Inc., MoneyGram Payment Systems, Inc., and Game Financial Corporation), and convention and event services (GES Exposition Services, Inc. and Exhibitgroup/ Giltspur division). Viad business units also provide travel tour services (Brewster Transport Company Limited) and recreation services (ProDine division and Glacier Park, Inc.).

Payment Services

Viad’s payment services business is conducted by the Travelers Express group of companies. These companies engage in a variety of payment service activities, including issuance and processing of money orders, processing of official checks and share drafts, and money transfer and cash access services.

Travelers Express sells money orders to the public through more than 60,000 agent locations in the United States and Puerto Rico, and is one of the nation's leading issuers of money orders, issuing more than 300 million money orders in 1999. Travelers Express also provides processing services for approximately 5,000 banks, credit unions and other financial institutions which offer official checks (used by financial institutions in place of their own bank check or cashier's check) and share drafts (the credit union industry's version of a personal check). In addition, MoneyGram Payment Systems, Inc. ("MoneyGram"), a subsidiary of Travelers Express acquired in June 1998, provides money transfer services through approximately 28,000 agent locations in more than 120 countries worldwide. Another subsidiary, Game Financial Corporation ("Game Financial"), provides cash access services to the gaming industry, including credit card advances, check cashing and ATM services to approximately 75 casinos. The company also provides in-person electronic bill payment services for utility companies and others (whose consumers pay their utility and other bills at conveniently located retail stores), and high volume processing of refund and rebate checks, food vouchers, gift certificates and other financial instruments.

Convention and Event Services

Convention and event services are provided by the Corporation's GES Exposition Services and Exhibitgroup/ Giltspur companies.

GES Exposition Services ("GES"), North America's leading supplier of convention services to trade associations, show management companies and exhibitors, provides tradeshow design and planning, decorating, exhibit design, installation and dismantling, display rental, custom graphics, furnishings, audio visual, electrical, freight handling, logistics, transportation and management services for conventions, tradeshows, and corporate and special events. GES provides convention services through a network of offices in North

---

America's most active and popular tradeshow service markets, including full service operations in 21 U.S. and four Canadian cities. In January 1999, GES acquired Tradeshow Convention Services, Inc., a tradeshow and corporate/special events company headquartered in Seattle, Washington. GES also acquired ESR Exposition Services, Inc., a tradeshow contractor headquartered in Teterboro, New Jersey, in May 1998, the trade show business of Puliz of Utah, Inc. and Puliz Moving and Storage, Inc., in June 1998, and the electrical contractor business of Ainsworth Electric Company Limited in July 1998. The Puliz businesses are headquartered in Reno, Nevada, and Ainsworth Electric is headquartered in Toronto, Ontario, Canada.

Exhibitgroup/ Giltspur ("EXG") operates the largest exhibit and display business in the world. EXG is a designer, builder, installer and warehouser of convention, tradeshow, museum and other exhibits and displays with locations in 23 U.S. cities, one Canadian city, one city in England, and two German cities, and an international network of strategic partners in 21 countries. The company also offers exhibition marketing, planning and strategy services, including advertising, multimedia, video and event design. In February 2000, EXG acquired Gardner Displays Company, a full service exhibit and display business headquartered in Pittsburgh, Pennsylvania. In March 1999, EXG acquired the business of SDD Exhibitions Limited, a leading European design and project management company headquartered in Sheffield, England. The acquisition of SDD Exhibitions complements the acquisition of an 80% interest in Voblo Innenausbau, an exhibit company headquartered outside of Dusseldorf, Germany, completed in September 1998, and permits the company to effectively compete in the European trade show market. In September 1999, EXG also acquired Ontario Design, Inc., a full service exhibit marketing, design and fabrication company headquartered in Rochester, New York. The company added retail kiosks to its product mix in April 1998, by acquiring T.L. Horton Design, a business headquartered in Dallas, Texas, and acquired Dimension Works, Inc. and the business of Impact Group, Inc., each located in Chicago, Illinois, in November 1998. EXG is operated as a division of Viad.

Travel and Recreation Services

Travel and recreation services are provided by the Brewster Transport and ProDine business units.

Brewster Transport Company Limited, an Alberta, Canada corporation, operates tour and charter buses in the Canadian Rockies, and conducts travel agency, hotel and snocoach tour operations. Brewster Transport owns and operates 94 intercity coaches and four transit buses, as well as 19 snocoaches which transport sightseers on tours of the glaciers of the Columbia Icefield. In September 1999, Brewster Transport acquired 71% of Banff Lifts Ltd., the owner and operator of the Sulphur Mountain Gondola lift located in Banff, Alberta, Canada, one of the two largest tourist attractions in the Canadian Rockies. The remaining minority interest was acquired in February 2000.

The Corporation's ProDine recreation division acts as the prime concessionaire for all food and beverage services at the America West Arena and Bank One Ballpark in Phoenix, Arizona. America West Arena is the home of the Phoenix Suns basketball and Phoenix Coyotes hockey teams, and Bank One Ballpark is the home of the Arizona Diamondbacks major league baseball franchise. The division, through a subsidiary, also operates seven historic lodges in and around Glacier National Park in Montana and Canada.

Competition

The Corporation's businesses generally compete on the basis of price, value, quality, discernible difference, convenience and service, and encounter substantial competition from a large number of providers of similar services, including numerous well-known local, regional and national companies, private payment service companies and the U.S. Postal Service (money orders), many of which have greater resources than the Corporation. Travelers Express also competes on the basis of number and location of sales outlets, business automation, technology and accounting controls for security and reporting. The U.S. Postal Service, First Data Corporation and its subsidiary Western Union Financial Services, Inc., and American Express are the principal competitors of Travelers Express. On a national basis, Freeman Decorating Company is the principal competitor of GES Exposition, and George P. Johnson, Co. Inc. is the principal competitor of Exhibitgroup/ Giltspur.

Patents and Trademarks

United States patents are currently granted for a term of 20 years from the date a patent application is filed. The Viad companies own a number of patents which give them competitive advantages in the marketplace, including a number of patents owned by Exhibitgroup/ Giltspur covering exhibit systems and by Travelers Express for automated money order dispensing systems. The Travelers Express patents cover security, automated reporting and control, and other features which are important in the issuance of money orders.

United States trademark registrations are for a term of 10 years, renewable every 10 years as long as the trademarks are used in the regular course of trade. The Viad companies maintain a portfolio of trademarks representing substantial goodwill in the businesses using the marks.

Many trademarks used by Viad and its subsidiaries, including the TRAVELERS EXPRESS, MONEYGRAM, EXHIBITGROUP/ GILTSPUR, and GES service marks, have substantial importance and value. Certain rights in processing equipment and software held by Travelers Express and its subsidiaries also provide competitive advantage.

Government Regulation

Compliance with legal requirements and government regulations are a day-to-day integral part of the Corporation’s operations and represent a normal cost of doing business. Financial transaction reporting and state banking department regulations affect Travelers Express and MoneyGram, and state gaming department regulations affect Game Financial. Environmental, labor and employment and other regulations affect virtually all operations. As is the case with many companies, the Corporation faces exposure to actual or potential claims and lawsuits involving environmental matters. Although the Corporation is a party to certain environmental disputes, the Corporation believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recoveries, will not have a material effect on the Corporation’s financial statements.

Employees

Viad operating units had approximately 7,400 employees at December 31, 1999 as follows:

Segment	Approximate Number of Employees	Regular Full Time Employees Covered by Collective Bargaining Agreements
Payment Services	1,900	0
Convention and Event Services	4,800	2,000
Travel and Recreation Services	700	50

Viad believes that relations with its employees are satisfactory and that collective bargaining agreements expiring in 2000 will be renegotiated in the ordinary course of business without adverse effect on Viad’s operations.

Viad had 105 employees at its corporate center at December 31, 1999, providing management, financial and accounting, tax, administrative, legal and other services to its operating units and handling residual matters pertaining to businesses previously discontinued or sold by the Corporation. Viad is managed by a Board of Directors comprised of seven nonemployee directors and one employee director and has an executive management team consisting of seven Viad officers (including the one employee director) and four principal executives of significant operating divisions or companies.

Seasonality

The first quarter is normally the slowest quarter of the year for Viad. Due to increased leisure travel during the summer and year-end holidays, Viad’s travel and recreation operations generally experience peak activity at these times. Convention and event service companies experience moderately increased activity during the first half of the year. However, activity may vary depending on the frequency and timing of shows (some shows are not held each year and some shows may shift between quarters). As a result of these factors, Viad's 1999 quarterly diluted earnings per share (before nonrecurring income), as a percentage of the full year's earnings, were approximately 12% (first quarter), 26% (second quarter), 33% (third quarter), and 29% (fourth quarter). See Notes R and S of Notes to Consolidated Financial Statements.

Other Matters

The Corporation disposed of the contract food operations of Restaura, Inc. on January 27, 1999, and disposed of Restaura's public service division units in March 1999.

Discontinued Operations

The Corporation completed the sale of its airline catering business, conducted by Dobbs International Services, Inc. in the United States and by Dobbs International (U.K.) Limited in the United Kingdom (collectively "Dobbs"), on July 1, 1999. Effective April 1, 1998, the Corporation sold its Aircraft Services International Group, which conducted aircraft fueling and ground handling operations. The sale of Dobbs completed the disposition of the Corporation's airline catering and services segment.

Shelf Registration

The Corporation has a shelf registration on file with the Securities and Exchange Commission covering $500 million of debt and equity securities. To date, no securities have been offered under the registration.

Financial Information about Segments

Business segment financial information is provided in Note R of Notes to Consolidated Financial Statements of the Corporation.

Financial Information about Geographic Areas

Geographic area financial information is provided in Note R of Notes to Consolidated Financial Statements of the Corporation.

Item 2. ***Properties***

Viad and its subsidiaries operate service or production facilities and maintain sales and service offices in the United States, Canada, the United Kingdom and Germany. The Corporation also conducts business in certain other foreign countries.

Viad's headquarters are located at Viad Tower in Phoenix, Arizona. Viad leases seven floors (consisting of approximately 159,000 square feet) some of which is subleased.

Payment Services operates five offices (including Travelers Express corporate headquarters located in Minneapolis, Minnesota), three payment services processing centers, two of which are located in Minnesota and one in Colorado, and one warehouse in Colorado. All of the facilities are leased.

Convention and Event Services operates 16 offices and 76 multi-use facilities (exhibit construction, office and/or warehouse). The principal facilities, used in the design and production of exhibits and in connection with providing trade show and exposition services, range in size from approximately 100,000 square feet to 475,000 square feet. All of the properties are in the United States, except for two offices and nine multi-use facilities that are located in Canada, three multi-use facilities that are located in Germany, and one multi-use facility that is located in England. Four of the multi-use facilities are owned; all other properties are leased. GES and Exhibitgroup/ Giltspur corporate headquarters are located in Las Vegas, Nevada, and Roselle, Illinois, respectively.

Travel and Recreation Services operates two offices, two retail stores, three bus terminals, four garages, an icefield tour facility, a gondola lift operation, and nine hotels/ lodges (with approximately 900 rooms, and ancillary foodservice and recreational facilities). All of the properties are in the United States, except for one retail store, the bus terminals, garages, icefield tour facility, gondola lift operation, and three hotels/ lodges that are located in Canada. Travel and Recreation Services owns four hotels/ lodges and five other hotels/ lodges are operated pursuant to a concessionaire agreement. One bus terminal and three garages are owned; the icefield tour facility and gondola lift operation are jointly owned and operated with Parks Canada; all other properties are leased.

Management believes that Viad's facilities in the aggregate are adequate and suitable for their purposes and that capacity is sufficient for current needs.

Item 3. ***Legal Proceedings***

The Corporation and certain subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against the Corporation. Although the amount of liability at December 31, 1999, with respect to these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, will not have a material effect on the Corporation's financial statements. Potential liability for previously reported railroad-asbestos related claims has been resolved favorably for the Corporation.

Item 4. ***Submission of Matters to a Vote of Securityholders***

No matters were submitted to a vote of securityholders during the fourth quarter of 1999.

Optional Item. ***Executive Officers of Registrant***

Executive Officers of Viad Corp

The names, ages and positions of the executive officers of the Corporation as of March 10, 2000, are listed below:

Name	Age	Business Experience During the Past Five Years and Other Information
Robert H. Bohannon	55	Chairman of the Board, President and Chief Executive Officer since January 1997; President and Chief Operating Officer since August 1996; prior thereto, President and Chief Executive Officer of Travelers Express Company, Inc., a subsidiary of Viad, since 1993.
Kimbra A. Fracalossi	40	Vice President-Strategic Planning and Investor Relations since May 1999; prior thereto, Executive Director of Corporate Development since January 1998; previously, partner at Harrell/ Wright Management Consultants since 1994.
Ronald G. Nelson	58	Vice President-Finance and Treasurer since 1994.
Peter J. Novak	60	Vice President and General Counsel since February 1996; prior thereto, Deputy General Counsel and Group General Counsel since 1993.
Scott E. Sayre	53	Secretary and Associate General Counsel since January 1997; prior thereto, Assistant General Counsel since 1992 and Assistant Secretary since 1996.

Name	Age	Business Experience During the Past Five Years and Other Information
Catherine L. Stevenson	43	Vice President-Controller since April 1999; prior thereto, Assistant Controller since October 1997; prior thereto, Director-Financial Reporting since 1994.
Wayne A. Wight	57	Vice President-Corporate Development since February 1998; prior thereto, Executive Director-Corporate Development since 1992.

Executive Officers of Viad Corp's Subsidiaries or Divisions Not Listed Above

Name	Age	Business Experience During the Past Five Years and Other Information
Charles J. Corsentino	53	President and Chief Executive Officer of Exhibitgroup/ Giltspur, a division of Viad, since 1991.
Paul B. Dykstra	38	President and Chief Executive Officer of GES Exposition Services, Inc., a subsidiary of Viad, since January 2000; prior thereto, Executive Vice President-International and Corporate Development since 1999; and prior thereto, Vice President-General Manager or

		similar executive positions with Travelers Express Company, Inc., a subsidiary of Viad, since 1994.
Philip W. Milne	41	President and Chief Executive Officer of Travelers Express Company, Inc., a subsidiary of Viad, since August 1996; prior thereto, Vice President-General Manager-Retail Payment Products of Travelers Express Company, Inc. since 1993.
Paul B. Mullen	45	Chairman of the Board of GES Exposition Services, Inc., a subsidiary of Viad, since January 2000; President and Chief Executive Officer since May 1996; previously was President and Chief Executive Officer of Giltspur, Inc. since 1995.

The term of office of the executive officers is until the next annual organization meetings of the Boards of Directors of Viad or appropriate subsidiaries, all of which are scheduled for May or June of this year.

The Directors of Viad are divided into three classes, with the terms of one class of Directors to expire at each Annual Meeting of Stockholders. The current term of office of Robert H. Bohannon is scheduled to expire at the 2000 Annual Meeting of Stockholders.

PART II

Item 5. ***Market for Registrant's Common Equity and Related Stockholder Matters***

The principal market on which the common stock of Viad is traded is the New York Stock Exchange. The common stock is also admitted for trading on the Midwest, Pacific, Philadelphia and Cincinnati Exchanges. The following tables summarize the high and low market prices as reported on the New York Stock Exchange Composite Tape and the cash dividends declared for the two years ended December 31, 1999:

SALES PRICE RANGE OF COMMON STOCK

	1999		1998	
	High	**Low**	**High**	**Low**
First Quarter	$30.4375	$25.2500	$25.0625	$18.5625
Second Quarter	33.5000	27.3750	27.7500	23.4375
Third Quarter	33.8750	27.2500	29.7500	20.6250
Fourth Quarter	29.8750	24.0000	30.5625	21.5625

DIVIDENDS DECLARED ON COMMON STOCK

	1999	1998
February	$.08	$.08
May	.09	.08
August	.09	.08
November	.09	.08
Total	$.35	$.32

Regular quarterly dividends have been paid on the first business day of January, April, July and October.

As of March 10, 2000, there were 30,666 stockholders of record of Viad's common stock.

Item 6. ***Selected Financial Data***

VIAD CORP

SELECTED FINANCIAL AND OTHER DATA

	Year Ended December 31,				
	1999	**1998**	**1997**	**1996**	**1995**
	(000 omitted, except per share data)				
Operations					
Revenues:					
Ongoing operations(1)	$1,570,241	$1,337,221	$1,118,177	$1,028,057	$ 826,204
Sold businesses	10,928	275,538	368,174	369,868	344,152
Revenues from continuing operations	$1,581,169	$1,612,759	$1,486,351	$1,397,925	$1,170,356
Income from continuing operations(2)	$ 128,559	$ 97,344	$ 56,519	$ 30,142	$ 36,059
Income (loss) from discontinued operations(3)	218,954	53,296	41,275	(1,765)	(38,743)
Extraordinary item			(8,458)		
Cumulative effect of change in accounting principle					(13,875)
Net income (loss)	$ 347,513	$ 150,640	$ 89,336	$ 28,377	$ (16,559)
Diluted income per common share					
Continuing operations(2)	$ 1.32	$ 0.98	$ 0.59	$ 0.32	$ 0.40
Discontinued operations(3)	2.27	0.54	0.44	(0.02)	(0.44)
Extraordinary item			(0.09)		
Cumulative effect of change in accounting principle					(0.16)
Diluted net income (loss) per common share	$ 3.59	$ 1.52	$ 0.94	$ 0.30	$ (0.20)
Average outstanding and potentially dilutive common shares	96,396	98,367	93,786	91,339	88,479
Basic income per common share					
Continuing operations	$ 1.37	$ 1.02	$ 0.61	$ 0.33	$ 0.40
Discontinued operations(3)	2.35	0.56	0.45	(0.02)	(0.44)
Extraordinary item			(0.09)		
Cumulative effect of change in accounting principle					(0.16)
Basic net income (loss) per common share	$ 3.72	$ 1.58	$ 0.97	$ 0.31	$ (0.20)
Average outstanding common shares	93,007	94,382	90,804	88,814	86,543
Dividends declared per common share	$ 0.35	$ 0.32	$ 0.32	$ 0.48	$ 0.62
Financial position at year-end					
Total assets	$5,210,871	$4,665,746	$3,609,208	$3,344,844	$3,615,596
Total debt	389,272	534,453	410,049	520,954	888,967
$4.75 Redeemable preferred stock	6,640	6,625	6,612	6,604	6,597
Common stock and other equity	708,645	645,881	529,161	432,218	548,169

Year Ended December 31,

	1999	1998	1997	1996	1995
	(000 omitted, except per share data)				
Other data					
EBITDA (000 omitted)(4)	$295,820	$229,187	$179,455	$150,543	$130,017
Debt-to-capital ratio(5)	35%	45%	43%	54%	61%

(1) Viad Payment Services subsidiaries invest substantial amounts in tax-exempt securities. On a fully taxable equivalent basis using a combined income tax rate of 39%, revenues would be higher by $52,034,000, $39,309,000, $28,724,000, $21,489,000, and $16,000,000 for 1999, 1998, 1997, 1996, and 1995, respectively.

(2) Includes nonrecurring income (expense) of $6,131,000, or $0.06 per diluted share in 1999, $12,737,000, or $0.13 per diluted share in 1998, and $(9,960,000), or $(0.11) per diluted share in 1996. See Note C of Notes to Consolidated Financial Statements. Excluding these items, diluted income per share from continuing operations was $1.26 in 1999, $0.85 in 1998 and $0.43 in 1996.

(3) See Note D of Notes to Consolidated Financial Statements.

(4) EBITDA is defined by Viad as income from continuing operations before interest expense, income taxes, depreciation and amortization and nonrecurring items and includes the fully taxable equivalent adjustment. EBITDA data are presented as a measure of the ability to service debt, fund capital expenditures and finance growth. Such data should not be considered an alternative to net income, operating income, cash flows from operations or other operating or liquidity performance measures prescribed by generally accepted accounting principles. Cash expenditures for various long-term assets, interest expense and income taxes have been, and will be, incurred which are not reflected in the EBITDA presentations.

(5) Debt-to-capital is defined as total debt divided by capital. Capital is defined by Viad as total debt plus minority interests, preferred stock and common stock and other equity.

Item 7. *Management's Discussion and Analysis of Results of Operations and Financial Condition*

Results of Operations:

On July 1, 1999, Viad Corp ("Viad") completed the sale of its airline catering business, conducted by Dobbs International Services, Inc. in the United States and by Dobbs International (U.K.) Limited in the United Kingdom (referred to collectively as "Dobbs"). Effective April 1, 1998, Viad sold its Aircraft Services International Group ("ASIG"), which conducted aircraft fueling and ground-handling operations. The sale of Dobbs completed the disposition of Viad's airline catering and services segment. The financial statements have been prepared to reflect Viad's historical financial position and results of operations as adjusted for the reclassification of the airline catering and services businesses up to the respective disposition dates of Dobbs and ASIG, as well as the gains on sales of Dobbs and ASIG, as discontinued operations. See Note D of Notes to Consolidated Financial Statements.

Viad has also disposed of several additional noncore businesses (not classified as discontinued operations) in order to concentrate on its core businesses. On January 27, 1999, Viad completed the sale of the contract foodservice operations of Restaura, Inc. The public service division units of Restaura, Inc. were sold in March 1999. In September 1998, Viad sold its duty-free and shipboard concession business, Greyhound Leisure Services, Inc. ("GLSI"). In October 1997, Viad completed the sale of two small United Kingdom travel tour companies. The gains on sale, after providing for costs of sale and related expense provisions, have been reported as nonrecurring income as described in Note C of Notes to Consolidated Financial Statements. The revenues and results of these sold businesses are included in Viad's "Sold businesses" category up to the respective dates of sale.

Viad now focuses on two principal service businesses: Payment Services and Convention and Event Services.

Effective June 1, 1998, Viad acquired MoneyGram Payment Systems, Inc. ("MoneyGram"), a provider of consumer money wire transfer services. MoneyGram's operations from the date of acquisition are included in Viad's Payment Services reportable segment.

The following discussion and analysis should be read in conjunction with the accompanying Consolidated Financial Statements, which include the accounts of Viad and all of its subsidiaries. All per share figures discussed are stated on the diluted basis.

1999 vs. 1998:

Revenues were $1.6 billion in both 1999 and 1998. Viad Payment Services subsidiaries continue to invest substantial amounts of funds from the sale of money orders and other payment instruments in tax-exempt securities, which have lower pre-tax yields but produce higher income on an after-tax basis than comparable taxable investments. On a fully taxable equivalent basis, and excluding the effects of the sold businesses not classified as discontinued operations noted above, revenues of ongoing operations were $1.6 billion, up 18 percent from $1.4 billion in 1998.

Including the nonrecurring income described in Note C of Notes to Consolidated Financial Statements, income from continuing operations for 1999 was $128.6 million, or $1.32 per share, compared with income from continuing operations of $97.3 million, or $0.98 per share in 1998. Income from continuing operations before nonrecurring income was $122.4 million, or $1.26 per share, compared with comparable income of $84.6 million, or $0.85 per share, in 1998.

	1999	1998
	(000 omitted, except per share data)	
Income from continuing operations before nonrecurring income	$122,428	$84,607
Nonrecurring income, net of tax	6,131	12,737
Income from continuing operations	$128,559	$97,344
Diluted income per common share from continuing operations before nonrecurring income	$ 1.26	$ 0.85
Nonrecurring income, net of tax	0.06	0.13
Income per common share from continuing operations	$ 1.32	$ 0.98

Net income for 1999 was $347.5 million, or $3.59 per share, including income from discontinued operations of $219.0 million, or $2.27 per share. Income from discontinued operations in 1999 included the gain on the sale of Dobbs of $213.4 million, or $2.21 per share. Net income for 1998 was $150.6 million, or $1.52 per share, including income from discontinued operations of $53.3 million, or $0.54 per share. Income from discontinued operations in 1998 included the gain on sale of ASIG of $13.2 million, or $0.13 per share.

There were two million fewer average outstanding and potentially dilutive common shares in 1999 than in 1998, due primarily to the stock repurchase programs described in “Liquidity and Capital Resources.” In addition, a lower Viad stock price during 1999 contributed to fewer additional dilutive shares related to unexercised stock options.

Payment Services. Revenues of the Payment Services segment on the fully taxable equivalent basis were $581.5 million in 1999, a 35 percent increase over 1998 segment revenues of $431.2 million. On the same basis, operating margins increased to 22.1 percent in 1999 from 20.2 percent in 1998. Excluding the effects of the nonrecurring patent litigation items discussed in Note C of Notes to Consolidated Financial Statements, net income increased $24.6 million, or 48 percent, in 1999. These results were driven by continuing strong growth in traditional Travelers Express money order and official check operations and by the inclusion of MoneyGram (acquired as of June 1, 1998) for the full year of 1999. Excluding the results of MoneyGram from both periods, revenues on the fully taxable equivalent basis increased 21 percent. Average investable balances were $3.1 billion, up 34 percent from 1998 levels, resulting in higher investment income. In addition, expenses for Year 2000 compliance projects were lower in 1999 than in 1998.

Convention and Event Services. Revenues of the Convention and Event Services segment were $932.8 million in 1999, an increase of 10 percent from 1998 revenues of $849.2 million. Net income for the segment also increased 10 percent to $47.2 million in 1999 from $42.9 million in 1998. Operating margins improved slightly to 10.7 percent in 1999 from 10.3 percent in 1998. Both GES Exposition Services (“GES”) and Exhibitgroup/ Giltspur posted solid results for the year. GES’ 1999 fourth quarter and full year results were impacted by cancellation or cutbacks of certain millennium events and by increased investment in new products and exhibitor services programs and spending on productivity and quality initiatives, designed to position growth and improvement in the future.

Travel and Recreation Services. The ongoing travel and recreation businesses include the Canadian travel tour service subsidiary, which operates tours and charters in the Canadian Rockies and conducts hotel operations and snocoach tours of the Columbia Icefield; and the Recreation Division of Viad, which operates concessions at America West Arena and Bank One Ballpark in Phoenix, Arizona, and also operates the historic lodges at Glacier National Park. Revenues of the travel and recreation businesses increased $10.7 million, or 10 percent, to $113.7 million in 1999. The revenue increase resulted primarily from increased package and snocoach tour business, as well as more events held at America West Arena in 1999 than in 1998. Net income for the travel and recreation businesses was $11.0 million, an increase of $1.4 million, or 15 percent, over that of 1998, primarily from the increases in revenue mentioned above.

Corporate Activities, Net. These expenses decreased $4.8 million from 1998 to 1999, primarily due to ongoing cost reduction efforts. Corporate expenses allocated to the operating companies were essentially even with the 1998 allocations.

Other Investment Income. Other investment income of $14.5 million in 1999 was generated from the investment of a portion of the cash proceeds from the July 1, 1999 sale of Dobbs.

Interest Expense. Interest expense decreased from $27.2 million in 1998 to $26.9 million in 1999. The decrease in interest expense was due primarily to the repayment of short-term borrowings with a portion of the cash proceeds from the sale of Dobbs and the repayment of debt and termination of related interest rate swap agreements with proceeds from sales of other noncore assets and businesses in 1998 and 1999. These items more than offset the increased interest expense from new borrowings for the June 1998 acquisition of MoneyGram and Viad's stock repurchase programs.

Income Taxes. Excluding the effect of nonrecurring income, the 1999 effective tax rate was 20.5 percent, up from 19.4 percent in 1998. The relatively low effective tax rate is primarily attributable to tax-exempt investment income from Viad's Payment Services businesses. The tax rate is expected to increase gradually as tax-exempt investment income becomes a lower proportion of pre-tax income from continuing operations.

1998 vs. 1997:

Revenues for 1998 were $1.6 billion compared with $1.5 billion in 1997. On a fully taxable equivalent basis, and excluding businesses sold but not classified as discontinued operations, revenues of ongoing operations were $1.4 billion, up 20 percent from $1.1 billion in 1997.

Including the nonrecurring income described in Note C of Notes to Consolidated Financial Statements, income from continuing operations for 1998 was $97.3 million, or $0.98 per share. Income from continuing operations before nonrecurring income in 1998 was $84.6 million, or $0.85 per share, compared to income from continuing operations of $56.5 million, or $0.59 per share, in 1997.

Net income for 1998 was $150.6 million, or $1.52 per share. The 1998 net income includes income from discontinued operations of $53.3 million, or $0.54 per share. Net income for 1997 was $89.3 million, or $0.94 per share, including income from discontinued operations of $41.3 million, or $0.44 per share, and after deducting an extraordinary charge of $8.5 million, or $0.09 per share, for the early retirement of debt.

There were 4.6 million more average outstanding and potentially dilutive common shares in 1998 than in 1997, due primarily to the acquisition of Game Financial Corporation ("Game") in December 1997 (for approximately 2.6 million shares of Viad stock), stock option exercises and the effects of a higher Viad stock price on the calculation of additional common shares arising from unexercised stock options. A stock repurchase program was initiated in July 1998 to replace common shares issued upon exercise of stock options and in connection with other stock compensation plans.

Payment Services. Revenues of the Payment Services segment on the fully taxable equivalent basis were $431.2 million in 1998 compared to $234.9 million in 1997, an 84 percent increase over 1997 segment revenues. On the same basis, operating margins were 20.2 percent in 1998, down from 27.8 percent in 1997, due to the inclusion of MoneyGram (acquired as of June 1, 1998) and Game (acquired in December 1997) which have lower margins than the traditional Travelers Express businesses. Excluding the results of MoneyGram and Game from both periods, revenues on the fully taxable equivalent basis increased 26 percent. Excluding the effects of the 1998 nonrecurring patent litigation charge discussed in Note C of Notes to Consolidated Financial Statements, net income increased $10.2 million, or 25 percent, in 1998. These results were accomplished despite increased costs of Year 2000 compliance projects and were driven by continuing strong growth in traditional Travelers Express money order and official check operations, supplemented by Game and MoneyGram results.

Convention and Event Services. Revenues of the Convention and Event Services segment were $849.2 million in 1998, an increase of 3 percent from 1997 revenues of $827.5 million. GES concentrated on eliminating low-margin business during 1998, resulting in a disproportionately low revenue increase. Operating

margins increased to 10.3 percent in 1998 versus 8.8 percent in 1997. Net income for the segment increased 22 percent to $42.9 million in 1998 from $35.3 million in 1997. Both GES and Exhibitgroup/ Giltspur had solid gains in net income due to improved cost controls and higher margin business in 1998.

Travel and Recreation Services. Revenues of the travel and recreation businesses increased $11.7 million, or 13 percent, to $103.0

million in 1998. The revenue increase resulted primarily from the first year's operation of concessions at Bank One Ballpark, partially offset by a decline in Japanese and other Asian tourism into Canada. Net income for the travel and recreation businesses was $9.5 million, an increase of $1.7 million, or 21 percent, over that of 1997, primarily from the addition of the Bank One Ballpark operation as well as improved cost controls.

Corporate Activities, Net. These expenses decreased $7.2 million from 1997 to 1998. In addition to ongoing cost reduction efforts, Viad charged its operating companies an increased allocation of corporate expenses in 1998.

Interest Expense. Interest expense decreased from $34.3 million in 1997 to $27.2 million in 1998. Interest expense from new borrowings for the June 1998 acquisition of MoneyGram was more than offset by the effects of repayment of debt and termination of related interest rate swap agreements with proceeds from the sales of noncore assets and businesses in 1997 and 1998.

Income Taxes. Excluding the effect of nonrecurring income, the 1998 effective tax rate was 19.4 percent, up from 16.5 percent in 1997. The relatively low effective tax rate is primarily attributable to tax-exempt investment income. The tax rate is expected to increase gradually as tax-exempt investment income becomes a lower proportion of pre-tax income from continuing operations.

Liquidity and Capital Resources:

On July 1, 1999, Viad received approximately $780 million in cash proceeds from the sale of Dobbs. A portion of the proceeds was used to repay short-term borrowings, repurchase treasury shares and to repay a portion of the commercial paper issued to a Payment Services subsidiary. In December 1999, Viad contributed approximately $50 million of the Dobbs' sale proceeds to the capital of a Payment Services subsidiary. The repayment of commercial paper and the capital contribution have been invested by the Payment Services subsidiary in debt securities that are included in the Consolidated Balance Sheets under the caption "Investments restricted for payment service obligations." After paying estimated taxes on the gain on sale of Dobbs, the balance of the Dobbs' sale proceeds is being invested in debt securities, pending Viad's use to fund strategic acquisitions in Viad's core businesses, purchase treasury shares, reduce debt, or for other general corporate purposes. The debt securities, totaling $268.9 million at December 31, 1999, are classified in the Consolidated Balance Sheets as "Short-term investments" and "Investments in securities."

Proceeds from the previously discussed sales of other noncore assets and businesses in 1998 and 1999 were used to repay short-term borrowings and, in 1998, to terminate certain related interest rate swap agreements, resulting in lower ongoing interest expense.

In mid-1998, Viad completed its cash tender offer for MoneyGram at $17.35 per share, for a total acquisition cost of approximately $286.5 million. The acquisition was financed with cash and short-term borrowings supported by Viad's long-term revolving bank credit agreement.

Viad's total debt at December 31, 1999, was $389.3 million compared with $534.5 million at December 31, 1998. The debt-to-capital ratio at December 31, 1999, was 0.35 to 1, compared to 0.45 to 1 at December 31, 1998. Capital is defined by Viad as total debt plus minority interests, preferred stock and common stock and other equity. The decrease in the debt-to-capital ratio was due primarily to the repayment of debt with a portion of the proceeds from the sale of Dobbs and the increase in equity resulting from the gain on the sale of Dobbs, partially offset by the reduction in equity due to the repurchase of treasury shares and the unrealized holding losses arising during 1999 on securities classified as available for sale.

Under a Shelf Registration filed in 1994 with the Securities and Exchange Commission, Viad can issue up to an aggregate $500 million of debt and equity securities. No securities have been issued under the program.

In July 1998, Viad announced a stock repurchase program for the purpose of replacing common shares issued upon exercise of stock options and in connection with other stock compensation plans, with the intended effect of reducing dilution caused by the issuance of such shares. After the sale of Dobbs in July 1999, Viad announced a $150 million stock repurchase plan, and in November 1999, Viad announced its intent to repurchase an additional $30 million to $50 million of its common stock. Under these plans, 6,720,600 and 909,000 shares were repurchased in 1999 and 1998 for $204.1 million and $23.0 million, respectively. Net proceeds from the exercise of stock options, including tax benefits on stock option exercises, totaled $29.4 million and $17.2 million in 1999 and 1998, respectively.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings, Viad strives to maintain current assets at the lowest practicable levels while at the same time taking advantage of the payment terms offered by trade creditors and obtaining advance deposits from customers for certain projects and services. In spite of these efforts, working capital requirements may fluctuate significantly from seasonal factors as well as changes in levels of receivables and inventories caused by numerous business factors.

Viad satisfies a portion of its working capital and other financing requirements with short-term borrowings (through commercial paper, bank note programs and bank lines of credit) and the sale of trade accounts receivable. Short-term borrowings are supported by a $300 million long-term revolving bank credit agreement. No borrowings were outstanding under the bank credit agreement at December 31, 1999 or 1998.

Viad has an agreement to sell up to $60 million of trade accounts receivable under which the purchaser has agreed to invest collected amounts in new purchases on a revolving basis. The receivables sold totaled $60 million and $27.4 million at December 31, 1999 and 1998, respectively. The agreement expires in August 2000 but is expected to be extended annually.

Capital spending has been reduced by obtaining, where appropriate, equipment and other property under operating leases. Cash flows from operations, trade accounts receivable sales and proceeds from the sales of noncore businesses and assets during the past three years have generally been sufficient to fund capital expenditures, acquire businesses and pay cash dividends to stockholders. Viad expects operating cash flows, sales of trade accounts receivable, use of investment proceeds from the sale of Dobbs and short-term borrowings to be sufficient to finance its ongoing businesses and to fund acquisitions. Should financing requirements exceed such sources of funds, Viad believes it has adequate external financing sources available, including Viad's $300 million long-term revolving bank credit and its $500 million Shelf Registration, to cover any shortfall.

EBITDA is a measure of Viad's ability to service debt, fund capital expenditures and finance growth, and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with generally accepted accounting principles. EBITDA, defined as income from continuing operations before interest expense, income taxes, depreciation and amortization and nonrecurring items and including the fully taxable equivalent adjustment, increased 29 percent to $296 million in 1999, while EBITDA in 1998 increased 28 percent to $229 million.

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

year, are included under the caption, "Funds, agents' receivables and current maturities of investments restricted for payment service obligations." Before consolidating eliminations, this caption also included investment-grade commercial paper issued by Viad and supported along with the rest of Viad's outstanding commercial paper by a credit commitment under a long-term revolving bank credit agreement. As noted above, a portion of the commercial paper held by the Payment Services subsidiary was repaid by Viad in 1999. In addition, certain other assets of Payment Services subsidiaries are available for the payment service obligations. Fluctuations in the balances of Payment Service assets and obligations result from varying levels of sales of money orders and other payment instruments, the timing of the collections of agents' receivables and the timing of the presentment of such instruments.

A Viad Payment Services subsidiary has an agreement to sell, on a periodic basis, undivided percentage ownership interests in certain receivables from bill payment and money order agents in an amount not to exceed $400 million. The agreement expires in June 2003. The receivables are sold in order to accelerate payment services' cash flow for investments in admissible securities. In addition, a Viad Payment Services subsidiary has various lines of credit and overdraft facilities totaling $250 million available to assist in the management of its investments and the clearing of payment service obligations. No borrowings were outstanding under these facilities at December 31, 1999 or 1998.

Viad sold treasury stock in 1992 to Viad's Employee Equity Trust (the "Trust") to fund certain existing employee compensation and benefit plans over the scheduled 15-year term of the Trust. For financial reporting purposes, the Trust is consolidated with Viad. The fair market value of the shares held by the Trust, representing unearned employee benefits, is recorded as a deduction from common stock and other equity and is reduced as employee benefits are funded. At December 31, 1999, a total of 3,939,671 shares remained in the Trust and were available to fund future benefit obligations.

Viad has certain unfunded pension and other postretirement benefit plans that require payments over extended periods of time. Such future benefit payments are not expected to materially affect Viad's liquidity.

As of December 31, 1999, Viad has recorded U.S. deferred income tax assets totaling $152 million, which Viad believes to be fully realizable in future years. The realization of such benefits will require average annual taxable income over the next 15 years (the current federal net operating loss carryforward period) of approximately $29 million. Viad's average U.S. pre-tax income from continuing operations, exclusive of nondeductible goodwill amortization and minority interests, over the past three years has been $112 million. Furthermore, $43 million of the deferred income tax benefits relate to unfunded pension, compensation and other employee benefits which will become deductible for income tax purposes as paid, which will occur over extended periods of time.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recovery, should not have a material effect on Viad's financial position, results of operations or cash flows.

Year 2000 Update:

Viad completed its Year 2000 compliance projects by the end of 1999 and accomplished the Year 2000 transition without any material adverse effect on its business operations, products, financial position, results of operations or cash flows.

Cumulative Year 2000 costs incurred totaled $14.7 million, of which approximately 35 percent, 55 percent and 10 percent were expensed in 1999, 1998 and 1997, respectively. The Year 2000 costs are exclusive of costs which would have been incurred as part of normal systems and applications replacements and/or upgrades to meet current and future business needs.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Viad's primary market risk exposures are fluctuations in interest rates and foreign exchange rates. Certain derivative financial instruments are used as part of Viad's risk management strategy to manage exposure to changes in these rates. Derivatives are not used for speculative purposes.

Viad utilizes forward contracts to hedge its exposure to fluctuations in foreign exchange rates on receivables and payables denominated in foreign currencies, which generally arise from wire transfer transactions. The forward contracts generally have maturities less than thirty days. The forward contracts are recorded on the Consolidated Balance Sheets, and the effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, is not significant.

As discussed in Note F of Notes to Consolidated Financial Statements, Viad's portfolio of "Investments restricted for payment service obligations" arises primarily from the sale of money orders and other payment instruments by Viad Payment Services subsidiaries. The proceeds of such sales are invested in permissible securities (primarily debt instruments) in accordance with applicable state laws pending the settlement, upon presentment, of the payment instrument obligations. Although Payment Services subsidiaries' investment portfolio exposes Viad to certain credit risks, Viad believes the high quality of the investments reduces this risk substantially. Approximately 99 percent of the investments at December 31, 1999, have a rating of A- or higher or are collateralized by federal agency securities.

A portion of Viad's Payment Services business involves the payment of commissions to selling agents of its official check program. A Viad Payment Services subsidiary has also entered into agreements to sell receivables from its bill payment and money order agents. As discussed in Note P of Notes to Consolidated Financial Statements, the commissions and expense of selling receivables are computed based on short-term variable interest rates that subject Viad to risk arising from changes in such rates. Viad has hedged a substantial portion of this risk through the purchase of swap agreements which convert the variable rate payments to fixed rates. The fair value of such swap agreements, while not recorded on Viad's Consolidated Balance Sheets, generally increases when the market value of fixed rate debt investments declines and vice versa.

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

Based on a hypothetical 10 percent proportionate increase in interest rates from the average level of interest rates during the last twelve months, and taking into consideration expected investment positions, commissions paid to selling agents, growth in new business, the effects of the swap agreements and the expected borrowing level of variable-rate debt, the decrease in pre-tax income would be approximately $1.2 million. A hypothetical 10 percent proportionate decrease in interest rates, based on the same set of assumptions, would result in an increase in pre-tax income of approximately $1.7 million.

The fair value of securities classified as available for sale, the fair value of the swap agreements and the fair value of fixed-rate debt are sensitive to changes in interest rates. A 10 percent proportionate increase in interest rates would result in an estimated decrease in the fair value of securities classified as available for sale of approximately $90.8 million (along with an after-tax decrease in accumulated other comprehensive income of approximately $55.4 million), an estimated off-balance-sheet increase in the fair value of Viad's swap agreements of approximately $41.6 million and an estimated off-balance-sheet decrease in the fair value of Viad's fixed-rate debt of approximately $3.6 million. A 10 percent proportionate decrease in interest rates would result in an estimated increase in the fair value of securities classified as available for sale of approximately $89.2 million (along with an after-tax increase in accumulated other comprehensive income of approximately $54.4 million), an estimated off-balance-sheet decrease in the fair value of Viad's swap agreements of approximately $41.6 million and an estimated off-balance-sheet increase in the fair value of Viad's fixed-rate debt of approximately $3.6 million.

Forward-Looking Statements:

As provided by the safe harbor provision under the "Private Securities Litigation Reform Act of 1995," Viad cautions readers that, in addition to the historical information contained herein, this Annual Report on Form 10-K includes certain forward-looking statements, assumptions and discussions, including those relating to expectations of or current trends in future growth, productivity improvements, consumer demand, new business, investment policies, ongoing cost reduction efforts and market risk disclosures. Such statements involve risks and uncertainties which may cause results to differ materially from those set forth in those statements. Among other things, consumer demand patterns, purchasing decisions related to customer demand for convention and event services, existing and new competition, industry alliances and consolidation and growth patterns within the industries in which Viad competes may individually or in combination impact future results. In addition to the factors mentioned elsewhere, economic, competitive, governmental, technological, capital marketplace and other factors could affect the forward-looking statements contained in this Annual Report.

Item 8. ***Financial Statements and Supplementary Data***

Refer to Index to Financial Statements on page 21 for required information.

Item 9. ***Disagreements on Accounting and Financial Disclosure***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Information regarding Directors of the Registrant is included in the Proxy Statement for the Annual Meeting of Stockholders of Viad Corp to be held on May 9, 2000 and is incorporated herein by reference. Information regarding executive officers of Registrant is located at page 5 of this Report.

Item 11. ***Executive Compensation***

Information regarding executive compensation is contained in the Proxy Statement for the Annual Meeting of Stockholders of Viad Corp to be held on May 9, 2000 and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

Information regarding security ownership of certain beneficial owners and management is contained in the Proxy Statement for the Annual Meeting of Stockholders of Viad Corp to be held on May 9, 2000 and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

None.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a)1. The financial statements listed in the accompanying Index to Financial Statements are filed as part of this report.

2. None.

3. The exhibits listed in the accompanying Exhibit Index are filed as part of this report.

(b) Reports on Form 8-K filed since Third Quarter 1999

None.

(c) Exhibits

See Exhibit Index.

(d) Financial Statement Schedules

None.

SIGNATURES

Pursuant to the requirements of Section 13 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, in Phoenix, Arizona, on the 17th day of March, 2000.

VIAD CORP

By: /s/ ROBERT H. BOHANNON

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Principal Executive Officer

By: /s/ ROBERT H. BOHANNON

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

Date: March 17, 2000

Principal Financial Officer

By: /s/ RONALD G. NELSON

Ronald G. Nelson
Vice President — Finance
and Treasurer

Date: March 17, 2000

Principal Accounting Officer

By: /s/ CATHERINE L. STEVENSON

Catherine L. Stevenson
Vice President — Controller

Date: March 17, 2000

Directors

Jess Hay
Judith K. Hofer
Jack F. Reichert
Linda Johnson Rice
Douglas L. Rock
John C. Tolleson
Timothy R. Wallace

By: /s/ CATHERINE L. STEVENSON

Attorney-in-Fact

Date: March 17, 2000

INDEX TO FINANCIAL STATEMENTS

VIAD CORP

CONSOLIDATED BALANCE SHEETS

	December 31,	
	1999	**1998**
	(000 omitted, except share data)	
Assets		

Current assets:		
Cash and cash equivalents	$ 33,106	$ 15,554
Short-term investments	95,545	
Receivables	43,276	95,796
Inventories	73,687	61,185
Deferred income taxes	36,990	31,954
Other current assets	36,664	32,992
	319,268	237,481
Funds, agents' receivables and current maturities of investments restricted for payment service obligations, after eliminating $50,000 and $90,000 invested in Viad commercial paper	602,893	533,625
Total current assets	922,161	771,106
Investments in securities	173,359	
Investments restricted for payment service obligations	2,936,171	2,415,588
Property and equipment	313,623	294,595
Investment in discontinued operations		386,300
Other investments and assets	121,159	128,417
Deferred income taxes	115,058	66,814
Intangibles	629,340	602,926
	$5,210,871	$4,665,746
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term bank loans	$ 13,855	$ —
Accounts payable	82,465	108,927
Other current liabilities	204,228	182,626
Current portion of long-term debt	32,814	3,105
	333,362	294,658
Payment service obligations	3,587,834	2,971,228
Total current liabilities	3,921,196	3,265,886
Long-term debt	342,603	531,348
Pension and other postretirement benefits	71,402	74,529
Other deferred items and insurance liabilities	154,435	138,381
Commitments and contingent liabilities (Notes O, P and Q)		
Minority interests	5,950	3,096
$4.75 Redeemable preferred stock	6,640	6,625
Common stock and other equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 99,739,925 shares issued	149,610	149,610
Additional capital	289,798	327,866
Retained income	643,352	329,258
Unearned employee benefits and other	(129,818)	(162,543)
Accumulated other comprehensive income:		
Unrealized (loss) gain on securities classified as available for sale	(70,021)	18,231
Cumulative translation adjustments	(4,935)	(7,009)
Minimum pension liability adjustment	(1,674)	(953)
Common stock in treasury, at cost, 5,497,132 and 344,858 shares	(167,667)	(8,579)
Total common stock and other equity	708,645	645,881
	$5,210,871	$4,665,746

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	1999	**1998**	**1997**
	(000 omitted, except per share data)		
Revenues:			
Ongoing operations	$1,570,241	$1,337,221	$1,118,177
Sold businesses	10,928	275,538	368,174
Revenues from continuing operations	1,581,169	1,612,759	1,486,351
Costs and expenses:			
Costs of sales and services	1,393,383	1,454,152	1,351,717
Corporate activities	19,369	24,207	31,388
Other investment income	(14,468)		
Interest expense	26,888	27,212	34,296
Nonrecurring income	(9,676)	(22,842)	
Minority interests	2,078	2,165	1,237
	1,417,574	1,484,894	1,418,638
Income before income taxes	163,595	127,865	67,713
Income taxes	35,036	30,521	11,194
Income from continuing operations	128,559	97,344	56,519
Income from discontinued operations	218,954	53,296	41,275
Income before extraordinary item	347,513	150,640	97,794
Extraordinary item			(8,458)
Net income	$ 347,513	$ 150,640	$ 89,336
Diluted income per common share			
Continuing operations	$ 1.32	$ 0.98	$ 0.59
Discontinued operations	2.27	0.54	0.44
Income before extraordinary item	3.59	1.52	1.03
Extraordinary item			(0.09)
Diluted net income per common share	$ 3.59	$ 1.52	$ 0.94
Average outstanding and potentially dilutive common shares	96,396	98,367	93,786
Basic income per common share			
Continuing operations	$ 1.37	$ 1.02	$ 0.61
Discontinued operations	2.35	0.56	0.45
Income before extraordinary item	3.72	1.58	1.06

Extraordinary item			(0.09)
Basic net income per common share	$ 3.72	$ 1.58	$ 0.97
Average outstanding common shares	93,007	94,382	90,804
Dividends declared per common share	$ 0.35	$ 0.32	$ 0.32

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	1999	1998	1997
		(000 omitted)	
Net income	$347,513	$150,640	$ 89,336
Other comprehensive income:			
Unrealized (losses) gains on securities classified as available for sale:			
Holding (losses) gains arising during the period, net of tax (benefit) provision of $(53,748), $7,694, and $11,410	(84,068)	12,035	17,846
Reclassification adjustment for net realized gains included in net income, net of tax provision of $2,675, $4,749, and $2,830	(4,184)	(7,429)	(4,426)
	(88,252)	4,606	13,420
Unrealized foreign currency translation adjustments:			
Holding gains (losses) arising during the period	1,066	(4,038)	(2,591)
Reclassification adjustment for sales of investments in foreign entities included in net income	1,008	51	1,088
	2,074	(3,987)	(1,503)
Minimum pension liability adjustment, net of tax (benefit) provision of $(389), $(205) and $3	(721)	(381)	4
Other comprehensive (loss) income	(86,899)	238	11,921
Comprehensive income	$260,614	$150,878	$101,257

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,

	1999	1998	1997
		(000 omitted)	
Cash flows provided (used) by operating activities			
Net income	$ 347,513	$ 150,640	$ 89,336
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	62,979	57,643	48,722
Deferred income taxes	2,700	1,563	1,437
Income from discontinued operations	(218,954)	(53,296)	(41,275)
Extraordinary item			8,458
Gains on sales of businesses, property and other assets, net	(7,659)	(52,375)	(17,341)
Other noncash items, net	9,653	13,438	8,849
Change in operating assets and liabilities:			
Receivables and inventories	48,980	(31,113)	(5,822)
Payment service assets and obligations, net	549,691	778,156	466,559
Accounts payable and accrued compensation	(51,229)	17,506	11,865
Other assets and liabilities, net	(53,256)	(30,230)	(49,486)
Net cash provided by operating activities	690,418	851,932	521,302
Cash flows provided (used) by investing activities			
Capital expenditures	(62,010)	(54,832)	(72,104)
Purchase of asset previously leased			(20,986)
Acquisitions of businesses, net of cash acquired	(29,521)	(343,771)	(10,495)
Proceeds from sales of businesses, property and other assets, net	57,215	109,319	204,723
Proceeds from sales and maturities of securities classified as available for sale	1,403,277	839,128	819,813
Proceeds from maturities of securities classified as held to maturity	111,204	103,231	48,201
Purchases of securities classified as available for sale	(2,100,239)	(1,602,002)	(1,141,753)
Purchases of securities classified as held to maturity	(349,362)	(96,309)	(191,340)
Cash provided by discontinued operations	650,748	124,839	996
Net cash used by investing activities	(318,688)	(920,397)	(362,945)
Cash flows provided (used) by financing activities			
Proceeds from long-term borrowings		3,926	
Payments on long-term borrowings	(3,709)	(32,639)	(75,946)
Premium paid upon early retirement of debt			(13,012)
Net change in short-term borrowings classified as long-term debt	(142,145)	150,000	(34,000)
Cash payments on interest rate swap agreements related to debt		(17,122)	(6,424)
Dividends on common and preferred stock	(33,713)	(31,480)	(30,295)
Exercise of stock options	29,448	17,216	12,466
Common stock purchased for treasury	(204,059)	(22,979)	
Net cash (used) provided by financing activities	(354,178)	66,922	(147,211)
Net increase (decrease) in cash and cash equivalents	17,552	(1,543)	11,146
Cash and cash equivalents, beginning of year	15,554	17,097	5,951
Cash and cash equivalents, end of year	$ 33,106	$ 15,554	$ 17,097

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF COMMON STOCK AND OTHER EQUITY

	Common Stock	Additional Capital	Retained Income	Unearned Employee Benefits and Other	Accumulated Other Comprehensive Income	Common Stock in Treasury	Total
				(000 omitted)			
Balance, December 31, 1996	$145,663	$282,203	$147,240	$(118,766)	$ (1,890)	$ (22,232)	$ 432,218
Net income			89,336				89,336
Dividends on common and preferred stock			(30,295)				(30,295)
Treasury shares acquired in connection with dividend reinvestment plan		(329)				(1,817)	(2,146)
Employee benefit plans		(7,017)		11,591		15,410	19,984
Employee Equity Trust adjustment to market value		14,793		(14,793)			—
Acquisition of subsidiary accounted for as a pooling of interests	3,947	875	4,382				9,204
Unrealized translation loss					(1,503)		(1,503)
Unrealized gain on securities classified as available for sale					13,420		13,420
Minimum pension liability adjustment					4		4
Other, net		889	(964)			(986)	(1,061)
Balance, December 31, 1997	149,610	291,414	209,699	(121,968)	10,031	(9,625)	529,161
Net income			150,640				150,640
Dividends on common and preferred stock			(31,480)				(31,480)
Employee benefit plans		(15,422)		11,317		24,027	19,922
Employee Equity Trust adjustment to market value		51,892		(51,892)			—
Treasury shares acquired						(22,979)	(22,979)
Unrealized translation loss					(3,987)		(3,987)
Unrealized gain on securities classified as available for sale					4,606		4,606
Minimum pension liability adjustment					(381)		(381)
Other, net		(18)	399			(2)	379
Balance, December 31, 1998	149,610	327,866	329,258	(162,543)	10,269	(8,579)	645,881
Net income			347,513				347,513
Dividends on common and preferred stock			(33,713)				(33,713)
Employee benefit plans		(26,809)		21,487		44,950	39,628
Employee Equity Trust adjustment to market value		(11,238)		11,238			—
Treasury shares acquired						(204,059)	(204,059)
Unrealized translation gain					2,074		2,074
Unrealized loss on securities classified as available for sale					(88,252)		(88,252)
Minimum pension liability adjustment					(721)		(721)
Other, net		(21)	294			21	294
Balance, December 31, 1999	$149,610	$289,798	$643,352	$(129,818)	$(76,630)	$(167,667)	$ 708,645

See Notes to Consolidated Financial Statements.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 1999, 1998 and 1997

A. Significant Accounting Policies

Principles of Consolidation. The Consolidated Financial Statements of Viad Corp ("Viad") include the accounts of Viad and all of its subsidiaries.

On July 1, 1999, Viad completed the sale of its airline catering business, conducted by Dobbs International Services, Inc. in the United States and by Dobbs International (U.K.) Limited in the United Kingdom (referred to collectively as "Dobbs"). Effective April 1, 1998, Viad sold its Aircraft Services International Group ("ASIG"), which conducted aircraft fueling and ground-handling operations. The sale of Dobbs completed the disposition of Viad's airline catering and services segment. The accompanying financial statements have been prepared to reflect Viad's historical financial position and results of operations as adjusted for the reclassification of the airline catering and services businesses up to the respective dates of disposition of Dobbs and ASIG, as well as the gains on sales, as discontinued operations. See Note D.

The Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported results of operations during the period. Actual results may vary from those estimates.

Intercompany accounts and transactions between Viad and its subsidiaries have been eliminated in consolidation.

Described below are those accounting policies significant to Viad, including those selected from acceptable alternatives.

Cash Equivalents. Viad considers all highly liquid investments with original maturities of three months or less as cash equivalents. Certain cash equivalents are classified as "Short-term investments." See Note E.

Investments in Securities. A portion of the proceeds from the sale of Dobbs has been invested in securities. These securities are included in the Consolidated Balance Sheets under the caption, "Investments in securities" with the current portion and investments with original maturities of three months or less included under the caption, "Short-term investments." In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," Viad classifies these investments as available for sale. See Note E.

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

In accordance with SFAS No. 115, Viad classifies these investment securities restricted for payment service obligations as either available for sale or held to maturity. See Note F.

Inventories. Inventories, which consist primarily of exhibit materials and supplies used in providing services, are stated at the lower of cost (first-in, first-out and average cost methods) or market.

Property and Equipment. Property and equipment are stated at cost, net of accumulated depreciation and any impairment write-downs pursuant to SFAS No. 121. Property and equipment are depreciated principally on the straight-line basis over the following useful lives: buildings, from 15 to 40 years; equipment, from 3 to 10 years; and leasehold improvements over the shorter of the lease term or useful life.

Intangibles and Long-Lived Assets. Intangibles, including goodwill, are carried at cost less accumulated amortization. Intangibles are amortized on the straight-line method over the estimated lives or periods of expected benefit, but not in excess of 40 years. Viad reviews the carrying values of its long-lived assets and intangibles for possible impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

Insurance Liabilities. Viad is self-insured up to certain limits for workers' compensation, automobile, product and general liability, property loss and medical claims. Viad has also retained and provided for certain insurance liabilities in conjunction with the sales of businesses. Provisions for losses for claims incurred, including estimated claims incurred but not yet reported, are made based on Viad's prior historical experience, claims frequency and other factors. Viad has purchased insurance for amounts in excess of the self-insured levels.

Derivative Financial Instruments. Viad uses derivative financial instruments as part of its risk management strategy to manage exposure to fluctuations in interest and foreign currency rates. Derivatives are not used for speculative purposes. Amounts receivable or payable under swap agreements used to hedge exposure of interest rate changes on variable rate commission payments are accrued and recognized as an adjustment to the expense of the related transaction. Forward contracts used to hedge wire transfer assets and liabilities denominated in foreign currencies are recorded on the Consolidated Balance Sheets. The effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, is not significant.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, which was amended by SFAS No. 137, "Deferral of the Effective Date of FASB Statement No. 133," will be effective for Viad's financial statements as of January 1, 2001. The statement requires that entities record all derivatives as assets or liabilities, measured at fair value, with the change in fair value recognized in earnings or in other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. Viad is in the process of evaluating the impact which will result upon adoption of this standard.

Revenue Recognition. Revenue is recognized when services are performed or products are delivered. Revenue on certain long-term exhibit contracts is recognized on the percentage of completion method. Revenues include investment earnings on assets restricted for payment service obligations.

Stock-Based Compensation. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," Viad uses the intrinsic value method prescribed by APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans.

Net Income Per Common Share. Employee Stock Ownership Plan ("ESOP") shares are treated as outstanding for net income per share calculations. Shares held by the Employee Equity Trust (the "Trust") are not considered outstanding for net income per share calculations until the shares are released from the Trust.

Reclassifications. Certain prior year amounts have been reclassified to conform with the 1999 presentation.

B. Acquisitions of Businesses

During 1999, Viad purchased several Convention and Event Services companies and a small Travel and Recreation Services company.

Effective June 1, 1998, Viad acquired MoneyGram Payment Systems, Inc. ("MoneyGram"), a provider of consumer money wire transfer services. Also during 1998, Viad acquired several Convention and Event Services companies.

During 1997, Viad acquired several Payment Services businesses. In addition, in December 1997, Viad acquired all of the common stock of Game Financial Corporation ("Game") in exchange for 2,631,000 shares of Viad's common stock. The Game acquisition was accounted for as a pooling of interests.

Except for the Game pooling, the acquisitions were accounted for as purchases. The purchase prices, including acquisition costs, were allocated to the net tangible and identifiable intangible assets acquired based on estimated fair values at the dates of the acquisitions. The difference between the purchase prices and the related fair values of net assets acquired represents goodwill.

The accompanying financial statements include the accounts and results of operations from the dates of acquisition. The results of operations of the acquired companies from the beginning of the year to the dates of acquisition are not material to the consolidated results of operations. In addition, prior period financial statements have not been restated for the pooling of interests, as the results of Game for such periods were not significant.

Net cash paid, assets acquired and debt and other liabilities assumed in all acquisitions of businesses accounted for as purchases for the years ended December 31 were as follows:

	1999	1998(1)	1997
		(000 omitted)	
Assets acquired:			
Property and equipment	$ 8,533	$ 17,509	$ 367
Intangibles, primarily goodwill	25,213	371,707	10,128
Other assets	6,838	41,723	
Debt and other liabilities assumed	(11,063)	(87,168)	
Net cash paid	$ 29,521	$343,771	$10,495

(1) During 1999, amounts were revised to reflect final purchase accounting adjustments for 1998 acquisitions. The impact of such adjustments was to increase property and equipment, goodwill and liabilities by $1,427,000, $13,764,000 and $15,191,000, respectively. Amounts previously reported for 1998 have been modified to reflect these adjustments.

C. Nonrecurring Income

In the second quarter of 1998, Viad's Payment Services subsidiary, Travelers Express Company ("TECI"), petitioned the Federal District Court to set aside a settlement term sheet under a patent infringement litigation initiated by TECI against Integrated Payment Systems ("IPS"), a subsidiary of First Data Corporation, because of the parties' failure to agree on final settlement terms. At that time, TECI recorded a one-time provision totaling $10,642,000 ($6,917,000 after-tax) and tendered back to IPS amounts which IPS had paid to TECI pursuant to the term sheet. In December 1999, the Court reinstated the settlement and ordered IPS to pay back to TECI the amounts paid in 1998 and to resume scheduled payments as provided by the term sheet. Accordingly, after deducting legal and other costs, TECI recorded a one-time gain of $8,176,000 ($5,314,000 after-tax) in the fourth quarter of 1999.

In 1999, Viad adopted the equity method of accounting for its approximately 10% investment in the Arizona Diamondbacks ("Diamondbacks") baseball franchise limited partnership. Noncash charges totaling $8,252,000 ($5,268,000 after-tax) were recorded in 1999 representing Viad's pro-rata share of the Diamondbacks cumulative losses. On December 31, 1999, Viad contributed a portion of its investment in the Diamondbacks limited partnership to the Viad Corp Medical Plan Trust to fund certain postretirement benefits. The contribution, which was recorded at fair value, resulted in a one-time gain of $2,377,000 ($1,483,000 after-tax). Going forward, Viad's remaining ownership interest will be accounted for under the cost method.

Subsequent to Viad's press release reporting earnings for the year ended December 31, 1999, Viad settled in February 2000 certain litigation in existence at the end of the year and recorded a nonrecurring provision totaling $9,950,000 ($6,209,000 after-tax) including legal and other costs. Because Viad had not yet filed its 1999 Annual Report on Form 10-K, the settlements were required to be recognized in 1999, in accordance with SFAS No. 5, "Accounting for Contingencies," regarding subsequent events. The settlements will have no impact on future operations.

On January 27, 1999, Viad sold the contract foodservice operations of Restaura, Inc. The public service division units of Restaura were sold in March 1999. After providing for costs of sale and related expense provisions, the net gain was not material.

Viad completed the sale of its duty-free and shipboard concessions business, Greyhound Leisure Services, Inc. ("GLSI") on September 15,

1998. The gain on sale recorded in 1998, after deducting costs of sale and related expense provisions, was $26,684,000 ($15,650,000 after-tax). Upon Viad's collection of a subordinated note receivable and resolution of contingencies related to the sale of GLSI, gains of $9,400,000 ($5,866,000 after-tax) and $7,925,000 ($4,945,000 after-tax), respectively, were recorded in 1999.

In the fourth quarter of 1998, Viad obtained release of all guarantees and bonding relating to its former United Kingdom travel and tour subsidiaries, Crystal Holidays and Jetsave, which had been sold in October 1997. The $6,800,000 ($4,004,000 after-tax) gain on sale, after deducting costs of sale and related expense provisions, was recorded in 1998.

Results of operations up to dates of sale of these sold businesses (not classified as discontinued operations) are included in Viad's "Sold businesses" category. See Note R. In connection with the sales, Viad has retained and provided for certain environmental, insurance and other liabilities.

D. Discontinued Operations

As discussed in Note A, on July 1, 1999, Viad completed the sale of Dobbs, its airline catering business. Effective April 1, 1998, Viad sold ASIG, which conducted aircraft fueling and ground-handling operations. The sale of Dobbs completed the disposition of Viad's airline catering and services segment. In connection with the sales, Viad has retained and provided for certain environmental and other liabilities.

Revenues applicable to the airline catering and services segment totaled $438,179,000 in 1999, $922,632,000 in 1998 and $924,373,000 in 1997. The caption "Income from discontinued operations" in the Consolidated Statements of Income for the years ended December 31 includes the following:

	1999	1998	1997
	(000 omitted)		
Income from operations, net of tax provision of $11,950, $28,573 and $29,959(1)	$ 16,678	$40,095	$41,275
Gain on sale of businesses, net of tax provision of $99,160 and $7,954	213,437	13,201	
Provision related to previously discontinued businesses, net of tax provision of $6,111(2)	(11,161)		
Income from discontinued operations	$218,954	$53,296	$41,275

(1) Interest expense not directly attributable to other Viad operations of $2,593,000 in 1999, $6,862,000 in 1998, and $7,610,000 in 1997, was allocated to the airline catering and services segment based on the amount of intercompany interest that had historically been charged by Viad on interest-bearing advances based on the prime lending rate.

(2) Represents additional provisions for self insurance, environmental and other liabilities arising from previously discontinued businesses.

E. Investments in Securities

A portion of the proceeds from the sale of Dobbs has been invested in securities. These securities are included in the Consolidated Balance Sheets under the caption, "Investments in securities" with the current portion and investments with original maturities of three months or less included under the caption, "Short-term investments." Proceeds have been temporarily invested in securities pending Viad's use to fund strategic acquisitions, purchase treasury shares, reduce debt or for other general corporate purposes. Accordingly, such investments are classified as available for sale and are carried at fair market value in accordance with SFAS No. 115. The net unrealized holding loss of $1,979,000 (net of a deferred tax asset of $1,265,000) at December 31, 1999, is included in the Consolidated Balance Sheets as a component of "Accumulated other comprehensive income." Income arising from these investments is included in the Consolidated Statements of Income under the caption, "Other investment income."

A summary of securities classified as available for sale at December 31, 1999 is presented below:

	Gross	Gross

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(000 omitted)		
Corporate debt securities	$ 95,543	$ 2	$ —	$ 95,545
Mortgage-backed and other asset-backed securities	176,605		3,246	173,359
Securities classified as available for sale	$272,148	$ 2	$3,246	$268,904

All corporate debt securities will mature in 2000. Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations.

Gross losses of $34,000 were realized during 1999. Gross gains and losses are based on the specific identification method of determining cost.

F. Assets Restricted for Payment Service Obligations

Viad's Payment Services subsidiaries generate funds from the sale of money orders and other payment instruments, with the related liabilities classified as "Payment service obligations." Substantially all of the proceeds of such sales are invested in permissible securities, principally high-quality debt instruments. These investments are restricted by state regulatory agencies for use by the subsidiaries to satisfy the liability to pay, upon presentment, the face amount of the payment service obligations. Such assets are not available to satisfy working capital or other financing requirements of Viad. Accordingly, the securities are included in the Consolidated Balance Sheets under the caption, "Investments restricted for payment service obligations." Certain additional assets of the Payment Services subsidiaries relating to payment service obligations, including cash on hand, funds in transit from agents and securities expected to be sold or maturing within one year, are included under the caption, "Funds, agents' receivables and current maturities of investments restricted for payment service obligations." Before consolidating eliminations, this caption also included investment-grade commercial paper issued by Viad and supported along with the rest of Viad's outstanding commercial paper by a credit commitment under a long-term revolving bank credit agreement. A portion of the commercial paper held by the Payment Services subsidiary was repaid by Viad in 1999. In December 1999, Viad made a capital contribution of approximately $50,000,000 to a Payment Services subsidiary. The repayment of commercial paper and the capital contribution have been invested by the subsidiary in debt securities that are included in the caption, "Investments restricted for payment service obligations." In addition, certain other assets of Payment Services subsidiaries are available for the payment service obligations.

Viad regularly monitors credit and market risk exposures and takes steps to mitigate the likelihood of these exposures resulting in actual loss. Although Payment Services subsidiaries' investment portfolio exposes Viad to certain credit risks, Viad believes the high quality of its investments reduces this risk substantially (approximately 99% of the investments at December 31, 1999, have rating of A- or higher or are collateralized by federal agency securities).

As described in Note P, a Payment Services subsidiary hedges a substantial portion of the variable rate commission payments to its selling agents through the purchase of swap agreements, which convert the variable rate commission payments to fixed rate payments. The fair value of such swap agreements, while not recorded on Viad's Consolidated Balance Sheets, generally increases when market values of fixed rate debt investments held by Payment Services subsidiaries decline and vice versa.

Under normal circumstances, the swap agreements will not be terminated prior to maturity, nor is there any requirement to sell long-term debt securities prior to maturity, as the funds flow from ongoing sales of money orders and other payment instruments and funds from maturing long-term and short-term investments are expected to be adequate to settle payment service items as they are presented. In addition, a Viad Payment Services subsidiary has various lines of credit and overdraft facilities totaling $250,000,000 available to assist in the management of investments and the clearing of payment service obligations.

Presented as additional information below is a summary of asset and liability carrying amounts related to the payment service obligations, along with the fair value of related off-balance-sheet swap agreements at December 31:

	1999	1998
	(000 omitted)	
Funds, agents' receivables and current maturities of investments restricted for payment service obligations, including $50,000 and $90,000 invested in Viad commercial paper(1)	$ 652,893	$ 623,625
Investments restricted for payment service obligations(2)	2,936,171	2,415,588
Other assets available for payment service obligations	3,009	23,568
Payment service obligations	(3,587,834)	(2,971,228)
Fair value (liability) of off-balance-sheet swap agreements(3)	56,708	(25,097)
Total	$ 60,947	$ 66,456

(1) See Note I for description of Viad's revolving bank credit agreement, which supports its commercial paper obligations.

(2) As noted below, securities classified as available for sale are carried at fair market value, and securities classified as held to maturity are carried at amortized cost.

(3) The fair value represents the estimated amount that Viad would receive from (pay to) counterparties to terminate the swap agreements at December 31.

Payment Services securities classified in accordance with SFAS No. 115 are presented below.

Securities Classified as Available for Sale. Securities that are being held for indefinite periods of time, including those securities which may be sold in response to needs for liquidity or changes in interest rates, are classified as securities available for sale and are carried at fair value. The net unrealized holding loss of $68,042,000 (net of deferred tax asset of $43,501,000) at December 31, 1999 and the net unrealized holding gain of $18,231,000 (net of deferred tax liability of $11,656,000) at December 31, 1998 are included in the Consolidated Balance Sheets as a component of "Accumulated other comprehensive income." The unrealized loss during 1999 was due to increases in market interest rates, while the unrealized gain during 1998 was due principally to decreases in longer-term market interest rates.

A summary of securities classified as available for sale at December 31, 1999 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(000 omitted)			
U.S. Government agencies	$ 29,750	$ —	$ 3,126	$ 26,624
Obligations of states and political subdivisions	1,212,141	1,419	61,546	1,152,014
Corporate debt securities	19,969		874	19,095
Mortgage-backed and other asset-backed securities	904,086	927	43,575	861,438
Debt securities issued by foreign governments	6,973		265	6,708
Preferred stock	105,874	53	4,556	101,371
Securities classified as available for sale	$2,278,793	$2,399	$113,942	$2,167,250

A summary of securities classified as available for sale at December 31, 1998 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(000 omitted)		
U.S. Government agencies	$ 16,193	$ 2	$ 14	$ 16,181
Obligations of states and political subdivisions	954,237	30,613	397	984,453
Corporate debt securities	9,967		2,179	7,788
Mortgage-backed and other asset-backed securities	778,417	7,306	2,789	782,934
Debt securities issued by foreign governments	6,970		784	6,186
Preferred stock	80,360	700	2,571	78,489
Securities classified as available for sale	$1,846,144	$38,621	$8,734	$1,876,031

Gross gains of $6,972,000, $12,205,000 and $7,986,000 were realized during 1999, 1998, and 1997, respectively. Gross losses of $79,000, $27,000 and $730,000 were realized during 1999, 1998 and 1997 respectively. Gross gains and losses from sales of securities are based on the specific identification method of determining cost.

Securities Classified as Held to Maturity. Securities classified as held to maturity consist of securities that management has the ability and intent to hold to maturity and are carried at amortized cost. A summary of securities classified as held to maturity at December 31, 1999 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(000 omitted)		
U.S. Government agencies	$ 27,035	$ 1	$ 886	$ 26,150
Obligations of states and political subdivisions	457,741	2,648	11,232	449,157
Corporate debt securities	16,397		368	16,029
Mortgage-backed and other asset-backed securities	279,894	397	6,899	273,392
Debt securities issued by foreign governments	7,001		61	6,940
Securities classified as held to maturity	$ 788,068	$ 3,046	$ 19,446	$771,668

A summary of securities classified as held to maturity at December 31, 1998 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(000 omitted)		
U.S. Government agencies	$ 55,059	$ 441	$ 30	$ 55,470
Obligations of states and political subdivisions	350,374	15,573	112	365,835
Corporate debt securities	20,507	193	33	20,667
Mortgage-backed and other asset-backed securities	120,743	1,384	316	121,811
Other securities	3,018		137	2,881

Securities classified as held to maturity	$ 549,701	$ 17,591	$ 628	$566,664

Scheduled Maturities. Scheduled maturities of securities at December 31, 1999 are presented below:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(000 omitted)			
Due in:				
2000	$ —	$ —	$ 19,147	$ 19,077
2001-2004	117,182	114,925	34,146	33,618
2005-2009	240,797	233,952	117,904	117,695
2010 and later	910,854	855,564	336,977	327,886
Mortgage-backed and other asset-backed securities	904,086	861,438	279,894	273,392
Preferred stock	105,874	101,371		
	$2,278,793	$2,167,250	$788,068	$771,668

Actual maturities may differ from scheduled maturities because the borrowers have the right to call or prepay certain obligations, sometimes without penalties. Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations.

G. Property and Equipment

Property and equipment at December 31 consisted of the following:

	1999	1998
	(000 omitted)	
Land	$ 21,129	$ 19,267
Buildings and leasehold improvements	109,021	111,548
Equipment	433,431	408,074
	563,581	538,889
Less accumulated depreciation	249,958	244,294
Property and equipment	$313,623	$294,595

H. Intangibles

Intangibles at December 31 consisted of the following:

	1999	1998
	(000 omitted)	
Goodwill(1)	$640,061	$598,465

Other intangibles	58,262	54,474
	698,323	652,939
Less accumulated amortization	68,983	50,013
Intangibles	$629,340	$602,926

(1) Includes $9,001,000 of goodwill which arose prior to November 1, 1970, not subject to amortization.

I. Debt

Long-term debt at December 31 was as follows:

	1999	1998
	(000 omitted)	
Senior debt:(1)		
Short-term borrowings:		
Promissory notes, 7.0% (1999) and 5.8% (1998) weighted average interest rate at December 31	$ 34,000	$148,000
Commercial paper, 7.6% (1999) and 5.8% (1998) weighted average interest rate at December 31(2)	10,000	52,000
Senior notes, 6.2% (1999 and 1998) weighted average interest rate at December 31, due to 2009	269,775	269,711
Guarantee of ESOP debt, floating rate indexed to LIBOR, 5.4% (1999) and 4.6% (1998) at December 31, due to 2009	20,000	22,000
Real estate mortgages and other obligations, 6.2% (1999) and 5.7% (1998) weighted average interest rate at December 31, due to 2016	23,139	24,239
	356,914	515,950
Subordinated debt, 10.5% debentures, due 2006	18,503	18,503
Total debt	375,417	534,453
Less current portion	32,814	3,105
Long-term debt	$342,603	$531,348

(1) Rates shown are exclusive of the effects of commitment fees and other costs of long-term revolving bank credit used to support short-term borrowings.

(2) After eliminating $50,000,000 (1999) and $90,000,000 (1998) of commercial paper issued by Viad to a Payment Services subsidiary.

Viad satisfies its short-term borrowing requirements with bank lines of credit and the issuance of commercial paper and promissory notes. At December 31, 1999, there was $13,855,000 of short-term borrowings outstanding under a bank note payable.

At December 31, 1999, outstanding promissory notes and commercial paper, including the commercial paper issued to a Viad Payment Services subsidiary, are supported by unused commitments under a $300,000,000 long-term revolving bank credit agreement, which expires on August 15, 2002. The interest rate applicable to borrowings under the bank credit agreement is, at Viad's option, indexed to the bank prime rate or the London Interbank Offering Rate ("LIBOR"), plus appropriate spreads over such indices during the period of the credit agreement. The agreement also provides for commitment fees. Such spreads and fees will change moderately should Viad's debt ratings change. Viad, in the event that it becomes advisable, intends to exercise its right under the agreement to borrow for the purpose of refinancing short-term borrowings; accordingly, short-term borrowings totaling $44,000,000 and $200,000,000 at December 31, 1999 and 1998, respectively, have been classified as long-term debt.

Annual maturities of long-term debt due in the next five years will approximate $32,814,000 (2000), $68,684,000 (2001), $87,941,000 (2002), $105,027,000 (2003), $22,315,000 (2004) and $58,636,000 thereafter. Included in the year 2002 is $44,000,000 which represents the maturity of short-term borrowings assuming they had been refinanced utilizing the revolving credit facility described above.

The weighted average interest rate on total debt, inclusive of the effect of interest rate swap agreements (which were terminated in April 1998 after repaying short-term borrowings with proceeds from the sale of ASIG) and excluding interest expense unrelated to debt obligations, was 6.0%, 6.7% and 7.5% for 1999, 1998 and 1997, respectively.

Interest paid in 1999, 1998 and 1997 was $31,287,000, $38,367,000 and $40,089,000, respectively.

Under a Shelf Registration filed in 1994 with the Securities and Exchange Commission, Viad can issue up to an aggregate of $500,000,000 of debt and equity securities. No securities have been issued under the program.

J. Earnings Per Share

The following is a reconciliation of the numerators and denominators of diluted and basic per share computations for income from continuing operations as required by SFAS No. 128, "Earnings Per Share":

	1999	1998	1997
	(000 omitted, except per share data)		
Income from continuing operations	$128,559	$97,344	$56,519
Less: Preferred stock dividends	(1,131)	(1,129)	(1,127)
Income available to common stockholders	$127,428	$96,215	$55,392
Average outstanding common shares	93,007	94,382	90,804
Additional dilutive shares related to stock-based compensation	3,389	3,985	2,982
Average outstanding and potentially dilutive common shares	96,396	98,367	93,786
Diluted income per share from continuing operations	$ 1.32	$ 0.98	$ 0.59
Basic income per share from continuing operations	$ 1.37	$ 1.02	$ 0.61

K. Preferred Stock and Common Stock and Other Equity

Viad has 442,352 shares of $4.75 Preferred Stock authorized, of which 352,352 shares are issued. The holders of the $4.75 Preferred Stock are entitled to a liquidation preference of $100 per share and to annual cumulative sinking fund redemptions of 6,000 shares. Viad presently holds 117,372 shares which will be applied to this sinking fund requirement; the 234,980 shares held by others are scheduled to be redeemed in the years 2019 to 2058. In addition, Viad has authorized 5,000,000 and 2,000,000 shares of Preferred Stock and Junior Participating Preferred Stock, respectively.

Viad has one Preferred Stock Purchase Right ("Right") outstanding on each outstanding share of its common stock. The Rights contain provisions to protect stockholders in the event of an unsolicited attempt to acquire Viad which is not believed by the Board of Directors to be in the best interest of stockholders. The Rights are represented by the common share certificates and are not exercisable or transferable apart from the common stock until such a situation arises. The Rights may be redeemed by Viad at $0.025 per Right prior to the time any person or group has acquired 20% or more of Viad's shares. Viad has reserved 1,000,000 shares of Junior Participating Preferred Stock for issuance in connection with the Rights.

Viad funds a portion of its matching contributions to employees' 401(k) plans through a leveraged ESOP. All eligible employees of Viad and its participating affiliates, other than certain employees covered by collective bargaining agreements that do not expressly provide for participation of such employees in an ESOP, may participate in the ESOP.

In 1989, the ESOP borrowed $40,000,000 to purchase treasury shares from Viad. The ESOP's obligation to repay this borrowing is guaranteed by Viad; therefore, the unpaid balance of the borrowing ($20,000,000 and $22,000,000 at December 31, 1999 and 1998, respectively) has been reflected in the accompanying balance sheet as long-term debt. The same amounts, representing unearned employee benefits, have been recorded as a deduction from common stock and other equity. The liability is reduced as the ESOP repays the borrowing, and the amount offsetting common stock and other equity is reduced as stock is allocated to employees and benefits are charged to expense. The ESOP intends to repay the loan (plus interest) using Viad contributions and dividends received on the unallocated Viad shares held by the ESOP.

Information regarding ESOP transactions for the years ended December 31 was as follows:

	1999	1998	1997
		(000 omitted)	
Amounts paid by ESOP for:			
Debt repayment	$2,000	$2,000	$2,000
Interest	917	1,098	1,187
Amounts received from Viad as:			
Dividends	847	884	856
Contributions	2,080	2,205	2,226

Shares are released for allocation to participants based upon the ratio of the year's principal and interest payments to the sum of the total principal and interest payments expected over the remaining life of the plan. Expense of the ESOP is recognized based upon the greater of cumulative cash payments to the plan or 80% of the cumulative expense that would have been recognized under the shares allocated method, in accordance with Emerging Issues Task Force Abstract No. 89-8, "Expense Recognition for Employee Stock Ownership Plans." Under this method, Viad has recorded expense of $2,067,000, $2,205,000, and $2,123,000 in 1999, 1998 and 1997, respectively.

Unallocated shares held by the ESOP totaled 2,302,000 and 2,575,000 at December 31, 1999 and 1998, respectively. Shares allocated during 1999 and 1998 totaled 273,000 and 292,000, respectively.

In 1992, Viad sold treasury stock to Viad's Employee Equity Trust (the "Trust") in exchange for a promissory note. The Trust is used to fund certain existing employee compensation and benefit plans. For financial reporting purposes, the Trust is consolidated with Viad and the promissory note ($37,957,000 at December 31, 1999) and dividend and interest transactions are eliminated in consolidation. The fair market value ($109,818,000 and $136,558,000 at December 31, 1999 and 1998, respectively) of the 3,939,671 and 4,495,736 remaining shares held by the Trust at December 31, 1999 and 1998, respectively, representing unearned employee benefits, is shown as a deduction from common stock and other equity and is reduced as employee benefits are funded. The difference between the cost and fair value of shares held is included in additional capital.

At December 31, 1999, retained income of $155,193,000 was unrestricted as to payment of dividends by Viad.

L. Stock-Based Compensation

In 1997, stockholders adopted the 1997 Viad Corp Omnibus Incentive Plan ("Omnibus Plan"). The Omnibus Plan, which replaced prior incentive plans, provides for the following types of awards to officers, directors and certain key employees: (a) stock options (both incentive stock options and nonqualified stock options); (b) stock appreciation rights ("SARs"); (c) restricted stock; and (d) performance-based awards. The number of shares available for grant under the Omnibus Plan in each calendar year is equal to 2% of the total number of shares of common stock outstanding as of the first day of each year. Any shares available for grant in a particular calendar year which are not granted in such year are added to the shares available for grant in any subsequent calendar year.

Stock options are granted for terms of ten years at an exercise price based on the market value at the date of grant. Stock options granted prior to 1999 are exercisable 50% after one year with the balance exercisable after two years from the date of grant. For stock options granted in 1999 and thereafter, 50% are exercisable after one year and the other half become exercisable after two years if certain annual incentive goals are achieved, or after three years and four years, respectively, if annual incentive goals are not achieved in a particular year. Options granted since 1998 contain certain forfeiture and noncompete provisions.

SARs and Limited SARs ("LSARs") were granted, with terms of ten years, under the 1983 Stock Option and Incentive Plan. SARs are exercisable under the same terms as stock options, while LSARs vest fully at date of grant and are exercisable only for a limited period (in the event of certain tender or exchange offers for Viad's common stock). SARs and/or LSARs are issued in tandem with certain stock options and the exercise of one reduces, to the extent exercised, the number of shares represented by the other(s). SAR exercises totaled 2,812 shares in 1997. There were no SARs exercised in 1999 or 1998.

Performance-based stock awards (77,200, 97,600, and 120,900 shares awarded in 1999, 1998 and 1997, respectively, at a fair market value per share of $29.50, $24.78, and $18.34, respectively) vest at the end of a three-year period from the date of grant, based on total shareholder return relative to the applicable stock and industry indices specified at the time of each award. Vested shares with respect to performance periods beginning in 1996, 1995 and 1994 totaled 139,815 in 1999, 83,226 in 1998 and 109,787 in 1997, respectively. Throughout the performance period, holders of the performance-based stock have the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the stock.

Information with respect to stock options for the years ended December 31, at historical number of shares and option exercise prices, is as follows:

	Shares	Weighted Average Exercise Price	Options Exercisable
Options outstanding at December 31, 1996	10,022,907	$10.82	
Granted	1,143,100	18.33	
Conversion of Game options(1)	235,228	7.95	
Exercised	(1,391,630)	9.73	
Canceled	(202,578)	13.91	
Options outstanding at December 31, 1997	9,807,027	11.72	8,052,840
Granted	962,100	24.79	
Exercised	(1,883,697)	10.05	
Canceled	(163,511)	18.84	
Options outstanding at December 31, 1998	8,721,919	13.38	7,342,669
Granted	800,500	29.46	
Exercised	(2,357,122)	12.24	
Canceled	(260,676)	23.20	
Options outstanding at December 31, 1999	6,904,621	15.27	5,838,871

(1) Existing Game options were converted into options to purchase Viad shares upon the acquisition of Game (see Note B). The original number of Game stock options and exercise prices were adjusted to reflect the acquisition exchange ratio.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes information concerning stock options outstanding and exercisable at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted Remaining Contractual Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 3.93 to $ 7.54	736,946	1.3 years	$ 6.69	736,946	$ 6.69
$ 9.33 to $12.22	2,329,290	2.9 years	10.99	2,329,290	10.99
$13.05 to $16.25	1,699,264	4.8 years	13.50	1,699,264	13.50
$18.06 to $24.78	1,390,621	7.4 years	21.53	1,067,171	20.55
$25.25 to $29.50	748,500	8.8 years	29.45	6,200	26.83
$ 3.93 to $29.50	6,904,621	4.7 years	15.17	5,838,871	12.94

Viad applies APB No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than for performance-based stock awards and SAR exercises, which gave rise to compensation expense aggregating $4,607,000, $3,753,000, and $3,858,000 in 1999, 1998 and 1997, respectively.

Assuming Viad had recognized compensation cost for stock options and performance-based stock awards in accordance with the fair value method of accounting defined in SFAS No. 123, income from continuing operations and diluted income per share from continuing operations would be as presented in the table below. Compensation cost calculated under SFAS No. 123 is recognized ratably over the vesting period and is net of estimated forfeitures and the tax benefit on nonqualified stock options.

	1999	1998	1997
Income from continuing operations (000 omitted):			
As reported	$128,559	$97,344	$56,519
Pro forma	124,863	92,713	53,240
Diluted income per share from continuing operations:			
As reported	$ 1.32	$ 0.98	$ 0.59
Pro forma	1.29	0.93	0.56

For purposes of applying SFAS No. 123, the estimated fair value of stock options granted during 1999, 1998 and 1997 was $9.17, $7.16, and $5.04 per share, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	1999	1998	1997
Expected dividend yield	1.2%	1.3%	1.7%
Expected volatility	28.3%	24.4%	23.6%
Risk-free interest rate	5.46%	5.78%	6.13%
Expected life	5 years	5 years	5 years

M. Income Taxes

Deferred income tax assets (liabilities) included in the Consolidated Balance Sheets at December 31 related to the following:

1999	1998
(000 omitted)	

Property and equipment	$ (21,765)	$(23,529)
Deferred income	1,796	10,178
Pension, compensation and other employee benefits	42,755	42,079
Provisions for losses	54,909	41,484
Unrealized loss (gain) on securities classified as available for sale	44,767	(11,656)
State income taxes	17,259	8,975
Alternative minimum tax credit carryforward		5,193
Other deferred income tax assets	20,247	32,696
Other deferred income tax liabilities	(20,255)	(16,350)
	139,713	89,070
Foreign deferred tax liabilities included above	12,335	9,698
United States deferred tax assets	$152,048	$ 98,768

The provision for income taxes on income from continuing operations for the years ended December 31 consisted of the following:

	1999	1998	1997
		(000 omitted)	
Current:			
United States:			
Federal	$18,894	$18,221	$ 589
State	4,367	4,538	2,088
Foreign	9,075	6,199	7,080
	32,336	28,958	9,757
Deferred	2,700	1,563	1,437
Income taxes	$35,036	$30,521	$11,194

Certain tax benefits related primarily to stock option exercises and dividends paid to the ESOP are credited to common stock and other equity and amounted to $8,832,000, $6,875,000, and $2,491,000 in 1999, 1998 and 1997, respectively.

Eligible subsidiaries (including sold and discontinued businesses up to their respective disposition dates) are included in the consolidated federal and other applicable income tax returns of Viad. Certain benefits of filing such returns, including tax losses and credits which would not have been available to certain subsidiaries on a separate return basis, have been credited to such subsidiaries by Viad. These benefits are included in the determination of the income taxes of those subsidiaries.

Income taxes paid in 1999, 1998 and 1997, including amounts paid on behalf of the sold and discontinued businesses as part of consolidated federal and other applicable tax returns of Viad, amounted to $99,271,000, $23,334,000, and $18,804,000, respectively.

A reconciliation of the provision for income taxes on income from continuing operations and the amount that would be computed using statutory federal income tax rates for the years ended December 31 was as follows:

	1999	1998	1997
		(000 omitted)	
Computed income taxes at statutory federal income tax rate of 35%	$ 57,258	$ 44,753	$ 23,700

Nondeductible goodwill amortization	2,678	1,605	992
Minority interests	727	758	433
State income taxes	3,130	2,631	1,823
Tax-exempt income	(28,485)	(21,519)	(15,725)
Other, net	(272)	2,293	(29)
Income taxes	$ 35,036	$ 30,521	$ 11,194

United States and foreign income before income taxes from continuing operations for the years ended December 31 was as follows:

	1999	1998	1997
		(000 omitted)	
United States	$140,710	$111,643	$52,971
Foreign	22,885	16,222	14,742
Income before income taxes	$163,595	$127,865	$67,713

N. Pension and Other Postretirement Benefits

Pension Benefits. Viad has trusteed, noncontributory pension plans that cover certain employees. Pension benefits are supplemented, in most cases, by defined matching company stock contributions to employees' 401(k) plans as described in Note K. Defined benefits are based primarily on final average pay and years of service. Funding policies provide that payments to defined benefit pension trusts shall be at least equal to the minimum funding required by applicable regulations. Certain defined pension benefits, primarily those in excess of benefit levels permitted under qualified pension plans, are unfunded.

The following table indicates the plans' funded status and amounts recognized in Viad's Consolidated Balance Sheets at December 31:

	Funded Plans		Unfunded Plans	
	1999	1998	1999	1998
		(000 omitted)		
Change in projected benefit obligation:				
Benefit obligation at beginning of year	$120,992	$110,011	$ 31,543	$ 27,468
Service cost	1,763	1,824	791	707
Interest cost	8,666	8,012	2,371	2,115
Plan amendments	352	181	1,907	997
Actuarial adjustments(1)	(5,773)	10,867	533	2,197
Curtailments		(2,462)	(425)	(133)
Benefits paid	(7,711)	(7,441)	(2,100)	(1,808)
Benefit obligation at end of year(2)	118,289	120,992	34,620	31,543
Change in plan assets:				
Fair value of plan assets at beginning of year	140,612	126,374		
Actual return on plan assets	12,922	21,637		
Company contributions	13	42	2,100	1,808
Benefits paid	(7,711)	(7,441)	(2,100)	(1,808)

Fair value of plan assets at end of year	145,836	140,612	—	—
Funded status	27,547	19,620	(34,620)	(31,543)
Unrecognized net transition (asset) obligation	(1,249)	(2,128)	225	516
Unrecognized prior service cost	1,173	919	5,991	5,536
Unrecognized actuarial (gain) loss	(10,719)	(4,328)	6,889	7,121
Net amount recognized	$ 16,752	$ 14,083	$(21,515)	$(18,370)

(1) The actuarial adjustments arose primarily as a result of changes in the discount rate assumption.

(2) The accumulated benefit obligation for the unfunded pension plans was $30,017,000 and $25,844,000 as of December 31, 1999 and 1998, respectively.

The total amounts recognized in Viad's Consolidated Balance Sheets at December 31 were as follows:

	Funded Plans		Unfunded Plans	
	1999	1998	1999	1998
	(000 omitted)			
Prepaid pension cost	$16,813	$14,143	$ —	$ —
Accrued pension liability	(128)	(137)	(30,213)	(26,073)
Intangible asset	6	13	6,183	6,301
Accumulated other comprehensive income	61	64	2,515	1,402
Net amount recognized	$16,752	$14,083	$(21,515)	$(18,370)

Net periodic pension cost for defined benefit plans for the years ended December 31 includes the following components:

	1999	1998	1997
	(000 omitted)		
Service cost	$ 2,554	$ 2,531	$ 3,589
Interest cost	11,037	10,127	9,854
Expected return on plan assets	(12,407)	(11,153)	(10,198)
Amortization of prior service cost	674	603	521
Recognized net actuarial loss	820	463	196
Net periodic pension cost	$ 2,678	$ 2,571	$ 3,962

Net curtailment gains totaling $89,000 and $1,868,000 in 1999 and 1998, respectively, were primarily attributable to the sales of businesses. Curtailment gains totaling $1,632,000 in 1997 were primarily attributable to freezing plan benefits for a business subsequently sold.

Contributions to multiemployer pension plans totaled $13,578,000, $11,779,000, and $12,141,000 in 1999, 1998 and 1997, respectively. Costs of 401(k) defined contribution and other pension plans totaled $1,383,000, $1,644,000, and $3,307,000 in 1999, 1998 and 1997, respectively.

Postretirement Benefits Other Than Pensions. Viad and certain of its subsidiaries have defined benefit postretirement plans that provide medical and life insurance for certain eligible employees, retirees and dependents. The related postretirement benefit liabilities are recognized over the period that services are provided by employees. In addition, Viad retained the obligations for such benefits for certain retirees of sold businesses. While the plans have no funding requirements, Viad may fund the plans. As described in Note C, on December 31, 1999, Viad contributed a portion of its investment in the Arizona Diamondbacks limited partnership to the Viad Corp Medical Plan Trust to fund certain postretirement benefits.

The status of the plans as of December 31 is set forth below:

	1999	1998
	(000 omitted)	
Change in accumulated benefit obligation:		
Benefit obligation at beginning of year	$ 39,753	$ 44,334
Service cost	594	878
Interest cost	2,664	2,997
Plan amendments	(4,793)	(2,777)
Actuarial adjustments(1)	(1,268)	2,433
Curtailments	(5)	(4,983)
Benefits paid	(3,234)	(3,129)
Benefit obligation at end of year	33,711	39,753
Fair value of plan assets at end of year(2)	11,347	
Funded status	(22,364)	(39,753)
Unrecognized prior service reduction	(7,478)	(3,277)
Unrecognized net actuarial gain	(4,413)	(3,203)
Accrued postretirement benefit cost	$(34,255)	$(46,233)

(1) The actuarial adjustments arose primarily as a result of changes in the discount rate assumption.

(2) Assets contributed December 31, 1999.

The net periodic postretirement benefit cost for the years ended December 31 includes the following components:

	1999	1998	1997
		(000 omitted)	
Service cost	$ 594	$ 878	$ 967
Interest cost	2,664	2,997	3,165
Amortization of prior service cost	(408)	(218)	(86)
Recognized net actuarial gain	(77)	(38)	(229)
Net periodic postretirement benefit cost	$2,773	$3,619	$3,817

Curtailment gains totaling $184,000 in 1999 and $5,147,000 in 1998 were primarily attributable to the sales of businesses. There were no curtailment gains or losses in 1997.

The assumed health care cost trend rate used in measuring the 1999 and 1998 accumulated postretirement benefit obligation was 8% and

9%, respectively, gradually declining to 5% by the year 2002 and remaining at that level thereafter for retirees below age 65, and 6.5% and 7%, respectively, gradually declining to 5% by the year 2002 and remaining at that level thereafter for retirees above age 65.

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, 1999 by approximately $3,055,000 and the ongoing annual expense by approximately $451,000. 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, 1999 by approximately $2,590,000 and the ongoing annual expense by approximately $360,000.

Weighted Average Assumptions. Weighted average assumptions used at December 31 were as follows:

	Pension Benefits		Other Benefits	
	1999	**1998**	**1999**	**1998**
Discount rate	7.75%	7.0%	7.75%	7.0%
Expected return on plan assets	10.0%	10.0%	5.0%	N/A
Rate of compensation increase	4.5%	4.5%	N/A	N/A

O. Leases

Certain offices, equipment and other facilities are leased. The leases expire over periods generally ranging from one to 11 years and some provide for renewal options ranging from one to 31 years. Leases which expire are generally renewed or replaced by similar leases.

At December 31, 1999, Viad's future minimum rental payments and related sublease rentals receivable with respect to noncancelable operating leases with terms in excess of one year were as follows:

	Rental Payments	Rentals Receivable Under Subleases
	(000 omitted)	
2000	$ 31,106	$2,330
2001	25,787	1,280
2002	22,748	586
2003	17,284	347
2004	14,268	281
Thereafter	46,497	367
Total	$157,690	$5,191

In May 1997, Viad sold its corporate headquarters and is leasing back a portion of the building. The future minimum rental payments are included in the table above. The excess of the net sales price over the net book value of the building was deferred and is being amortized over the term of the leaseback.

Information regarding net operating lease rentals for the years ended December 31 is as follows:

	1999	1998	1997
		(000 omitted)	
Minimum rentals	$36,854	$36,659	$38,929
Contingent rentals		751	562

Sublease rentals	(3,021)	(1,169)	(1,280)
Total rentals, net	$33,833	$36,241	$38,211

P. Financial Instruments With Off-Balance-Sheet Risk and Fair Value of Financial Instruments

Financial Instruments with Off-Balance-Sheet Risk. Viad is a party to financial instruments with off-balance-sheet risk which are entered into in the normal course of business to meet financing needs and to manage exposure to fluctuations in interest rates. These financial instruments include sale of receivables agreements and interest rate swap agreements. The instruments involve, to a varying degree, elements of credit and interest rate risk in addition to amounts recognized in the financial statements.

At December 31, 1999, Viad had an agreement to sell, on a revolving basis, undivided participating interests in a defined pool of trade accounts receivable from customers of Viad's Convention and Event Services businesses in an amount not to exceed $60,000,000 as a means of accelerating cash flow. At December 31, 1999 and 1998, $60,000,000 and $27,400,000, respectively, of trade accounts receivable were sold under the agreement. The agreement expires in August 2000 but is expected to be extended annually. Under the terms of the trade receivables sales agreement, Viad has retained substantially the same risk of credit loss as if the receivables had not been sold, as Viad is obligated to replace uncollectible receivables with new trade accounts receivable. The average balance of proceeds from the sale of trade accounts receivable approximated $39,954,000, $24,656,000, and $25,550,000 during 1999, 1998 and 1997, respectively. The

expense of selling such receivables, discounted based on short-term interest rates, was $2,263,000, $1,482,000 and $1,585,000 in 1999, 1998, and 1997, respectively, and is included in "Costs of sales and services."

At December 31, 1999, a Viad Payment Services subsidiary had an agreement to sell, on a periodic basis, undivided percentage ownership interests in certain receivables from bill payment and money order agents in an amount not to exceed $400,000,000. The agreement expires in June 2003. The receivables are sold in order to accelerate payment services' cash flow for investment in the admissible securities described in Note F. The average agents' receivables sold approximated $377,000,000, $262,000,000 and $125,000,000 during 1999, 1998 and the latter part of 1997, respectively. The agents' receivables are sold at a discount based on short-term variable interest rates. The expense of selling such receivables was $26,352,000, $16,768,000 and $2,790,000 in 1999, 1998 and 1997, respectively, and is included in "Costs of sales and services."

A portion of the Payment Services subsidiary's business involves the payment of commissions to selling agents of its official check program. The commissions are computed based on short-term variable interest rates. Variable-to-fixed rate swap agreements have been entered into to mitigate the effects of such fluctuations on commission expense and on the net proceeds from the agents' receivables sales.

The notional amount of the variable-to-fixed swap agreements totaled $1,625,000,000 at December 31, 1999, with an average pay rate of 5.3% and an average receive rate of 5.6%. The variable-rate portion of the swaps is generally based on treasury bill, LIBOR or federal funds rates. The agreements expire as follows: $100,000,000 (2000), $375,000,000 (2002), $875,000,000 (2003), $225,000,000 (2004) and $50,000,000 (2007).

The notional amounts of such agreements are used to measure amounts to be paid or received and do not represent the amount of exposure to credit loss. The amounts to be paid or received under the swap agreements are accrued consistent with the terms of the agreements and market interest rates and are recognized as an adjustment to the expense of the related transaction. Viad maintains formal procedures for entering into swap transactions, and management regularly monitors and reports to the Audit Committee of the Board of Directors on swap activity. The agreements are with major financial institutions which are currently expected to fully perform under the terms of the agreements, thereby mitigating the credit risk from the transactions in the event of nonperformance by the counterparties. In addition, Viad regularly monitors the credit ratings of the counterparties, and the likelihood of default is considered remote.

Fair Value of Financial Instruments. The carrying values of cash and cash equivalents, receivables, accounts payable and payment service obligations approximate fair values due to the short-term maturities of these instruments. The amortized cost and fair value of investments in debt and equity securities are disclosed in Notes E and F. The carrying amounts and estimated fair values of Viad's other financial instruments at December 31 are as follows:

	1999	1998

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(000 omitted)		
Total debt	$(389,272)	$(383,725)	$(534,453)	$(541,055)
Swap agreements(1)	124	56,708	(899)	(25,097)

(1) Carrying amount represents accrued interest receivable (payable).

The methods and assumptions used to estimate the fair values of the financial instruments are summarized below. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that Viad could realize in a current market exchange. The use of different market assumptions or valuation methodologies could have a material effect on the estimated fair value amounts.

Debt — The fair value of debt was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity. The carrying values of the commercial paper and promissory notes were assumed to approximate fair values due to their short-term maturities.

Swap agreements — The fair value represents the estimated amount that Viad would receive from (pay to) counterparties to terminate the swap agreements at December 31.

Q. Litigation, Claims and Other Contingencies

Viad and certain subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against Viad. Although the amount of liability at December 31, 1999, with respect to these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, will not have a material effect on Viad’s financial statements. Potential liability for previously reported railroad-asbestos related claims has been resolved favorably for Viad.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recoveries, will not have a material effect on Viad’s financial statements.

R. Segment Information

SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” requires disclosure of certain financial information for reportable operating segments based on management’s internal organizational decision-making structure. Viad measures segment profit and performance based on operating segment income from continuing operations after minority interests and income taxes, but before nonrecurring items.

The accounting policies of the operating segments are the same as those described in Note A, except that an adjustment is made to the Payment Services segment to present revenues, operating income and income taxes on a fully taxable equivalent basis to reflect amounts invested in tax-exempt securities. Consolidated revenues, operating income and interest expense also reflect the elimination of intercompany interest payments on the commercial paper issued by Viad to a Payment Services subsidiary. Intersegment sales and transfers are not significant. Interest expense is allocated to operations based on net funds advanced and current short-term interest rates. Income taxes are allocated based primarily on separate return calculations for each business. Certain benefits of filing combined and/or consolidated state income tax returns, including tax losses and credits which would not have been available to certain subsidiaries on a separate return basis, have been credited to such subsidiaries by Viad. Depreciation and amortization are the only significant noncash items for the reportable segments.

Viad’s two reportable segments are Payment Services and Convention and Event Services. The Payment Services segment sells money orders through agents, performs official check and negotiable instrument clearing services for banks and credit unions, and provides cash access services to gaming establishments throughout the United States. In addition, the segment provides consumer money wire transfer services throughout the world. The Convention and Event Services segment provides decorating, exhibit preparation, installation and dismantling, and electrical, transportation and management services for conventions,

tradeshows, associations and other corporate events; and designs and builds convention, tradeshow, museum and other exhibits and displays throughout the world.

The remaining categories represent ongoing Travel and Recreation Services businesses below reportable segment quantitative thresholds, sold businesses not classified as discontinued operations, and corporate and other. These categories are presented to reconcile to total results. Ongoing Travel and Recreation Services includes Viad's Canadian travel tour service subsidiary, which operates tours and charters in the Canadian Rockies and conducts hotel operations and snocoach tours of the Columbia Icefield; and the Recreation Division of Viad, which operates concessions at America West Arena and Bank One Ballpark in Phoenix, Arizona and operates historic lodges at Glacier National Park. Sold businesses are described in Note C. Corporate and other includes expenses of corporate activities and interest expense not allocated to operating segments.

Viad's foreign operations are located principally in Canada and Europe. Convention and Event Services revenues are designated as foreign based on the originating location of the product or service plus exports to foreign shows. Payment Services foreign revenues are defined as revenues generated from wire transfer transactions originating in a country other than the United States. Long-lived assets are attributed to domestic or foreign based principally on physical location of the assets. Long-lived assets consist of "Property and equipment" and "Other investments and assets." The table below presents the financial information by major geographic area:

	1999	1998	1997
		(000 omitted)	
Revenues:			
United States	$1,418,050	$1,484,411	$1,341,759
Foreign	163,119	128,348	144,592
Total revenues	$1,581,169	$1,612,759	$1,486,351
Long-lived assets:			
United States	$ 365,383	$ 357,926	$ 319,187
Foreign	69,399	65,086	62,780
Total long-lived assets	$ 434,782	$ 423,012	$ 381,967

Disclosures regarding Viad's reportable segments under SFAS No. 131 with reconciliations to consolidated totals are presented in the accompanying table.

	Revenues	Operating Income	Interest Expense	Income Taxes (Benefit)	Income from Continuing Operations	Assets
			(000 omitted)			
1999						

Payment Services	$ 581,492	$128,487	$ —	$ 51,356	$ 76,064	$4,141,818(1)
Convention and Event Services	932,768	99,934	20,380	31,993	47,182	540,662
Reportable segments	1,514,260	228,421	20,380	83,349	123,246	4,682,480
Other:						
Ongoing Travel and Recreation Services	113,696	20,288	1,484	7,222	10,950	94,833
Subtotal, ongoing operations	1,627,956	248,709	21,864	90,571	134,196	4,777,313
Sold businesses	10,928	(3,208)	(201)	(1,054)	(1,953)	
Corporate and other		(19,369)	10,906	(5,992)	(9,815)	483,558
Nonrecurring items		8,176		3,545	6,131	
Elimination of intercompany interest and commercial paper	(5,681)	(5,681)	(5,681)			(50,000)
Subtotal	1,633,203	228,627	26,888	87,070	128,559	5,210,871
Less: Fully taxable equivalent adjustment(2)	(52,034)	(52,034)		(52,034)		
	$1,581,169	$176,593	$26,888	$ 35,036	$128,559	$5,210,871
1998						
Payment Services	$ 431,157	$ 87,206	$ —	$ 34,536	$ 51,467	$3,511,527(1)
Convention and Event Services	849,165	87,446	16,159	28,353	42,924	546,428
Reportable segments	1,280,322	174,652	16,159	62,889	94,391	4,057,955
Other:						
Ongoing Travel and Recreation Services	102,952	17,729	1,688	6,160	9,523	78,700
Subtotal, ongoing operations	1,383,274	192,381	17,847	69,049	103,914	4,136,655
Sold businesses	275,538	12,279	79	4,017	7,589	35,219
Corporate and other		(24,207)	16,030	(13,341)	(26,896)	197,572
Investment in discontinued operations						386,300
Nonrecurring items		(10,642)		10,105	12,737	
Elimination of intercompany interest and commercial paper	(6,744)	(6,744)	(6,744)			(90,000)
Subtotal	1,652,068	163,067	27,212	69,830	97,344	4,665,746
Less: Fully taxable equivalent adjustment(2)	(39,309)	(39,309)		(39,309)		
	$1,612,759	$123,758	$27,212	$ 30,521	$ 97,344	$4,665,746
1997						
Payment Services	$ 234,891	$ 65,348	$ —	$ 24,105	$ 41,243	$2,440,143(1)
Convention and Event Services	827,500	72,753	12,718	24,737	35,298	424,789
Reportable segments	1,062,391	138,101	12,718	48,842	76,541	2,864,932
Other:						
Ongoing Travel and Recreation Services	91,256	14,590	497	5,949	7,863	80,852
Subtotal, ongoing operations	1,153,647	152,691	13,215	54,791	84,404	2,945,784
Sold businesses	368,174	17,413	(538)	5,134	11,861	112,384
Corporate and other		(31,388)	28,365	(20,007)	(39,746)	218,163
Investment in discontinued operations						422,877
Elimination of intercompany interest and commercial paper	(6,746)	(6,746)	(6,746)			(90,000)

Subtotal	1,515,075	131,970	34,296	39,918	56,519	3,609,208
Less: Fully taxable equivalent adjustment(2)	(28,724)	(28,724)		(28,724)		
	$1,486,351	$103,246	$34,296	$ 11,194	$ 56,519	$3,609,208

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Depreciation and Amortization	Capital Expenditures
	(000 omitted)	
1999		
Payment Services	$25,285	$41,830
Convention and Event Services	27,979	14,739
Reportable segments	53,264	56,569
Other:		
Ongoing Travel and Recreation Services	5,807	4,826
Subtotal, ongoing operations	59,071	61,395
Sold businesses	341	118
Corporate and other	3,567	497
Nonrecurring items		
Elimination of intercompany interest and commercial paper		
Subtotal	62,979	62,010
Less: Fully taxable equivalent adjustment (2)		
	$62,979	$62,010
1998		
Payment Services	$18,312	$22,708
Convention and Event Services	23,072	22,949
Reportable segments	41,384	45,657
Other:		
Ongoing Travel and Recreation Services	5,162	7,413
Subtotal, ongoing operations	46,546	53,070
Sold businesses	6,964	1,003
Corporate and other	4,133	759
Investment in discontinued operations		
Nonrecurring items		
Elimination of intercompany interest and commercial paper		
Subtotal	57,643	54,832
Less: Fully taxable equivalent adjustment (2)		
	$57,643	$54,832
1997		

Payment Services	$10,908	$15,150
Convention and Event Services	20,192	26,561
Reportable segments	31,100	41,711
Other:		
Ongoing Travel and Recreation Services	3,998	19,082
Subtotal, ongoing operations	35,098	60,793
Sold businesses	8,573	10,436
Corporate and other	5,051	875
Investment in discontinued operations		
Elimination of intercompany interest and commercial paper		
Subtotal	48,722	72,104
Less: Fully taxable equivalent adjustment (2)		
	$48,722	$72,104

(1) Includes assets restricted for payment service obligations of $3,589,064,000 (1999), $3,039,213,000 (1998), and $2,323,351,000 (1997), including $50,000,000 in 1999 and $90,000,000 in 1998 and 1997 invested in Viad commercial paper.

(2) The fully taxable equivalent adjustment for Payment Services' income from tax-exempt securities is calculated based on a combined income tax rate of 39%.

S. Condensed Consolidated Quarterly Results (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(000 omitted, except per share data)				
1999					
Revenues(1)					
Ongoing operations	$362,477	$420,396	$394,222	$393,146	$1,570,241
Sold businesses	10,928				10,928
Revenues from continuing operations	$373,405	$420,396	$394,222	$393,146	$1,581,169
Operating income(1)(2)	$ 25,247	$ 49,607	$ 50,385	$ 51,354	$ 176,593
Net income:					
Continuing operations(3)	$ 14,850	$ 33,024	$ 40,523	$ 40,162	$ 128,559
Discontinued operations	5,535	11,143	202,276		218,954
Net income	$ 20,385	$ 44,167	$242,799	$ 40,162	$ 347,513
Diluted income per common share:(3)(4)					
Continuing operations	$ 0.15	$ 0.33	$ 0.42	$ 0.43	$ 1.32
Discontinued operations	0.05	0.12	2.12		2.27

Diluted income per common share	$ 0.20	$ 0.45	$ 2.54	$ 0.43	$ 3.59
Basic income per common share:(4)					
Continuing operations	$ 0.15	$ 0.34	$ 0.43	$ 0.44	$ 1.37
Discontinued operations	0.06	0.12	2.21		2.35
Basic income per common share	$ 0.21	$ 0.46	$ 2.64	$ 0.44	$ 3.72
Fully taxable equivalent adjustment(1)	$ 11,333	$ 12,910	$ 13,423	$ 14,368	$ 52,034
1998					
Revenues(1)					
Ongoing operations	$284,264	$343,786	$357,841	$351,330	$1,337,221
Sold businesses	81,722	84,069	75,772	33,975	275,538
Revenues from continuing operations	$365,986	$427,855	$433,613	$385,305	$1,612,759
Operating income(1)(2)	$ 17,685	$ 27,543	$ 44,805	$ 33,725	$ 123,758
Net income:					
Continuing operations(3)	$ 8,432	$ 17,268	$ 44,728	$ 26,916	$ 97,344
Discontinued operations	6,947	23,354	12,305	10,690	53,296
Net income	$ 15,379	$ 40,622	$ 57,033	$ 37,606	$ 150,640
Diluted income per common share:(3)					
Continuing operations	$ 0.08	$ 0.18	$ 0.45	$ 0.27	$ 0.98
Discontinued operations	0.07	0.23	0.13	0.11	0.54
Diluted income per common share	$ 0.15	$ 0.41	$ 0.58	$ 0.38	$ 1.52
Basic income per common share:					
Continuing operations	$ 0.09	$ 0.18	$ 0.47	$ 0.28	$ 1.02
Discontinued operations	0.07	0.25	0.13	0.11	0.56
Basic income per common share	$ 0.16	$ 0.43	$ 0.60	$ 0.39	$ 1.58
Fully taxable equivalent adjustment(1)	$ 8,231	$ 9,616	$ 10,459	$ 11,003	$ 39,309

(1) Viad Payment Services subsidiaries are investing increasing amounts in tax-exempt securities. On a fully taxable equivalent basis using a combined tax rate of 39%, revenues and operating income would be higher by the fully taxable equivalent adjustments shown above.

(2) The second quarter of 1998 includes a $10,642,000 provision for payments returned under a disputed patent infringement litigation settlement. In the fourth quarter of 1999, the settlement was reinstated, resulting in a one-time gain of $8,176,000. See Note C.

(3) Includes nonrecurring income of $6,131,000 (after-tax), or $0.06 per diluted share in 1999, and $12,737,000 (after-tax), or $0.13 per diluted share in 1998, as described in Note C. Excluding these items, diluted income per share from continuing operations was:

	1999	1998
First Quarter	$0.15	$0.08
Second Quarter	0.33	0.25
Third Quarter	0.42	0.29
Fourth Quarter	0.36	0.23
Total	$1.26	$0.85

(4) Income per common share is computed independently for each quarter and for the year, and the sum of the quarters may not equal the annual amount.

REPORT OF MANAGEMENT

The management of Viad Corp has the responsibility for preparing and assuring the integrity and objectivity of the accompanying financial statements and other financial information in this report. The financial statements were developed using generally accepted accounting principles and appropriate policies, consistently applied. They reflect, where applicable, management's best estimates and judgments and include relevant disclosures and explanations.

Viad's financial statements have been audited by Deloitte & Touche LLP. Their audit was conducted in accordance with generally accepted auditing standards. The Independent Auditors' Report appears below.

Management has established and maintains a system of internal control that it believes provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets and the prevention and detection of fraudulent financial reporting. The system of internal control is believed to provide for appropriate division of responsibilities and is documented by written policies and procedures that are utilized by employees involved in the financial reporting process. Viad also maintains a comprehensive internal auditing function which independently monitors compliance and assesses the effectiveness of the internal controls and recommends potential improvements thereto.

In addition, as part of their audit of Viad's financial statements, the independent auditors review and evaluate selected internal accounting and other controls to establish a basis for reliance thereon in determining the audit tests to be applied. There is close coordination of audit planning and coverage between Viad's internal auditing function and the independent auditors. Management has considered the recommendations of both internal auditing and the independent auditors concerning Viad's system of internal control and has taken actions believed to be cost-effective in the circumstances to implement appropriate recommendations and otherwise enhance controls. Management believes that Viad's system of internal control accomplishes the objectives discussed herein.

The Board of Directors oversees Viad's financial reporting through its Audit Committee. The Audit Committee regularly meets with management and, jointly and separately, with the independent auditors and internal auditing management to review interest rate swap activity, accounting, auditing and financial reporting matters and the effectiveness of the Corporate Compliance Program.

/s/ ROBERT H. BOHANNON	/s/ RONALD G. NELSON	/s/ CATHERINE L. STEVENSON
Robert H. Bohannon Chairman, President and Chief Executive Officer	Ronald G. Nelson Vice President — Finance and Treasurer	Catherine L. Stevenson Vice President — Controller

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of Viad Corp:

We have audited the accompanying consolidated balance sheets of Viad Corp as of December 31, 1999 and 1998, and the related consolidated statements of income, comprehensive income, cash flows, and common stock and other equity for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Viad Corp as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Phoenix, Arizona
February 17, 2000

EXHIBIT INDEX

EXHIBITS. #	
3.A	Copy of Restated Certificate of Incorporation of Viad Corp, as amended through August 15, 1996, filed as Exhibit 3.A to Viad Corp's 1996 Form 10-K, is hereby incorporated by reference.
3.B	Copy of Bylaws of Viad Corp, as amended through November 19, 1998, filed as Exhibit 3.B to Viad Corp's 1998 Form 10-K, is hereby incorporated by reference.
4.A	Instruments with respect to issues of long-term debt have not been filed as exhibits to this Annual Report on Form 10-K if the authorized principal amount of any one of such issues does not exceed 10% of total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation agrees to furnish a copy of each such instrument to the Securities and Exchange Commission upon request.
4.B	Copy of Amended and Restated Credit Agreement dated as of July 24, 1996, among Viad Corp, the Bank parties thereto, Citicorp USA, Inc., as Administrative Agent, and Bank of America National Trust and Savings Association as Documentation Agent, filed as Exhibit 4.B to Viad's 1996 Form 10-K, is hereby incorporated by reference.
4.B1	First Amendment dated as of August 1, 1997, to Amended and Restated Credit Agreement, filed as Exhibit 4.B1 to Viad Corp's 1997 Form 10-K, is hereby incorporated by reference.
4.B2	Second Amendment dated as of September 11, 1997, to Amended and Restated Credit Agreement, filed as Exhibit 4.B2 to Viad Corp's 1997 Form 10-K, is hereby incorporated by reference.
10.A1	Copy of Viad Corp 1983 Stock Option and Incentive Plan, filed as Exhibit (28) to Viad Corp's Registration Statement on Form S-8 (Registration No. 33-41870), is hereby incorporated by reference.+
10.A2	Copy of amendment, effective August 1, 1994, to Viad Corp 1983 Stock Option and Incentive Plan, filed as Exhibit 10.H2 to Viad Corp's 1994 Form 10-K, is hereby incorporated by reference.+
10.B	Copy of Viad Corp 1992 Stock Incentive Plan as amended August 15, 1996, filed as Exhibit 4.3 to Viad Corp's Form S-8 Registration Statement (#333-63397), is hereby incorporated by reference.+
10.C	Copy of 1997 Viad Corp Omnibus Incentive Plan, as amended through February 17, 2000.*+
10.D	Copy of Viad Corp Management Incentive Plan, as amended March 14, 2000.*+
10.E	Copy of Viad Corp Performance Unit Incentive Plan, as amended March 14, 2000.*+
10.F	Copy of Viad Corp Performance-Based Stock Plan, as amended and restated effective May 1998, filed as Exhibit 10D to Viad Corp's Second Quarter 1998 Form 10-Q, is hereby incorporated by reference.+
10.G	Viad Corp Deferred Compensation Plan, Amended and Restated as of October 5, 1999.*+
10.H1	Copy of form of Executive Severance Agreement between Viad Corp and Chairman, President and Chief Executive Officer, filed as Exhibit (10)(G)(i) to Viad Corp's 1991 Form 10-K, is hereby incorporated by reference.+
10.H2	Copy of forms of Viad Corp Executive Severance Plans covering certain executive officers, filed as Exhibit (10)(G)(ii) to Viad Corp's 1992 Form 10-K, is hereby incorporated by reference.+
10.I	Copy of Employment Agreement between Viad Corp and Robert H. Bohannon dated April 1, 1998, filed as Exhibit 10 to Viad Corp's First Quarter 1998 Form 10-Q, is hereby incorporated by reference.+
10.J	Copy of Employment Agreement between Viad Corp and Paul B. Mullen dated April 25, 1996, filed as Exhibit 10.O to Viad Corp's 1996 Form 10-K, is hereby incorporated by reference.+
10.K	Copy of Viad Corp Supplemental TRIM Plan, filed as Exhibit 10.M to Viad Corp's 1994 Form 10-K, is hereby incorporated by reference.+
10.L	Copy of Viad Corp Supplemental Pension Plan (Amended and Restated as of December 1, 1999).*+

EXHIBITS. #	
10.M	Copy of Travelers Express Company, Inc. Supplemental Pension Plan dated December 30, 1997, filed as Exhibit 10.R to Viad Corp's 1997 Form 10-K, is hereby incorporated by reference.+
10.N	Copy of GES Exposition Services, Inc. Supplemental Executive Retirement Plan, as amended effective January 1, 1998, filed as Exhibit 10.S to Viad Corp's 1997 Form 10-K, is hereby incorporated by reference.+
10.O	Copy of Viad Corp Deferred Compensation Plan for Directors, as Amended and Restated July 25, 1996, filed as Exhibit 10.D to Viad Corp's 1996 Form 10-K, is hereby incorporated by reference.+
10.P	Copy of Viad Corp Director's Charitable Award Program as amended through March 15, 1996, filed as Exhibit 10.T to Viad Corp's 1995 Form 10-K, is hereby incorporated by reference.+

10.Q	Description of Viad Corp Director's Charitable Matching Program.*+
21	List of Subsidiaries of Viad Corp.*
23	Independent Auditors' Consent to the incorporation by reference into specified registration statements on Form S-3 or on Form S-8 of their report contained in this report.*
24	Power of Attorney signed by Directors of Viad Corp.*
27	Financial Data Schedule.*

* Filed herewith.

\+ Management contract or compensation plan or arrangement.

Exhibit 10.C

1997 VIAD CORP OMNIBUS INCENTIVE PLAN,
AS AMENDED THROUGH FEBRUARY 17, 2000

SECTION 1. PURPOSE; DEFINITIONS.
The purpose of the Plan is to give the Company a significant advantage in attracting, retaining and motivating officers, employees and directors and to provide the Company and its subsidiaries with the ability to provide incentives more directly linked to the profitability of the Company's businesses and increases in stockholder value. It is the current intent of the Committee that the Plan shall replace the 1992 Stock Incentive Plan for purposes of new Awards and that the Viad Corp Management Incentive Plan, the Viad Corp Performance Unit Incentive Plan, and the Viad Corp Performance-Based Stock Plan continue under the auspices of Sections 7 and 8 hereof subject to the discretion of the Committee under the terms and conditions of this Plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 2. ADMINISTRATION.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 3. STOCK SUBJECT TO PLAN AND LIMITS ON AWARDS.
(a) Subject to adjustment as provided herein, the number of shares of Common Stock of the Company available for grant under the Plan in each calendar year (including partial calendar years) during which the Plan is in effect shall be equal to two percent (2.0%) of the total number of shares of Common Stock of the Company outstanding as of the first day of each such year for which the Plan is in effect; provided that any shares available

for grant in a particular calendar year (or partial calendar year) which are not, in fact, granted in such year shall be added to the shares available for grant in any subsequent calendar year.

(b) Subject to adjustment as provided herein, the number of shares of Stock covered by Awards granted to any one participant will not exceed 750,000 shares for any consecutive three-year period and the aggregate dollar amount for Awards denominated solely in cash will not exceed $7.5 million for any such period.

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

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

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

SECTION 4. ELIGIBILITY.

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

SECTION 5. STOCK OPTIONS.

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

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

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

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

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

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

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

(c) EXERCISABILITY. Except as otherwise provided herein, Stock Options will be exercisable at such time or times and subject to such terms and conditions as will be determined by the

Committee. If the Committee provides that any Stock Option is exercisable only in installments, the Committee may, subject to the provisions of Section 2(d) hereof, at any time waive such installment exercise provisions, in whole or in part, based on such factors as the Committee may determine. In addition, the Committee may, subject to the provisions of Section 2(d) hereof, at any time accelerate the exercisability of any Stock Option.

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 6. STOCK APPRECIATION RIGHTS.
(a) GRANT AND EXERCISE. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of grant of such Stock Option. A Stock Appreciation Right will terminate and no longer be exercisable upon the termination or exercise of the related Stock Option.

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

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

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

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

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

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

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

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the 1997 Incentive Plan and a Restricted Stock Agreement. Copies of such Plan and

Agreement are on file at the offices of Viad Corp, Viad Tower, Phoenix, Arizona."

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

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

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

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

(3) Except as provided in this paragraph (3) and Sections 7(c)(1) and (2) and the Restricted Stock Agreement, the participant will have, with respect to the shares of Restricted Stock, all of the rights of a stockholder of the

Company holding the class or series of Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right to receive any dividends. If so determined by the Committee in the applicable Restricted Stock Agreement and subject to Section 12(f) of the Plan, (A) dividends consisting of cash, stock or other property (other than Stock) on the class or series of Stock that is the subject of the Restricted Stock shall be automatically deferred and reinvested in additional Restricted Stock (in the case of stock or other property, based on the fair market value thereof, and the Fair Market Value of the Stock, in each case as of the record date for the dividend) held subject to the vesting of the underlying Restricted Stock, or held subject to meeting any Performance Goals applicable to the underlying Restricted Stock, and (B) dividends payable in Stock shall be paid in the form of Restricted Stock of the same class as the Stock with which such dividend was paid and shall be held subject to the vesting of the underlying Restricted Stock, or held subject to meeting any Performance Goals applicable to the underlying Restricted Stock.

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

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

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

(7) Awards of Restricted Stock, the vesting of which is not conditioned upon the attainment of Performance Goals or other performance-based criteria, is limited to twenty

percent (20%) of the number of shares of Common Stock of the Corporation available for grant under the Plan in each calendar year.

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

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

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

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

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

(1) The Committee may, prior to or at the time of the grant, designate Performance-Based Awards as Qualified Performance-Based Awards, in which event it will condition the settlement thereof upon the attainment of Performance Goals. If the Committee does not designate Performance- Based Awards as Qualified Performance-Based Awards, it may also condition the settlement thereof upon the attainment of Performance Goals or such other performance-based criteria as the Committee shall establish. Regardless of whether Performance-Based Awards are Qualified Performance-Based Awards, the Committee may also condition the settlement thereof upon the continued service of the participant. The provisions of such Performance-Based Awards (including without limitation any applicable Performance Goals) need not be the same with respect to each recipient. Subject to

the provisions of the Plan and the Performance-Based Award Agreement referred to in Section 8(b)(5), Performance-Based Awards may not be sold, assigned, transferred, pledged or otherwise encumbered during the Award Cycle.

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

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

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

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

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

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

SECTION 9. CHANGE IN CONTROL PROVISIONS.

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

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

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

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

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

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

(2) A change in the composition of the Board such that the individuals who, as of February 20, 1997, constitute the Board (such Board will be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 9(b), that any individual who becomes a member of the Board subsequent to February 20, 1997, whose election, or nomination for election by the Company's stockholders, was approved

by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) will be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board will not be so considered as a member of the Incumbent Board; or

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

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

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

SECTION 10. TERM, AMENDMENT AND TERMINATION.
The Plan will terminate May 31, 2007, but may be terminated sooner at any time by the Board, provided that no Incentive Stock Options shall be granted under the Plan after February 19, 2007. Awards outstanding as of the date of any such termination will not be affected or impaired by the termination of the Plan.

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

The Committee may amend the terms of any Stock Option or other Award theretofore granted, prospectively or retroactively, but no such amendment will
(1) impair the rights of any holder without the holder's consent except such an amendment which is necessary to cause any Award or transaction under the Plan to qualify, or to continue to qualify, for the exemption provided by Rule 16b-3 or
(2) amend any Qualified Performance-Based Award in

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

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

SECTION 11. UNFUNDED STATUS OF PLAN.
It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 12. GENERAL PROVISIONS.
(a) The Committee may require each person purchasing or receiving shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring any shares without a view to the distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 13. EFFECTIVE DATE OF PLAN.
The Plan will be effective on the later of (a) the time it is approved by the Board and (b) the time certain provisions of the Plan are approved by stockholders for tax purposes.

SECTION 14. DIRECTOR STOCK OPTIONS.

(a) Each director of the Company who is not otherwise an employee of the Company or any of its subsidiaries or Affiliates, will (1) on the date of his or her first election as a director of the Company (such initial grant being an "Initial Grant"), and (2) annually on the third Thursday of February, during such director's term (the "Annual Grant"), automatically be granted Non-Qualified Stock Options to purchase Common Stock having an exercise price per share of Common Stock equal to 100% of Fair Market Value per share of Common Stock at the date of grant of such Non-Qualified Stock Option. The number of shares subject to each such Initial Grant, and each such Annual Grant, will be equal to the annual retainer fee in effect at the date of grant for non-employee directors of the Company divided by an amount equal to one-third (1/3) of the Fair Market Value of the Common Stock at the date of grant, rounded to the nearest 100 shares. A non-employee director who is first elected as a director of the Company during the course of a year (i.e., on a date other than the date of the Annual Grant) will, in addition to the Initial Grant, receive upon election a grant of Non-Qualified Stock Options prorated to reflect the number of months served in the initial year of service, with the number of shares of Common

Stock subject to such Stock Option being equal to (1) the number of shares subject to the Initial Grant multiplied by (2) a fraction the numerator of which will be the number of months from the date of such election through the date of the next Annual Grant and the denominator of which will be twelve (12).

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

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

EXHIBIT 10.D

VIAD CORP

ANNUAL MANAGEMENT INCENTIVE PLAN
PURSUANT TO THE VIAD 1997 OMNIBUS INCENTIVE PLAN
AS AMENDED MARCH 14, 2000

I. PURPOSE:

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

II. PHILOSOPHY:

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

III. SUBSIDIARIES, SUBSIDIARY GROUPS AND DIVISIONS:

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

Name of Company

Brewster Transport Company Limited

Exhibitgroup/Giltspur group
GES Exposition Services, Inc. group Recreation Division (ProDine) group Travelers Express Company, Inc. group

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

B. FUNDING LIMIT:

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

C. PERFORMANCE GOALS:

1. OPERATING INCOME (as calculated for external reporting purposes):

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

Operating income to be used in calculating the bonus pool of each Company shall mean operating income adjusted to appropriately exclude the effects of gains and losses from the sale or other disposition of capital assets other than vehicles. In addition, an addback to actual operating income will be allowed for any increased cost to a subsidiary if there is an increase in the actual formula allocation of corporate overhead over amounts included in the Plan for the year.

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

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

2. VALUE ADDED MEASUREMENT:

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

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

3. OTHER PERFORMANCE MEASUREMENTS:

An appropriate number of performance measurements other than operating income and VVA will be established for each Company, to place increased emphasis on areas of importance to achieving overall corporate objectives, with the Chief Executive Officer of Viad to recommend to the HR committee the measures to be used and, at the end of the year, the level of achievement against each. Measures which may be used include, but are not limited to:

1) Operating income margin growth*
2) Control/reduce workers compensation and liability claims/costs
3) Profitability per employee
4) Growth in funds for payment service
5) Pushdown of balance sheet measures of VVA to Lines of Businesses
6) Development of long-term internet strategies
7) Drive shared services initiatives
* Fully taxable equivalent basis (where appropriate)

4. REVENUE (as calculated for external reporting purposes):

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

5. ESTABLISHING TARGETS:

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

D. PARTICIPANT ELIGIBILITY:

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

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

E. TARGET BONUSES:

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

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

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

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

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

F. BONUS POOL TARGET:

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

2. The bonus pool will accrue ratably such that

a) on 60% of the sum of target bonuses:

(i) no bonus will be earned if less than 90% of the operating income target is achieved;

(ii) 50% (threshold) to 100% will be earned if 90% to 100% of the operating income target is achieved.

(iii) 100% to 170% will be earned if 100% to 110% of the operating income target is achieved.

b) on 30% of the sum of target bonuses:

(i) No bonuses will be earned if less than 70% of the VVA target is achieved;

(ii) 50% (threshold) to 100% will be earned if 70% to 100% of the VVA target is achieved.

(iii) 100% to 170% (cap) will be earned if 100% to 130% of the VVA target is achieved.

Notwithstanding 2.a) i), ii) and iii) and 2.b) i), ii) and iii), of this paragraph F, the ratable accrual of the operating income and VVA targets may be established for threshold within the range of above 70%, up to and including 98% and for maximum within the range of below 130% down to 102%, for a Company as may be designated by the Committee after considering the recommendations of the Chief Executive Officer of Viad Corp; however, the Committee may, when appropriate, adjust such ranges upward or downward.

Further, the bonus pool shall include any excess of the funding limit established pursuant to paragraph B for a Company's Executive Officer(s) over the amount of bonus pool funds otherwise provided with respect to such person(s) pursuant to 2a) and b) of this Paragraph F.

c) on 10% of the sum of target bonuses:

(i) No bonuses will be earned if achievement relating to the other designated performance measurements is considered unsatisfactory;

(ii) 50% (threshold) to 170% will be earned as determined by the Committee after considering the recommendation of the Chief Executive Officer of Viad of the level of acceptable achievement relating to the other designated performance measurements.

d) a further reduction or increase in the total bonus accrual earned under 2.a), b) and c) of this paragraph will occur:

(i) If less than threshold revenue target is achieved, then overall award is reduced by 5%;

(ii) If greater than or equal to threshold but below maximum revenue target is achieved, then overall award remains at 100%;

(iii) If equal to or greater than maximum revenue target is achieved, overall award is increased by 105%, such that the maximum total bonus accrual percentage earned under paragraph 2 is 178.5% (applies only if achievement under the Operating Income, VVA & Other Performance Measurements are at maximum, 170%; otherwise, Revenue bonus pool accrual formula will be limited to 100%).

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

G. INDIVIDUAL BONUS AWARDS:

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

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

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

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

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

IV. VIAD CORP CORPORATE STAFF:

A. FUNDING LIMIT:

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

B. PERFORMANCE GOALS:

1. INCOME PER SHARE:

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

Income per share from continuing operations is determined before extraordinary items, effects of changes in accounting principles or a change in federal income tax rates after the target has been set. (For example, new FASB release on Accounting for Derivatives, to be effective for periods after December 15, 2000, which could be adopted earlier, but was not taken into account in setting 2000 target income per share.) Reclassification of a major business unit to discontinued operations status after targets have been set would also require adjustment because of effect on continuing operations results. While gains on disposition of a business would normally not be included in determining actual Plan Year net income or income per share, in the event of the sale of a subsidiary or major business unit, a portion of gain would be included equal to the difference between the sold unit's planned net income for the year and actual results to date of sale plus calculated interest savings on proceeds for the balance of the year, so that actual results are not penalized for selling a business.

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

2. VALUE ADDED MEASUREMENT:

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

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

3. OTHER PERFORMANCE MEASUREMENTS:

An appropriate number of performance measurements other than income per share will be established for Corporate, with the Chief

Executive Officer of Viad to recommend to the Human Resources Committee the level of achievement against each of the measures.

The measures to be considered include, but are not limited to:

1) Reduction of investment in non-core assets
2) Management of 'legacy' liabilities of discontinued and/or sold businesses (primarily for legal, self-insurance, reinsurance and environmental matters)
3) Strategic positioning through effective portfolio management
4) Corporate center cost control
5) Through analysis and support, identify and help correct problems in operating units

4. REVENUE (as calculated for external reporting purposes):

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

5. ESTABLISHING TARGETS:

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

C. PARTICIPANT ELIGIBILITY:

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

a) Salary grade 25 and above; and

b) Not more than Organizational Level Four below the Chief Executive Officer.

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

D. TARGET BONUSES:

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

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

	As a Percentage of Salary		
Corporate Positions	Threshold**	Target	Cap
Chairman, President & Chief Executive Officer	37.50%	75%	137.8%
Senior Advisory Group	25.00%	50%	89.25%
	22.50%	45%	80.325%
Corporate Staff Officers	20.00%	40%	71.4%
Staff Directors*	17.50%	35%	62.475%
	15.00%	30%	53.55%
	12.50%	25%	44.625%
	10.00%	20%	35.7%
Staff Professionals*	7.50%	15%	26.775%
	5.00%	10%	17.85%

* Target Bonus, as determined by the Committee, is dependent upon Organization Reporting Relationships.

** Reflects minimum of achievement of both performance targets.
Threshold could be less if minimum achievement of only one performance target is met.

E. BONUS POOL TARGET:

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

2. The bonus pool will accrue ratably such that

a) on 60% of the sum of the target bonuses:

(i) no bonus will be earned if less than 90% of income per share target is achieved;

(ii) 50% to 100% will be earned if 90% to 100% of income per share target is achieved; and

(iii) 100% to 170% (175% in the case of Chairman, President and Chief Executive Officer) will be earned if 100% to 110% of income per share target is achieved.

b) on 30% of the sum of target bonuses:

(i) no bonus will be earned if less than 90% of the VVA target is achieved;

(ii) from 50% (threshold) to 100% will be earned if 90% to 100% of the VVA target is achieved.

(iii) 100% to 170% (175% in the case of Chairman, President and Chief Executive Officer) (cap) will be earned if 100% to 110% of the VVA target is achieved.

c) on 10% of the sum of target bonuses:

(i) no bonus will be earned if achievement relating to the other designated performance measurements is considered unsatisfactory;

(ii) from 50% (threshold) to 170% (175% in the case of Chairman, President and Chief Executive Officer) will be earned as designated by the Committee after considering the recommendation of the Chief Executive Officer of Viad of the level of acceptable achievement relating to the other designated performance measures

d) a further reduction or increase in the total bonus accrual earned under 2.a), b) and c) of this paragraph will occur:

(i) If less than threshold revenue target is achieved, then overall award is reduced by 5%;

(ii) If greater than or equal to threshold but below maximum revenue target is achieved, then overall award remains at 100%;

(iii) If equal to or greater than maximum revenue target is achieved, overall award is increased by 105%, such that the maximum total bonus accrual percentage earned under paragraph 2 is 178.5% (183.75% in the case of Chairman, President & Chief Executive Officer) (applies only if achievement under the Income per Share, VVA & Other Performance Measurements are at maximum, 170%; otherwise, Revenue bonus pool accrual formula will be limited to 100%).

e) Notwithstanding 2.a) i), ii) and iii) and
2.b) i), ii) and iii) of this paragraph E, the ratable accrual of the income per share and VVA targets may be established for threshold within the range of above 90% up to and including 97% and for maximum within the range of below 110% down to 103% as may be designated by the Committee; however, the Committee may, when appropriate, adjust such ranges upward or downward. Further, the bonus pool shall include any excess of the funding limit established pursuant to Paragraph B for each Corporate Executive Officer over the amount of bonus pool funds otherwise provided with respect to such persons pursuant to 2 a) and b) of this Paragraph E.

f) Provided no less than an amount equal to 12.5% of the actual bonus accruals earned under section III of this Plan or any Line of Business Incentive Plan established after 1984, for participants under section III herein will be earned hereunder, up to an aggregate maximum of 178.5% of Bonus Pool Target and transferred by the companies covered in section III, herein, to Viad Corp. For purposes of this determination only, the 178.5% upper limit shall not apply on such actual bonus accrual calculations for subsidiaries, subsidiary groups and divisions, and the calculation will exclude the excess if any, of funding limit amounts over bonus pool funds otherwise calculated under this provision.

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

F. INDIVIDUAL BONUS AWARDS:

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

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

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

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

V. SPECIAL ACHIEVEMENT AWARDS:

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

VI. APPROVAL AND DISTRIBUTION:

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

VII. COMPENSATION ADVISORY COMMITTEE:

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

VIII. SPECIAL COMPENSATION STATUS:

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

IX. DEFERRALS:

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

X. PLAN TERMINATION:

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

XI. EMPLOYEE RIGHTS:

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

XII. EFFECT OF CHANGE OF CONTROL:

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

XIII. EFFECTIVE DATE:

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

EXHIBIT 10.E
VIAD CORP

PERFORMANCE UNIT INCENTIVE PLAN
PURSUANT TO THE VIAD 1997 OMNIBUS INCENTIVE PLAN
AS AMENDED MARCH 14, 2000

1. PURPOSE

The purpose of the Plan is to promote the long-term interests of the Corporation and its shareholders by providing a means for attracting and retaining designated key executives of the Corporation and its Affiliates through a system of cash rewards for the accomplishment of long-term predefined objectives.

2. DEFINITIONS

The following definitions are applicable to the Plan:

"Affiliate" - Any "Parent Corporation" or "Subsidiary Corporation" of the Corporation as such terms are defined in Section 425(e) and (f), or the successor provisions, if any, respectively, of the Code (as defined herein).

"Award" - The grant by the Committee of a Performance Unit or Units as provided in the Plan.

"Board" - The Board of Directors of Viad Corp.

"Code" - The Internal Revenue Code of 1986, as amended, or its successor general income tax law of the United States.

"Committee" - The Human Resources Committee of the Board.

"Corporation" - Viad Corp.

"Participant" - Any executive of the Corporation or any of its Affiliates who is selected by the Committee to receive an Award.

"Performance Period" - The period of time selected by the Committee for the purpose of determining performance goals and measuring the degree of accomplishment. Generally, the Performance Period will be a period of three successive fiscal years of the Corporation.

"Performance Unit Award" - An Award.

"Plan" - The Performance Unit Incentive Plan of the Corporation.

"Unit" - The basis for any Award under the Plan.

3. ADMINISTRATION

The Plan shall be administered by the Committee. Except as limited by the express provisions of the Plan, the Committee shall have sole and complete authority and discretion to (i) select Participants and grant Awards; (ii) determine the number of Units to be subject to Awards generally, as well as to individual Awards granted under the Plan; iii) determine the targets that must be achieved in order for the Awards to be payable and the other terms and conditions upon which Awards shall be granted under the Plan; (iv) prescribe the form and terms of instruments evidencing such grants; and (v) establish from time to time regulations for the administration of the Plan, interpret the Plan, and make all determinations deemed necessary or advisable for the administration of the Plan.

4. PERFORMANCE GOALS

The Performance Unit Incentive Plan is intended to provide Participants with a substantial incentive to achieve or surpass three pre-defined long-range financial goals which have been selected because they are key factors (goals) in increasing shareholder value.

The first goal for each Subsidiary Participant emphasizes growth in Average Three-Year Operating Income.

The first goal for Corporate Participants also emphasizes Growth in Average Three-Year Operating Income but the target will be based on income per share from continuing operations, the most appropriate measure in increasing shareholder value.

The second goal for Corporate and Subsidiary Participants is a Viad Value Added (VVA) measure.

The third goal for Corporate and Subsidiary Participants emphasizes growth in Average Three-Year Revenues.

5. DETERMINATION OF TARGETS

A. AVERAGE THREE-YEAR GROWTH IN SUBSIDIARY EARNINGS

An appropriate average three-year operating income target for the Performance Period for each Subsidiary Company will be established taking into account historical operating income, financial plan operating income for the Performance Period, overall Corporate objectives, and if appropriate, other circumstances. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

B. AVERAGE GROWTH IN THREE-YEAR VIAD INCOME PER SHARE

An appropriate average three-year "Income Per Share" from continuing operations target for Viad Corp will be established after considering historical income per share from continuing operations, financial plan income per share from continuing operations for the Performance Period, overall Corporate objectives and, if appropriate, other circumstances. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

C. VALUE ADDED MEASUREMENT:

The VVA measurement is intended to place increased emphasis on securing an adequate return to Viad on all capital employed in the business. VVA compares net operating income to the return required on capital invested in the business.

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

An appropriate average three-year VVA target will be established; a range of values above and below such target will then be selected to measure achievement above or below the target.

D. REVENUE

An appropriate average three-year Revenue target (as defined for outside reporting purposes) will be established for Subsidiary and Corporate with a focus on enhancing profitable top-line growth. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

E. ESTABLISHING TARGETS

The appropriate weighting of goals, targets, range of values above and below such targets and the Performance Period to be used as a basis for the measurement of performance for Awards under the Plan will be determined by the Committee no later than 90 days after the beginning of each new Performance Period during the life of the Plan, after giving consideration to the recommendations of the Chief Executive Officer of Viad Corp. Performance Units will be earned based upon the degree of achievement of pre-defined targets over the Performance Period following the date of grant.

Earned Units can range, based on operating performance using an award range of values, from 0% to 200% of the target Units.

6. OTHER PLAN PROVISIONS

Subsidiary operating income and Viad income per share from continuing operations are determined before extraordinary items, effects of changes in accounting principles, or a change in federal income tax rates after the target has been set. (For example, new FASB release on Accounting for Derivatives to be effective for periods after December 15, 2000 but not considered when targets were set). Reclassification of a major business unit to discontinued operations status after targets have been set would also require adjustment because of effect on Viad continuing operations results. While gains on disposition of a business would normally not be included in determining income per share, in the event of the sale of a subsidiary or major business unit, a portion of gain would be included for the difference between the sold unit's planned net income for the performance period and actual results to date of sale plus calculated interest savings on proceeds for the balance of the performance period, so that actual results are not penalized for selling a business.

An addback to actual operating income will be allowed for any increased cost to a subsidiary for an increase in the formula allocation of corporate overhead over amounts included in the Plan/Forecast at the beginning of the applicable performance period.

Incentives to be paid under this Plan must be deducted from the subsidiary corporation's and the Corporation's earnings during the Performance Period (generally in the third year, when the amounts to be paid can be reasonably estimated). Goals must be achieved after deducting from actual results all incentive compensation applicable to such performance periods, including those incentives earned under this Plan.

7. RANGE OF PERFORMANCE AWARDS

The range of values for the Corporation's or a Subsidiary Company's operating income or income per share performance and the VVA and Revenue measurements is set at a minimum of 80% of target for threshold and capped at 120% of the target. Notwithstanding the foregoing, targets may be established for threshold within the range of above 80% up to and including 95% and for maximum within the range of below 120% down to 105%, as may be designated by the Committee; however, the Committee may, when appropriate, adjust such ranges upward or downward.

Performance Units will be earned based upon the degree of achievement of each of the pre-defined targets (operating income or income per share, VVA, and Revenue) over the Performance Period following the date of grant. A range of values will be established for the operating income or income per share target (to carry a 70% weighting), for the VVA target (to carry a 30% weighting), and for the Revenue target (to be used for adjustment to the total bonus pool otherwise accruable by 95% (threshold) up to 105% (maximum), depending upon the achievement against the revenue target).

8. PARTICIPANT ELIGIBILITY

Personnel will be eligible for participation as recommended by the Viad Corp, Chief Executive Officer for approval by the Committee no later than 90 days after the beginning of each new Performance Period during the life of the Plan, limited only to those key executives who contribute in a substantial measure to the successful performance of the Corporation or its Affiliates. The Chief Executive Officer will recommend for approval by the Committee which Affiliates among its Affiliates should be included in the Plan.

9. AWARD DETERMINATION

The number of Units to be awarded will be determined, generally, by multiplying a factor times the Participant's annual base salary in effect at the time the Award is granted and dividing the result by the average of the high and low of the Corporation's Common Stock on the date of approval of the grant by the Committee. The Award factor will be recommended by the Chief Executive Officer of Viad Corp for approval by the Committee annually no later than 90 days after the beginning of each new performance period. The Committee may adjust the number of Units awarded in its discretion.

10. GENERAL TERMS AND CONDITIONS

The Committee shall have full and complete authority and discretion, except as expressly limited by the Plan, to grant Units and to provide the terms and conditions (which need not be identical among Participants) thereof. Without limiting the generality of the foregoing, the Committee may specify a Performance Period of not less than two years or not more than five years, rather than the three-year Performance Period provided for above, and such time period will be substituted as appropriate to properly effect the specified Performance Period. No Participant or any person claiming under or through such person shall have any right or interest, whether vested or otherwise, in the Plan or in any Award thereunder, contingent or otherwise, unless and until all the terms, conditions, and provisions of the Plan and its approved administrative requirements that affect such Participant or such other person shall have been complied with. Nothing contained in the Plan or its Administrative Guidelines shall (i) require the Corporation to segregate cash or other property on behalf of any Participant or (ii) affect the rights and power of the Corporation or its Affiliates to dismiss and/or discharge any Participant at any time.

Any recapitalization, reclassification, stock split, stock dividend sale of assets, combination or merger not otherwise provided for herein which affects the outstanding shares of Common Stock of the Corporation or any other change in the capitalization of the Corporation affecting the Common Stock shall be appropriately adjusted for by the Committee or the Board, and any such adjustments shall be final, conclusive and binding.

11. PAYMENTS OF AWARDS

(a) Performance Unit Awards which may become payable under this Plan shall be calculated as determined by the Committee but any resulting Performance Unit Award payable shall be subject to the following calculation: each Unit payable shall be multiplied by the average of the daily means of the market prices of the Corporation's Common Stock during the ten trading day period beginning on the day following public announcement of the Corporation's year-end financial results following the Performance Period. Distribution of the Award will be made within ninety (90) days following the close of the Performance Period. For those Executive Officers affected by Section 162(m) of the Internal Revenue Code, awards will be subject to discretionary downward adjustment by the Committee.

(b) Performance Unit Awards granted under this Plan shall be payable during the lifetime of the Participant to whom such Award was granted only to such Participant; and, except as provided in (d) and (e) of this Section 7, no such Award will be payable unless at the time of payment such Participant is an employee of and has continuously since the grant thereof been an employee of, the Corporation or an Affiliate. Neither absence on leave, if approved by the Corporation, nor any transfer of employment between Affiliates or between an Affiliate and the Corporation shall be considered an interruption or termination of employment for purposes of this Plan.

(c) Prior to the expiration of the Performance Period, all Participants will be provided an irrevocable option to defer all or a portion of any earned Performance Unit Award, if there be one but not less than $1,000, in written form as prescribed by the Board under the provisions of a deferred compensation plan for executives of the Corporation and its Affiliates, if one be adopted.

(d) If a Participant to whom a Performance Unit Award was granted shall cease to be employed by the Corporation or its Affiliate for any reason (other than death, disability, or retirement) prior to the completion of any applicable Performance Period, said Performance Unit Award will be withdrawn and subsequent payment in any form at any time will not be made.

(e) If a Participant to whom a Performance Unit Award was granted shall cease to be employed by the Corporation or its Affiliate due to early, normal, or deferred retirement, or in the event of the death or disability of the Participant, during the Performance Period stipulated in the Performance

Unit Award, such Award shall be prorated for the period of time from date of grant to date of retirement, disability or death, as applicable, and become payable within ninety (90 days) following the close of the Performance Period to the Participant or the person to whom interest therein is transferred by will or by the laws of descent and distribution. Performance Unit Awards shall be determined at the same time and in the same manner (except for applicable proration) as described in Section 11(a).

(f) There shall be deducted from all payment of Awards any taxes required to be withheld by any Federal, State, or local government and paid over to any such government in respect to any such payment.

12. EFFECT OF CHANGE OF CONTROL

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

13. ASSIGNMENTS AND TRANSFERS

No award to any Participant under the provisions of the Plan may be assigned, transferred, or otherwise encumbered except, in the event of death of a Participant, by will or the laws of descent and distribution.

14. AMENDMENT OR TERMINATION

The Board may amend, suspend, or terminate the Plan or any portion thereof at any time provided, however, that no such amendment, suspension, or termination shall invalidate the Awards already made to any Participant pursuant to the Plan, without his consent.

15. EFFECTIVE DATE

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

EXHIBIT 10.G

VIAD CORP
DEFERRED COMPENSATION PLAN
AMENDED AND RESTATED AS OF OCTOBER 5, 1999

1. PURPOSE OF THE PLAN. The purpose of the Deferred Compensation Plan (the Plan) is to provide a select group of management or highly compensated employees of Viad Corp (the Corporation) and its subsidiaries with an opportunity to defer the receipt of incentive compensation awarded to them under the Management Incentive Plan, the Performance Unit Incentive Plan and certain other incentive plans of Viad Corp and its subsidiaries (the Incentive Plans) and thereby enhance the long-range benefits and purposes of the incentive awards. Each plan year shall extend from January 1 through December 31 of each calendar year.

2. ADMINISTRATION OF THE PLAN. The Plan shall be administered by the Compensation Advisory Committee (the Committee). Subject to the express provisions of the Plan, and the Incentive Plans, the Committee shall have the authority to adopt, amend and rescind such rules and regulations, and to make such determinations and interpretations relating to the Plan, which it deems necessary or advisable for the administration of the Plan, but it shall not have the power to amend, suspend or terminate the Plan. All such rules, regulations, determinations and interpretations shall be conclusive and binding on all parties.

3. PARTICIPATION IN THE PLAN.
(a) Participation in the Plan shall be restricted to a select group of management or highly compensated employees of the Corporation or one of its subsidiaries who are participants in certain Incentive Plans, including the Management Incentive Plan, Viad Corp Performance Unit Incentive Plan, and any other bonus or bonuses or similar or successor plans, who have been selected in writing by the Chief Executive Officer of the Corporation to participate in the Plan, and whose timely written requests to defer the receipt of all or a portion of any incentive compensation which may be awarded to them, are honored in whole or in part by the Committee. Any individual whose request for deferral is not accepted or honored by the Committee, whether for failure of timely submission or for any other reason, shall not become a participant in the Plan, and the Committee's determination in this regard shall be conclusive and binding.

(b) Participants may defer incentive compensation into a cash account and, if designated by the Committee, into a stock unit account.

(c) If a participant in the Plan shall 1) sever, voluntarily or involuntarily, his employment with the Corporation or one of its subsidiaries other than as a result of disability or retirement, 2) engage in any activity in competition with the Corporation or any of its subsidiaries during or following such employment, or 3) remain in the employ of a corporation which for any reason ceases to be a subsidiary of the Corporation, the Committee may at any time thereafter direct, in its sole and exclusive discretion, that his participation in the Plan shall terminate, and that he be paid in a lump sum the aggregate amount credited to his deferred incentive cash account as of the date such participation is terminated and that he be paid shares of the Corporation's Common Stock equal to the aggregate number of stock units credited to his deferred stock unit account as of the date such participation is terminated (with any fractional unit being settled by cash payment). The Committee is authorized to establish and implement a policy and procedures for administration of this paragraph, including, but not limited to, a policy regarding small account balance cash-outs.

(d) The Corporation and each participating subsidiary shall be solely liable for payment of any benefits and, except as may be otherwise determined by the Committee, for maintenance of deferred incentive accounts pursuant to paragraph 7, with respect to its own employees who participate in the Plan. In the event a participant leaves the employ of the Corporation or a participating subsidiary ("former employer") and is subsequently employed by another employer, the Corporation or another subsidiary of the Corporation ("new employer"), the former employer may agree to transfer and the new employer may agree to assume the benefit liability reflected in such participant's deferred incentive account, without the consent of such participant and subject to the approval of the Committee, in its sole discretion. In the event of such a transfer and assumption of liability, the former employer shall have no further liability for any benefit under the Plan to its former employee or otherwise with respect to such transferred account.

4. REQUESTS FOR DEFERRAL. All requests for deferral of incentive awards must be made in writing prior to November 15 of the year in which the bonus is being earned and shall be in such form and shall contain such terms and conditions as the Committee may determine. Each such request shall specify the dollar amount or the percentage to be deferred of incentive award which would otherwise be received in the following calendar year, but in no event shall the amount to be deferred be less than $1,000. Each such request shall also specify 1) the date (no later than the employee's actual retirement date) when payment of the aggregate amount credited to the deferred incentive account is to commence, 2) whether such payment is then to be made in a lump sum or in quarterly or

annual installments, 3) if payment is to be made in installments, the period of time (not in excess of ten years) over which the installments are to be paid, and 4) if the participant is permitted to defer incentive compensation into a stock unit account, the portion of the deferred incentive compensation which shall be treated as a cash account under paragraph 7(b) and the portion which shall be treated as a stock unit account under paragraph 7(c). If the participant has requested that a portion of the deferred incentive compensation be placed in a stock unit account, such request shall also include acknowledgment that such stock unit account will be settled in Common Stock of the Corporation, and that such stock unit account cannot be converted to a cash account in the future. The Committee shall, under no circumstances, accept any request for deferral of less than $1,000 of an incentive award or any request which is not in writing or which is not timely submitted.

5. DEFERRAL AND PAYMENT OF INCENTIVE AWARDS. The Committee shall, prior to December 15 of the year in which the bonus is being earned, notify each individual who has submitted a request for deferral of an incentive award whether or not such request has been accepted and honored. If the request has been honored in whole or in part, the Committee shall advise the participant of the dollar amount or percentage of his incentive compensation which the Committee has determined to be deferred. The Committee shall further advise the participant of its determination as to the date when payment of the aggregate amount credited to the participant's deferred incentive account is to commence, whether payment of the amount so credited as of that date will then be made in a lump sum or in quarterly or annual installments, if payment is to be made in installments, the period of time over which the installments will be paid, and if the participant is permitted to defer incentive compensation into a stock unit account, whether the deferred incentive account shall be treated as a cash account or a stock unit account or split between cash and stock units. Upon subsequently being advised of the existence of special circumstances which are beyond the participant's control and which impose an unforeseen severe financial hardship on the participant or his beneficiary, the Committee may, in its sole and exclusive discretion, modify the deferral arrangement established for that participant to the extent necessary to remedy such financial hardship.

If the participant has elected to defer incentive compensation in the form of cash, the Corporation shall distribute a sum in cash to such participant, pursuant to his or her election provided for in paragraph 4. If the participant has elected to defer incentive compensation in the form of stock units, the Corporation shall distribute to such participant, pursuant to his or her election provided for in paragraph 4, shares of Common Stock of the Corporation equal to the number of stock units being settled in such installment (with any fractional unit being settled by cash payment).

6. CONVERSION OF CASH ACCOUNT BALANCE. Each participant who is permitted to defer incentive compensation into a stock unit account may, not more than once a year or such other period as is determined by the Committee, by written notice delivered to the Committee, convert the aggregate balance or any portion thereof in his or her deferred compensation cash account (either before or after installment payments from the account may have commenced) from an account in the form of cash to an account in the form of stock units in an amount equal to the cash balance or specified portion thereof divided by the closing price of the Common Stock of the Corporation (as reported for the New York Stock Exchange-Composite Transactions) on the last trading day of the quarter in which such notice is given, said account to then accrue dividend equivalents as set forth in paragraph 7(c) below; provided however, that no such notice of conversion ("Conversion Notice") (a) may be given within six months following the date of an election by such participant, if an Executive Officer of the Corporation, with respect to any plan of the Corporation, that effected a Discretionary Transaction (as defined in Rule 16b-3(f) under the Securities Exchange Act of 1934) that was a disposition or (b) may be given after an individual ceases to be an employee of the Corporation. The stock unit account will be settled in Common Stock of the Corporation and such stock unit account cannot be converted to a cash account in the future.

7. DEFERRED INCENTIVE ACCOUNT.
(a) A deferred incentive account shall be maintained by his employer for each participant in the Plan, and there shall be credited to each participant's account, on the date incentive compensation is paid, the incentive award, or portion thereof, which would have been paid to such participant on said date if the receipt thereof had not been deferred. If the account is to be a stock unit account, the incentive compensation award shall be converted into stock units by dividing the closing price of the Corporation's Common Stock (as reported for the New York Stock Exchange Composite Transactions) on the day such incentive award is payable into such incentive award.

(b) If the participant has elected to defer incentive compensation in the form of cash, there shall be credited on the last day of the quarter to each participant's account, an interest credit on his deferred incentive award at the interest rates determined by the Committee to be payable during each calendar year, or portion thereof, prior to the termination of such participant's deferral period or, if the amount then credited to his deferred incentive account is to be paid in installments, prior to the termination of such installment period. Interest will be paid on a prorated basis for amounts withdrawn from the account during the quarter, with the remaining balance accruing interest for the duration of the quarter. The interest credit for the following quarter shall be a rate equal to the yield as of March 31, June 30, September 30, and December 31 on Merrill Lynch Taxable Bond Index - Long Term Medium Quality (A3) Industrial Bonds, unless and until otherwise determined.

(c) If a participant has elected to defer incentive compensation in the form of stock units, then, in the event of a dividend paid in cash, stock of the Corporation (other than Common Stock) or property, additional credits (dividend equivalents) shall be made to the participant's stock unit account consisting of a number of stock units equal to the amount of such dividend per share (or the fair market value, on the date of payment, of dividends paid in stock or property), multiplied by the aggregate number of stock units credited to such participant's deferred compensation account on the record date for the payment of such dividend, divided by the closing price of the Corporation's Common Stock (as reported for the New York State Exchange-Composite transactions) on the date such dividend is payable to stockholders. After payment of deferred compensation commences, dividend equivalents shall accrue on the unpaid balance thereof in the same manner until all such deferred compensation has been paid.

(d) In the event of a dividend of Common Stock declared and paid by the Corporation, an additional credit shall be made to the participant's stock unit account of a number of stock units equal to the number of shares of the Corporation's Common Stock which the participant would have received as a stock dividend had he or she been the owner on the record date for the payment of such stock dividend of the number of shares of Common Stock equal to the number of units in such stock unit account on such date. After payment of deferred compensation commences, additional credits for stock dividends shall accrue on the unpaid balance thereof in the same manner until all such deferred compensation has been paid.

(e) The Plan shall at all times be unfunded. The Corporation shall not be required to segregate physically any amounts of money or otherwise provide funding or security for any amounts credited to the deferred incentive accounts of participants in the Plan.

8. CHANGE OF CONTROL OR CHANGE IN CAPITALIZATION.

(a) If a tender offer or exchange offer for shares of Common Stock of the Corporation (other than such an offer by the Corporation) is commenced, or if the stockholders of the Corporation shall approve an agreement providing either for a transaction in which the Corporation will cease to be an independent publicly owned corporation or for a sale or other disposition of all or substantially all the assets of the Corporation (Change of Control), a lump sum cash payment shall be made to each participant participating in the Plan of the aggregate current balance of his or her deferred compensation cash account accrued on the date of the Change of Control, notwithstanding any other provision herein. If the participant has elected to defer compensation in the form of stock units, the Corporation shall distribute to such participant shares of Common Stock of the Corporation equal to the number of stock units in such participant's stock unit account on the day preceding the date of the Change of Control (with any fractional unit being settled by cash payment). Any notice by a participant to change or terminate his or her election to defer Compensation on or before the date of the Change of Control shall be effective as of the date of the Change of Control, notwithstanding any other provision herein.

(b) Any recapitalization, reclassification, split-up, spin-off, sale of assets, combination or merger not otherwise provided for herein which affects the outstanding shares of Common Stock of the Corporation or any other relevant change in the capitalization of the Corporation shall be appropriately adjusted for by the Board of Directors of this Corporation, and any such adjustments shall be final, conclusive and binding.

9. DESIGNATION OF BENEFICIARY. Each participant in the Plan shall deliver to the Committee a written instrument, in the form provided by the Committee, designating one or more beneficiaries to whom payment of the amount credited to his deferred incentive account shall be made in the event of his death. Unless the Committee shall otherwise determine, such payments shall be made in such amounts and at such times as they would otherwise have been paid to the participant if he had survived.

10. NONASSIGNABILITY OF PARTICIPATION RIGHTS. No right, interest or benefit under the Plan shall be assignable or transferable under any circumstances other than to a participant's designated beneficiary in the event of his death, nor shall any such right, interest or benefit be subject to or liable for any debt, obligation, liability or default of any participant. The payments, benefits or rights arising by reason of this Plan shall not in any way be subject to a participant's debts, contracts or engagements, and shall not be subject to attachment, garnishment, levy, execution or other legal or equitable process.

11. RIGHTS OF PARTICIPANTS. A participant in the Plan shall have only those rights, interests or benefits as are expressly provided in the Plan and

in the Incentive Plans. The Plan shall be deemed to be ancillary to the Incentive Plans and the rights of participants in the Plan shall be limited as provided in the Incentive Plans.

12. CLAIMS FOR BENEFITS. Claims for benefits under the Plan shall be filed with the Committee. Written notice of the disposition of a claim shall be furnished the claimant within 60 days after the application therefor is filed. In the event the claim is denied, the reasons for the denial shall be specifically set forth. Pertinent provisions of this Plan shall be cited. In addition, the written notice shall describe any additional material or information necessary for the claimant to perfect the claim (along with an explanation of why such material or information is needed), and the written notice will fully describe the claim review procedures of paragraph 13 below.

13. CLAIM REVIEW. Any claimant who has been denied a benefit shall be entitled, upon request to the Committee, to receive a written notice of such action, together with a full and clear statement of the reasons for the action. The claimant may also review this Plan if he chooses. If the claimant wishes further consideration of his position, he may request a hearing. The request, together with a written statement of the claimant's position, shall be filed with a Committee member no later than 60 days after receipt of the written notification provided for above. The Committee shall schedule an opportunity for a full and fair hearing of the issue within the next 60 days. The decision following the hearing shall be made within 60 days and shall be communicated in writing to the claimant. If the claimant requests, the hearing may be waived, in which case the Committee's decision shall be made within 60 days from the date on which the hearing is waived and shall be communicated in writing to the claimant.

14. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN. The Board of Directors of the Corporation (the Board) may from time to time amend, suspend or terminate the Plan, in whole or in part, and if the Plan is suspended or terminated, the Board may reinstate any or all provisions of the Plan, except that no amendment, suspension or termination of the Plan shall, without the consent of a participant, adversely affect such participant's right to receive payment of the entire amount credited to his deferred incentive account on the date of such Board action. In the event the Plan is suspended or terminated, the Board may, in its discretion, direct the Committee to pay to each participant the amount credited to his account either in a lump sum or in accordance with the Committee's prior determination regarding the method of payment.

15. EFFECTIVE DATE.

The Plan shall become effective on the date of its approval by the Human Resources Committee of the Viad Corp Board of Directors or on such other date as the Human Resources Committee may direct, but the Plan shall become operative with respect to a select group of management or highly compensated employees of each subsidiary only upon the adoption of the Plan by that subsidiary's Board of Directors.

EXHIBIT 10.L

THE VIAD CORP

SUPPLEMENTAL PENSION PLAN

(AMENDED AND RESTATED AS OF DECEMBER 1, 1999), PREVIOUSLY
AMENDED AND RESTATED AS OF SEPTEMBER 30, 1997 AND PRIOR THERETO,

ON JANUARY 1, 1987

1. PURPOSE

The purpose of the Viad Corp Supplemental Pension Plan (hereinafter referred to as the "Plan") is to provide deferred compensation to Eligible Employees (as defined in paragraph 2) on and after January 1, 1976. It is the intention of Viad Corp (hereinafter called the "Company") that Eligible Employees are those employees designated by the Company, or the Chief Executive Officer of the Company, pursuant to paragraph 2, from a select group of management or highly-compensated employees of the Company, or any of its subsidiaries or affiliates (hereinafter referred to as "Subsidiaries") and that the Plan continue to be eligible for exemptions under Parts 1, 2, 3 and 4 of Title I of ERISA and U.S. Department of Labor regulations. It also is the intention of the Company that the Plan be unfunded, that any Eligible Employee's rights under the Plan are those of a general creditor only, and that there be no elections with respect to any benefits under the Plan by Eligible Employees. Subject to rights and benefits expressly fixed by the terms hereof, the Company also intends that the Plan may be amended or terminated and that benefits may be reduced or eliminated as the Board of Directors of the Company determines from time to time and that individuals' rights may be altered.

2. PARTICIPATION

An employee of the Company (or any of its Subsidiaries) may become eligible to participate in the Plan (referred to herein as "Eligible Employee") when approved by the Board of Directors of the Company (or a committee thereof), or by the Chief Executive Officer of the Company, as specifically designated in each Schedule of Benefits (which is attached hereto, and by this reference made a part hereof). A list of Eligible Employees with respect to each Schedule of Benefits is correspondingly denominated and attached as an exhibit to the Plan (referred to herein as "Exhibit") and each such Exhibit shall be periodically updated.

3. FUNDING

No fund shall be established to provide for the payment of benefits under the Plan. No trust, other than one which will not cause the Plan to be "funded" under current Internal Revenue Service and U.S. Department of Labor regulations and rulings, shall be created. Any rights of an Eligible Employee or any other person claiming by or through him or her shall be those of a general creditor of the Company only. The Company may create book reserves or take such other steps as it deems appropriate to provide for its expected liabilities under the Plan.

4. CATEGORIES OF BENEFIT PAYMENTS TO ELIGIBLE EMPLOYEES

Benefits shall be payable by the Company in accordance with the terms and conditions of the Plan and as described in each Schedule of Benefits to the Eligible Employees described in each such Schedule of Benefits and its corresponding Exhibit.

5. RETIREMENT BENEFITS

Except, as otherwise expressly provided in the Plan or in a Schedule of Benefits, the Plan shall make monthly payments to an Eligible Employee at the same time such Eligible Employee receives or would be deemed to receive under any Schedule of Benefits his or her pension benefits under the pension plan(s) sponsored by the Company, or any of its Subsidiaries, (herein, and in any Schedule of Benefits, referred to for the purposes of the Plan as "the time of his or her retirement"), but in no event shall monthly payments begin before such Eligible Employee has attained the age of 55 and has actually left the employ of the Company or its Subsidiaries. Unless otherwise expressly stated in a Schedule of Benefits, such monthly payments shall be equal to the amount by which the sum of the monthly pension benefits payable to the Eligible Employee from all pension plans sponsored by the Company or any of its Subsidiaries, other than this Plan and a plan qualified under Internal Revenue Code Section
401(k), (hereinafter called "Pension Plans"), is less than the aggregate amount(s) determined under the applicable Schedule(s) of Benefits. In making this determination, the amount(s) from such Pension Plan(s) shall be determined prior to the election of any payment options (such as joint and survivor elections) and without regard to Internal Revenue Code Section 415 or any other law or regulation which would limit benefit amounts from such Pension Plan(s). In addition, when an Eligible Employee is a participant in more than one Pension Plan and benefits under any one of such Pension Plans are not available immediately on account of early retirement eligibility provisions, then, for the purposes of the Plan, such benefits shall be taken into account as though payable immediately on an actuarially equivalent basis, as reasonably determined by the Viad Retirement Committee ("Committee") in its sole discretion.

6. FINAL AVERAGE EARNINGS

Final Average Earnings for purposes of Schedules A, B, B', C and E shall be as defined in the Viad Corp Retirement Income Plan (hereinafter, "VCRIP") plus amounts that were not included in Final Average Earnings because such amounts were deferred and, for Schedules A, B, B' and C only, the average of the highest five calendar years of Management Incentive Plan (hereinafter, "MIP") (or its predecessor or successor Plan) awards (whether paid or deferred) made to him or her while in continuous service, except that for Schedules B, C, and E, when calculating Final Average Earnings for years following December 31, 1997 only one-half of MIP (if MIP is included in the calculation of compensation) shall be used and there shall be applied a transition benefit calculation as more fully described in the appropriate Schedules. Any deferrals included in Final Average Earnings by reason hereof shall only be used once in calculating such Final Average Earnings.

7. OPTIONAL FORMS

If any pension benefit is payable to an Eligible Employee from a Pension Plan, and an optional form of payment is elected under that Pension Plan, then a similar election will be deemed made under the Plan. If two or more such pensions are payable from such other Pension Plans, then the option selected from the Pension Plan generating the largest monthly pension payment (include the beneficiary designation in connection with such option and benefits, if applicable) shall prevail for the purposes of the Plan. Notwithstanding the foregoing, no lump sum distributions shall occur to be permitted hereunder.

8. LISTING OF ELIGIBLE EMPLOYEES

A listing of Eligible Employees shall be maintained in the form of the Exhibits to the Plan. Exhibit A shall contain those covered under Schedule A, and so on for B, B', C, D, and E. If an employee is incorrectly included or excluded from an Exhibit, actual entitlement to participation and benefits under the Plan shall be reasonably determined by the Committee in its sole discretion.

9. SURVIVOR'S BENEFIT

If while covered by this program, for purposes other than a terminated vested benefit, an Eligible Employee dies and if on the date of his or her death such Eligible Employee is:

a) Covered by Schedule A, B, B', C, D or E and has 5 years of service; or

b) 55 years of age or older;

then his or her Eligible Spouse, as defined in the VCRIP shall be entitled to a survivor's benefit. This survivor's benefit shall be calculated by assuming that the Eligible Employee (i) was 55 years of age (or his actual age if older) on the date of death; (ii) retired under the VCRIP on the first day of the month following his or her death; and (iii) elected a Single Life Annuity. The Eligible Spouse will be entitled to receive 1/2 of this benefit which shall be further reduced by 1/6 of 1% for each month the Eligible Spouse is more than 60 months younger than the Eligible Employee.

The survivor's benefit under this paragraph 9 shall be reduced by any spousal survivor's benefit payable from any qualified defined benefit plan (other than a
Section 401(k) plan or an Employee Stock Ownership Plan) sponsored by the Company when such benefit becomes payable, as reasonably determined by the Committee in its sole discretion.

10. VESTING

In addition to all the terms and conditions of the Plan, no Eligible Employee or beneficiary shall be entitled to a benefit under the Plan unless such Eligible Employee has actually attained fully vested status in a Pension Plan which is qualified under Internal Revenue Code Section 401 and which is mentioned in any Schedule of Benefits covering the Eligible Employee, as reasonably determined by the Committee in its sole discretion. Notwithstanding any other provision hereof, any Eligible Employee hereunder who has accumulated five years of service with the Company and its Subsidiaries taken as a whole, ignoring breaks in service, shall be fully vested and entitled to benefits hereunder.

11. ADMINISTRATION, AMENDMENT, MODIFICATION, AND TERMINATION OF THE PLAN

The Board of Directors of the Company may terminate the Plan or any Schedule of Benefits at any time. Any amounts vested under the Plan prior to any such termination shall continue to be subject to the terms, conditions, and elections in effect under the Plan when the Plan is terminated. The Plan may be amended at any item or from time to time by the Board of Directors of the Company. The Company shall have full power and authority to interpret and administer the Plan, to promulgate rules of Plan administration, to adopt a claims procedure, to conclusively settle any disputes as to rights or benefits arising from the Plan, and to make such decisions or take such actions as the Company, in its sole discretion, reasonably deems necessary or advisable to aid in the proper administration and maintenance of the Plan.

12. MISCELLANEOUS

The Plan, and any determination made by the Committee or the Company in connection therewith, shall be binding upon each Eligible Employee, his or her beneficiary or beneficiaries, heirs, executors, administrators, successors and assigns. Notwithstanding the foregoing sentence, no benefit under the Plan may be sold, assigned, transferred, conveyed, hypothecated, encumbered, anticipated or otherwise disposed of, and any attempt to do so shall be void. No such benefit payment shall be, prior to actual receipt thereof by the Eligible Employee, or his or her beneficiary or beneficiaries, as the case may be, in any manner subject to the debts, contracts, liabilities or engagements of such

Eligible Employee or beneficiary(ies). The Plan shall not constitute, nor be deemed to constitute, a contract of employment between the Company, or any of its Subsidiaries, and any Eligible Employee, nor shall any provision hereof restrict the right of the Company or any of its Subsidiaries to discharge any Eligible Employee from his or her employment, with or without cause.

SCHEDULE A

The benefits payable under this Schedule of Benefits are in lieu of, not in addition to, any other benefit provided for in this Plan, it being the intent of the Company that (i) benefits shall be payable under this Schedule of Benefits only if it generates the largest monthly benefits when compared to other benefits to which the Eligible Employee is otherwise entitled under the Plan, and (ii) benefits payable under this Schedule of Benefits shall be the only benefits payable to an Eligible Employee under the Plan. The provisions of this Schedule A shall not be construed to modify or limit the provisions of any other Schedule of Benefits to the extent such other Schedule of Benefits deems certain facts to be true for the purposes of the Plan.

Benefits may be payable under this Schedule of Benefits in respect of persons employed by the Company who are selected by the Board of Directors for inclusion under this Schedule of Benefits. The amount used to determine the monthly benefit payable to any Eligible Employee under paragraph 5 of the Plan is as follows:

A monthly Pension calculated as though the selected person was a member of the VCRIP and based on the rules of that Plan applicable at the time of his or her retirement, except that the following Table of retirement benefits expressed as a percentage of Final Average Earnings shall be used. For purposes of this Schedule of Benefits, Final Average Earnings shall be as defined in paragraph 6 of the Plan.

Years of Service	% of FAE	% of Soc. Sec.	Years of Service	% of FAE	% of Soc. Sec.
1	3	2.5	11	33	27.5
2	6	5.0	12	36	30.0
3	9	7.5	13	39	32.5
4	12	10.0	14	42	35.0
5	15	12.5	15	45	37.5
6	18	15.0	16	48	40.0
7	21	17.5	17	51	42.5
8	24	20.0	18	54	45.0
9	27	22.5	19	57	47.5
10	30	25.0	20	60	50.0

Notwithstanding the foregoing, awards under the Management Incentive Plan, shall be counted only once for purposes of this Schedule of Benefits, but on the basis generating the largest Final Average Earnings.

The benefit derived from this Table of Benefits shall be payable on the later of the first day of the month following termination of employment or the first day of the month following the month in which the participant attains age 55. The benefit shall not be subject to any reduction resulting from the Eligible Employee's election to retire prior to his or her normal retirement date. If the Eligible Employee is married on the date of his or her retirement, the benefit shall be paid in the form of a 50% Joint Survivorship Annuity and shall not be reduced to reflect such form of payment.

If the Eligible Employee elects any other optional form of payment under the VCRIP then the reduction in such optional form of benefit shall be based on the unreduced, 50% Joint & Survivor Annuity benefit.

Eligible Employees under this Schedule are listed on Exhibit A to this Plan.

SCHEDULE B

Benefits may be payable under this Schedule of Benefits in respect of persons employed by the Company who are selected by the Chief Executive Officer of the Company. The amount used to determine the monthly benefit payable to an Eligible Employee under paragraph 5 of the Plan is as follows:

A monthly pension based on the rules of the VCRIP (in effect on December 31, 1988) for the Eligible Employee and calculated under those rules for years of service up to and including December 31, 1997. For years of service beginning January 1, 1998, the rules of the Amendment to the VCRIP Appendix: Greyhound Employees' Retirement Income Plan, effective January 1, 1998 ("the Appendix") shall apply, except that for purposes of the Employee's Average Monthly Compensation, the calculation of Final Average Earnings as set forth in Paragraph 6 of the Plan shall be used. For the purposes of this Schedule of Benefits, the amount of normal Retirement Pension with respect to compensation and credited service shall be the sum of the benefit determined under
(a) and (b) below;

(a) The Eligible Employee's Accrued Benefit as of December 31, 1997, if any, determined in accordance with the terms of this section as in effect immediately prior to January 1, 1998, multiplied by a fraction (not less than one), the numerator of which is the Eligible Employee's current Average Monthly Compensation, and the denominator of which is the Eligible Employee's Average Monthly Compensation determined as of December 31, 1997, with such calculations being determined based on the definitions of "Compensation" and "Average Monthly Compensation" as set forth in the Appendix as of December 31, 1997.

(b) With respect to an Eligible Employee's Credited Service determined with respect to periods after December 31, 1997, the monthly amount of such normal Retirement Pension shall be the sum of the benefit determined under (1) and (2) below:

(1) 1.15 percent of the lesser of the Eligible Employee's Average Monthly Compensation or his Covered Compensation, multiplied by his Credited Service for periods after 1997, plus

(2) 1.70 percent of the excess, if any, of the Eligible Employee's Average Monthly Compensation over his Covered Compensation, multiplied by his Credited Service for periods after 1997.

A Eligible Employee's Credited Service under this paragraph (b) shall be limited to 30 years minus any Credited Service taken into account for purposes of any calculation under paragraph (a) above.

The Benefit shall be subject to no reduction if the Eligible Employee retires on or following his or her 60th birthday; and a reduction of .25% for each month his or her retirement precedes his or her 60th birthday. In no event, however, may an Eligible Employee retire prior to his or her 55th birthday. If the Eligible Employee is married on the date of his or her retirement, the benefit shall be paid in the form of a 50% Joint Survivorship Annuity and shall not be reduced to reflect such form of payment.

If the Eligible Employee elects any other optional form of payment under the VCRIP the reduction in such optional form of benefits shall be based on an unreduced, 50% Joint & Survivor Annuity benefit.

Eligible Employees under this Schedule B are listed on Exhibit B to the Plan.

SCHEDULE B'

Benefits may be payable under this Schedule of Benefits in respect of persons employed by the Company who are selected by the Board of Directors of the Company. For the purposes of this Schedule of Benefits, Final Average Earnings ("FAE") shall be as defined in paragraph 6 of the Plan. The amount used to determine the monthly benefit payable to an Eligible Employee under paragraph 5 of the Plan is the greater of (1) or (2) below:

(1) A monthly pension based on the rules of the VCRIP (in effect on December 31, 1988) for the Eligible Employee. The Benefit shall be subject to no reduction if the Eligible Employee retires on or following his or her 60th birthday; and a reduction of .25% for each month his or her retirement precedes his or her 60th birthday. In no event, however, may an Eligible Employee retire prior to his or her 55th birthday.

(2) If the Eligible Employee is actively employed by Viad Corp at such time as the Eligible Employee obtains age 58 and continues to be actively employed upon the attainment of the ages shown in Table A below, a monthly pension based on the amount derived from Table A below, offset by the amounts in Table B below.

Table A

Upon attainment of the following age:	The following percentage of Final Average Earnings:
58	30%
59	40%
60	50%
61	52%
62	54%
63	56%
64	58%
65	60%

The above percentages of FAE shall be attained only upon the Eligible Employee's birthday without any interpolation for retirements between birthdays.

Table B

Upon retirement at The following ages:	the following monthly offset:	
58	$2,706	And all of the monthly amounts payable
59	$2,912	to the Eligible Employee from VCRIP and

60	$3,130	any and all special retirement benefits paid
61	$3,173	pursuant to any Change in Control
62	$3,216	provisions set forth in any agreements by
63	$3,257	and between the Eligible Employee and
64	$3,295	Viad Corp, (including the Executive
65	$3,327	Severance Agreement entered into in
		January of 1997) as such provisions
		enhance retirement benefits.

In the event of a Change of Control, the Eligible Employee will receive a retirement benefit equal to the greater of the retirement benefit calculated (a) pursuant to the Change of Control provisions set forth in any agreements by and between Eligible Employee and Viad Corp (including the Executive Severance Agreement entered into in January of 1997) or (b) by using the Schedule B' as described above.

If the Eligible Employee is married on the date of his or her retirement, the benefit shall be paid in the form of a 50% Joint Survivorship Annuity and shall not be reduced to reflect such form of payment.

If the Eligible Employee elects any other optional form of payment under the VCRIP then the reduction in such optional form of benefits shall be based on an unreduced, 50% Joint & Survivor Annuity benefit.

Eligible Employees under this Schedule B' are listed on Exhibit B' to the Plan.

SCHEDULE C

Benefits may be payable under this Schedule of Benefits in respect of persons employed by the Company who are selected by the Chief Executive Officer of the Company. The amount used to determine the monthly benefit payable to an Eligible Employee under paragraph 5 of the Plan is as follows:

A monthly pension based on the rules of the VCRIP for the Eligible Employee applicable at the time of his or her retirement, but subject to the preservation of the December 31, 1997 benefit set forth in the Amendment to the VCRIP Appendix: Greyhound Employees' Retirement Income Plan effective January 1, 1998. For the purposes of this Schedule of Benefits, Final Average Earnings shall be as defined in paragraph 6 of the Plan.

Consistent with the Amendment to the VCRIP Appendix: Greyhound Employees' Retirement Income Plan, effective January 1, 1998, there shall be a transition benefit calculation. The transition benefit calculation shall apply to Eligible Employees who elect early retirement under VCRIP. The calculation compares the
(1) early retirement amount using the accrued benefit determined as of December 31, 1997 and multiplied by the applicable early retirement reduction factor in effect as of December 31, 1997 with (2) the early retirement amount determined by adding the accrued benefit on 12/31/97 to the accrued benefit determined under the formula in effect on and after January 1, 1998 for years of service after 1/1/98 and multiplied by the applicable early retirement reduction factor in effect as of 1/1/98. The Eligible Employee shall receive the higher of the two benefit calculations.

Eligible Employees under this Schedule C are listed on Exhibit C to the Plan.

SCHEDULE D

Benefits may be payable under this Schedule of Benefits in respect of persons employed by the Company who are selected by the Chief Executive Officer ("CEO") of the Company. The amount used to determine the monthly benefit payable to an Eligible Employee under paragraph 5 of the Plan is as follows:

A monthly pension based on the rules of the VCRIP for the Eligible Employee applicable at the time of his or her retirement. Final Average Earnings shall be as defined in paragraph 6 of the Plan, (or another applicable schedule of the Plan) except that 100% of the final five (or high five if from schedules A, B, B', or C of this Plan) MIP awards (whether paid or deferred) shall be considered in calculating Final Average Earnings.

For purposes of this Schedule D only, Eligible Employees shall be defined to mean only those employees selected by the CEO who are eligible to receive MIP and who have reached age 55 or older on or before December 31, 1997.

Coverage of an Eligible Employee under this Schedule D neither requires nor precludes the Eligible Employee's coverage under another Schedule of Benefits. However, coverage under this Schedule D also does not provide duplication of benefits for an Eligible Employee who, in addition to being covered under this Schedule D is covered under another Schedule of Benefits. If an Eligible Employee is covered under one or more Schedules, the Schedule producing the highest benefit shall be used to make the determination of benefits.

Eligible Employees under this Schedule D are listed on Exhibit D to the Plan.

SCHEDULE E

Employees who participate in the VCRIP and its appendices (the "Qualified Plan") automatically become Eligible Employees under this Schedule E if their benefits under the Qualified Plan are limited by Internal Revenue Code Section 401(a)(17) or Section 415. The Company shall administratively identify the Eligible Employees under this Schedule E, based on the effect of such Internal Revenue Code provisions on their Qualified Plan benefits, and shall list them on Exhibit E. Exhibit E shall not require separate approval of the Board of Directors or the Chief Executive Officer of the Company.

Coverage of an Eligible Employee under this Schedule E neither requires nor precludes the Eligible Employee's coverage under another Schedule of Benefits. However, coverage under this Schedule E also does not provide duplication of benefits for an Eligible Employee who, in addition to being covered under this Schedule E, is covered under another Schedule of Benefits. The Company may determine and communicate an Eligible Employee's aggregate benefit under this Plan by considering this Schedule E together with any other Schedule of Benefits that happens to cover the Eligible Employee. Subject to the foregoing, the amount of benefit attributable to this Schedule E and payable to an Eligible Employee pursuant to paragraph 5 of the Plan shall be determined as:

A monthly pension based on the benefit schedule(s) and rules of the Qualified Plan applicable to the Eligible Employee at the time of his or her retirement. For purposes of this Schedule of Benefits, Final Average Earnings shall be as defined in the Qualified Plan (subject to any modifications under paragraph 6 of this Plan, if applicable) with respect to the Eligible Employee, and shall be determined without regard to the annual limit of $160,000 (as adjusted) that applied under the Qualified Plan pursuant to Internal Revenue Code Section 401(a)(17). In addition, the pension computed in this manner shall not be reduced on account of the Internal Revenue Code Section 415 limitations that apply under the Qualified Plan.

Exhibit 10.Q

VIAD CORP DIRECTOR'S CHARITABLE MATCHING PROGRAM

The Director's Charitable Matching Program provides for corporate matching of charitable contributions made by nonemployee directors, on a dollar-for-dollar basis, up to an aggregate maximum of $5,000 per year.

EXHIBIT 21

VIAD CORP
(DELAWARE)

Active Subsidiaries and Affiliates* as of March 10, 2000

CONVENTION AND EVENT SERVICES GROUP

EXG, Inc. (Delaware)
Giltspur Exhibits of Canada, Inc. (Ontario) Exhibit Acquisition, Inc. (Pennsylvania) GES Exposition Services (Canada) Limited (Canada)
Exposervice Standard Inc. (Canada)
Clarkson-Conway Inc. (Canada)
Stampede Display and Convention Services Ltd. (Alberta)
GES EXPOSITION SERVICES, INC. (Nevada)
ESR Exposition Service, Inc. (New Jersey) Expo Accessories, Inc. (New York)
Expo Display & Design, Inc. (New Jersey) Shows Unlimited, Inc. (Nevada)
Tradeshow Convention Services Inc. (Washington) David H. Gibson Company, Inc. (Texas)
Ontario Design, Inc. (New York)
Viad Holding GmbH (Germany)
Voblo Verwaltungs GmbH (Germany) (80%)

CORPORATE AND OTHER

GCMC Inc. (Arizona)
Viad Realty Corporation (Arizona)
Greyhound Realty of Texas Inc. (Texas) Viad Service Companies Limited (United Kingdom) VREC, Inc. (Delaware)

PAYMENT SERVICES GROUP

TRAVELERS EXPRESS COMPANY, INC. (Minnesota)
CAG Inc. (Nevada)
FSMC, Inc. (Minnesota)
Game Financial Corporation (Minnesota) GameCash, Inc. (Minnesota)
Game Financial Corporation of Louisiana (Louisiana) Game Financial Corporation of Mississippi (Mississippi) Game Financial Corporation of Wisconsin (Wisconsin) MoneyGram Payment Systems, Inc. (Delaware) Consorcio Oriental LLC (Delaware)
Mid-America Money Order Company (Kentucky) MoneyGram Payment Systems (Canada), Inc. (Ontario) MoneyGram International Limited (United Kingdom) (51%) Travelers Express Co. (P.R.) Inc. (Puerto Rico)

TRAVEL AND RECREATION SERVICES GROUP

Big Sky Hospitality, Inc. (Arizona)
Big Sky Hospitality (Canada) Ltd. (Alberta) Glacier Park, Inc. (Arizona) (80%)
Waterton Transport Company, Limited (Alberta) Greyhound Maintenance, Inc. (Arizona)
ProDine, Inc. (Arizona)
TRANSPORTATION LEASING CO. (California)~~
Greyhound Canada Holdings, Inc. (Alberta)~~ Brewster Tours Inc. (Canada)
BREWSTER TRANSPORT COMPANY LIMITED (Alberta)
Brewster Inc. (Alberta)

*Parent-subsidiary or affiliate relationships are shown by marginal indentation. State, province or country of incorporation and ownership percentage are shown in parentheses following name, except that no ownership percentage appears for subsidiaries owned 100% (in the aggregate) by Viad Corp.

~~ Indicates a Corporate and Other Subsidiary

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

To The Board of Directors
Viad Corp
Phoenix, Arizona

We consent to the incorporation by reference in Registration Statement Nos. 33-54465, and 33-55360 on Form S-3 and Nos. 33-41870, 333-63397, 333-35231, and 333-63399 on Form S-8 of Viad Corp, of our report dated February 17, 2000, appearing in this Annual Report on Form 10-K of Viad Corp for the year ended December 31, 1999.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona

March 15, 2000

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each director whose signature appears below constitutes and appoints Robert H. Bohannon and Catherine L. Stevenson, and each of them severally, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Form 10-K Annual Report of Viad Corp for the fiscal year ended December 31, 1999, and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ Jess Hay ----------------------------- Jess Hay	February 17, 2000
/s/ Judith Hofer ----------------------------- Judith K. Hofer	February 17, 2000
/s/ Jack F. Reichert ----------------------------- Jack F. Reichert	February 17, 2000
/s/Linda Johnson Rice ----------------------------- Linda Johnson Rice	February 17, 2000
/s/ Douglas L. Rock ----------------------------- Douglas L. Rock	February 17, 2000
/s/ John C. Tolleson ----------------------------- John C. Tolleson	February 17, 2000
/s/ Timothy R. Wallace ----------------------------- Timothy R. Wallace	February 17, 2000

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM VIAD CORP'S FORM 10-K FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD END	DEC 31 1999
CASH	33,106
SECURITIES	95,545
RECEIVABLES	45,794
ALLOWANCES	2,518
INVENTORY	73,687
CURRENT ASSETS	922,161
PP&E	563,581
DEPRECIATION	249,958
TOTAL ASSETS	5,210,871
CURRENT LIABILITIES	3,921,196
BONDS	342,603
PREFERRED MANDATORY	6,640
PREFERRED	0
COMMON	149,610
OTHER SE	559,035
TOTAL LIABILITY AND EQUITY	5,210,871
SALES	0
TOTAL REVENUES	1,581,169
CGS	0
TOTAL COSTS	1,393,383
OTHER EXPENSES	19,369
LOSS PROVISION	0
INTEREST EXPENSE	26,888
INCOME PRETAX	163,595
INCOME TAX	35,036
INCOME CONTINUING	128,559
DISCONTINUED	218,954
EXTRAORDINARY	0
CHANGES	0
NET INCOME	347,513
EPS BASIC	3.72
EPS DILUTED	3.59

End of Filing

Exhibit L

VIAD CORP

FORM 10-K405
(Annual Report (Regulation S-K, item 405))

Filed 2/16/2001 For Period Ending 12/31/2000

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

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2000
Commission File Number 001-11015

VIAD CORP

(Exact name of registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**36-1169950** **(I.R.S. Employer Identification No.)**
Viad Tower, Phoenix, Arizona **(Address of principal executive offices)**	**85077** **(Zip Code)**

Registrant's telephone number, including area code: 602-207-4000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.50 par value	New York Stock Exchange
$4.75 Preferred Stock (stated value $100 per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

As of January 31, 2001, 89,066,876 shares of Common Stock ($1.50 par value) were outstanding and the aggregate market value of the Common Stock (based on its closing price per share on such date) held by nonaffiliates was approximately $2.1 billion.

Documents Incorporated by Reference

A portion of the Proxy Statement for the Annual Meeting of Shareholders of Viad Corp to be held May 8, 2001 is incorporated by reference into Part III of this Report.

INDEX

PART I

Item 1. *Business*

Viad Corp ("Viad" or the "Corporation") is comprised of operating companies and a division which constitute a diversified services business. Most of Viad's services are provided to businesses for use by their customers. Accordingly, the Corporation markets its payment services through more than 100,000 retail and financial locations (payment services), to numerous tradeshow organizers and exhibitors (convention and event services), and others. Occupying the number one or number two position in many of the markets in which they compete, each of the Corporation's businesses seek to provide quality, convenient and cost-effective services with a discernible difference to the ultimate users and thereby be considered a value-added provider by Viad's business customers.

Viad's services are classified into two reportable business segments, namely (1) Payment Services, and (2) Convention and Event Services. The Corporation also provides Travel and Recreation Services. A description of each of the Viad reportable business segments, the travel and recreation businesses, and recent developments relating to each follows.

Viad Business Units

Viad is built around several operating groups which are leading competitors in their businesses, including companies engaged in payment services (Travelers Express Company, Inc., MoneyGram Payment Systems, Inc., and Game Financial Corporation), and convention and event services (GES Exposition Services, Inc. and Exhibitgroup/ Giltspur division). Viad business units also provide travel tour services (Brewster Transport Company Limited) and recreation services (Glacier Park, Inc.).

Payment Services

Viad's payment services business is conducted by the Travelers Express group of companies. These companies engage in a variety of payment service activities, including issuance and processing of money orders, processing of official checks and share drafts, and money transfer and cash access services.

Travelers Express sells money orders to the public through more than 62,000 agent locations in the United States and Puerto Rico, and is one of the nation's leading issuers of money orders, issuing more than 325 million money orders in 2000. Travelers Express also provides processing services for approximately 12,000 branch locations of banks, credit unions and other financial institutions which offer official checks (used by financial institutions in place of their own bank check or cashier's check) and share drafts (the credit union industry's version of a personal check). In addition, MoneyGram Payment Systems, Inc. ("MoneyGram"), a subsidiary of Travelers Express acquired in June 1998, provides money transfer services through approximately 37,000 agent locations in more than 150 countries worldwide. Some of the company's agent locations sell or provide both money orders and money transfer services. Travelers Express also provides in-person electronic bill payment services for various companies, whose consumers pay their utility, car payment, and other bills at conveniently located retail stores. Additionally, the company provides high volume processing of refund and rebate checks, food vouchers, gift certificates, and other financial instruments. Another subsidiary, Game Financial Corporation ("Game Financial") provides cash access services to the gaming industry. Game Financial provides three primary services: installing and maintaining automatic teller machines in casinos and check cashing locations; providing cash advances on consumers' credit cards for customers who utilize the automatic teller machines; and cashing checks at casinos. Game Financial provides these services to approximately 80 casinos.

Convention and Event Services

Convention and event services are provided by the Corporation's GES Exposition Services and Exhibitgroup/ Giltspur companies.

GES Exposition Services, Inc. ("GES"), one of North America's leading suppliers of convention services to trade associations, show management companies and exhibitors, provides tradeshow design and planning, decorating, exhibit design and fabrication, installation and dismantling, display rental, custom graphics, furnishings, electrical, freight-handling, logistics, transportation, and management services for conventions, tradeshows, associations, and corporate and special events. GES provides convention services through a network of offices in North America's most active and popular tradeshow service markets, including full service operations in 21 U.S. and four Canadian cities.

Exhibitgroup/ Giltspur operates the largest exhibit and display business in the United States. The company is a designer, builder, installer and warehouser of convention, tradeshow, museum and other exhibits and displays with locations in 21 U.S. cities, one Canadian city, one city in England, and one city in Germany. In addition, Exhibitgroup/ Giltspur operates through an international network of strategic partners that gives Exhibitgroup/ Giltspur the ability to serve customers worldwide. The company also offers exhibition marketing, planning and strategy services, including advertising, multimedia, video and event design. In February 2000, Exhibitgroup/ Giltspur acquired Gardner Displays Company, a full service exhibit and display business headquartered in Pittsburgh, Pennsylvania.

Travel and Recreation Services

Travel and recreation services are provided by the Brewster Transport and Glacier Park business units.

Brewster Transport Company Limited ("Brewster Transport"), an Alberta, Canada corporation, provides regularly scheduled bus service, operates tour and charter buses in the Canadian Rockies, and conducts travel agency, hotel and snowcoach tour operations. Brewster Transport owns and operates 96 intercity coaches and four transit buses, as well as 19 snowcoaches which transport sightseers on tours of the glaciers of the Columbia Icefield. In September 1999, Brewster Transport acquired 71% of Banff Lifts Ltd., the owner and operator of the Sulphur Mountain Gondola lift located in Banff, Alberta, Canada, one of the two largest tourist attractions in the Canadian Rockies. The remaining minority interest was acquired in February 2000.

Glacier Park, Inc. ("Glacier Park") operates seven historic lodges in and around Glacier National Park in Montana and Waterton Lakes National Park, Canada. Services provided include room management, food and beverage operations, retail operations and transportation services.

Competition

The Corporation's businesses generally compete on the basis of price, value, quality, discernible differences, convenience and service, and encounter substantial competition from a large number of providers of similar services, including numerous well-known local, regional and national companies, private payment service companies and the U.S. Postal Service (money orders), many of which have greater resources than the Corporation. Travelers Express also competes on the basis of number and location of sales outlets, business automation and technology. The U.S. Postal Service; First Data Corporation and its subsidiaries Western Union Financial Services, Inc., Orlandi Valuta and Global Cash Access; American Express; and Imperial Bank are the principal competitors of Travelers Express. On a national basis, Freeman Decorating Company is the principal competitor of GES, and The George P. Johnson Company is the principal competitor of Exhibitgroup/ Giltspur.

Patents and Trademarks

United States patents are currently granted for a term of 20 years from the date a patent application is filed. The Viad companies own a number of patents which give them competitive advantages in the marketplace, including a number of patents owned by Exhibitgroup/ Giltspur covering exhibit systems and by Travelers Express for automated money order dispensing systems. The Travelers Express patents cover security, automated reporting and control, and other features which are important in the issuance of money orders.

United States trademark registrations are for a term of 10 years, renewable every 10 years as long as the trademarks are used in the regular course of trade. The Viad companies maintain a portfolio of trademarks representing substantial goodwill in the businesses using the marks.

Many trademarks used by Viad and its businesses, including the TRAVELERS EXPRESS, MONEYGRAM, EXHIBITGROUP/ GILTSPUR, and GES service marks, have substantial importance and value. Certain rights in processing equipment and software held by Travelers Express and its subsidiaries also provide competitive advantage.

Government Regulation

Compliance with legal requirements and government regulations are a day-to-day integral part of the Corporation's operations and represent a normal cost of doing business. Financial transaction reporting and state banking department regulations affect Travelers Express and MoneyGram, and state gaming department regulations affect Game Financial. Environmental, labor and employment and other regulations affect virtually all operations.

Employees

Viad operating units had approximately 7,300 employees at December 31, 2000 as follows:

	Approximate Number of Employees	Regular Full-Time Employees Covered by Collective Bargaining Agreements
Payment Services	1,900	0
Convention and Event Services	5,100	2,100
Travel and Recreation Services	300	60

Viad believes that relations with its employees are satisfactory and that collective bargaining agreements expiring in 2001 will be renegotiated in the ordinary course of business without adverse effect on Viad's operations.

Viad had 104 employees at its corporate center at December 31, 2000, providing management, financial and accounting, internal auditing, tax, administrative, legal and other services to its operating units and handling residual matters pertaining to businesses previously discontinued or sold by the Corporation. Viad is managed by a Board of Directors comprised of seven non-employee directors and one employee director and has an executive management team consisting of six Viad officers (including the one employee director) and three principal executives of significant operating divisions or companies.

Seasonality

Convention and event service activity may vary depending on the frequency and timing of shows (some shows are not held each year and some shows may shift between quarters). Viad's travel and recreation operations generally experience peak activity during the summer months. Viad's 2000 quarterly diluted earnings per share (before nonrecurring income), as a percentage of the full year's earnings per share, were approximately 18% (first quarter), 29% (second quarter), 30% (third quarter), and 23% (fourth quarter). See Notes R and S of Notes to Consolidated Financial Statements.

Other Matters

The Corporation completed the sale of its ProDine recreation division in July 2000. ProDine had operated as the prime concessionaire for all food and beverage services at the America West Arena and Bank One Ballpark in Phoenix, Arizona.

Shelf Registration

The Corporation has a shelf registration on file with the Securities and Exchange Commission covering $500 million of debt and equity securities. To date, no securities have been offered under the registration.

Financial Information about Segments

Business segment financial information is provided in Note R of Notes to Consolidated Financial Statements of the Corporation.

Financial Information about Geographic Areas

Geographic area financial information is provided in Note R of Notes to Consolidated Financial Statements of the Corporation.

Item 2. ***Properties***

Viad and its subsidiaries operate service or production facilities and maintain sales and service offices in the United States, Canada, the United Kingdom and Germany. The Corporation also conducts business in certain other foreign countries.

Viad’s headquarters are located at Viad Tower in Phoenix, Arizona. Excluding space which Viad subleases to third parties, Viad leases approximately 66,000 square feet.

Payment Services operates 25 leased facilities for processing, sales and administrative purposes. The principal operations for money order and official check processing and Travelers Express corporate headquarters are located in Minnesota. The principal money transfer service center is located in Colorado. Fifteen retail and wire transfer sales locations are located in the northeastern United States.

Convention and Event Services operates 16 offices and 64 multi-use facilities (exhibit construction, office and/or warehouse). The principal facilities used in the design and production of exhibits and in connection with providing tradeshow and exposition services, range in size from approximately 100,000 square feet to 475,000 square feet. All of the properties are in the United States, except for two offices and ten multi-use facilities that are located in Canada, three multi-use facilities that are located in Germany, and one multi-use facility that is located in England. Three of the multi-use facilities are owned; all other properties are leased. GES and Exhibitgroup/ Giltspur corporate headquarters are located in Las Vegas, Nevada, and Roselle, Illinois, respectively.

Travel and Recreation Services operates two offices, nine retail stores, three bus terminals, four garages, an icefield tour facility, a gondola lift operation, and nine hotels/lodges (with approximately 900 rooms, and ancillary foodservice and recreational facilities). All of the properties are in the United States, except for two retail stores, the bus terminals, garages, icefield tour facility, gondola lift operation, and three hotels/lodges that are located in Canada. Travel and Recreation Services owns four hotels/lodges and five other hotels/lodges are operated pursuant to concessionaire agreements. One bus terminal and three garages are owned; the icefield tour facility and gondola lift operation are owned and operated through lease agreements with Parks Canada; and all other properties are leased.

Management believes that the Corporation’s facilities in the aggregate are adequate and suitable for their purposes and that capacity is sufficient for current needs.

Item 3. ***Legal Proceedings***

On August 18, 2000, Key3Media Group, Inc. (“Key3Media”), a company spun off by Ziff-Davis Inc. (“ZD”), terminated a long-term agreement with GES to produce tradeshows, including the annual Comdex/ Fall show in Las Vegas. GES and Key3Media are currently in litigation. Viad believes that the contract was wrongfully terminated and claims significant damages, including recovery of receivables and prepayments made to ZD in an aggregate amount totaling approximately $35 million plus additional damages for loss of

---

future profits. Management intends to vigorously enforce its rights under this agreement and believes that the ultimate outcome of the litigation is not likely to have a material effect on Viad’s financial statements.

Viad and certain subsidiaries are plaintiffs or defendants to various other actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against Viad. Although the amount of liability at December 31, 2000, with respect to certain of these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, will not have a material effect on Viad’s financial statements.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recoveries, will not have a material effect on Viad’s financial statements.

Item 4. ***Submission of Matters to a Vote of Securityholders***

No matters were submitted to a vote of security holders during the fourth quarter of 2000.

Optional Item. ***Executive Officers of Registrant***

Executive Officers of Viad Corp

The names, ages and positions of the executive officers of the Corporation as of February 15, 2001, are listed below:

Name	Age	Business Experience During the Past Five Years and Other Information
Robert H. Bohannon	56	Chairman of the Board, President and Chief Executive Officer since January 1997; President and Chief Operating Officer since August 1996; prior thereto, President and Chief Executive Officer of Travelers Express Company, Inc., a subsidiary of Viad, since 1993.
Kimbra A. Fracalossi	41	Chief Financial Officer and Treasurer since September 2000; prior thereto, Vice President-Strategic Planning and Investor Relations since May 1999 and Executive Director of Corporate Development since January 1998; previously, partner at Harrell/ Wright Management Consultants since 1994.
Suzanne Pearl	38	Vice President-Human Resources since September 2000; prior thereto, Executive Director, Compensation or similar position since 1993.
Scott E. Sayre	54	Vice President, General Counsel and Secretary since September 2000; prior thereto, Secretary and Associate General Counsel since January 1997, Assistant General Counsel since 1992 and Assistant Secretary since 1996.
Catherine L. Stevenson	44	Vice President-Controller since April 1999; prior thereto, Assistant Controller since October 1997; and prior thereto, Director-Financial Reporting since 1994.
Wayne A. Wight	58	Vice President-Corporate Development since February 1998; prior thereto, Executive Director-Corporate Development since 1992.

Executive Officers of Viad Corp's Subsidiaries or Divisions Not Listed Above

Name	Age	Business Experience During the Past Five Years and Other Information
Gordon W. Anderson	56	President and Chief Executive Officer of Exhibitgroup/ Giltspur, a division of Viad, since January 2001; prior thereto, retired from Dobbs International Services, Inc., a former subsidiary of Viad since July 1999; and prior thereto, Executive Vice President-Operations or similar executive position with Dobbs International Services, Inc., since 1994.
Paul B. Dykstra	39	President and Chief Executive Officer of GES Exposition Services, Inc., a subsidiary of Viad, since January 2000; prior thereto, Executive Vice President-International and Corporate Development of GES Exposition Services, Inc. since 1999; and prior thereto, Vice President-General Manager or similar executive positions with Travelers Express Company, Inc., a subsidiary of Viad, since 1994.
Philip W. Milne	42	President and Chief Executive Officer of Travelers Express Company, Inc., a subsidiary of Viad, since August 1996; prior thereto, Vice President-General Manager-Retail Payment Products of Travelers Express Company, Inc. since 1993.

The term of office of the executive officers is until the next annual organization meetings of the Boards of Directors of Viad or appropriate subsidiaries, all of which are scheduled for May or June of this year.

The Directors of Viad are divided into three classes, with the terms of one class of Directors to expire at each Annual Meeting of Stockholders. The current term of office of Robert H. Bohannon is scheduled to expire at the 2003 Annual Meeting of Stockholders.

PART II

Item 5. ***Market for Registrant's Common Equity and Related Stockholder Matters***

The principal market on which the common stock of Viad is traded is the New York Stock Exchange. The common stock is also admitted for trading on the American, Chicago, Cincinnati, Pacific, and Philadelphia Exchanges. The following tables summarize the high and low market prices as reported on the New York Stock Exchange Composite Tape and the cash dividends declared for the two years ended December 31:

SALES PRICE RANGE OF COMMON STOCK

	2000		1999	
	High	**Low**	**High**	**Low**
First Quarter	$28.000	$20.250	$30.438	$25.250
Second Quarter	$29.125	$22.625	$33.500	$27.375
Third Quarter	$29.813	$25.125	$33.875	$27.250
Fourth Quarter	$26.688	$19.750	$29.875	$24.000

DIVIDENDS DECLARED ON COMMON STOCK

	2000	1999
February	$.09	$.08
May	.09	.09
August	.09	.09
November	.09	.09
Total	$.36	$.35

Regular quarterly dividends were paid on the first business day of January, April, July and October.

As of January 31, 2001, there were 28,416 stockholders of record of Viad's common stock.

Item 6. ***Selected Financial Data***

VIAD CORP

SELECTED FINANCIAL AND OTHER DATA

	Year Ended December 31,				
	2000	**1999**	**1998**	**1997**	**1996**
	(000 omitted, except per share data)				
Operations					
Revenues(1)	$1,726,808	$1,581,169	$1,612,759	$1,486,351	$1,397,925
Income from continuing operations(2)	$ 144,492	$ 128,559	$ 97,344	$ 56,519	$ 30,142
Income from discontinued operations(3)		218,954	53,296	41,275	(1,765)
Extraordinary item				(8,458)	
Net income	$ 144,492	$ 347,513	$ 150,640	$ 89,336	$ 28,377

Diluted income per common share					
Continuing operations(2)	$ 1.58	$ 1.32	$ 0.98	$ 0.59	$ 0.32
Discontinued operations(3)		2.27	0.54	0.44	(0.02)
Extraordinary item				(0.09)	
Diluted net income per common share	$ 1.58	$ 3.59	$ 1.52	$ 0.94	$ 0.30
Average outstanding and potentially dilutive common shares	90,925	96,396	98,367	93,786	91,339
Basic income per common share					
Continuing operations	$ 1.61	$ 1.37	$ 1.02	$ 0.61	$ 0.33
Discontinued operations(3)		2.35	0.56	0.45	(0.02)
Extraordinary item				(0.09)	
Basic net income per common share	$ 1.61	$ 3.72	$ 1.58	$ 0.97	$ 0.31
Average outstanding common shares	88,802	93,007	94,382	90,804	88,814
Dividends declared per common share	$ 0.36	$ 0.35	$ 0.32	$ 0.32	$ 0.48
Financial position at year-end					
Total assets	$6,300,231	$5,213,555	$4,665,746	$3,609,208	$3,344,844
Total debt	447,106	389,272	534,453	410,049	520,954
$4.75 Redeemable preferred stock	6,658	6,640	6,625	6,612	6,604
Common stock and other equity	763,156	708,645	645,881	529,161	432,218
Other data					
EBITDA(4)	$ 331,194	$ 295,820	$ 229,187	$ 179,455	$ 150,543
Debt-to-capital ratio(5)	37%	35%	45%	43%	54%

(1) Viad Payment Services subsidiaries invest substantial amounts in tax-exempt securities. On a fully taxable equivalent basis using a combined income tax rate of 39%, revenues would be higher by $66,224,000, $52,034,000, $39,309,000, $28,724,000 and $21,489,000 for 2000, 1999, 1998, 1997 and 1996, respectively.

(2) Includes nonrecurring income (expense) of $877,000, or $0.01 per diluted share, in 2000; $6,131,000, or $0.06 per diluted share, in 1999; $12,737,000, or $0.13 per diluted share, in 1998; and $(9,960,000), or $(0.11) per diluted share, in 1996. See Note C of Notes to Consolidated Financial Statements. Excluding these items, diluted income per share from continuing operations was $1.57 in 2000, $1.26 in 1999, $0.85 in 1998, and $0.43 in 1996.

(3) See Note D of Notes to Consolidated Financial Statements.

(4) EBITDA is defined by Viad as income from continuing operations before interest expense, income taxes, depreciation and amortization and nonrecurring items and includes the fully taxable equivalent adjustment. EBITDA data are presented as a measure of the ability to service debt, fund capital expenditures and finance growth. Such data should not be considered an alternative to net income, operating income, cash flows from operations or other operating or liquidity performance measures prescribed by generally accepted accounting principles. Cash expenditures for various long-term assets, interest expense and income taxes have been, and will be, incurred which are not reflected in the EBITDA presentations.

(5) Debt-to-capital is defined as total debt divided by capital. Capital is defined as total debt plus minority interests, preferred stock and common stock and other equity.

Item 7. ***Management's Discussion and Analysis of Results of Operations and Financial Condition***

Results of Operations:

Viad focuses on two principal service businesses: Payment Services and Convention and Event Services. In July 2000, Viad sold its concession operations at America West Arena and Bank One Ballpark in Phoenix, Arizona.

Effective June 1, 1998, Viad acquired MoneyGram Payment Systems, Inc. ("MoneyGram"), a provider of consumer money wire transfer services. MoneyGram's operations from the date of acquisition are included in Viad's Payment Services segment.

The following discussion and analysis should be read in conjunction with the accompanying Consolidated Financial Statements, which include the accounts of Viad and all of its subsidiaries. All per share figures discussed are stated on the diluted basis.

2000 vs. 1999:

Revenues for 2000 were $1.7 billion compared with $1.6 billion in 1999. Viad Payment Services subsidiaries continue to invest substantial amounts of funds from the sale of money orders and other payment instruments in tax-exempt securities, which have lower pre-tax yields but produce higher income on an after-tax basis than comparable taxable investments. On a fully taxable equivalent basis, and excluding the effects of sold businesses, revenues of ongoing operations were $1.8 billion, up 11.5 percent from $1.6 billion in 1999.

Including the nonrecurring income described in Note C of Notes to Consolidated Financial Statements, income from continuing operations for 2000 was $144.5 million, or $1.58 per share, compared with income from continuing operations of $128.6 million, or $1.32 per share in 1999. Income from continuing operations before nonrecurring income was $143.6 million, or $1.57 per share, compared with income from continuing operations before nonrecurring income of $122.4 million, or $1.26 per share, in 1999, up 24.6 percent on a per share basis.

	2000	1999
	(000 omitted, except per share data)	
Income from continuing operations before nonrecurring income	$143,615	$122,428
Nonrecurring income, net of tax	877	6,131
Income from continuing operations	$144,492	$128,559
Diluted income per common share from continuing operations before nonrecurring income	$ 1.57	$ 1.26
Nonrecurring income, net of tax	0.01	0.06
Income per common share from continuing operations	$ 1.58	$ 1.32

Net income for 2000 was also $144.5 million, or $1.58 per share. Net income for 1999 was $347.5 million, or $3.59 per share, including income from discontinued operations of $219.0 million, or $2.27 per share. Income from discontinued operations in 1999 included the gain on the sale of Dobbs International Services, Inc. ("Dobbs") of $213.4 million, or $2.21 per share. See Note D of Notes to Consolidated Financial Statements.

There were 5.5 million fewer average outstanding and potentially dilutive common shares in 2000 than in 1999, due primarily to the stock repurchase programs described in "Liquidity and Capital Resources." In addition, a lower Viad stock price during 2000 contributed to fewer additional dilutive shares related to unexercised stock options.

Payment Services. Revenues of the Payment Services segment on the fully taxable equivalent basis were $671.7 million in 2000, a 16 percent increase over 1999 segment revenues of $581.5 million. On the same basis, operating income was $160.1 million, a 25 percent increase over 1999 operating income of $128.5

million. Operating margins increased to 23.8 percent in 2000 from 22.1 percent in 1999. These results were driven by continuing solid growth in traditional Travelers Express money order and official check operations and by the leveraging of existing infrastructure, as Payment Services experienced double-digit growth in the number of financial locations and in the number of locations that sell or provide both money orders and money transfer services. MoneyGram experienced strong transaction volume growth in Latin America, International and Express Payment, offset by continued weakness in the U.S.-to-Mexico corridor. Average investable balances of money order and official check operations for

2000 were $3.8 billion, up 23 percent from 1999 levels, resulting in higher investment income.

Convention and Event Services. Revenues of the Convention and Event Services segment were $1.0 billion in 2000, an increase of 11 percent from 1999 revenues of $932.8 million. Operating income was $81.6 million, a decrease of 18 percent from 1999 operating income of $99.9 million. Operating margins decreased to 7.9 percent in 2000 from 10.7 percent in 1999. The 2000 fourth quarter and full year revenues for the segment were impacted by approximately $15 million resulting from the loss of the Key3Media tradeshows. Continued higher labor and certain show production costs, combined with failure to move aggressively in eliminating and controlling overhead and other costs during the latter part of the year, also contributed to lower margins for the segment. The loss of the Key3Media tradeshows will impact full year 2001 revenues by approximately $40 million. Pressure on operating margins will continue in 2001, pending the implementation and full realization of overhead and other cost reduction efforts.

Travel and Recreation Services. Revenues of the ongoing travel and recreation businesses, described in Note R of Notes to Consolidated Financial Statements, decreased $6.5 million, or 8 percent, to $72.5 million in 2000. The revenue decrease resulted primarily from an overall decrease in traffic from U.S., Canadian and Japanese tourists and the discontinuance of a lower margin package tour business. Operating income for the travel and recreation businesses was $19.1 million, an increase of $2.8 million, or 17 percent, over that of 1999, primarily due to higher margin business, cost reduction efforts, and the full year results of an acquisition made in late 1999.

Corporate Activities. The $9.6 million decrease in corporate activities expense from 1999 to 2000 is due primarily to $6.8 million (full year) lower expense provisions associated with Viad's incentive plans because aggressive financial goals and targets linked to stock price appreciation were not achieved. Corporate cost reduction efforts also contributed to the decline.

Other Investment Income. Other investment income of $13.1 million and $14.5 million in 2000 and 1999, respectively, was generated from the investment of a portion of the cash proceeds from the July 1999 sale of Dobbs. The decline in interest income is due primarily to the use of investment proceeds for the purchase of treasury shares.

Interest Expense. Interest expense decreased to $25.3 million in 2000 from $26.9 million in 1999, primarily as a result of lower average debt levels during 2000, offset partially by higher weighted average interest rates.

Income Taxes. Excluding the effect of nonrecurring income, the 2000 effective tax rate was 16.0 percent, down from 20.5 percent in 1999. The actual tax rate for 2000 is lower than in previous years due to higher tax-exempt investment income in proportion to total pre-tax income. This resulted from growth in investments in tax-exempt securities from the Payment Services businesses along with lower operating income from the Convention and Event Services businesses.

1999 vs. 1998:

Revenues were $1.6 billion in both 1999 and 1998. On a fully taxable equivalent basis, and excluding the effects of sold businesses, revenues of ongoing operations were $1.6 billion, up 18 percent from $1.4 billion in 1998.

Including the nonrecurring income described in Note C of Notes to Consolidated Financial Statements, income from continuing operations for 1999 was $128.6 million, or $1.32 per share, compared with income from continuing operations of $97.3 million, or $0.98 per share in 1998. Income from continuing operations

before nonrecurring income was $122.4 million, or $1.26 per share, compared with income from continuing operations before nonrecurring income of $84.6 million, or $0.85 per share, in 1998.

	1999	1998
	(000 omitted, except per share data)	
Income from continuing operations before nonrecurring income	$122,428	$84,607
Nonrecurring income, net of tax	6,131	12,737
Income from continuing operations	$128,559	$97,344
Diluted income per common share from continuing operations before nonrecurring income	$ 1.26	$ 0.85
Nonrecurring income, net of tax	0.06	0.13
Income per common share from continuing operations	$ 1.32	$ 0.98

Net income for 1999 was $347.5 million, or $3.59 per share, including income from discontinued operations of $219.0 million, or $2.27 per share. Income from discontinued operations in 1999 included the gain on the sale of Dobbs of $213.4 million, or $2.21 per share. Net income for 1998 was $150.6 million, or $1.52 per share, including income from discontinued operations of $53.3 million, or $0.54 per share. Income from discontinued operations in 1998 included the gain on sale of Aircraft Services International Group of $13.2 million, or $0.13 per share.

There were two million fewer average outstanding and potentially dilutive common shares in 1999 than in 1998, due primarily to the stock repurchase programs described in “Liquidity and Capital Resources.” In addition, a lower Viad stock price during 1999 contributed to fewer additional dilutive shares related to unexercised stock options.

Payment Services. Revenues of the Payment Services segment on the fully taxable equivalent basis were $581.5 million in 1999, a 35 percent increase over 1998 segment revenues of $431.2 million. On the same basis, operating income increased $41.3 million, or 47 percent, and operating margins increased to 22.1 percent in 1999 from 20.2 percent in 1998. These results were driven by continuing strong growth in traditional Travelers Express money order and official check operations and by the inclusion of MoneyGram (acquired as of June 1998) for the full year of 1999. Excluding the results of MoneyGram from both periods, revenues on the fully taxable equivalent basis increased 21 percent. Average investable balances of money order and official check operations were $3.1 billion, up 34 percent from 1998 levels, resulting in higher investment income. In addition, expenses for Year 2000 compliance projects were lower in 1999 than in 1998.

Convention and Event Services. Revenues of the Convention and Event Services segment were $932.8 million in 1999, an increase of 10 percent from 1998 revenues of $849.2 million. Operating income for the segment also increased 14 percent to $99.9 million in 1999 from $87.4 million in 1998. Operating margins improved slightly to 10.7 percent in 1999 from 10.3 percent in 1998. The segment’s 1999 fourth quarter and full year results were impacted by cancellation or cutbacks of certain millennium events and by increased investment in new products and exhibitor services programs and spending on productivity and quality initiatives.

Travel and Recreation Services. Revenues of the ongoing travel and recreation businesses increased $8.9 million, or 13 percent, to $79.0 million in 1999. Operating income was $16.4 million, an increase of $3.0 million, or 22 percent, over that of 1998. These results were due primarily to increased package and snowcoach tour business.

Corporate Activities. These expenses decreased $4.8 million from 1998 to 1999, primarily due to cost reduction efforts.

Other Investment Income. Other investment income of $14.5 million in 1999 was generated from the investment of a portion of the cash proceeds from the July 1999 sale of Dobbs.

Interest Expense. Interest expense decreased to $26.9 million in 1999 from $27.2 million in 1998. The decrease in interest expense was due primarily to the repayment of short-term borrowings with a portion of the cash proceeds from the sale of Dobbs and the repayment of debt and termination of related interest rate swap agreements with proceeds from sales of other noncore assets and businesses in 1998 and 1999. These items more than offset the increased interest expense from new borrowings for the June 1998 acquisition of MoneyGram and Viad’s stock repurchase programs.

Income Taxes. Excluding the effect of nonrecurring income, the 1999 effective tax rate was 20.5 percent, up from 19.4 percent in 1998. The relatively low effective tax rate is primarily attributable to tax-exempt investment income from Viad’s Payment Services businesses.

Liquidity and Capital Resources:

Viad’s total debt at December 31, 2000 was $447.1 million compared with $389.3 million at December 31, 1999. The debt-to-capital ratio at December 31, 2000, was 0.37 to 1, compared to 0.35 to 1 at December 31, 1999. Capital is defined as total debt plus minority interests, preferred stock and common stock and other equity. The increase in the debt-to-capital ratio was due primarily to the increased debt levels at December 31, 2000 and the reduction in equity due to the purchase of treasury shares, partially offset by the unrealized holding gains arising during 2000 on securities classified as available for sale.

In July 1999, Viad received approximately $780 million in cash proceeds from the sale of Dobbs. During 1999, a portion of the proceeds was used to pay estimated taxes on the gain on sale of Dobbs, to repay short-term borrowings, to purchase treasury shares and to repay a portion of the commercial paper issued to a Payment Services subsidiary. In December 1999 and in July 2000, Viad made capital contributions of approximately $50 million in each period to a Payment Services subsidiary. During 2000, a portion of the Dobbs proceeds was used to fund acquisitions, to purchase treasury shares, and to repay the remaining balance of Viad’s commercial paper issued to the Payment Services subsidiary. The repayment of commercial paper and the capital contributions have been invested by the Payment Services subsidiary in debt securities that are included in the Consolidated Balance Sheets under the caption “Investments restricted for payment service obligations.” At December 31, 2000, the $83.6 million remaining balance of the Dobbs’ sale proceeds is invested in debt securities, classified in the

Consolidated Balance Sheets as “Short-term investments” and “Investments in securities.”

Under a Shelf Registration filed in 1994 with the Securities and Exchange Commission, Viad can issue up to an aggregate $500 million of debt and equity securities. No securities have been issued under the program.

Viad has continued its stock repurchase program begun in July 1998 for the purpose of replacing common shares issued upon exercise of stock options and in connection with other stock compensation plans, with the intended effect of reducing dilution caused by the issuance of such shares. During 1999, Viad announced programs to repurchase up to $200 million of its common stock. In October 2000, Viad announced its intent to repurchase an additional $50 million of its common stock. Under these plans, 6,231,300 and 6,720,600 shares were repurchased in 2000 and 1999 for $147.2 million and $204.1 million, respectively. Net proceeds from the exercise of stock options, including tax benefits on stock option exercises, totaled $20.1 million and $29.4 million in 2000 and 1999, respectively, at an average price of $23.62 and $30.36 for 2000 and 1999, respectively. In January 2001, Viad announced its intent to repurchase an additional 2 million to 3 million shares of its common stock.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings, Viad strives to maintain current assets at the lowest practicable levels while at the same time taking advantage of the payment terms offered by trade creditors and obtaining advance deposits from customers for certain projects and services. However, working capital requirements may fluctuate significantly from seasonal factors as well as changes in levels of receivables and inventories caused by numerous business factors.

Viad satisfies a portion of its working capital and other financing requirements with short-term borrowings (through commercial paper, bank note programs and bank lines of credit). Short-term borrowings are

supported by a $300 million long-term revolving bank credit agreement. No borrowings were outstanding under the bank credit agreement at December 31, 2000 or 1999.

In August 2000, Viad terminated its agreement to sell trade accounts receivable. The receivables sold totaled $60 million and $27.4 million at December 31, 1999 and 1998, respectively. The termination of the program resulted in an increase in both accounts receivable and debt.

Capital spending has been reduced by obtaining, where appropriate, equipment and other property under operating leases. Cash flows from operations, trade accounts receivable sales and proceeds from the sales of noncore businesses and assets during the past three years have generally been sufficient to fund capital expenditures, acquire businesses and pay cash dividends to stockholders. Viad expects operating cash flows and short-term borrowings to be sufficient to finance its ongoing business. Should financing requirements exceed such sources of funds, Viad believes it has adequate external financing sources available, including Viad’s $300 million long-term revolving bank credit, to cover any shortfall.

EBITDA is a measure of Viad’s ability to service debt, fund capital expenditures and finance growth, and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with generally accepted accounting principles. EBITDA, defined by Viad as income from continuing operations before interest expense, income taxes, depreciation and amortization and nonrecurring items and including the fully taxable equivalent adjustment, increased 12 percent to $331 million in 2000, while EBITDA in 1999 increased 29 percent to $296 million.

Viad’s Payment Services subsidiaries generate funds from the sale of money orders and other payment instruments, with the related liabilities classified as “Payment service obligations.” Substantially all of the proceeds of such sales are invested in permissible securities, principally high-quality debt instruments. These investments are restricted by state regulatory agencies for use by the subsidiaries to satisfy the liability to pay, upon presentment, the face amount of such payment service obligations. Such assets are not available to satisfy working capital or other financing requirements of Viad. Accordingly, the securities are included in the Consolidated Balance Sheets under the caption, “Investments restricted for payment service obligations.” Certain additional assets of the Payment Services subsidiaries relating to payment service obligations, including cash on hand, funds in transit from agents and securities expected to be sold or maturing within one year, are included under the caption, “Funds, agents’ receivables and current maturities of investments restricted for payment service obligations.” Before consolidating eliminations, this caption for 1999 also included investment-grade commercial paper issued by Viad that was supported along with the rest of Viad’s outstanding commercial paper by a credit commitment under a long-term revolving bank credit agreement. The balance of the commercial paper held by the Payment Services subsidiary was repaid by Viad in 2000. In addition, certain other assets of Payment Services subsidiaries are available for the payment service obligations as described further in Note F of Notes to Consolidated Financial Statements. Although the Payment Services investment portfolio exposes Viad to certain credit risks, Viad believes the high quality of the investments reduces this risk substantially. Approximately 97 percent of the investments at December 31, 2000 have a rating of A- or higher or are collateralized by federal agency securities. Fluctuations in the balances of Payment Service assets and obligations result from varying levels of sales of money orders and other payment instruments, the timing of the collections of agents’ receivables, and the timing of the presentment of such instruments.

A Viad Payment Services subsidiary has an agreement to sell, on a periodic basis, undivided percentage ownership interests in certain receivables from bill payment and money order agents in an amount not to exceed $450 million. The agreement expires in June 2003. The receivables are sold in order to accelerate payment services' cash flow for investments in permissible securities. In addition, Viad's Payment Services subsidiaries have various lines of credit, overdraft facilities and reverse repurchase agreements totaling $745 million available to assist in the management of its investments and the clearing of payment service obligations. No borrowings were outstanding under these facilities at December 31, 2000 or 1999. Effective January 1, 2001, Viad's Payment Services subsidiaries will transfer approximately $260 million from securities classified as held to maturity to securities classified as available for sale as permitted in conjunction with the

initial application of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities."

Viad sold treasury stock in 1992 to Viad's Employee Equity Trust (the "Trust") to fund certain existing employee compensation and benefit plans over the scheduled 15-year term of the Trust. For financial reporting purposes, the Trust is consolidated with Viad. The fair market value of the shares held by the Trust, representing unearned employee benefits, is recorded as a deduction from common stock and other equity and is reduced as employee benefits are funded. At December 31, 2000, a total of 3,399,343 shares remained in the Trust and were available to fund future benefit obligations.

Viad has certain unfunded pension and other postretirement benefit plans that require payments over extended periods of time. Such future benefit payments are not expected to materially affect Viad's liquidity.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recovery, should not have a material effect on Viad's financial position, results of operations or cash flows.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

Viad's primary market risk exposures are fluctuations in interest rates and foreign exchange rates. Certain derivative financial instruments are used as part of Viad's risk management strategy to manage exposure to changes in these rates. Derivatives are not used for speculative purposes.

Viad utilizes forward contracts to hedge its exposure to fluctuations in foreign exchange rates on receivables and payables denominated in foreign currencies. Forward contracts relating to wire transfer transactions generally have maturities less than thirty days, and forward contracts relating to other receivables or payables generally have maturities less than ninety days. The forward contracts are recorded on the Consolidated Balance Sheets, and the effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, is not significant.

A portion of Viad's Payment Services business involves the payment of commissions to selling agents of its official check program. A Viad Payment Services subsidiary has also entered into agreements to sell receivables from its bill payment and money order agents. As discussed in Note P of Notes to Consolidated Financial Statements, the commissions and net proceeds from the agents' receivables sales are computed based on short-term variable interest rates that subject Viad to risk arising from changes in such rates. Viad has hedged a substantial portion of this risk through the purchase of swap agreements which convert the variable rate payments to fixed rates. The fair value of such swap agreements, while not currently recorded on Viad's Consolidated Balance Sheets, generally increases when the market value of fixed rate debt investments declines and vice versa.

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

Based on a hypothetical 10 percent proportionate increase in interest rates from the average level of interest rates during the last twelve months, and taking into consideration expected investment positions, commissions paid to selling agents, growth in new business, the effects of the swap agreements and the expected borrowing level of variable-rate debt, the increase in pre-tax income would be approximately $2.3 million. A hypothetical 10 percent proportionate decrease in interest rates, based on the same set of assumptions, would result in a decrease in pre-tax income of approximately $1.9 million.

The fair value of securities classified as available for sale, the fair value of the swap agreements and the fair value of fixed-rate debt are sensitive to changes in interest rates. A 10 percent proportionate increase in interest rates would result in an estimated decrease in the fair value of securities classified as available for sale of approximately $98.2 million (along with an after-tax decrease in accumulated other comprehensive income of approximately $59.9 million), an estimated off-balance-sheet increase in the fair value of Viad's swap agreements of approximately $61.9 million and an estimated off-balance-sheet decrease in the fair value of Viad's fixed-rate debt of approximately $2.5 million at December 31, 2000. A 10 percent proportionate decrease in interest rates would result in an estimated increase in the fair value of securities classified as available for sale of approximately $95.1 million (along with an after-tax increase in accumulated other comprehensive income of approximately $58.0 million), an estimated off-balance-sheet decrease in the fair value of Viad's swap agreements of approximately $61.9 million and an estimated off-balance-sheet increase in the fair value of Viad's fixed-rate debt of approximately $2.6 million at December 31, 2000.

Upon the adoption of SFAS No. 133 on January 1, 2001, Viad will record a liability of $9.7 million (representing the fair value of Viad's swap agreements), a corresponding deferred tax asset of $3.8 million, and a transition adjustment of $5.9 million in other comprehensive income.

Forward-Looking Statements:

As provided by the safe harbor provision under the "Private Securities Litigation Reform Act of 1995," Viad cautions readers that, in addition to the historical information contained herein, this Annual Report on Form 10-K includes certain forward-looking statements, assumptions and discussions, including those relating to expectations of or current trends in future growth, productivity improvements, consumer demand, new business, investment policies, ongoing cost reduction efforts and market risk disclosures. Such statements involve risks and uncertainties which may cause results to differ materially from those set forth in those statements. Among other things, gains and losses of customers, consumer demand patterns, purchasing decisions related to customer demand for convention and event services, existing and new competition, industry alliances and consolidation and growth patterns within the industries in which Viad competes may individually or in combination impact future results. In addition to the factors mentioned elsewhere, economic, competitive, governmental, technological, capital marketplace and other factors could affect the forward-looking statements contained in this Annual Report.

Item 8. ***Financial Statements and Supplementary Data***

Refer to Index to Financial Statements on page 20 for required information.

Item 9. ***Disagreements on Accounting and Financial Disclosure***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Information regarding Directors of the Registrant is included in the Proxy Statement for the Annual Meeting of Stockholders of Viad to be held on May 8, 2001, and is incorporated herein by reference. Information regarding executive officers of Registrant is located at page 5 of this Report.

Item 11. ***Executive Compensation***

Information regarding executive compensation is contained in the Proxy Statement for the Annual Meeting of Stockholders of Viad to be held on May 8, 2001, and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

Information regarding security ownership of certain beneficial owners and management is contained in the Proxy Statement for the Annual Meeting of Stockholders of Viad to be held on May 8, 2001, and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

None.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a)1. The financial statements listed in the accompanying Index to Financial Statements are filed as part of this report.

2. None.

3. The exhibits listed in the accompanying Exhibit Index are filed as part of this report.

(b) Reports on Form 8-K filed since Third Quarter 2000

None.

(c) Exhibits

See Exhibit Index.

(d) Financial Statement Schedules

None.

SIGNATURES

Pursuant to the requirements of Section 13 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, in Phoenix, Arizona, on the 15th day of February, 2001.

VIAD CORP

By: /s/ ROBERT H. BOHANNON

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Principal Executive Officer

By: /s/ ROBERT H. BOHANNON

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

Date: February 15, 2001

Principal Financial Officer

By: /s/ KIMBRA A. FRACALOSSI

Kimbra A. Fracalossi

Chief Financial Officer
and Treasurer

Date: February 15, 2001

Principal Accounting Officer

By: /s/ CATHERINE L. STEVENSON

Catherine L. Stevenson
Vice President — Controller

Date: February 15, 2001

Directors

Jess Hay
Judith K. Hofer
Jack F. Reichert
Linda Johnson Rice
Douglas L. Rock
John C. Tolleson
Timothy R. Wallace

By: /s/ CATHERINE L. STEVENSON

Attorney-in-Fact

Date: February 15, 2001

INDEX TO FINANCIAL STATEMENTS

VIAD CORP

CONSOLIDATED BALANCE SHEETS

	December 31, 2000	December 31, 1999
	(000 omitted, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 42,298	$ 33,106
Short-term investments	42,538	95,545
Receivables	105,792	43,276
Inventories	83,272	73,687
Deferred income taxes	40,050	36,990
Other current assets	42,511	36,664
	356,461	319,268
Funds, agents' receivables and current maturities of investments restricted for payment service obligations, after eliminating $50,000 invested in Viad commercial paper in 1999	1,194,545	602,893
Total current assets	1,551,006	922,161
Investments in securities	41,018	173,359
Investments restricted for payment service obligations	3,630,615	2,936,171
Property and equipment	290,016	313,623
Other investments and assets	102,967	121,159
Deferred income taxes	46,596	115,058
Intangibles	638,013	632,024
	$6,300,231	$5,213,555
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term bank loans	$ 2,666	$ 13,855
Accounts payable	81,146	78,710
Other current liabilities	180,738	206,912
Current portion of long-term debt	67,134	32,814
	331,684	332,291
Payment service obligations	4,607,296	3,587,834
Total current liabilities	4,938,980	3,920,125
Long-term debt	377,306	342,603
Pension and other postretirement benefits	74,280	71,402
Other deferred items and insurance liabilities	135,588	158,190
Commitments and contingent liabilities (Notes O, P and Q)		
Minority interests	4,263	5,950
$4.75 Redeemable preferred stock	6,658	6,640
Common stock and other equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 99,739,925 shares issued	149,610	149,610
Additional capital	245,634	289,798

Retained income	755,041	643,352
Unearned employee benefits and other	(94,804)	(129,818)
Accumulated other comprehensive income:		
Unrealized gain (loss) on securities classified as available for sale	656	(70,021)
Cumulative translation adjustments	(8,612)	(4,935)
Minimum pension liability adjustment	(1,795)	(1,674)
Common stock in treasury, at cost, 10,676,444 and 5,497,132 shares	(282,574)	(167,667)
Total common stock and other equity	763,156	708,645
	$6,300,231	$5,213,555

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2000	**1999**	**1998**
	(000 omitted, except per share data)		
Revenues	$1,726,808	$1,581,169	$1,612,759
Costs and expenses:			
Costs of sales and services	1,532,053	1,393,383	1,454,152
Corporate activities	9,783	19,369	24,207
Other investment income	(13,115)	(14,468)	
Interest expense	25,303	26,888	27,212
Nonrecurring income	(2,091)	(9,676)	(22,842)
Minority interests	1,717	2,078	2,165
	1,553,650	1,417,574	1,484,894
Income before income taxes	173,158	163,595	127,865
Income taxes	28,666	35,036	30,521
Income from continuing operations	144,492	128,559	97,344
Income from discontinued operations		218,954	53,296
Net income	$ 144,492	$ 347,513	$ 150,640
Diluted income per common share			
Continuing operations	$ 1.58	$ 1.32	$ 0.98
Discontinued operations		2.27	0.54
Diluted net income per common share	$ 1.58	$ 3.59	$ 1.52
Average outstanding and potentially dilutive common shares	90,925	96,396	98,367
Basic income per common share			
Continuing operations	$ 1.61	$ 1.37	$ 1.02
Discontinued operations		2.35	0.56

Basic net income per common share	$ 1.61	$ 3.72	$ 1.58
Average outstanding common shares	88,802	93,007	94,382
Dividends declared per common share	$ 0.36	$ 0.35	$ 0.32

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2000	**1999**	**1998**
		(000 omitted)	
Net income	$144,492	$347,513	$150,640
Other comprehensive income:			
Unrealized gains (losses) on securities classified as available for sale:			
Holding gains (losses) arising during the period, net of tax provision (benefit) of $47,797, $(53,748) and $7,694	74,759	(84,068)	12,035
Reclassification adjustment for net realized gains included in net income, net of tax provision of $2,610, $2,675 and $4,749	(4,082)	(4,184)	(7,429)
	70,677	(88,252)	4,606
Unrealized foreign currency translation adjustments:			
Holding (losses) gains arising during the period	(3,677)	1,066	(4,038)
Reclassification adjustment for sales of investments in foreign entities included in net income		1,008	51
	(3,677)	2,074	(3,987)
Minimum pension liability adjustment, net of tax benefit of $(65), $(389) and $(205)	(121)	(721)	(381)
Other comprehensive income (loss)	66,879	(86,899)	238
Comprehensive income	$211,371	$260,614	$150,878

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2000	**1999**	**1998**

	(000 omitted)		
Cash flows provided (used) by operating activities			
Net income	$ 144,492	$ 347,513	$ 150,640
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	68,600	62,979	57,643
Deferred income taxes	12,705	2,700	1,563
Income from discontinued operations		(218,954)	(53,296)
Gains on dispositions of businesses, property and other assets	(17,619)	(7,659)	(52,375)
Other noncash items, net	8,864	7,820	12,653
Change in operating assets and liabilities:			
Receivables and inventories	(64,900)	48,980	(31,113)
Payment service assets and obligations, net	413,765	556,340	780,824
Accounts payable and accrued compensation	(23,655)	(52,254)	23,771
Other assets and liabilities, net	(28,359)	(48,486)	(31,872)
Net cash provided by operating activities	513,893	698,979	858,438
Cash flows provided (used) by investing activities			
Capital expenditures	(45,206)	(62,010)	(54,832)
Acquisitions of businesses, net of cash acquired	(28,868)	(29,521)	(343,771)
Proceeds from dispositions of businesses, property and other assets	44,276	57,215	109,319
Proceeds from sales and maturities of securities classified as available for sale	1,530,519	1,403,277	839,128
Proceeds from maturities of securities classified as held to maturity	60,280	111,204	103,231
Purchases of securities classified as available for sale	(1,371,135)	(2,100,239)	(1,602,002)
Purchases of securities classified as held to maturity	(594,405)	(349,362)	(96,309)
Cash provided by discontinued operations	10,585	650,748	124,839
Net cash used by investing activities	(393,954)	(318,688)	(920,397)
Cash flows provided (used) by financing activities			
Proceeds from long-term borrowings			3,926
Payments on long-term borrowings	(32,751)	(3,709)	(32,639)
Net change in short-term borrowings	90,314	(142,145)	150,000
Cash payments on interest rate swap agreements related to debt			(17,122)
Dividends on common and preferred stock	(33,092)	(33,713)	(31,480)
Exercise of stock options	11,945	20,887	10,710
Common stock purchased for treasury	(147,163)	(204,059)	(22,979)
Net cash (used) provided by financing activities	(110,747)	(362,739)	60,416
Net increase (decrease) in cash and cash equivalents	9,192	17,552	(1,543)
Cash and cash equivalents, beginning of year	33,106	15,554	17,097
Cash and cash equivalents, end of year	$ 42,298	$ 33,106	$ 15,554

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF COMMON STOCK AND OTHER EQUITY

Unearned **Accumulated**

	Common Stock	Additional Capital	Retained Income	Employee Benefits and Other	Other Comprehensive Income	Common Stock in Treasury	Total
				(000 omitted)			
Balance, December 31, 1997	$149,610	$291,414	$209,699	$(121,968)	$ 10,031	$ (9,625)	$ 529,161
Net income			150,640				150,640
Dividends on common and preferred stock			(31,480)				(31,480)
Employee benefit plans		(15,422)		11,317		24,027	19,922
Employee Equity Trust adjustment to market value		51,892		(51,892)			—
Treasury shares acquired						(22,979)	(22,979)
Unrealized translation loss					(3,987)		(3,987)
Unrealized gain on securities classified as available for sale					4,606		4,606
Minimum pension liability adjustment					(381)		(381)
Other, net		(18)	399			(2)	379
Balance, December 31, 1998	149,610	327,866	329,258	(162,543)	10,269	(8,579)	645,881
Net income			347,513				347,513
Dividends on common and preferred stock			(33,713)				(33,713)
Employee benefit plans		(26,809)		21,487		44,950	39,628
Employee Equity Trust adjustment to market value		(11,238)		11,238			—
Treasury shares acquired						(204,059)	(204,059)
Unrealized translation gain					2,074		2,074
Unrealized loss on securities classified as available for sale					(88,252)		(88,252)
Minimum pension liability adjustment					(721)		(721)
Other, net		(21)	294			21	294
Balance, December 31, 1999	149,610	289,798	643,352	(129,818)	(76,630)	(167,667)	708,645
Net income			144,492				144,492
Dividends on common and preferred stock			(33,092)				(33,092)
Employee benefit plans		(27,200)		18,051		32,255	23,106
Employee Equity Trust adjustment to market value		(16,963)		16,963			—
Treasury shares acquired						(147,163)	(147,163)
Unrealized translation loss					(3,677)		(3,677)
Unrealized gain on securities classified as available for sale					70,677		70,677
Minimum pension liability adjustment					(121)		(121)
Other, net		(1)	289			1	289
Balance, December 31, 2000	$149,610	$245,634	$755,041	$ (94,804)	$ (9,751)	$(282,574)	$ 763,156

See Notes to Consolidated Financial Statements.

A. Significant Accounting Policies

Principles of Consolidation. The Consolidated Financial Statements of Viad Corp (“Viad”) include the accounts of Viad and all of its subsidiaries.

The Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported results of operations during the period. Actual results could differ from those estimates.

All significant intercompany account balances and transactions between Viad and its subsidiaries have been eliminated in consolidation.

Described below are those accounting policies significant to Viad, including those selected from acceptable alternatives.

Cash and Cash Equivalents. Viad considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Certain cash equivalents are classified as “Short-term investments.” See Note E.

Investments in Securities. A portion of the proceeds from the sale of Dobbs International Services, Inc. in July 1999 has been invested in securities. These securities are included in the Consolidated Balance Sheets under the caption, “Investments in securities” with the current portion and investments with original maturities of three months or less included under the caption, “Short-term investments.” In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” Viad classifies these investments as available for sale. See Note E.

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

In accordance with SFAS No. 115, Viad classifies these investment securities restricted for payment service obligations as either available for sale or held to maturity. See Note F.

Inventories. Inventories, which consist primarily of exhibit materials and supplies used in providing services, are stated at the lower of cost (first-in, first-out and specific identification methods) or market.

Long-Lived Assets. Viad reviews the carrying values of its long-lived assets and identifiable intangibles for possible impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the provisions of SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.”

Property and Equipment. Property and equipment are stated at cost, net of accumulated depreciation and any impairment write-downs pursuant to SFAS No. 121. Property and equipment are depreciated principally on the straight-line basis over the estimated useful lives of the assets: buildings, 15 to 40 years; equipment, 3 to 10 years; and leasehold improvements, over the shorter of the lease term or useful life.

Intangibles. Intangibles, including goodwill, are carried at cost less accumulated amortization and any impairment write-downs pursuant to SFAS No. 121. Intangibles are amortized on the straight-line method over the estimated lives or periods of expected benefit, but not in excess of 40 years.

Insurance Liabilities. Viad is self-insured up to certain limits for workers’ compensation, automobile, product and general liability property loss and medical claims. Viad has also retained and provided for certain insurance liabilities in conjunction with the sales of businesses. Provisions for losses for claims incurred, including estimated claims incurred but not yet reported, are made based on Viad's prior historical experience, claims frequency and other factors. Viad has purchased insurance for amounts in excess of the self-insured levels.

Derivative Financial Instruments. Viad uses derivative financial instruments as part of its risk management strategy to manage exposure to fluctuations in interest and foreign currency rates. Derivatives are not used for speculative purposes. Amounts receivable or payable under swap agreements used to hedge exposure of interest rate changes on variable rate commission payments and net proceeds from agents' receivables sales are accrued and recognized as an adjustment to the expense of the related transaction. Forward contracts used to hedge assets and liabilities denominated in foreign currencies are recorded on the Consolidated Balance Sheets. The effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, is not significant.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Viad will adopt SFAS No. 133 and its related amendments and interpretations effective January 1, 2001. SFAS No. 133 requires that entities record all derivatives as assets or liabilities, measured at fair value, with the change in fair value recognized in earnings or in other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. The adoption of SFAS No. 133 will not have a material effect on Viad's consolidated results of operations or cash flows. However, as discussed in Notes F and P, the fair value of swap agreements is not currently recorded on the Consolidated Balance Sheets. Upon the adoption of SFAS No. 133 on January 1, 2001, Viad will record a liability of $9,721,000 (representing the fair value of Viad's swap agreements), a corresponding deferred tax asset of $3,791,000, and a transition adjustment of $5,930,000 in other comprehensive income. Viad has also elected to transfer securities classified as held to maturity to securities classified as available for sale as permitted in conjunction with the initial application of SFAS No. 133.

Revenue Recognition. Revenue is recognized when services are performed or products are delivered. Convention service revenue is recognized upon completion of the tradeshow or event. Revenue on certain long-term exhibit contracts is recognized on the percentage of completion method. Revenues include investment earnings on assets restricted for payment service obligations.

Stock-Based Compensation. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," Viad uses the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans.

Net Income Per Common Share. Employee Stock Ownership Plan ("ESOP") shares are treated as outstanding for net income per share calculations. Shares held by the Employee Equity Trust (the "Trust") are not considered outstanding for net income per share calculations until the shares are released from the Trust.

Reclassifications. Certain prior year amounts have been reclassified to conform to the 2000 presentation.

B. Acquisitions of Businesses

During 2000, Viad purchased a small Convention and Event Services company, and during 1999, Viad purchased several small Convention and Event Services companies. Also during 1999, Viad purchased a 71 percent interest in a small Travel and Recreation Services company; the remaining minority interest was acquired in 2000.

Effective June 1, 1998, Viad acquired MoneyGram Payment Systems, Inc. ("MoneyGram"), a provider of consumer money wire transfer services. Also during 1998, Viad acquired several Convention and Event Services companies.

The acquisitions were accounted for as purchases. The purchase prices, including acquisition costs, were allocated to the net tangible and identifiable intangible assets acquired based on estimated fair values at the dates of the acquisitions. The difference between the purchase prices and the related fair values of net assets acquired represents goodwill.

The accompanying financial statements include the accounts and results of operations from the dates of acquisition. The results of operations of the acquired companies from the beginning of the year to the dates of acquisition are not material to the consolidated results of operations.

Net cash paid, the estimated fair value of assets acquired and debt and other liabilities assumed for the years ended December 31 were as follows:

	2000	1999	1998
		(000 omitted)	
Assets acquired:			
Property and equipment	$ 791	$ 8,533	$ 17,509
Intangibles, primarily goodwill	30,245	25,213	371,707
Other assets	12,402	6,838	41,723
Debt and other liabilities assumed	(14,570)	(11,063)	(87,168)
Net cash paid	$ 28,868	$ 29,521	$343,771

C. Nonrecurring Income

In July 2000, Viad sold its concession operations at America West Arena and Bank One Ballpark in Phoenix, Arizona. Viad recorded a gain of $10,256,000 ($5,655,000 after-tax) on the sale, after deducting costs of sale and related expense provisions. Also in the third quarter of 2000, Viad recorded a charge of $8,165,000 ($4,778,000 after-tax) taken to streamline and consolidate certain operations in Viad's Convention and Event Services segment. In addition to costs related to reductions in headcount, the charge included the write-down of certain fixed assets and facility closure costs.

In the second quarter of 1998, Viad's Payment Services subsidiary, Travelers Express Company, Inc. ("Travelers Express"), petitioned the Federal District Court to set aside a settlement term sheet under a patent infringement litigation initiated by Travelers Express against Integrated Payment Systems ("IPS"), a subsidiary of First Data Corporation, because of the parties' failure to agree on final settlement terms. At that time, Travelers Express recorded a provision totaling $10,642,000 ($6,917,000 after-tax) and tendered back to IPS amounts which IPS had paid to Travelers Express pursuant to the term sheet. In December 1999, the Court reinstated the settlement and ordered IPS to pay back to Travelers Express the amounts paid in 1998 and to resume scheduled payments as provided by the term sheet. Accordingly, after deducting legal and other costs, Travelers Express recorded a gain of $8,176,000 ($5,314,000 after-tax) in the fourth quarter of 1999.

In 1999, Viad adopted the equity method of accounting for its approximately 10% investment in the Arizona Diamondbacks ("Diamondbacks") baseball franchise limited partnership. Noncash charges totaling

$8,252,000 ($5,268,000 after-tax) were recorded in 1999 representing Viad's pro-rata share of the Diamondbacks cumulative losses. On December 31, 1999, Viad contributed a portion of its investment in the Diamondbacks limited partnership to the Viad Corp Medical Plan Trust to fund certain postretirement benefits. The contribution, which was recorded at fair value, resulted in a gain of $2,377,000 ($1,483,000 after-tax). Viad's remaining ownership interest is accounted for under the cost method.

In February 2000, Viad settled certain litigation in existence at the end of 1999 and recorded a provision in 1999 totaling $9,950,000 ($6,209,000 after-tax) including legal and other costs.

In January 1999, Viad sold the contract foodservice operations of Restaura, Inc. The public service division units of Restaura were sold in March 1999. After providing for costs of sale and related expense provisions, the net gain was not material.

Viad completed the sale of its duty-free and shipboard concessions business, Greyhound Leisure Services, Inc. ("GLSI") in September 1998. The gain on sale recorded in 1998, after deducting costs of sale and related expense provisions, was $26,684,000 ($15,650,000 after-tax). Upon Viad's collection of a subordinated note receivable and resolution of contingencies related to the sale of GLSI, an additional gain of $17,325,000 ($10,811,000 after-tax) was recorded in 1999.

In the fourth quarter of 1998, Viad obtained release of all guarantees and bonding relating to its former United Kingdom travel and tour subsidiaries, Crystal Holidays and Jetsave, which had been sold in October 1997. The gain on sale recognized in 1998, after deducting costs of sale and related expense provisions, was $6,800,000 ($4,004,000 after-tax).

Results of operations up to dates of sale of these sold businesses (not classified as discontinued operations) are included in Viad's "Sold businesses" category. See Note R. In connection with the sales, Viad has retained and provided for certain environmental, insurance and other liabilities.

D. Discontinued Operations

In July 1999, Viad sold Dobbs International Services, Inc. and in April 1998, Viad sold its Aircraft Services International Group. In connection with the sales, Viad has retained and provided for certain environmental and other liabilities.

Revenues applicable to the discontinued operations totaled $438,179,000 in 1999 and $922,632,000 in 1998. The caption "Income from discontinued operations" in the Consolidated Statements of Income for the years ended December 31 includes the following:

	1999	1998
	(000 omitted)	
Income from operations, net of tax provision of $11,950 and $28,573(1)	$ 16,678	$40,095
Gains on sales of businesses, net of tax provision of $99,160 and $7,954	213,437	13,201
Provision related to previously discontinued businesses, net of tax provision of $6,111(2)	(11,161)	
Income from discontinued operations	$218,954	$53,296

(1) Interest expense not directly attributable to other Viad operations of $2,593,000 in 1999 and $6,862,000 in 1998 was allocated to the airline catering and services segment based on the amount of intercompany interest that had historically been charged by Viad on interest-bearing advances based on the prime lending rate.

(2) Represents additional provisions for self insurance, environmental and other liabilities arising from previously discontinued businesses.

E. Investments in Securities

Securities that are being held for an indefinite period of time pending Viad's use to fund strategic acquisitions or purchase treasury shares are included in the Consolidated Balance Sheets under the caption, "Investments in securities" with the current portion and investments with original maturities of three months or less included under the caption, "Short-term investments." Such investments are classified as available for sale and are carried at fair market value in accordance with SFAS No. 115. The net unrealized holding gain of $139,000 (net of a deferred tax liability of $88,000) at December 31, 2000 and the net unrealized holding loss of $1,979,000 (net of a deferred tax asset of $1,265,000) at December 31, 1999, are included in the Consolidated Balance Sheets as a component of "Accumulated other comprehensive income." Income arising from these investments is included in the Consolidated Statements of Income under the caption, "Other investment income."

A summary of securities classified as available for sale at December 31, 2000 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(000 omitted)		
Corporate debt securities	$42,538	$ —	$ —	$42,538
Mortgage-backed and other asset-backed securities	40,791	227		41,018
Securities classified as available for sale	$83,329	$227	$ —	$83,556

A summary of securities classified as available for sale at December 31, 1999 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value

		(000 omitted)		
Corporate debt securities	$ 95,543	$ 2	$ —	$ 95,545
Mortgage-backed and other asset-backed securities	176,605		3,246	173,359
Securities classified as available for sale	$272,148	$ 2	$3,246	$268,904

All corporate debt securities will mature in 2001. Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations.

Gross gains and losses are based on the specific identification method of determining cost. No gains or losses were realized during 2000. Gross losses of $34,000 were realized during 1999.

F. Assets Restricted for Payment Service Obligations

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

restricted for payment service obligations." Before consolidating eliminations, this caption also included investment-grade commercial paper issued by Viad that was supported along with the rest of Viad's outstanding commercial paper by a credit commitment under a long-term revolving bank credit agreement. A portion of the commercial paper held by the Payment Services subsidiary was repaid by Viad in 1999, and the remaining balance was repaid in 2000. In December 1999 and in July 2000, Viad made capital contributions of approximately $50,000,000 in each period to a Payment Services subsidiary. The proceeds were invested by the subsidiary in debt securities that are included in the caption, "Investments restricted for payment service obligations." In addition, certain other assets are available if necessary to meet such payment service obligations.

Viad regularly monitors credit and market risk exposures and takes steps to mitigate the likelihood of these exposures resulting in actual loss. Although the Payment Services investment portfolio exposes Viad to certain credit risks, Viad believes the high quality of its investments reduces this risk substantially (approximately 97% of the investments at December 31, 2000, have rating of A- or higher or are collateralized by federal agency securities).

As described in Note P, a Payment Services subsidiary uses swap agreements to hedge a substantial portion of the variable rate commission payments to its selling agents and the net proceeds of selling receivables from its bill payment and money order agents. The fair value of such swap agreements, while not currently recorded on Viad's Consolidated Balance Sheets, generally increases when market values of fixed rate, long-term debt investments decline and vice versa. Upon the adoption of SFAS No. 133 on January 1, 2001, Viad will record a liability of $9,721,000 (representing the fair value of Viad's swap agreements), a corresponding deferred tax asset of $3,791,000, and a transition adjustment of $5,930,000 in other comprehensive income.

Under normal circumstances, the swap agreements will not be terminated prior to maturity, nor is there any requirement to sell long-term debt securities prior to maturity, as the funds flow from ongoing sales of money orders and other payment instruments and funds from maturing long-term and short-term investments are expected to be adequate to settle payment service items as they are presented. In addition, Viad's Payment Services subsidiaries have various lines of credit, overdraft facilities and reverse repurchase agreements totaling $745,000,000 available to assist in the management of investments and the clearing of payment service obligations. Amounts outstanding under reverse repurchase agreements are required to be collateralized by securities. No amounts were outstanding under these arrangements at December 31, 2000 or 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Presented as additional information below is a summary of asset and liability carrying amounts related to the payment service obligations, along with the fair value of related off-balance-sheet swap agreements at December 31:

	2000	1999
	(000 omitted)	
Funds, agents' receivables and current maturities of investments restricted for payment service obligations, including $50,000 invested in Viad commercial paper in 1999	$ 1,194,545	$ 652,893
Investments restricted for payment service obligations(1)	3,630,615	2,936,171
Other assets available for payment service obligations	24,781	3,009
Payment service obligations	(4,607,296)	(3,587,834)
Fair value of off-balance-sheet swap agreements(2)	(9,721)	56,708
Total	$ 232,924	$ 60,947

(1) As noted below, securities classified as available for sale are carried at fair market value, and securities classified as held to maturity are carried at amortized cost.

(2) The fair value represents the estimated amount that Viad would (pay to) receive from counterparties to terminate the swap agreements at December 31. As described above, upon the adoption of SFAS No. 133 on January 1, 2001, Viad will record a liability of $9,721,000, representing the fair value of Viad's swap agreements.

Payment Services securities classified in accordance with SFAS No. 115 are presented below.

Securities Classified as Available for Sale. Securities that are being held for indefinite periods of time, including those securities which may be sold to assist in the clearing of payment service obligations or in the management of investments, are classified as securities available for sale and are carried at fair value. The net unrealized holding gain of $517,000 (net of a deferred tax liability of $331,000) at December 31, 2000 and the net unrealized holding loss of $68,042,000 (net of a deferred tax asset of $43,502,000) at December 31, 1999 are included in the Consolidated Balance Sheets as a component of "Accumulated other comprehensive income." The unrealized gain during 2000 was due principally to decreases in longer-term market interest rates while the unrealized loss during 1999 was due principally to increases in market interest rates.

A summary of securities classified as available for sale at December 31, 2000 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(000 omitted)			
U.S. Government agencies	$ 29,761	$ —	$ 716	$ 29,045
Obligations of states and political subdivisions	959,313	9,670	2,028	966,955
Corporate debt securities	60,352	1,347	204	61,495
Mortgage-backed and other asset-backed securities	1,119,025	10,300	7,126	1,122,199
Debt securities issued by foreign governments	6,976		69	6,907
Preferred stock	134,218	203	10,529	123,892
Securities classified as available for sale	$2,309,645	$21,520	$20,672	$2,310,493

A summary of securities classified as available for sale at December 31, 1999 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(000 omitted)			
U.S. Government agencies	$ 29,750	$ —	$ 3,126	$ 26,624
Obligations of states and political subdivisions	1,212,141	1,419	61,546	1,152,014
Corporate debt securities	19,969		874	19,095
Mortgage-backed and other asset-backed securities	904,086	927	43,575	861,438
Debt securities issued by foreign governments	6,973		265	6,708
Preferred stock	105,874	53	4,556	101,371
Securities classified as available for sale	$2,278,793	$2,399	$113,942	$2,167,250

Gross gains and losses from sales of securities are based on the specific identification method of determining cost. Gross gains of $6,738,000, $6,972,000 and $12,205,000 were realized during 2000, 1999, and 1998, respectively. Gross losses of $46,000, $79,000 and $27,000 were realized during 2000, 1999, and 1998 respectively.

Securities Classified as Held to Maturity. Securities classified as held to maturity consist of securities that management has the ability and intent to hold to maturity and are carried at amortized cost. A summary of securities classified as held to maturity at December 31, 2000 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(000 omitted)			
U.S. Government agencies	$ 37,975	$ 79	$ 280	$ 37,774
Obligations of states and political subdivisions	659,051	23,647	84	682,614
Corporate debt securities	8,317	42	10	8,349
Mortgage-backed and other asset-backed securities	614,390	9,747	1,004	623,133
Debt securities issued by foreign governments	5,492	169		5,661
Securities classified as held to maturity	$1,325,225	$33,684	$1,378	$1,357,531

Effective January 1, 2001, Viad has elected to transfer $260,026,000 in book value of securities classified as held to maturity to securities classified as available for sale as permitted in conjunction with the initial application of SFAS No. 133 without calling into question management's intent or ability to hold other securities as held to maturity. The transfer will be reflected as an increase in the carrying value of the investments of $6,184,000, with a corresponding deferred tax liability of $2,412,000 and a transition adjustment of $3,772,000 in other comprehensive income.

A summary of securities classified as held to maturity at December 31, 1999 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value

	(000 omitted)			
U.S. Government agencies	$ 27,035	$ 1	$ 886	$ 26,150
Obligations of states and political subdivisions	457,741	2,648	11,232	449,157
Corporate debt securities	16,397		368	16,029
Mortgage-backed and other asset-backed securities	279,894	397	6,899	273,392
Debt securities issued by foreign governments	7,001		61	6,940
Securities classified as held to maturity	$788,068	$3,046	$19,446	$771,668

Scheduled Maturities. Scheduled maturities of securities at December 31, 2000 are presented below:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(000 omitted)			
Due in:				
2001	$ —	$ —	$ 5,103	$ 5,107
2002-2005	148,502	149,268	35,787	35,747
2006-2010	354,897	357,546	184,014	189,455
2011 and later	553,003	557,588	485,931	504,089
Mortgage-backed and other asset-backed securities	1,119,025	1,122,199	614,390	623,133
Preferred stock	134,218	123,892		
	$2,309,645	$2,310,493	$1,325,225	$1,357,531

Actual maturities may differ from scheduled maturities because the borrowers have the right to call or prepay certain obligations, sometimes without penalties. Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations.

G. Property and Equipment

Property and equipment at December 31 consisted of the following:

	2000	1999
	(000 omitted)	
Land	$ 22,331	$ 21,129
Buildings and leasehold improvements	97,384	109,021
Equipment	449,415	433,431
	569,130	563,581
Less accumulated depreciation	279,114	249,958
Property and equipment	$290,016	$313,623

H. Intangibles

Intangibles at December 31 consisted of the following:

	2000	1999
	(000 omitted)	
Goodwill	$672,166	$643,491
Other intangibles	52,740	57,516
	724,906	701,007
Less accumulated amortization	86,893	68,983
Intangibles	$638,013	$632,024

I. Debt

Long-term debt at December 31 was as follows:

	2000	1999
	(000 omitted)	
Senior debt:(1)		
Short-term borrowings:		
Promissory notes, 7.5% (2000) and 7.0% (1999) weighted average interest rate at December 31	$ 91,000	$ 34,000
Commercial paper, 7.8% (2000) and 7.6% (1999) weighted average interest rate at December 31(2)	54,503	10,000
Senior notes, 6.3% (2000) and 6.2% (1999) weighted average interest rate at December 31, due to 2009	239,840	269,775
Guarantee of ESOP debt, floating rate indexed to LIBOR, 5.5% (2000) and 5.4% (1999) at December 31, due to 2009	18,675	20,000
Other obligations, 5.8% (2000) and 6.2% (1999) weighted average interest rate at December 31, due to 2016	21,919	23,139
	425,937	356,914
Subordinated debt, 10.5% debentures, due 2006	18,503	18,503
	444,440	375,417
Less current portion	67,134	32,814
Long-term debt	$377,306	$342,603

(1) Rates shown are exclusive of the effects of commitment fees and other costs of long-term revolving bank credit used to support short-term borrowings.

(2) After eliminating $50,000,000 of commercial paper issued by Viad to a Payment Services subsidiary in 1999.

Viad satisfies its short-term borrowing requirements with bank lines of credit and the issuance of commercial paper and promissory notes. At December 31, 2000 and 1999, there was $2,666,000 and $13,855,000, respectively, of short-term borrowings outstanding under bank notes payable.

At December 31, 2000, outstanding promissory notes and commercial paper are supported by unused commitments under a $300,000,000 long-term revolving bank credit agreement, which expires on August 15, 2002. The interest rate applicable to borrowings under the bank credit agreement is, at Viad's option, indexed to the bank prime rate or the London Interbank Offering Rate ("LIBOR"), plus appropriate spreads over such indices during the period of the credit agreement. The agreement also provides for commitment fees. Such spreads and fees will change moderately should Viad's debt ratings change. Viad, in the event that it becomes advisable, intends to exercise its right under the agreement to borrow for the purpose of refinancing short-term borrowings; accordingly, short-term borrowings totaling $145,503,000 and $44,000,000 at December 31, 2000 and 1999, respectively, have been classified as long-term debt.

Annual maturities of long-term debt due in the next five years will approximate $67,134,000 (2001), $187,816,000 (2002), $103,379,000 (2003), $20,815,000 (2004), $10,831,000 (2005) and $54,465,000 thereafter. Included in the year 2002 is $145,503,000 which represents the maturity of short-term borrowings assuming they had been refinanced utilizing the revolving credit facility described above.

The weighted average interest rate on total debt excluding interest expense unrelated to debt obligations was 6.4%, 6.0%, and 6.7% for 2000, 1999, and 1998, respectively.

Interest paid in 2000, 1999, and 1998 was $22,910,000, $31,287,000, and $38,367,000, respectively.

Under a Shelf Registration filed in 1994 with the Securities and Exchange Commission, Viad can issue up to an aggregate of $500,000,000 of debt and equity securities. No securities have been issued under the program.

J. Earnings Per Share

The following is a reconciliation of the numerators and denominators of diluted and basic per share computations for income from continuing operations:

	2000	1999	1998
	(000 omitted, except per share data)		
Income from continuing operations	$144,492	$128,559	$97,344
Less: Preferred stock dividends	(1,134)	(1,131)	(1,129)
Income available to common stockholders	$143,358	$127,428	$96,215
Average outstanding common shares	88,802	93,007	94,382
Additional dilutive shares related to stock-based compensation	2,123	3,389	3,985
Average outstanding and potentially dilutive common shares	90,925	96,396	98,367
Diluted income per share from continuing operations	$ 1.58	$ 1.32	$ 0.98
Basic income per share from continuing operations	$ 1.61	$ 1.37	$ 1.02

Options to purchase 1,377,898 and 179,235 shares of common stock were outstanding during 2000 and 1999, respectively, but were not included in the computation of diluted earnings per share because the effect would be antidilutive.

K. Preferred Stock and Common Stock and Other Equity

Viad has 442,352 shares of $4.75 Preferred Stock authorized, of which 346,352 shares are issued. The holders of the $4.75 Preferred Stock are entitled to a liquidation preference of $100 per share and to annual cumulative sinking fund redemptions of 6,000 shares. Viad presently holds 111,372 shares which will be applied to this sinking fund requirement; the 234,980 shares held by others are scheduled to be redeemed in the years 2019 to 2058. In addition, Viad has authorized 5,000,000 and 2,000,000 shares of Preferred Stock and Junior Participating Preferred Stock, respectively.

Viad has one Preferred Stock Purchase Right ("Right") outstanding on each outstanding share of its common stock. The Rights contain provisions to protect stockholders in the event of an unsolicited attempt to acquire Viad that is not believed by the Board of Directors to be in the best interest of stockholders. The Rights are represented by the common share certificates and are not exercisable or transferable apart from the common stock until such a situation arises. Viad may redeem the Rights at $0.025 per Right prior to the time any person or group has acquired 20% or more of Viad's shares. Viad has reserved 1,000,000 shares of Junior Participating Preferred Stock for issuance in connection with the Rights.

Viad funds its matching contributions to employees' 401(k) plans through a leveraged ESOP. All eligible employees of Viad and its participating affiliates, other than certain employees covered by collective bargaining agreements that do not expressly provide for participation of such employees in an ESOP, may participate in the ESOP.

In 1989, the ESOP borrowed $40,000,000 to purchase treasury shares from Viad. The ESOP's obligation to repay this borrowing is guaranteed by Viad; therefore, the unpaid balance of the borrowing ($18,675,000 and $20,000,000 at December 31, 2000 and 1999, respectively) has been reflected in the accompanying balance sheet as long-term debt. The same amounts, representing unearned employee benefits, have been recorded as a deduction from common stock and other equity. The liability is reduced as the ESOP repays the borrowing, and the amount offsetting common stock and other equity is reduced as stock is allocated to employees and benefits are charged to expense. The ESOP intends to repay the loan (plus interest) using Viad contributions and dividends received on the unallocated Viad shares held by the ESOP.

Information regarding ESOP transactions for the years ended December 31 was as follows:

	2000	**1999**	**1998**
		(000 omitted)	
Amounts paid by ESOP for:			
Debt repayment	$1,325	$2,000	$2,000
Interest	1,115	917	1,098
Amounts received from Viad as:			
Dividends	$ 808	$ 847	$ 884
Contributions	1,615	2,080	2,205

Shares are released for allocation to participants based upon the ratio of the current year's principal and interest payments to the sum of the total principal and interest payments expected over the remaining life of the plan. Expense is recognized based upon the greater of cumulative cash payments to the plan or 80% of the cumulative expense that would have been recognized under the shares allocated method, in accordance with Emerging Issues Task Force Abstract No. 89-8, "Expense Recognition for Employee Stock Ownership Plans." Under this method, Viad has recorded expense of $1,631,000, $2,067,000, and $2,205,000 in 2000, 1999, and 1998, respectively.

Unallocated shares held by the ESOP totaled 2,095,000 and 2,302,000 at December 31, 2000 and 1999, respectively. Shares allocated during 2000 and 1999 totaled 207,000 and 273,000, respectively.

In 1992, Viad sold treasury stock to Viad's Employee Equity Trust (the "Trust") in exchange for a promissory note. The Trust is used to fund certain existing employee compensation and benefit plans. For financial reporting purposes, the Trust is consolidated with Viad and the promissory note ($31,992,000 at December 31, 2000) and dividend and interest transactions are eliminated in consolidation. The fair market value ($78,185,000 and $109,818,000 at December 31, 2000 and 1999, respectively) of the 3,399,343 and 3,939,671 remaining shares held by the Trust at December 31, 2000 and 1999, respectively, representing unearned employee benefits, is shown as a deduction from common stock and other equity and is reduced as

employee benefits are funded. The difference between the cost and fair value of shares held is included in additional capital.

At December 31, 2000, retained income of $104,138,000 was unrestricted as to payment of dividends by Viad.

L. Stock-Based Compensation

In 1997, stockholders adopted the Viad Corp Omnibus Incentive Plan ("Omnibus Plan"). The Omnibus Plan provides for the following types of awards to officers, directors and certain key employees: (a) incentive and nonqualified stock options; (b) stock appreciation rights ("SARs"); (c) restricted stock; and (d) performance-based awards. The number of shares available for grant under the Omnibus Plan in each calendar year is equal to 2% of the total number of shares of common stock outstanding as of the first day of each year. Any shares available for grant in a particular calendar year which are not granted in such year are added to the shares available for grant in any subsequent calendar year.

Stock options are granted for terms of ten years at an exercise price based on the market value at the date of grant. Stock options granted prior to 1999 are exercisable 50% after one year with the balance exercisable after two years from the date of grant. For stock options granted in 1999 and thereafter, 50% are exercisable after one year and the other half become exercisable after two years if certain annual incentive goals are achieved, or after three years and four years, respectively, if annual incentive goals are not achieved in a particular year. Stock options granted since 1998 contain certain forfeiture and noncompete provisions.

SARs and Limited SARs ("LSARs") were granted, with terms of ten years, under the 1983 Stock Option and Incentive Plan. SARs are exercisable under the same terms as stock options, while LSARs vest fully at date of grant and are exercisable only for a limited period in the event of certain tender or exchange offers for Viad's common stock. SARs and/or LSARs were issued in tandem with certain stock options and the exercise of one reduces, to the extent exercised, the number of shares represented by the other(s). There were no SARs exercised in 2000, 1999 or 1998.

Performance-based stock awards (82,200, 77,200, and 97,600 shares awarded in 2000, 1999, and 1998, respectively, at a fair market value per share of $24.44, $29.50, and $24.78, respectively) vest at the end of a three-year period from the date of grant, based on total shareholder return relative to the applicable stock and industry indices specified at the time of each award. Vested shares with respect to performance periods beginning in 1997, 1996, and 1995 totaled 70,361 in 2000, 139,815 in 1999, and 83,226 in 1998, respectively. Throughout the performance period, holders of the performance-based stock have the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the stock.

Information with respect to stock options for the years ended December 31 is as follows:

	Shares	Weighted Average Exercise Price	Options Exercisable
Options outstanding at December 31, 1997	9,807,027	$11.72	
Granted	962,100	24.79	
Exercised	(1,883,697)	10.05	
Canceled	(163,511)	18.84	
Options outstanding at December 31, 1998	8,721,919	13.38	7,342,669
Granted	800,500	29.46	
Exercised	(2,357,122)	12.24	
Canceled	(260,676)	23.20	
Options outstanding at December 31, 1999	6,904,621	15.27	5,838,871
Granted	995,403	24.47	
Exercised	(1,924,706)	10.57	
Canceled	(178,028)	25.74	
Options outstanding at December 31, 2000	5,797,290	18.09	4,451,659

The following table summarizes information concerning stock options outstanding and exercisable at December 31, 2000:

	Options Outstanding			Options Exercisable	
	Weighted	Weighted			Weighted

Range of Exercise Prices	Shares	Remaining Contractual Life	Average Exercise Price	Shares	Average Exercise Price
$ 3.93 to $ 7.54	95,905	1.7 years	$ 6.48	95,905	$ 6.48
$ 9.33 to $12.22	1,557,596	2.1 years	11.26	1,557,596	11.26
$13.05 to $16.25	1,336,445	3.8 years	13.50	1,336,445	13.50
$18.06 to $24.78	2,113,694	7.7 years	22.83	1,213,963	21.65
$25.25 to $29.50	693,650	7.7 years	29.39	247,750	29.35
$ 3.93 to $29.50	5,797,290	5.2 years	18.09	4,451,659	15.67

Viad applies APB Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than for performance-based stock awards, which gave rise to compensation expense aggregating $727,000, $4,607,000, and $3,753,000, in 2000, 1999, and 1998, respectively.

Assuming Viad had recognized compensation cost for stock options and performance-based stock awards in accordance with the fair value method of accounting defined in SFAS No. 123, income from continuing operations and diluted income per share from continuing operations would be as presented in the table below. Compensation cost calculated under SFAS No. 123 is recognized ratably over the vesting period and is net of estimated forfeitures and the tax benefit on nonqualified stock options.

	2000	1999	1998
	(000 omitted, except per share data)		
Income from continuing operations:			
As reported	$144,492	$128,559	$97,344
Pro forma	139,041	124,863	92,713
Diluted income per share from continuing operations:			
As reported	$ 1.58	$ 1.32	$ 0.98
Pro forma	1.52	1.29	0.93

For purposes of applying SFAS No. 123, the estimated fair value of stock options granted during 2000, 1999, and 1998 was $8.15, $9.17, and $7.16 per share, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2000	1999	1998
Expected dividend yield	1.5%	1.2%	1.3%
Expected volatility	29.1%	28.3%	24.4%
Risk-free interest rate	6.85%	5.46%	5.78%
Expected life	5 years	5 years	5 years

M. Income Taxes

Deferred income tax assets (liabilities) included in the Consolidated Balance Sheets at December 31 related to the following:

	2000	1999
	(000 omitted)	
Property and equipment	$(31,614)	$ (21,765)
Deferred income	3,653	3,641
Pension, compensation and other employee benefits	40,653	39,719
Provisions for losses	41,700	50,228

Unrealized (gain) loss on securities classified as available for sale	(419)	44,767
State income taxes	14,235	17,259
Alternative minimum tax credit carryforward	5,100	
Other deferred income tax assets	20,438	26,119
Other deferred income tax liabilities	(19,772)	(20,255)
	73,974	139,713
Foreign deferred tax liabilities included above	12,672	12,335
United States deferred tax assets	$ 86,646	$152,048

The provision for income taxes on income from continuing operations for the years ended December 31 consisted of the following:

	2000	1999	1998
		(000 omitted)	
Current:			
United States:			
Federal	$ (285)	$18,894	$18,221
State	2,795	4,367	4,538
Foreign	13,451	9,075	6,199
	15,961	32,336	28,958
Deferred	12,705	2,700	1,563
Income taxes	$28,666	$35,036	$30,521

Certain tax benefits related primarily to stock option exercises and dividends paid to the ESOP totaling $8,417,000, $8,832,000, and $6,875,000 in 2000, 1999, and 1998, respectively, were credited to common stock and other equity.

Eligible subsidiaries (including sold and discontinued businesses up to their respective disposition dates) are included in the consolidated federal and other applicable income tax returns of Viad. Income taxes paid in 2000, 1999 and 1998, including amounts paid on behalf of the sold and discontinued businesses, net of refunds received related to prior years, amounted to $11,261,000, $99,271,000, and $23,334,000, respectively.

A reconciliation of the provision for income taxes on income from continuing operations and the amount that would be computed using statutory federal income tax rates for the years ended December 31 was as follows:

	2000		1999		1998	
			(000 omitted)			
Computed income taxes at statutory federal income tax rate of 35%	$ 60,605	35.0%	$ 57,258	35.0%	$ 44,753	35.0%
Nondeductible goodwill amortization	3,337	1.9	2,678	1.6	1,605	1.3
State income taxes	3,381	2.0	3,130	1.9	2,631	2.1
Other, net	(1,582)	(0.9)	1,226	0.8	3,593	2.8
Provision for income taxes before the effect of tax-exempt income	65,741	38.0	64,292	39.3	52,582	41.2
Tax-exempt income	(37,075)	(21.4)	(29,256)	(17.9)	(22,061)	(17.3)

Income taxes	$ 28,666	16.6%	$ 35,036	21.4%	$ 30,521	23.9%

United States and foreign income before income taxes from continuing operations for the years ended December 31 was as follows:

	2000	1999	1998
		(000 omitted)	
United States	$141,919	$140,710	$111,643
Foreign	31,239	22,885	16,222
Income before income taxes	$173,158	$163,595	$127,865

N. Pension and Other Postretirement Benefits

Pension Benefits. Viad has trusteed, noncontributory pension plans that cover certain employees. Pension benefits are supplemented, in most cases, by defined matching company stock contributions to employees' 401(k) plans as described in Note K. In addition, Viad retained the obligations for such benefits for employees of certain sold businesses. Through December 31, 2000, the principal retirement plan was structured using a traditional defined benefit formula based primarily on final average pay and years of service. Benefits earned under this formula ceased accruing at December 31, 2000, with no change to retirement benefits earned through that date. Effective January 1, 2001, benefits will begin accruing under a cash accumulation account formula based upon a percentage of pay plus interest. Funding policies provide that payments to defined benefit pension trusts shall be at least equal to the minimum funding required by applicable regulations. Certain defined pension benefits, primarily those in excess of benefit levels permitted under qualified pension plans, are unfunded. The change in the formula described above, along with increases in plan participation, will not have a material impact on the plans' funded status.

Net periodic pension cost for defined benefit plans for the years ended December 31 includes the following components:

	2000	1999	1998
		(000 omitted)	
Service cost	$ 2,433	$ 2,554	$ 2,531
Interest cost	11,686	11,037	10,127
Expected return on plan assets	(12,816)	(12,407)	(11,153)
Amortization of prior service cost	835	674	603
Recognized net actuarial loss	629	820	463
Net periodic pension cost	$ 2,767	$ 2,678	$ 2,571

There were no curtailment gains or losses in 2000. Net curtailment gains totaling $89,000 and $1,868,000 in 1999 and 1998, respectively, were primarily attributable to the sales of businesses.

Contributions to multiemployer pension plans totaled $16,456,000, $13,578,000, and $11,779,000 in 2000, 1999, and 1998, respectively. Costs of 401(k) defined contribution and other pension plans totaled $2,464,000, $1,383,000, and $1,644,000 in 2000, 1999, and 1998, respectively.

The following table indicates the plans' funded status and amounts recognized in Viad's Consolidated Balance Sheets at December 31:

	Funded Plans		Unfunded Plans	
	2000	1999	2000	1999
	(000 omitted)			
Change in projected benefit obligation:				
Benefit obligation at beginning of year	$118,289	$120,992	$ 34,620	$ 31,543
Service cost	1,478	1,763	955	791
Interest cost	8,999	8,666	2,687	2,371
Plan amendments		352	835	1,907
Actuarial adjustments(1)	1,223	(5,773)	274	533
Curtailments				(425)
Benefits paid	(6,920)	(7,711)	(2,148)	(2,100)
Benefit obligation at end of year(2)	123,069	118,289	37,223	34,620
Change in plan assets:				
Fair value of plan assets at beginning of year	145,836	140,612		
Actual return on plan assets	(5,765)	12,922		
Company contributions	17	13	2,148	2,100
Benefits paid	(6,920)	(7,711)	(2,148)	(2,100)
Fair value of plan assets at end of year	133,168	145,836	—	—
Funded status	10,099	27,547	(37,223)	(34,620)
Unrecognized net transition (asset) obligation	(369)	(1,249)		225
Unrecognized prior service cost	1,083	1,173	5,427	5,991
Unrecognized actuarial (gain) loss	(1,503)	(10,719)	6,536	6,889
Net amount recognized	$ 9,310	$ 16,752	$(25,260)	$(21,515)

(1) The actuarial adjustment in 1999 arose primarily as a result of changes in the discount rate assumption.

(2) The accumulated benefit obligation for the unfunded pension plans was $32,759,000, and $30,017,000 as of December 31, 2000 and 1999, respectively.

The total amounts recognized in Viad's Consolidated Balance Sheets at December 31 were as follows:

	Funded Plans		Unfunded Plans	
	2000	1999	2000	1999
	(000 omitted)			
Prepaid pension cost	$9,365	$16,813	$ —	$ —
Accrued pension liability	(177)	(128)	(33,091)	(30,213)
Intangible asset		6	5,192	6,183
Deferred tax asset	43	22	923	880
Accumulated other comprehensive income	79	39	1,716	1,635
Net amount recognized	$9,310	$16,752	$(25,260)	$(21,515)

Postretirement Benefits Other Than Pensions. Viad and certain of its subsidiaries have defined benefit postretirement plans that provide medical and life insurance for certain eligible employees, retirees and dependents. The related postretirement benefit liabilities are recognized over the period that services are provided by employees. In addition, Viad retained the obligations for such benefits for retirees of certain sold businesses. While the plans have no funding requirements, Viad may fund the plans. As described in Note C, on December 31, 1999, Viad contributed a portion of its investment in the Arizona Diamondbacks limited partnership to the Viad Corp Medical Plan Trust to fund certain postretirement benefits.

The net periodic postretirement benefit cost for the years ended December 31 included the following components:

	2000	1999	1998
	(000 omitted)		
Service cost	$ 315	$ 594	$ 878
Interest cost	2,604	2,664	2,997
Return on plan assets	(372)		
Amortization of prior service cost	(645)	(408)	(218)
Recognized net actuarial gain	(77)	(77)	(38)
Net periodic postretirement benefit cost	$1,825	$2,773	$3,619

Curtailment gains totaling $33,000 in 2000, $184,000 in 1999, and $5,147,000 in 1998 were primarily attributable to the sales of businesses.

The status of the plans as of December 31 is set forth below:

	2000	1999
	(000 omitted)	
Change in accumulated benefit obligation:		
Benefit obligation at beginning of year	$ 33,711	$ 39,753
Service cost	315	594
Interest cost	2,604	2,664
Plan amendments		(4,793)
Actuarial adjustments	1,320	(1,268)
Curtailments	(176)	(5)
Benefits paid	(2,880)	(3,234)
Benefit obligation at end of year	34,894	33,711
Change in plan assets:		
Fair value of plan assets at beginning of year	11,347	
Return on plan assets	372	
Company contributions	2,880	14,581
Benefits paid	(2,880)	(3,234)
Fair value of plan assets at end of year	11,719	11,347
Funded status	(23,175)	(22,364)
Unrecognized prior service reduction	(6,800)	(7,478)
Unrecognized net actuarial gain	(3,192)	(4,413)
Accrued postretirement benefit cost	$(33,167)	$(34,255)

The assumed health care cost trend rate used in measuring the 2000 and 1999 accumulated postretirement benefit obligation was 7% and 8%, respectively, gradually declining to 5% by the year 2002 and remaining at that level thereafter for retirees below age 65; and 6.0% and 6.5%, respectively, gradually declining to 5% by the year 2002 and remaining at that level thereafter for retirees above age 65.

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, 2000 by approximately $3,640,000 and the ongoing annual expense by approximately $344,000. 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, 2000 by approximately $3,088,000 and the ongoing annual expense by approximately $287,000.

Weighted Average Assumptions. Weighted average assumptions used at December 31 were as follows:

	Pension Benefits		Other Benefits	
	2000	**1999**	**2000**	**1999**
Discount rate	7.75%	7.75%	7.75%	7.75%
Expected return on plan assets	10.00%	10.00%	3.75%	N/A
Rate of compensation increase	4.50%	4.50%	N/A	N/A

O. Leases

Certain offices, equipment and other facilities are leased. The leases expire over periods generally ranging from one to 10 years, and some leases provide for renewal options ranging from one to 30 years. Leases which expire are generally renewed or replaced by similar leases.

At December 31, 2000, Viad's future minimum rental payments and related sublease rentals receivable with respect to noncancelable operating leases with terms in excess of one year were as follows:

	Rental Payments	Rentals Receivable Under Subleases
	(000 omitted)	
2001	$ 30,508	$ 3,257
2002	25,975	2,832
2003	19,965	2,423
2004	16,201	2,224
2005	12,211	2,073
Thereafter	36,971	10,662
Total	$141,831	$23,471

Net rent expense under operating leases for the years ended December 31 consisted of the following:

	2000	1999	1998
	(000 omitted)		
Minimum rentals	$38,809	$39,986	$37,410
Sublease rentals	(2,613)	(3,021)	(1,169)
Total rentals, net	$36,196	$36,965	$36,241

P. Financial Instruments With Off-Balance-Sheet Risk and Fair Value of Financial Instruments

Financial Instruments with Off-Balance-Sheet Risk. Viad is a party to financial instruments with off-balance-sheet risk which are entered into in the normal course of business to meet financing needs and to manage exposure to fluctuations in market interest rates. These financial instruments include sale of receivables agreements and interest rate swap agreements. The instruments involve, to a varying degree, elements of credit and interest rate risk in addition to amounts recognized in the financial statements.

In August 2000, Viad terminated its agreement to sell, on a revolving basis, undivided participating interests in a defined pool of trade accounts receivable from customers of Viad's Convention and Event Services businesses. At December 31, 1999 and 1998, $60,000,000 and $27,400,000, respectively, of trade accounts receivable were sold under the agreement. The average balance of proceeds from the sale of trade accounts receivable through the termination date approximated $51,221,000, $39,954,000, and $24,656,000 during 2000, 1999, and 1998, respectively. The expense of selling such receivables, discounted based on short-term variable interest rates, was $2,079,000, $2,263,000, and $1,482,000 in 2000, 1999, and 1998, respectively, and is included in "Costs of sales and services."

At December 31, 2000, a Viad Payment Services subsidiary had an agreement to sell, on a periodic basis, undivided percentage ownership interests in certain receivables from bill payment and money order agents in an amount not to exceed $450,000,000. The agreement expires in June 2003. The receivables are sold in order to accelerate payment services' cash flow for investment in the permissible securities described in Note F. The Payment Services subsidiary services the receivables that were sold in exchange for a fee commensurate with the cost of servicing. The balance of sold receivables as of December 31, 2000 and 1999 was $388,000,000 and $363,000,000, respectively. The average agents' receivables sold approximated $433,000,000, $377,000,000, and $262,000,000 during 2000, 1999, and 1998, respectively. The expense of selling the agents' receivables, discounted based on short-term variable interest rates, was $30,396,000, $26,352,000, and $16,768,000 in 2000, 1999, and 1998, respectively, and is included in "Costs of sales and services."

A portion of the Payment Services subsidiary's business involves the payment of commissions to selling agents of its official check program. The commissions are computed based on short-term variable interest rates. Variable-to-fixed rate swap agreements have been entered into to mitigate the effects of fluctuations on commission expense and on the net proceeds from the agents' receivables sales. The notional amount of the variable-to-fixed swap agreements totaled $2,575,000,000 at December 31, 2000, with an average pay rate of 5.7% and an average receive rate of 6.0%. The variable-rate portion of the swaps is generally based on Treasury bill, federal funds, or commercial paper rates. The agreements expire as follows: $375,000,000 (2002), $875,000,000 (2003), $225,000,000 (2004), $975,000,000 (2005) and $125,000,000 (2007).

The swap agreements are contracts to exchange fixed and floating payments periodically over the life of the agreements without the exchange of the underlying notional amounts. The notional amounts of such agreements are used to measure amounts to be paid or received and do not represent the amount of exposure to credit loss. The amounts to be paid or received under the swap agreements are accrued consistent with the terms of the agreements and market interest rates and are recognized as an adjustment to the expense of the related transaction. Upon the adoption of SFAS No. 133 on January 1, 2001, Viad will record a liability of $9,721,000 (representing the fair value of Viad's swap agreements), a corresponding deferred tax asset of $3,791,000, and a transition adjustment of $5,930,000 in other comprehensive income.

Viad maintains formal procedures for entering into swap transactions, and management regularly monitors and reports to the Audit Committee of the Board of Directors on swap activity. The agreements are with major financial institutions which are currently expected to fully perform under the terms of the agreements, thereby mitigating the credit risk from the transactions in the event of nonperformance by the counterparties. In addition, Viad regularly monitors the credit ratings of the counterparties, and the likelihood of default is considered remote.

Fair Value of Financial Instruments. The carrying values of cash and cash equivalents, receivables, accounts payable and payment service obligations approximate fair values due to the short-term maturities of these instruments. The amortized cost and fair value of investments in debt and equity securities are disclosed in Notes E and F. The carrying amounts and estimated fair values, excluding accrued interest, of Viad's other financial instruments at December 31 are as follows:

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(000 omitted)			
Total debt	$(447,106)	$(447,585)	$(389,272)	$(383,725)
Swap agreements	—	(9,721)	—	56,708

The methods and assumptions used to estimate the fair values of the financial instruments are summarized below. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that Viad could realize in a current market exchange. The use of different market assumptions or valuation methodologies could have a material effect on the estimated fair value amounts.

Debt — The fair value of debt was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity. The carrying values of the commercial paper and promissory notes were assumed to approximate fair values due to their short-term maturities.

Swap agreements — The fair value represents the estimated amount that Viad would (pay to) receive from counterparties to terminate the swap agreements at December 31.

Q. Litigation, Claims and Other Contingencies

On August 18, 2000, Key3Media Group, Inc. (“Key3Media”), a company spun off by Ziff-Davis Inc. (“ZD”), terminated a long-term agreement with GES Exposition Services, Inc. (“GES”) to produce tradeshows, including the annual Comdex/ Fall show in Las Vegas. GES and Key3Media are currently in litigation. Viad believes that the contract was wrongfully terminated and claims significant damages, including recovery of receivables and prepayments made to ZD in an aggregate amount totaling approximately $35,000,000 plus additional damages for loss of future profits. Management intends to vigorously enforce its rights under this agreement and believes that the ultimate outcome of the litigation is not likely to have a material effect on Viad’s financial statements.

Viad and certain of its subsidiaries are plaintiffs or defendants to various other actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against Viad. Although the amount of liability at December 31, 2000, with respect to certain of these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, will not have a material effect on Viad’s financial statements.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recoveries, will not have a material effect on Viad’s financial statements.

R. Segment Information

Viad measures profit and performance of its operations on the basis of operating income before nonrecurring items. Previously, Viad measured and presented profit and performance based on income from continuing operations after minority interests and income taxes, but before nonrecurring items.

The accounting policies of the operating segments are the same as those described in Note A, except that an adjustment is made to the Payment Services segment to present revenues and operating income on a fully taxable equivalent basis to reflect income resulting from amounts invested in tax-exempt securities. Consolidated revenues, operating income and interest expense also reflect the elimination of intercompany interest payments on investments in Viad commercial paper by a Payment Services subsidiary. Intersegment sales and transfers are not significant. Depreciation and amortization are the only significant noncash items for the reportable segments.

Viad's two reportable segments are Payment Services and Convention and Event Services. The Payment Services segment sells money orders through agents, performs official check and negotiable instrument clearing services for banks and credit unions, and provides cash access services to gaming establishments throughout the United States. In addition, the segment provides consumer money wire transfer services throughout the world. The Convention and Event Services segment provides decorating, exhibit design and fabrication, installation and dismantling, and electrical, transportation and management services for conventions, tradeshows, associations and other corporate events; and designs and builds convention, tradeshow, museum and other exhibits and displays throughout the world.

The remaining categories represent ongoing Travel and Recreation Services businesses below reportable segment quantitative thresholds, sold businesses not classified as discontinued operations, and corporate activities. These categories are presented to reconcile to total results. Ongoing Travel and Recreation Services includes Viad's Canadian travel tour service subsidiary, which operates tours and charters in the Canadian Rockies and conducts hotel operations and snowcoach tours of the Columbia Icefield; and Glacier Park, Inc., which operates historic lodges in and around Glacier National Park. Sold businesses are described in Note C. Corporate activities include expenses of corporate activities not allocated to operations.

Disclosures regarding Viad's reportable segments with reconciliations to consolidated totals are presented in the accompanying tables.

	2000	1999	1998
		(000 omitted)	
Revenues:			
Payment Services	$ 671,683	$ 581,492	$ 431,157
Convention and Event Services	1,032,115	932,768	849,165
Reportable segments	1,703,798	1,514,260	1,280,322
Travel and Recreation Services	72,508	78,977	70,040
Subtotal, ongoing operations	1,776,306	1,593,237	1,350,362
Sold travel and recreation businesses	19,023	45,647	308,450
Intercompany interest elimination	(2,297)	(5,681)	(6,744)
Less taxable equivalent adjustment(1)	(66,224)	(52,034)	(39,309)
	$1,726,808	$1,581,169	$1,612,759
Operating income before nonrecurring income:			
Payment Services	$ 160,055	$ 128,487	$ 87,206
Convention and Event Services	81,631	99,934	87,446
Reportable segments	241,686	228,421	174,652
Travel and Recreation Services	19,123	16,364	13,407
Subtotal, ongoing operations	260,809	244,785	188,059
Sold travel and recreation businesses	2,467	716	16,601
Corporate activities	(9,783)	(19,369)	(24,207)
Intercompany interest elimination	(2,297)	(5,681)	(6,744)
Less taxable equivalent adjustment(1)	(66,224)	(52,034)	(39,309)
	184,972	168,417	134,400
Other investment income(2)	13,115	14,468	
Interest expense	(25,303)	(26,888)	(27,212)
Nonrecurring income(3)	2,091	9,676	22,842
Minority interests	(1,717)	(2,078)	(2,165)
Income before income taxes	$ 173,158	$ 163,595	$ 127,865

(1) The fully taxable equivalent adjustment for Payment Services' income from tax-exempt securities is calculated based on a combined income tax rate of 39%.

(2) See Note E.

(3) See Note C.

	2000	1999	1998
		(000 omitted)	
Assets:			
Payment Services(1)	$5,340,442	$4,141,818	$3,511,527
Convention and Event Services	607,883	543,557	546,428
Reportable segments	5,948,325	4,685,375	4,057,955
Travel and Recreation Services	79,590	78,662	60,551
Subtotal, ongoing operations	6,027,915	4,764,037	4,118,506
Sold travel and recreation businesses		16,171	53,368
Corporate and other	272,316	483,347	583,872
Elimination of intercompany commercial paper		(50,000)	(90,000)
	$6,300,231	$5,213,555	$4,665,746
Depreciation and amortization:			
Payment Services	$ 28,071	$ 25,285	$ 18,312
Convention and Event Services	32,275	27,979	23,072
Reportable segments	60,346	53,264	41,384
Travel and Recreation Services	4,176	3,686	3,389
Subtotal, ongoing operations	64,522	56,950	44,773
Sold travel and recreation businesses	1,163	2,462	8,737
Corporate and other	2,915	3,567	4,133
	$ 68,600	$ 62,979	$ 57,643
Capital expenditures:			
Payment Services	$ 24,810	$ 41,830	$ 22,708
Convention and Event Services	13,321	14,739	22,949
Reportable segments	38,131	56,569	45,657
Travel and Recreation Services	4,634	4,416	7,413
Subtotal, ongoing operations	42,765	60,985	53,070
Sold travel and recreation businesses	62	528	1,003
Corporate and other	2,379	497	759
	$ 45,206	$ 62,010	$ 54,832

(1) Includes assets restricted for payment service obligations of $4,825,160,000 (2000), $3,589,064,000 (1999), and $3,039,213,000 (1998), including $50,000,000 in 1999 and $90,000,000 in 1998 invested in Viad commercial paper.

Geographic Areas. Viad's foreign operations are located principally in Canada and Europe. Convention and Event Services revenues are designated as foreign based on the originating location of the product or service plus exports to foreign shows. Payment Services foreign revenues are defined as revenues generated from wire transfer transactions originating in a country other than the United States. Long-lived assets are attributed to domestic or foreign based principally on physical location of the assets. Long-lived assets consist of "Property and equipment" and "Other investments and assets." The table below presents the financial information by major geographic area:

	2000	1999	1998
		(000 omitted)	
Revenues:			
United States	$1,521,161	$1,418,050	$1,484,411
Foreign	205,647	163,119	128,348
Total revenues	$1,726,808	$1,581,169	$1,612,759
Long-lived assets:			
United States	$ 326,786	$ 365,383	$ 357,926
Foreign	66,197	69,399	65,086
Total long-lived assets	$ 392,983	$ 434,782	$ 423,012

S. Condensed Consolidated Quarterly Results (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
		(000 omitted, except per share data)			
2000					
Revenues:(1)					
Ongoing operations	$402,918	$464,165	$427,657	$413,045	$1,707,785
Sold businesses	5,301	12,363	1,359		19,023
Revenues	$408,219	$476,528	$429,016	$413,045	$1,726,808
Operating income:(1)					
Ongoing operations	$ 40,428	$ 58,928	$ 55,652	$ 37,280	$ 192,288
Sold businesses	863	1,294	310		2,467
Corporate activities(2)	(4,761)	(4,757)	(2,510)	2,245	(9,783)

Nonrecurring items(3)			(8,165)		(8,165)
Operating income	$ 36,530	$ 55,465	$ 45,287	$ 39,525	$ 176,807
Net income(4)	$ 26,053	$ 42,308	$ 44,012	$ 32,119	$ 144,492
Diluted net income per common share(4)	0.28	0.46	0.48	0.36	1.58
Basic net income per common share(5)	0.29	0.47	0.49	0.37	1.61
Fully taxable equivalent adjustment(1)	14,339	16,846	17,525	17,514	66,224
1999					
Revenues:(1)					
Ongoing operations	$357,129	$407,508	$384,724	$386,161	$1,535,522
Sold businesses	16,276	12,888	9,498	6,985	45,647
Revenues	$373,405	$420,396	$394,222	$393,146	$1,581,169
Operating income:(1)					
Ongoing operations	$ 33,315	$ 52,542	$ 53,450	$ 47,763	$ 187,070
Sold businesses	(2,915)	2,206	1,237	188	716
Corporate activities	(5,153)	(5,141)	(4,302)	(4,773)	(19,369)
Nonrecurring items(3)				(1,774)	(1,774)
Operating income	$ 25,247	$ 49,607	$ 50,385	$ 41,404	$ 166,643
Income from continuing operations(4)	$ 14,850	$ 33,024	$ 40,523	$ 40,162	$ 128,559
Net income	20,385	44,167	242,799	40,162	347,513
Diluted income per common share:(4)(5)					
Income from continuing operations	0.15	0.33	0.42	0.43	1.32
Net income	0.20	0.45	2.54	0.43	3.59
Basic income per common share:(5)					
Income from continuing operations	0.15	0.34	0.43	0.44	1.37
Net income	0.21	0.46	2.64	0.44	3.72
Fully taxable equivalent adjustment(1)	11,333	12,910	13,423	14,368	52,034

(1) Viad Payment Services subsidiaries invest substantial amounts in tax-exempt securities. On a fully taxable equivalent basis using a combined tax rate of 39%, revenues and operating income would be higher by the fully taxable equivalent adjustments shown above.

(2) The third and fourth quarter of 2000 include reversal of expense provisions associated with Viad's incentive plans because aggressive targets were not achieved.

(3) In the third quarter of 2000, Viad recorded a charge of $8,165,000 taken to streamline and consolidate certain operations in Viad's Convention and Event Services segment. In the fourth quarter of 1999, a disputed patent infringement litigation settlement was reinstated, resulting in a gain of $8,176,000, and Viad also recorded a charge of $9,950,000 related to legal and other costs recognized due to the settlement of certain litigation. See Note C.

(4) Includes nonrecurring income of $877,000 (after-tax), or $0.01 per diluted share, in 2000 and $6,131,000 (after-tax), or $0.06 per diluted share, in 1999, as described in Note C. Excluding these items, diluted income per share from continuing operations was:

	2000	**1999**
First Quarter	$0.28	$0.15
Second Quarter	0.46	0.33
Third Quarter	0.47	0.42
Fourth Quarter	0.36	0.36
Total	$1.57	$1.26

(5) Income per common share is computed independently for each quarter and for the year, and the sum of the quarters may not equal the annual amount.

REPORT OF MANAGEMENT

The management of Viad Corp has the responsibility for preparing and assuring the integrity and objectivity of the accompanying financial statements and other financial information in this report. The financial statements were developed using accounting principles generally accepted in the United States of America and appropriate policies, consistently applied. They reflect, where applicable, management's best estimates and judgments and include relevant disclosures and explanations.

Viad's financial statements have been audited by Deloitte & Touche LLP. Their audit was conducted in accordance with auditing standards generally accepted in the United States of America. The Independent Auditors' Report appears below.

Management has established and maintains a system of internal control that it believes provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets, and the prevention and detection of fraudulent financial reporting. The system of internal control is believed to provide for appropriate division of responsibilities and is documented by written policies and procedures that are utilized by employees involved in the financial reporting process. Viad also maintains a comprehensive internal auditing function which independently monitors compliance and assesses the effectiveness of the internal controls and recommends potential improvements thereto.

In addition, as part of their audit of Viad's financial statements, the independent auditors review and evaluate selected internal accounting and other controls to establish a basis for reliance thereon in determining the audit tests to be applied. There is close coordination of audit planning and coverage between Viad's internal auditing function and the independent auditors. Management has considered the recommendations of both internal auditing and the independent auditors concerning Viad's system of internal control and has taken actions believed to be cost-effective in the circumstances to implement appropriate recommendations and otherwise enhance controls. Management believes that Viad's system of internal control accomplishes the objectives discussed herein.

The Board of Directors oversees Viad's financial reporting through its Audit Committee. The Audit Committee regularly meets with management and, jointly and separately, with the independent auditors and internal auditing management to review interest rate swap activity, accounting, auditing and financial reporting matters and the effectiveness of Viad's Corporate Compliance Program.

/s/ ROBERT H. BOHANNON	/s/ KIMBRA A. FRACALOSSI	/s/ CATHERINE L. STEVENSON
Robert H. Bohannon Chairman, President and Chief Executive Officer	Kimbra A. Fracalossi Chief Financial Officer and Treasurer	Catherine L. Stevenson Vice President — Controller

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of Viad Corp:

We have audited the accompanying consolidated balance sheets of Viad Corp as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, cash flows, and common stock and other equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Viad Corp as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Phoenix, Arizona
February 2, 2001

EXHIBIT INDEX

EXHIBITS. #	
3.A	Copy of Restated Certificate of Incorporation of Viad Corp, as amended through August 15, 1996, filed as Exhibit 3.A to Viad Corp's 1996 Form 10-K, is hereby incorporated by reference.
3.B	Copy of Bylaws of Viad Corp, as amended through November 19, 1998, filed as Exhibit 3.B to Viad Corp's 1998 Form 10-K, is hereby incorporated by reference.
4.A	Instruments with respect to issues of long-term debt have not been filed as exhibits to this Annual Report on Form 10-K if the authorized principal amount of any one of such issues does not exceed 10% of total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation agrees to furnish a copy of each such instrument to the Securities and Exchange Commission upon request.
4.B	Copy of Amended and Restated Credit Agreement dated as of July 24, 1996, among Viad Corp, the Bank parties thereto, Citicorp USA, Inc., as Administrative Agent, and Bank of America National Trust and Savings Association as Documentation Agent, filed as Exhibit 4.B to Viad's 1996 Form 10-K, is hereby incorporated by reference.
4.B1	First Amendment dated as of August 1, 1997, to Amended and Restated Credit Agreement, filed as Exhibit 4.B1 to Viad Corp's 1997 Form 10-K, is hereby incorporated by reference.
4.B2	Second Amendment dated as of September 11, 1997, to Amended and Restated Credit Agreement, filed as Exhibit 4.B2 to Viad Corp's 1997 Form 10-K, is hereby incorporated by reference.
10.A1	Copy of Viad Corp 1983 Stock Option and Incentive Plan, filed as Exhibit (28) to Viad Corp's Registration Statement on Form S-8 (Registration No. 33-41870), is hereby incorporated by reference.+
10.A2	Copy of amendment, effective August 1, 1994, to Viad Corp 1983 Stock Option and Incentive Plan, filed as Exhibit 10.H2 to Viad Corp's 1994 Form 10-K, is hereby incorporated by reference.+
10.B	Copy of Viad Corp 1992 Stock Incentive Plan as amended August 15, 1996, filed as Exhibit 4.3 to Viad Corp's Registration Statement on Form S-8 (Registration No. 333-63397), is hereby incorporated by reference.+
10.C	Copy of 1997 Viad Corp Omnibus Incentive Plan, as amended through February 17, 2000, filed as Exhibit 10.C to Viad Corp's 1999 Form 10-K, is hereby incorporated by reference.+
10.D	Copy of Viad Corp Management Incentive Plan, as amended March 14, 2000, filed as Exhibit 10.D to Viad Corp's 1999 Form 10-K, is hereby incorporated by reference.+
10.E	Copy of Viad Corp Performance Unit Incentive Plan, as amended March 14, 2000, filed as Exhibit 10.E to Viad Corp's 1999 Form 10-K, is hereby incorporated by reference.+
10.F	Copy of Viad Corp Performance-Based Stock Plan, as amended and restated effective May 1998, filed as Exhibit 10.D to Viad Corp's Second Quarter 1998 Form 10-Q, is hereby incorporated by reference.+
10.G	Viad Corp Deferred Compensation Plan, Amended and Restated as of August 15, 2000, filed as Exhibit 10A to Viad Corp's Form 10-Q for the period ended September 30, 2000, is hereby incorporated by reference.+
10.H1	Copy of form of Executive Severance Agreement between Viad Corp and Chairman, President and Chief Executive Officer, filed as Exhibit(10)(G)(i) to Viad Corp's 1991 Form 10-K, is hereby incorporated by reference.+
10.H2	Copy of forms of Viad Corp Executive Severance Plans covering certain executive officers, filed as Exhibit (10)(G)(ii) to Viad Corp's 1992 Form 10-K, is hereby incorporated by reference.+
10.I	Copy of Employment Agreement between Viad Corp and Robert H. Bohannon dated April 1, 1998, filed as Exhibit 10 to Viad Corp's First Quarter 1998 Form 10-Q, is hereby incorporated by reference.+
10.J	Copy of Employment Agreement between Viad Corp and Gordon W. Anderson effective January 1, 2001. *+
10.K	Copy of Viad Corp Supplemental TRIM Plan, filed as Exhibit 10.M to Viad Corp's 1994 Form 10-K, is hereby incorporated by reference.+

EXHIBITS. #	
10.L	Copy of Viad Corp Supplemental Pension Plan, as amended effective May 9, 2000, filed as Exhibit 10B to Viad Corp's Form 10-Q for the period ending June 30, 2000 is hereby incorporated by reference.+
10.M	Copy of Travelers Express Company, Inc. Supplemental Pension Plan, as amended effective May 9, 2000, filed as Exhibit 10C to Viad Corp's Form 10-Q for the period ending June 30, 2000 is hereby incorporated by reference.+
10.N	Copy of GES Exposition Services, Inc. Supplemental Executive Retirement Plan, as amended effective May 9, 2000, filed as Exhibit 10D to Viad Corp's Form 10-Q for the period ending June 30, 2000 is hereby incorporated by reference.+
10.O	Copy of Viad Corp Deferred Compensation Plan for Directors, as Amended and Restated July 25, 1996, filed as Exhibit 10.D to Viad Corp's 1996 Form 10-K, is hereby incorporated by reference.+

10.P	Copy of Viad Corp Director's Charitable Award Program as amended through March 15, 1996, filed as Exhibit 10.T to Viad Corp's 1995 Form 10-K, is hereby incorporated by reference.+
10.Q	Description of Viad Corp Director's Charitable Matching Program, filed as Exhibit 10.Q to Viad Corp's 1999 Form 10-K, is hereby incorporated by reference.+
21	List of Subsidiaries of Viad Corp.*
23	Independent Auditors' Consent to the incorporation by reference into specified registration statements on Form S-3 or on Form S-8 of their report contained in this report.*
24	Power of Attorney signed by Directors of Viad Corp.*

* Filed herewith.

\+ Management contract or compensation plan or arrangement.

EXHIBIT 10.J

December 27, 2000

VIA OVERNIGHT MAIL

Mr. Gordon Anderson
445 Ventura Place
Vero Beach, FL 32963

Dear Gordon:

This confirms our offer and your acceptance of the position of President and Chief Executive Officer at Exhibitgroup/Giltspur effective on January 1, 2001. As an officer of Exhibitgroup, your monthly salary will be $27,083.34 ($325,000 per year), and you will report to Robert H. Bohannon, Chairman, President and Chief Executive Officer of Viad Corp. Your salary will be reviewed again in February 2002, with an increase effective April 1, 2002. You will be eligible for five weeks vacation each year.

As CEO, you will be eligible to participate in the Viad Corp Management Incentive Plan, with a target bonus of 50% of your base earnings. Your actual award will be dependent on Exhibitgroup's financial results and your individual performance. The maximum award under this Plan can be as high as 178.5% of your target bonus (89.25% of your earnings). You may choose to defer your annual incentive under our deferred compensation plan. You will also be eligible to participate in the 2001 - 2003 Performance Unit Plan with a target value of $150,000, subject to Board approval. The number of units under the Plan will be determined at the time of the grant based on the average of the high and low of Viad stock on the grant date. You will be eligible for a stock option grant in February 2001 and upon hire you will receive a $100,000 grant of Incentive Stock Options. In addition, you will receive a $150,000 grant of Performance-Based Restricted Stock in February 2001, also subject to Board approval.

Your salary will be supplemented with a comprehensive benefit program. You will be eligible for the Senior Executive Medical Plan, Long-Term Disability Plan, Life Insurance Plan, $100,000 of company-paid Accidental Death and Dismemberment Insurance. You will be reimbursed for monthly health club dues; the Company will pay the initiation fee for a lunch club membership and will cover all business-related expenses. You will receive an annual executive physical, financial counseling services and tax preparation as well as company-paid parking, eligibility for first-class air travel and a car allowance of up to $1,200 per month. You will also be eligible for Schedule B of the Viad Corp Supplemental Executive Retirement Plan, as well as participation in Supplemental TRIM.

In addition, Exhibitgroup will pay roundtrip airfare (Coach class) for you, plus a gross-up, for your weekly commuting expenses between Illinois and Florida.

You will be paid the sum of $15,000 (grossed up) in the years 2001 and 2002 as remuneration for the state tax differential between Florida and Illinois.

You will be a participant in the Executive Severance Plan (Golden Parachute).

The Company will provide you with a furnished Corporate apartment, up to a maximum of $2,500 per month, for your living arrangements while in Chicago. The apartment will be leased in the Company's name.

You will be subject to our stock ownership guidelines. Your guideline will be three times your base salary. Meaningful progress should be made annually and the target value should be reached within five years.

Finally, I want to confirm the terms of certain financial protection that will be provided to you during your first three years of employment with the Company:

- We have agreed that if your employment with the Company is terminated by Viad or the Company for any reason other than "Cause" during the 36-month period following your date of hire, you will receive 24 months base salary, plus an amount equal to the greater of the highest annual bonus paid to you while employed by the Company, or your target bonus amount at time of termination, plus 24 months of benefits coverage at the level you are covered at time of termination (including accrual of pension credit and participation in the Company's 401(k) program). For purposes hereof, you may be terminated for Cause if you are convicted of a felony, or a crime involving fraud or dishonesty, or if you commit an act of willful misconduct or gross negligence with regard to the Company that has a significant adverse effect on its operations or financial condition.

- We have further agreed that you will be paid an amount equal to the foregoing if you elect to terminate your employment with the Company following a merger, consolidation, reorganization or similar transaction involving the Company and GES Exposition Services, Inc., which transaction results in a single operating company unit controlling substantially all the assets of the combined companies, of which you are not the Chief Executive Officer.

- In consideration of the amounts to be paid hereunder, you agree that in the event your employment with the Company is for any reason terminated, you will not for a period of twenty-four (24) months following termination of such employment for yourself or for another employee, independent contractor, partner, consultant, affiliate or controlling stockholder of any person or entity, directly or indirectly, compete with the Company in any geographic area where you performed services or were responsible for management under this agreement for or on behalf of the Company, and that this non-compete covenant specifically includes, but is not limited to, contacting the customers, clients and prospective customers and clients of the Company. You acknowledge that the restrictions and obligations set forth and imposed herein will not prevent you from obtaining gainful employment in your field of expertise or cause you undue hardship, and that the restrictions imposed herein are reasonable and necessary to protect the legitimate business interests of the Company.

Gordon, it is with a great deal of confidence that this offer is extended to you. I know that you will find the assignment challenging and rewarding and we are very pleased that you have decided to come back to the team.

Schedule B of the Viad Corp Retirement Income Plan and Retirement Projection sheet prepared by Hewitt Associates are included as part of this Employment Agreement/Offer Letter.

Should you have any questions regarding the items outlined in this letter, please contact me at 602.207.2817.

Sincerely,

/S/ Suzanne Pearl

Suzanne Pearl
Vice President - Human Resources

APPROVED:

/S/ Robert H. Bohannon

December 27, 2000

AGREED TO AND ACCEPTED BY:

/S/ Gordon Anderson

January 4, 2001

Employment and Compensation can be terminated, with or without cause or notice, at any time at the option of either the Company or employee. No representative of the Company other than the Chief Executive Officer of Viad Corp has any authority to enter into any agreement for employment for any specified period of

time, or make any agreement contrary to the foregoing.

EXHIBIT 21

VIAD CORP
(DELAWARE)

Active Subsidiaries and Affiliates* as of February 1, 2001

CONVENTION AND EVENT SERVICES GROUP

EXG, Inc. (Delaware)
Giltspur Exhibits of Canada, Inc. (Ontario) Exhibit Acquisition, Inc. (Pennsylvania) GES Exposition Services (Canada) Limited (Canada)
Exposervice Standard Inc. (Canada)
Clarkson-Conway Inc. (Canada)
Stampede Display and Convention Services Ltd. (Alberta)
GES EXPOSITION SERVICES, INC. (Nevada)
ESR Exposition Service, Inc. (New Jersey) Expo Accessories, Inc. (New York)
Expo Display & Design, Inc. (New Jersey) Shows Unlimited, Inc. (Nevada)
Tradeshow Convention Services Inc. (Washington) David H. Gibson Company, Inc. (Texas)
Ontario Design, Inc. (New York)
Viad Holding GmbH (Germany)
Voblo Verwaltungs GmbH (Germany) (80%)

CORPORATE AND OTHER

Viad Service Companies Limited (United Kingdom) VREC, Inc. (Delaware)

PAYMENT SERVICES GROUP

TRAVELERS EXPRESS COMPANY, INC. (Minnesota)
CAG Inc. (Nevada)
FSMC, Inc. (Minnesota)
Game Financial Corporation (Minnesota) GameCash, Inc. (Minnesota)
Game Financial Corporation of Louisiana (Louisiana) Game Financial Corporation of Mississippi (Mississippi) Game Financial Corporation of Wisconsin (Wisconsin) MoneyGram Payment Systems, Inc. (Delaware) Mid-America Money Order Company (Kentucky) MoneyGram of New York LLC (Delaware)
MoneyGram Payment Systems (Canada), Inc. (Ontario) MoneyGram International Limited (United Kingdom) (51%) TECI Gift Company Inc. (California)
Travelers Express Co. (P.R.) Inc. (Puerto Rico)

TRAVEL AND RECREATION SERVICES GROUP

Glacier Park, Inc. (Arizona) (80%)
Waterton Transport Company, Limited (Alberta) Greyhound Canada Holdings, Inc. (Alberta)~~ Brewster Tours Inc. (Canada)
BREWSTER TRANSPORT COMPANY LIMITED (Alberta)
859371 Alberta Ltd. (Alberta)
Brewster Inc. (Alberta)
CANFINCO LLC (Delaware)

*Parent-subsidiary or affiliate relationships are shown by marginal indentation. State, province or country of incorporation and ownership percentage are shown in parentheses following name, except that no ownership percentage appears for subsidiaries owned 100% (in the aggregate) by Viad Corp.

~~ Indicates a Corporate and Other Subsidiary

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

To The Board of Directors
Viad Corp
Phoenix, Arizona

We consent to the incorporation by reference in Registration Statement Nos. 33-54465, and 33-55360 on Form S-3 and Nos. 33-41870, 333-63397, 333-35231, and 333-63399 on Form S-8 of Viad Corp, of our report dated February 2, 2001, appearing in this Annual Report on Form 10-K of Viad Corp for the year ended December 31, 2000.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona

February 13, 2001

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each director whose signature appears below constitutes and appoints Robert H. Bohannon and Catherine L. Stevenson, and each of them severally, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Form 10-K Annual Report of Viad Corp for the fiscal year ended December 31, 2000, and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

```
     /s/ Jess Hay                                  February 15, 2001
------------------------------------
Jess Hay

     /s/ Judith K. Hofer                           February 15, 2001
------------------------------------
Judith K. Hofer

     /s/ Jack F. Reichert                          February 15, 2001
------------------------------------
Jack F. Reichert

     /s/ Linda Johnson Rice                        February 15, 2001
------------------------------------
Linda Johnson Rice

     /s/ Douglas L. Rock                           February 15, 2001
------------------------------------
Douglas L. Rock

     /s/ John C. Tolleson                          February 15, 2001
------------------------------------
John C. Tolleson

     /s/ Timothy R. Wallace                        February 15, 2001
------------------------------------
Timothy R. Wallace
```

Exhibit M

VIAD CORP

FORM 10-K405
(Annual Report (Regulation S-K, item 405))

Filed 2/26/2002 For Period Ending 12/31/2001

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

As filed with the Securities and Exchange Commission on February 26, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2001
Commission File Number 001-11015

VIAD CORP
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**36-1169950** (I.R.S. Employer Identification No.)
Viad Tower, Phoenix, Arizona (Address of principal executive offices)	**85077** (Zip Code)

Registrant's telephone number, including area code: 602-207-4000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.50 par value	New York Stock Exchange
$4.75 Preferred Stock (stated value $100 per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

As of January 31, 2002, 88,910,703 shares of Common Stock ($1.50 par value) were outstanding and the aggregate market value of the Common Stock (based on its closing price per share on such date) held by nonaffiliates was approximately $2.2 billion.

Documents Incorporated by Reference

A portion of the Proxy Statement for the Annual Meeting of Stockholders of Viad Corp to be held May 14, 2002 is incorporated by reference into Part III of this Report.

TABLE OF CONTENTS

INDEX

PART I

Item 1. *Business*

Viad Corp ("Viad" or the "Corporation") is comprised of operating companies and a division which constitute a diversified services business. Most of Viad's services are provided to businesses for use by their customers. Accordingly, the Corporation primarily markets its services through more than 110,000 retail and financial locations (payment services), and to numerous tradeshow organizers and exhibitors (convention and event services). Occupying the number one or number two position in many of the markets in which they compete, each of the Corporation's businesses seek to provide quality, convenient and cost-effective services with a discernible difference to the ultimate users and thereby be considered a value-added provider by Viad's business customers.

Viad's services are classified into two reportable business segments, namely (1) Payment Services, and (2) Convention and Event Services. The Corporation also provides Travel and Recreation Services. A description of each of the Viad reportable business segments, the travel and recreation businesses, and recent developments relating to each follows.

Viad Business Units

Viad is built around several operating groups which are leading competitors in their businesses, including companies engaged in payment services (Travelers Express Company, Inc., MoneyGram Payment Systems, Inc., and Game Financial Corporation), and convention and event services (GES Exposition Services, Inc. and the Exhibitgroup/ Giltspur division). Viad business units also provide travel tour services (Brewster Transport Company Limited) and recreation services (Glacier Park, Inc.).

Payment Services

Viad's payment services business is conducted by the Travelers Express group of companies. These companies engage in a variety of payment service activities, including issuance and processing of money orders, processing of official checks and share drafts, and money transfer and cash access services.

Travelers Express sells money orders to the public through more than 62,000 agent locations and financial institutions in the United States and Puerto Rico, and is one of the nation's leading issuers of money orders, issuing more than 324 million money orders in 2001. Travelers Express also provides processing services for approximately 8,500 branch locations of banks, credit unions and other financial institutions which offer official checks (used by financial institutions in place of their own bank check or cashier's check) and share drafts (the credit union industry's version of a personal check). In addition, MoneyGram Payment Systems, Inc. ("MoneyGram"), a subsidiary of Travelers Express, provides money transfer services through approximately 50,000 agent locations in more than 150 countries worldwide. Some of the company's agent locations sell or provide both money orders and money transfer services. Travelers Express also provides in-person electronic bill payment services for various companies, whose consumers pay their utility, car payment, and other bills at conveniently located retail stores. Additionally, the company provides high volume processing of refund and rebate checks, food vouchers, gift certificates, and other financial instruments. Another subsidiary, Game Financial Corporation ("Game Financial") provides cash access services to the gaming industry. Game Financial provides three primary services: installing and maintaining automatic teller machines in casinos and check cashing locations; providing cash advances on consumers' credit cards for customers who utilize the automatic teller machines; and cashing checks at casinos. Game Financial provides these services to approximately 63 casinos.

Approximately 7.9% of payment services revenue is generated by a single customer, with no other customer accounting for more than 5% of payment services revenue.

Convention and Event Services

Convention and event services are provided by the Corporation's GES Exposition Services and Exhibitgroup/ Giltspur companies.

GES Exposition Services, Inc. ("GES"), one of North America's leading suppliers of convention services to trade associations, show management companies and exhibitors, provides tradeshow design and planning, decorating, exhibit design and fabrication, installation and dismantling, display rental, custom graphics, furnishings, electrical, freight-handling, logistics, transportation, and management services for conventions, tradeshows, associations, and corporate and special events. GES provides convention services through a network of offices in North America's most active and popular tradeshow service markets. GES will have full service operations in 18 U.S. cities, down from 21 U.S. cities in early 2001, as a result of the restructuring of the company as described in Note C of Notes to Consolidated Financial Statements of the Corporation, and four Canadian cities.

Exhibitgroup/ Giltspur, a division of the Corporation, operates one of the largest exhibit and display businesses in the United States. The company is a designer, builder, installer and warehouser of convention, tradeshow, museum and other exhibits and displays. In the U.S., the company will have operations in 13 U.S. cities, down from 21 U.S. cities in early 2001, as a result of the restructuring of the company as described in Note C of Notes to Consolidated Financial Statements of the Corporation. The company will have five full service manufacturing locations and the remaining eight will be sales and design offices. Additionally, the company has operations in one Canadian city, one city in the United Kingdom, and one city in Germany, and operates through an international network of strategic partners that gives Exhibitgroup/ Giltspur the ability to serve customers worldwide. The company also offers exhibition marketing strategy with a full program of implementation services such as multimedia, video and web design.

Travel and Recreation Services

Travel and recreation services are provided by the Brewster Transport and Glacier Park business units.

Brewster Transport Company Limited ("Brewster Transport"), an Alberta, Canada corporation, has a 109-year heritage of providing sightseeing packages and tours to travelers visiting Canada's rich and varied landscapes. In that regard, it provides regularly scheduled bus service, operates tour and charter buses within the Canadian Rockies, conducts travel agency, hotel, and snowcoach tour operations and operates the Sulphur Mountain Gondola. Brewster Transport owns and operates 94 motorcoaches and three transit buses, as well as 21 snowcoaches which transport sightseers on tours of the glaciers of the Columbia Icefield. The snowcoach glacier tours and the Sulfur Mountain Gondola are two of the largest tourist attractions in the Canadian Rockies.

Glacier Park, Inc. ("Glacier Park") operates seven historic lodges in and around Glacier National Park in Montana and Waterton Lakes National Park, Canada. These parks are located in a unique alpine wilderness in a remote area of the United States and Canada and are well known for their rugged mountains and glaciers. Services provided include room management, food and beverage operations, retail operations and transportation services.

Competition

The Corporation's businesses generally compete on the basis of discernible differences, value, quality, price, convenience and service, and encounter substantial competition from a large number of providers of similar services, including numerous well-known local, regional and national companies, private payment service companies and the U.S. Postal Service (money orders), many of which have greater resources than the Corporation. Travelers Express also competes on the basis of number and location of sales outlets, business automation and technology. First Data Corporation and its subsidiaries Western Union Financial Services, Inc., Orlandi Valuta and Global Cash Access; the U.S. Postal Service; American Express; Federal Home Loan Banks and Imperial Bank are the principal competitors of Travelers Express. On a national basis, Freeman Decorating Company is the principal competitor of GES, and The George P. Johnson Company is the principal competitor of Exhibitgroup/ Giltspur.

Patents and Trademarks

United States patents are currently granted for a term of 20 years from the date a patent application is filed. The Viad companies own a number of patents which give them competitive advantages in the marketplace, including a number of patents owned by Exhibitgroup/ Giltspur covering exhibit systems and by Travelers Express for automated money order dispensing systems. The Travelers Express patents cover security, automated reporting and control, and other features which are important in the issuance of money orders.

United States trademark registrations are for a term of 10 years, renewable every 10 years as long as the trademarks are used in the regular course of trade. The Viad companies maintain a portfolio of trademarks representing substantial goodwill in the businesses using the marks.

Many trademarks used by Viad and its businesses, including the TRAVELERS EXPRESS, MONEYGRAM, EXHIBITGROUP/ GILTSPUR, and GES service marks, have substantial importance and value. Certain rights in processing equipment and software held by Travelers Express and its subsidiaries also provide competitive advantage.

Government Regulation

Compliance with legal requirements and government regulations are a day-to-day integral part of the Corporation's operations and represent a normal cost of doing business. Financial transaction reporting and state banking department regulations affect Travelers Express and MoneyGram, and state gaming department regulations, as well as various Native American tribal regulations, affect Game Financial. Environmental, labor and employment and other regulations affect virtually all operations.

Employees

Viad operating units had approximately 5,800 employees at December 31, 2001 as follows:

	Approximate Number of Employees	Regular Full-Time Employees Covered by Collective Bargaining Agreements
Payment Services	1,740	0
Convention and Event Services	3,825	1,700
Travel and Recreation Services	235	40

Viad believes that relations with its employees are satisfactory and that collective bargaining agreements expiring in 2002 will be renegotiated in the ordinary course of business without adverse effect on Viad's operations.

Viad had 81 employees at its corporate center at December 31, 2001 providing management, financial and accounting, internal auditing, tax, administrative, legal and other services to its operating units and handling residual matters pertaining to businesses previously discontinued or sold by the Corporation. Viad is managed by a Board of Directors comprised of seven non-employee directors and one employee director and has an executive management team consisting of six Viad officers (including the one employee director) and four principal executives of significant operating divisions or companies.

Seasonality

Convention and event service activity may vary significantly depending on the frequency and timing of shows (some shows are not held each year and some shows may shift between quarters). Viad's travel and recreation operations generally experience peak activity during the summer months. Viad's 2001 quarterly diluted earnings per share (before restructuring charges and other items), as a percentage of the full year's earnings per share, were approximately 22% (first quarter), 32% (second quarter), 24% (third quarter), and 22% (fourth quarter). See Notes S and T of Notes to Consolidated Financial Statements of the Corporation.

Shelf Registration

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

Financial Information about Restatement

Information regarding the Corporation's restatement of its audited financial statements for 2000, 1999, and 1998 is provided in Note B of Notes to Consolidated Financial Statements of the Corporation.

Financial Information about Restructuring and Other Items

Information regarding restructuring charges and other items is provided in Note C of Notes to Consolidated Financial Statements of the Corporation.

Financial Information about Segments

Business segment financial information is provided in Note S of Notes to Consolidated Financial Statements of the Corporation.

Financial Information about Geographic Areas

Geographic area financial information is provided in Note S of Notes to Consolidated Financial Statements of the Corporation.

Item 2. ***Properties***

Viad and its subsidiaries operate service or production facilities and maintain sales and service offices in the United States, Canada, the United Kingdom, and Germany. The Corporation also conducts business in certain other foreign countries.

Viad's headquarters are located at Viad Tower in Phoenix, Arizona. Excluding space which Viad subleases to third parties, Viad leases approximately 60,000 square feet.

Payment Services operates 27 leased facilities for processing, sales and administrative purposes located in the United States, United Kingdom, and Puerto Rico. The principal operations for money order and official check processing and Travelers Express corporate headquarters are located in Minnesota. The principal money transfer service center is located in Colorado. Payment Services has 17 retail stores, with 15 in New York, one in Florida, and one in New Jersey. All Payment Services properties are leased.

Convention and Event Services operates 17 offices and 51 multi-use facilities (exhibit construction, sales and design, office and/or warehouse). The multi-use facilities range in size from approximately 100,000 square feet to 475,000 square feet. Three of the multi-use facilities are owned; all other properties are leased. All of the properties are in the United States, except for three offices and seven multi-use facilities that are located in Canada, one office and one multi-use facility located in the United Kingdom and three multi-use facilities located in Germany. GES and Exhibitgroup/ Giltspur corporate headquarters are located in Las Vegas, Nevada, and Roselle, Illinois, respectively.

Travel and Recreation Services operates three offices, nine retail stores, two bus terminals, four garages, an icefield tour facility, a gondola lift operation, and nine hotels/ lodges (with approximately 900 rooms, and ancillary foodservice and recreational facilities). Three offices, seven retail stores and six hotels/ lodges are in the United States. Two retail stores, the bus terminals, garages, icefield tour facility, gondola lift operation, and three hotels/ lodges are located in Canada. Travel and Recreation Services owns four hotels/ lodges and five other hotels/ lodges that are operated pursuant to concessionaire agreements. One bus terminal and three garages are owned; the icefield tour facility and gondola lift operation are owned and operated through lease agreements with Parks Canada; and all other properties are leased.

Table of Contents

Management believes that the Corporation's facilities in the aggregate are adequate and suitable for their purposes and that capacity is sufficient for current needs.

Item 3. ***Legal Proceedings***

Viad and certain subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against Viad. Although the amount of liability at December 31, 2001, with respect to certain of these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, will not have a material effect on Viad's financial statements.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recoveries, will not have a material effect on Viad's financial statements.

Item 4. ***Submission of Matters to a Vote of Securityholders***

No matters were submitted to a vote of security holders during the fourth quarter of 2001.

Optional Item. ***Executive Officers of Registrant***

Executive Officers of Viad Corp

The names, ages and positions of the Executive Officers of the Corporation as of February 22, 2002, are listed below:

Name	Age	Business Experience During the Past Five Years and Other Information
Robert H. Bohannon	57	Chairman of the Board, President and Chief Executive Officer since January 1997.
Kimbra A. Fracalossi	42	Chief Financial Officer since April, 2001; prior thereto, Chief Financial Officer and Treasurer since September 2000; prior thereto, Vice President-Strategic Planning and Investor Relations since May 1999 and Executive Director of Corporate Development since January 1998; previously, partner at Harrell/ Wright Management Consultants since 1994.
David J. Iannini	42	Vice President-Corporate Development and Treasurer since December 2001; prior thereto, Treasurer since April 2001; prior thereto, Executive Director of Corporate Development or similar position since July 1999; prior thereto, Investment Banker primarily for Salomon Brothers, Inc. since 1986.
Suzanne Pearl	39	Vice President-Human Resources since September 2000; prior thereto, Executive Director, Compensation or similar position since 1993.

Name	Age	Business Experience During the Past Five Years and Other Information
Scott E. Sayre	55	Vice President, General Counsel and Secretary since September 2000; prior thereto, Secretary and Associate General Counsel since January 1997.
Catherine L. Stevenson	45	Vice President-Controller since April 1999; prior thereto, Assistant Controller since October 1997; and prior thereto, Director-Financial Reporting since 1994.*

* Catherine L. Stevenson has announced her resignation as Vice President-Controller of Viad effective February 28, 2002. Ellen M. Ingersoll will replace Ms. Stevenson as Vice President-Controller effective as of March 1, 2002. Prior to assuming the position of Vice President-Controller of Viad, Ms. Ingersoll was Controller of CashX, Inc. from June 2001 through October 2001; prior thereto Operations Finance Director of LeapSource, Inc. since January 2000; prior thereto Vice President and Controller of Franchise Finance Corporation of America since May, 1992.

Executive Officers of Viad Corp's Subsidiaries or Divisions Not Listed Above

Name	Age	Business Experience During the Past Five Years and Other Information
Gordon W. Anderson	57	President and Chief Executive Officer of Exhibitgroup/ Giltspur, a division of Viad, since January 2001; prior thereto, retired from Dobbs International Services, Inc., a former subsidiary of Viad since July 1999; and prior thereto, Executive Vice President-Operations or similar executive position with Dobbs International Services, Inc., a former subsidiary of the Corporation, since 1994.
Paul B. Dykstra	40	President and Chief Executive Officer of GES Exposition Services, Inc., a subsidiary of Viad, since January 2000; prior thereto, Executive Vice President-International and Corporate Development of GES Exposition Services, Inc. since 1999; and prior thereto, Vice President-General Manager or similar executive positions with Travelers Express Company, Inc., a subsidiary of Viad, since 1994.
Philip W. Milne	42	President and Chief Executive Officer of Travelers Express Company, Inc., a subsidiary of Viad, since August 1996.
David G. Morrison	53	President and Chief Executive Officer of Brewster Transport Company Limited, a business unit of Viad, since 1980.

The term of office of the Executive Officers is until the next annual organization meetings of the Boards of Directors of Viad or appropriate subsidiaries, all of which are scheduled for May or June of this year.

The Directors of Viad are divided into three classes, with the terms of one class of Directors to expire at each Annual Meeting of Stockholders. The current term of office of Robert H. Bohannon is scheduled to expire at the 2003 Annual Meeting of Stockholders.

PART II

Item 5. ***Market for Registrant's Common Equity and Related Stockholder Matters***

The principal market on which the common stock of Viad is traded is the New York Stock Exchange. The common stock is also admitted for trading on the American, Chicago, Cincinnati, Pacific, and Philadelphia Exchanges. The following tables summarize the high and low market prices as reported on the New York Stock Exchange Composite Tape and the cash dividends declared for the two years ended December 31:

SALES PRICE RANGE OF COMMON STOCK

	2001		2000	
	High	**Low**	**High**	**Low**
First Quarter	$25.99	$21.63	$28.000	$20.250
Second Quarter	$27.10	$21.30	$29.125	$22.625
Third Quarter	$27.30	$18.10	$29.813	$25.125
Fourth Quarter	$24.06	$18.00	$26.688	$19.750

DIVIDENDS DECLARED ON COMMON STOCK

	2001	2000
February	$.09	$.09
May	.09	.09
August	.09	.09
November	.09	.09
Total	$.36	$.36

Regular quarterly dividends were paid on Viad common stock on the first business day of January, April, July and October.

As of January 31, 2002, there were 26,250 stockholders of record of Viad's common stock.

Item 6. ***Selected Financial Data***

VIAD CORP

SELECTED FINANCIAL AND OTHER DATA

	Year Ended December 31,				
	2001	**2000**	**1999**	**1998**	**1997**
		(as restated)(1)	(as restated)(1)	(as restated)(1)	
			(000 omitted, except per share data)		
Operations					
Revenues(2)	$1,659,390	$1,726,808	$1,581,169	$1,612,759	$1,486,351
Income from continuing operations(3)	$ 51,134	$ 140,819	$ 122,455	$ 94,695	$ 56,519
Income from discontinued operations(4)			218,954	53,296	41,275
Extraordinary item					(8,458)
Net income	$ 51,134	$ 140,819	$ 341,409	$ 147,991	$ 89,336
Diluted income per common share					
Continuing operations(3)	$ 0.58	$ 1.54	$ 1.26	$ 0.95	$ 0.59
Discontinued operations			2.27	0.54	0.44
Extraordinary item					(0.09)
Diluted net income per common share	$ 0.58	$ 1.54	$ 3.53	$ 1.49	$ 0.94
Average outstanding and potentially dilutive common shares	86,322	90,925	96,396	98,367	93,786
Basic income per common share					
Continuing operations	$ 0.58	$ 1.57	$ 1.31	$ 0.99	$ 0.61
Discontinued operations			2.35	0.56	0.45
Extraordinary item					(0.09)
Basic net income per common share	$ 0.58	$ 1.57	$ 3.66	$ 1.55	$ 0.97
Average outstanding common shares	85,503	88,802	93,007	94,382	90,804
Dividends declared per common share	$ 0.36	$ 0.36	$ 0.35	$ 0.32	$ 0.32
Financial position at year-end					
Total assets	$8,364,059	$6,551,492	$5,202,169	$4,661,720	$3,609,208
Total debt	396,828	447,106	389,272	534,453	410,049
$4.75 Redeemable preferred stock	6,679	6,658	6,640	6,625	6,612
Common stock and other equity	719,673	750,730	699,892	643,232	529,161
Other data					
EBITDA(5)	$ 288,999	$ 325,073	$ 285,644	224,772	$ 179,455
Debt-to-capital ratio(6)	35%	37%	35%	45%	43%

(1) See Note B of Notes to Consolidated Financial Statements.

(2) Viad Payment Services subsidiaries invest substantial amounts in tax-exempt securities. On a fully taxable equivalent basis using a combined income tax rate of 39%, revenues would be higher by $46,847,000, $66,224,000, $52,034,000, $39,309,000, and $28,724,000 for 2001, 2000, 1999, 1998, and 1997, respectively.

(3) Includes restructuring charges and other items (after-tax) of $61,203,000 expense, or $0.71 per diluted share, in 2001; $877,000 income, or $0.01 per diluted share, in 2000; $6,131,000 income, or $0.06 per diluted share, in 1999; and $12,737,000 income, or $0.13 per diluted share, in 1998. See Note C of Notes to Consolidated Financial Statements. Excluding these items, diluted income per share from continuing operations was $1.29 in 2001, $1.53 in 2000, $1.20 in 1999, and $0.82 in 1998.

(4) See Note E of Notes to Consolidated Financial Statements.

(5) EBITDA is defined by Viad as income from continuing operations before interest expense, income taxes, depreciation and amortization and restructuring charges and other items and includes the fully taxable equivalent adjustment. EBITDA data are presented as a measure of the ability to service debt, fund capital expenditures and finance growth. Such data should not be considered an alternative to net income, operating income, cash flows from operations or other operating or liquidity performance measures prescribed by generally accepted accounting principles. Cash expenditures for various long-term assets, interest expense and income taxes have been, and will be, incurred which are not reflected in the EBITDA presentations.

(6) Debt-to-capital is defined as total debt divided by capital. Capital is defined as total debt plus minority interests, preferred stock and common stock and other equity.

Item 7. *Management's Discussion and Analysis of Results of Operations and Financial Condition*

Results of Operations:

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

As a result of a comprehensive and detailed review of Exhibitgroup/ Giltspur accounts conducted as part of Viad's restructuring and related facility closures announced in the 2001 third quarter, Viad determined it was necessary to restate its audited financial statements for 2000, 1999 and 1998. The restatement of prior periods, attributable only to Exhibitgroup/ Giltspur, has no impact on previously reported cash, revenues from continuing operations or on the unaudited quarterly results previously reported for 2001. All income from continuing operations, per share amounts and operating income for the Convention and Event Services segment discussed below for 2000 and 1999 have been restated. See Note B of Notes to Consolidated Financial Statements.

As discussed in Note C of Notes to Consolidated Financial Statements, in the 2001 third quarter Viad recorded restructuring charges totaling $66.1 million (pre-tax), relating principally to the closure and consolidation of certain facilities and severance in Viad's Convention and Event Services segment. Approximately 80 percent of the facility closures and consolidation had been completed and 60 percent of the positions had been eliminated as of December 31, 2001. Viad is on target with the restructuring process and expects to substantially complete the restructuring activities by March 2002.

The following discussion and analysis should be read in conjunction with the accompanying Consolidated Financial Statements, which include the accounts of Viad and all of its subsidiaries. All per share figures discussed are stated on the diluted basis.

2001 vs. 2000:

Revenues for 2001 were $1.7 billion, down slightly from the 2000 amount. Viad Payment Services subsidiaries invests funds from the sale of official checks, money orders and other payment instruments in tax-exempt securities, which have lower pre-tax yields but produce higher income on an after-tax basis than comparable taxable investments. Even though nontaxable investments generally have higher after-tax yields than taxable investments, Viad has shifted its mix of nontaxable and taxable investments to balance its alternative minimum tax position. At December 31, 2001, tax-exempt investments represented 22 percent of the total investment portfolio versus 45 percent at December 31, 2000. On a fully taxable equivalent basis, as though amounts were invested in taxable investments and excluding the effects of sold businesses, revenues of ongoing operations were $1.7 billion, down 3.9 percent from $1.8 billion in 2000.

Including the restructuring charges and other items described in Note C of Notes to Consolidated Financial Statements, net income for 2001 was $51.1 million, or $0.58 per share, compared with net income of $140.8 million, or $1.54 per share in 2000. Income before restructuring charges and other items was $112.3 million, or $1.29 per share, compared with comparable income of $139.9 million, or $1.53 per share, in 2000, down 15.7 percent on a per share basis.

	2001	2000
		(as restated)
	(000 omitted, except per share data)	
Income before restructuring charges and other items	$112,337	$139,942
Restructuring charges and other items	(61,203)	877
Net income	$ 51,134	$140,819
Diluted income per common share before restructuring charges and other items	$ 1.29	$ 1.53
Restructuring charges and other items	(0.71)	0.01
Net income per common share	$ 0.58	$ 1.54

There were 4.6 million fewer average outstanding and potentially dilutive common shares in 2001 than in 2000, due primarily to the stock repurchase programs described in “Liquidity and Capital Resources.” In addition, a lower Viad stock price during 2001 contributed to fewer additional dilutive shares related to unexercised stock options.

Payment Services. Revenues of the Payment Services segment on the fully taxable equivalent basis were $760.7 million in 2001, a 13.3 percent increase over 2000 revenues of $671.7 million. On the same basis and before restructuring charges and other items, operating income was $176.6 million, a 10.3 percent increase over 2000 operating income of $160.1 million. Operating margins decreased to 23.2 percent in 2001 from 23.8 percent in 2000. The increase in operating income was driven by continuing solid growth in official check operations, continued improvements in MoneyGram and by the leveraging of the existing infrastructure, as Payment Services experienced double-digit growth in the number of financial institution locations and in the number of locations that sell or provide both money orders and money transfer services. MoneyGram experienced strong transaction volume growth in Latin America, International and in its Express Payment business. Average investable funds for 2001 were $5.0 billion, up 31.2 percent from 2000 levels, however, results were partially offset by lower effective interest rates on new investments. Results were impacted by the effects of a shift in a portion of the mix in investments from nontaxable to taxable investments. Even though nontaxable investments generally have higher after-tax yields than taxable investments, Viad has shifted its mix of nontaxable and taxable investments to balance its alternative minimum tax position. At December 31, 2001, tax-exempt investments represented 22 percent of the total investment portfolio versus 45 percent at December 31, 2000.

Convention and Event Services. Revenues of the Convention and Event Services segment were $884.0 million in 2001, a decrease of 14.3 percent from 2000 revenues of $1.0 billion. Operating income before restructuring charges and other items was $32.6 million, a decrease of 56.9 percent from the 2000 operating income of $75.5 million. Operating margins decreased to 3.7 percent in 2001 from 7.3 percent in 2000. Revenues for the segment were negatively impacted by the overall softness in the economy, the events of September 11th and by show rotation (some shows do not occur every year). Many customers delayed or canceled exhibit construction or refurbished old exhibits rather than build new exhibits in response to the uncertain economy. Certain shows and exhibit orders were canceled following the events of September 11th and convention attendance trends declined due to travel concerns. The loss of the Key3Media Group, Inc. (“Key3Media”) tradeshows in August 2000 also impacted full year 2001 revenues. The segment continues to focus on eliminating and controlling overhead and other costs, including the implementation of restructuring plans to change its organizational structure in an effort to make operations more efficient and competitive. In spite of these actions, economic pressure on the industry is expected to challenge the convention and event segment throughout 2002.

Travel and Recreation Services. Revenues of the ongoing travel and recreation businesses, described in Note S of Notes to Consolidated Financial Statements, decreased $11.0 million, or 15.2 percent, to $61.5 million in 2001. The revenue decrease resulted primarily from an overall decrease in traffic from Japanese and European tourists and to a decrease in overall package tours and charter volumes. The declines in tourism were reflective of the soft economy, higher fuel costs and the September 11th terrorist attacks. Operating income for the travel and recreation businesses was $14.7 million, a decrease of $4.4 million, or 23.1 percent, from that of 2000, primarily due to reduced tourism volume.

Corporate Activities. The $2.2 million increase in corporate activities expense from 2000 to 2001 was due primarily to a write-down of a noncore investment resulting from its impairment, deemed to be other than temporary.

Other Investment Income. Investment income associated with Corporate securities (see Note F of Notes to Consolidated Financial Statements) declined $7.5 million due primarily to lower average investment levels throughout the majority of 2001 as funds were used for stock repurchases as described in "Liquidity and Capital Resources." Lower average interest rates during 2001 also contributed to the decline.

Interest Expense. Interest expense increased slightly to $25.9 million in 2001 from $25.3 million in 2000, primarily as a result of slightly higher average debt outstanding during the year, substantially offset by lower average interest rates. Approximately 38 and 27 percent of the average debt outstanding during 2001 and 2000, respectively, related to short-term borrowings that are subject to variable interest rates.

Income Taxes. Excluding the effect of the restructuring charges and other items, the 2001 effective tax rate was 23.6 percent, up from 15.2 percent in 2000. The relatively low rate compared to the statutory federal rate is primarily attributable to tax-exempt income from Viad's Payment Services businesses. The higher rate for 2001 is due to lower tax-exempt investment income in proportion to total pre-tax income, resulting from the shift in the mix of investments from nontaxable to taxable investments. Even though nontaxable investments generally have higher after-tax yields than taxable investments, Viad has shifted its mix of nontaxable and taxable investments to balance its alternative minimum tax position. In addition, due to lower operating income in the Convention and Event Services segment, tax savings associated with filing consolidated state income tax returns is lower than anticipated, resulting in a higher effective state tax rate.

2000 vs. 1999:

Revenues for 2000 were $1.7 billion compared with $1.6 billion in 1999. On a fully taxable equivalent basis, and excluding the effects of sold businesses, revenues of ongoing operations were $1.8 billion in 2000, up 11.5 percent from $1.6 billion in 1999.

Including the restructuring charges and other items described in Note C of Notes to Consolidated Financial Statements, income from continuing operations for 2000 was $140.8 million, or $1.54 per share, compared with income from continuing operations of $122.5 million, or $1.26 per share in 1999. Income from continuing operations before restructuring charges and other items was $139.9 million, or $1.53 per share, compared with comparable income of $116.3 million, or $1.20 per share, in 1999.

	2000 (as restated)	1999 (as restated)
	(000 omitted, except per share data)	
Income from continuing operations before restructuring charges and other items	$139,942	$116,324
Restructuring charges and other items	877	6,131
Income from continuing operations	$140,819	$122,455
Diluted income per common share from continuing operations before restructuring charges and other items	$ 1.53	$ 1.20
Restructuring charges and other items	0.01	0.06
Income per common share from continuing operations	$ 1.54	$ 1.26

Net income for 2000 was $140.8 million, or $1.54 per share. Net income for 1999 was $341.4 million, or $3.53 per share, including income from discontinued operations of $219.0 million, or $2.27 per share. Income from discontinued operations in 1999 included the gain on sale of Dobbs International Services Inc. (“Dobbs”) of $213.4 million, or $2.21 per share.

There were 5.5 million fewer average outstanding and potentially dilutive common shares in 2000 than in 1999, due primarily to the stock repurchase programs described in “Liquidity and Capital Resources.” In addition, a lower Viad stock price during 2000 contributed to fewer additional dilutive shares related to unexercised stock options.

Payment Services. Revenues of the Payment Services segment on the fully taxable equivalent basis were $671.7 million in 2000, a 15.5 percent increase over 1999 segment revenues of $581.5 million. On the same basis, operating income was $160.1 million, a 24.6 percent increase over 1999 operating income of $128.5 million. Operating margins increased to 23.8 percent in 2000 from 22.1 percent in 1999. These results were driven by continuing strong growth in traditional Travelers Express money order and official check operations and by the leveraging of existing infrastructure, as Payment Services experienced double-digit growth in the number of financial locations and in the number of locations that sell or provide both money orders and money transfer services. MoneyGram experienced strong transaction volume growth in Latin America, International and Express Payment, offset by continued weakness in the U.S.-to-Mexico corridor. Average investable balances of money order and official check operations for 2000 were $3.8 billion, up 23.0 percent from 1999 levels, resulting in higher investment income.

Convention and Event Services. Revenues of the Convention and Event Services segment were $1.0 billion in 2000, an increase of 10.7 percent from 1999 revenues of $932.8 million. Operating income was $75.5 million, a decrease of 15.9 percent from 1999 operating income of $89.8 million. Operating margins decreased to 7.3 percent in 2000 from 9.6 percent in 1999. The 2000 fourth quarter and full year revenues for the segment were impacted by approximately $15 million resulting from the loss of the Key3Media tradeshows. Continued higher labor and certain show production costs, combined with failure to move aggressively in eliminating and controlling overhead and other costs during the latter part of the year, also contributed to lower margins for the segment.

Travel and Recreation Services. Revenues of the ongoing travel and recreation businesses decreased $6.5 million, or 8.2 percent, to $72.5 million in 2000. The revenue decrease resulted primarily from an overall decrease in traffic from U.S., Canadian and Japanese tourists and the discontinuance of a lower margin package tour business. Operating income for the travel and recreation businesses was $19.1 million, an increase of $2.8 million, or 16.9 percent, over that of 1999, primarily due to higher margin business, cost reduction efforts, and the full year results of an acquisition made in late 1999.

Corporate Activities. The $9.6 million decrease in corporate activities expense from 1999 to 2000, was due primarily to $6.8 million lower expense provisions associated with Viad’s incentive plans because aggressive financial goals and targets linked to stock price appreciation were not achieved. Corporate cost reduction efforts also contributed to the decline.

Other Investment Income. Other investment income, relating to Corporate securities, totaled $13.1 million and $14.5 million in 2000 and 1999, respectively. This investment income was generated from the investment of a portion of the cash proceeds from the July 1999 sale of Dobbs. The decline in interest income is due primarily to the use of investment proceeds for the purchase of treasury shares.

Interest Expense. Interest expense decreased to $25.3 million in 2000 from $26.9 million in 1999, primarily as a result of lower average debt levels during 2000, offset partially by higher average interest rates.

Income Taxes. Excluding the effect of restructuring charges and other items, the 2000 effective tax rate was 15.2 percent, down from 19.1 percent in 1999. The actual tax rate for 2000 is lower than in previous years due to higher tax-exempt investment income in proportion to total pre-tax income. This resulted from growth in investments in tax-exempt securities from the Payment Services businesses along with lower operating income from the Convention and Event Services businesses.

Liquidity and Capital Resources:

Viad's total debt at December 31, 2001 was $396.8 million compared with $447.1 million at December 31, 2000. The debt-to-capital ratio at December 31, 2001 was 0.35 to 1, compared to 0.37 to 1 at December 31, 2000. Capital is defined as total debt plus minority interests, preferred stock and common stock and other equity.

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

Viad began its stock repurchase program in July 1998 for the purpose of replacing common shares issued upon exercise of stock options and in connection with other stock compensation plans, with the intended effect of reducing dilution caused by the issuance of such shares. During 1999, Viad announced a program to repurchase up to $200 million of its common stock. In October 2000, Viad announced its intent to repurchase an additional $50 million of its common stock and in January 2001, Viad announced its intent to repurchase an additional 2 million to 3 million shares of its common stock. Under these plans, 1,416,000 shares were repurchased in 2001 for $34.6 million at an average price of $24.45 and 6,231,000 shares were repurchased in 2000 for $147.2 million at an average price of $23.62. Substantially all share repurchases in 2001 were made during the 2001 first quarter. Given the uncertainty in the economy, share repurchases have been deferred in order to prudently conserve cash.

Proceeds from the exercise of stock options, including tax benefits on stock option exercises, totaled $22.8 million and $20.1 million in 2001 and 2000, respectively. The level of future cash generated from stock option exercises may vary depending on Viad's stock price compared to the option exercise price and the ability of the grantees to exercise stock options.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings, Viad strives to maintain current assets at the lowest practicable levels while at the same time taking advantage of payment terms offered by trade creditors and obtaining advance deposits from customers for certain projects and services. However, working capital requirements may fluctuate significantly from seasonal factors as well as changes in levels of receivables and inventories caused by numerous business factors.

Viad satisfies a portion of its working capital and other financing requirements with short-term borrowings (through commercial paper, bank note programs and bank lines of credit). Effective August 31, 2001, Viad completed credit facilities totaling $425 million to replace and consolidate its previous $300 million revolving bank credit agreement, various letter of credit support facilities and a Canadian credit facility without substantially increasing Viad's overall credit capacity. Under these facilities, short-term borrowings are supported by a $200 million short-term 364-day facility (with a one-year term out provision, at Viad's option, in the event a new facility is not established) and a $225 million five-year facility. Unused commitments (net of amounts used to support short-term borrowings and letters of credit) under the facility totaled $182 million at December 31, 2001. Borrowings under the facilities are subject to various covenants, including standard equity and other financial ratio calculations, among others. The borrowings are also subject to increases in borrowing costs if debt ratings are not maintained at current levels. Default under the covenants relating to any of Viad's debt agreements could result in cross defaults to other debt agreements. At December 31, 2001, Viad guaranteed $34.5 million of subsidiary obligations of which 85 percent represents obligations associated with operating leases and other unused credit facilities. The remaining 15 percent represents subsidiary obligations included in total debt in the Consolidated Balance Sheets.

The ability of Viad to maintain its investment grade rating is critical as it affects the cost of borrowing. In addition, major clearing banks and financial institution customers of Viad's Payment Services require that Viad maintain an investment grade rating. Any ratings downgrade could increase Viad's cost of borrowing, result in termination of debt, or require certain actions be performed to rectify such a situation. Such a downgrade could also have a negative effect on Viad's ability to attract and retain new or existing customers. Being placed on credit watch with negative implications could also affect Viad's cost of borrowing for its short-term debt and/or the ability to obtain such short-term funding. Currently, the ratings outlook from the rating agencies is “stable.”

Payment Services has agreements with clearing banks that provide processing and clearing functions for money orders and official checks. Certain contracts have covenants that require the maintenance of specified levels of capital for Viad’s Payment Services operations. Any changes in specified capital levels may require additional capital contributions be made by Viad to Payment Services and/or may require Payment Services to change the mix of its investments or increase the level of investment liquidity, which could result in lower rates of return.

Capital spending has been reduced by obtaining, where appropriate, equipment and other property under operating leases. Cash flows from operations and proceeds from the sales of noncore businesses and assets during the past three years have generally been sufficient to fund capital expenditures, acquire businesses and pay cash dividends to stockholders. Although no assurance can be given, Viad expects operating cash flows and short-term borrowings to be sufficient to finance its ongoing business, maintain adequate capital levels and meet covenant and investment grade rating requirements. Should financing requirements exceed such sources of funds, Viad believes it has adequate external financing sources available, including unused commitments under its credit facilities, to cover any shortfall.

EBITDA is a measure of Viad’s ability to service debt, fund capital expenditures, and finance growth, and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with generally accepted accounting principles. EBITDA is defined by Viad as income from continuing operations before interest expense, income taxes, depreciation and amortization and restructuring charges and other items and includes the fully taxable equivalent adjustment. In 2001, EBITDA was $289 million, down 11.1% from 2000. EBITDA in 2000 was $325 million, up 13.8 percent from 1999.

Viad’s Payment Services subsidiaries generate funds from the sale of official checks, money orders and other payment instruments, with the related liabilities classified as “Payment service obligations.” Substantially all of the proceeds of such sales are invested in permissible securities, principally high-quality debt instruments. These investments are restricted by state regulatory agencies for use by the subsidiaries to satisfy the liability to pay, upon presentment, the face amount of such payment service obligations. Such assets are not available to satisfy working capital or other financing requirements of Viad. Accordingly, the securities are included in the Consolidated Balance Sheets under the caption, “Investments restricted for payment service obligations.” Certain additional assets of the Payment Services subsidiaries relating to payment service obligations, including cash on hand, funds in transit from agents and securities expected to be sold or maturing within one year, are included under the caption, “Funds, agents’ receivables and current maturities of investments restricted for payment service obligations.” Although the Payment Services investment portfolio exposes Viad to certain credit risks, Viad believes the high quality of the investments reduces this risk. Approximately 99 percent of the investments at December 31, 2001 have a rating of A or higher or are collateralized by federal agency securities. Although Payment Services’ investment portfolio is highly diversified, if any one issuer were unable to pay its obligations or were to enter into bankruptcy, Payment Services may have to sell the investment and reinvest the proceeds in permissible securities and/or could lose a portion or a substantial amount of the investment with such issuer. Under normal circumstances there is no requirement to sell long-term debt securities prior to their maturity, as the funds from ongoing sales of money orders and other payment instruments and funds from maturing long-term and short-term investments are expected to be adequate to settle payment service obligations as they are presented. Fluctuations in the balances of Payment Services’ assets and obligations result from varying levels of sales of money orders and other payment instruments, the timing of agents’ receivables, and the timing of the presentment of such instruments.

Working in cooperation with certain financial institutions, Payment Services has established separate consolidated entities and processes that provide these financial institutions with additional assurance of the ability to clear their official checks. These processes include maintenance of specified ratios of segregated investments to outstanding payment instruments. In some cases, alternative credit support has been purchased by Payment Services that provide backstop funding as additional security for payment of their instruments. However, Payment Services remains liable to satisfy the obligations. Accordingly, the obligations have been recorded in the Consolidated Balance Sheets under the caption “Payment service obligations.” Under certain limited circumstances, clients have rights to demand liquidation of the segregated assets or to take other similar actions. While an orderly liquidation of assets would be required, any such actions by a client could nonetheless diminish the value of the total investment portfolio, decrease earnings, and result in loss of the client or other customers or prospects.

A Viad Payment Services subsidiary has an agreement to sell, on a periodic basis, undivided percentage ownership interests in certain receivables from bill payment and money order agents in an amount not to exceed $450 million. The agreement runs through June 2003, but the decision to sell receivables is made daily. In addition, there is also no requirement for the purchasing bank to purchase the receivables. The receivables are sold in order to accelerate Payment Services’ cash flow for investments in permissible securities.

Viad’s Payment Services subsidiaries have various lines of credit, overdraft facilities and reverse repurchase agreements totaling $755 million available to assist in the management of their investments and the clearing of payment service obligations. No borrowings were outstanding under these facilities at December 31, 2001 or 2000.

Viad sold treasury stock in 1992 to Viad’s Employee Equity Trust (the “Trust”) to fund certain existing employee compensation and benefit plans over the scheduled 15-year term of the Trust. For financial reporting purposes, the Trust is consolidated with Viad. The fair market value of the shares held by the Trust, representing unearned employee benefits, is recorded as a deduction from common stock and other equity and is reduced as employee benefits are funded. At December 31, 2001, approximately 2,875,000 shares remained in the Trust and were available to fund future benefit obligations.

Viad has certain unfunded pension and other postretirement benefit plans that require payments over extended periods of time. Such future benefit payments are not expected to materially affect Viad’s liquidity.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recovery, should not have a material effect on Viad’s financial position, results of operations or cash flows.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

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

The company is exposed to foreign exchange risk as Viad has certain receivables and payables denominated in foreign currencies. Viad primarily utilizes forward contracts to hedge its exposure to fluctuations in foreign exchange rates. Forward contracts relating to Payment Services’ wire transfer transactions generally have maturities less than thirty days, and forward contracts relating to other receivables or payables generally have maturities less than ninety days. The forward contracts are recorded on the Consolidated Balance Sheets, and the effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, is not significant.

The company’s earnings can be adversely affected by changing interest rates. A portion of Viad’s Payment Services business involves the payment of commissions to selling agents of its official check program. A Payment Services subsidiary has also entered into agreements to sell receivables from its bill payment and money order agents. The commissions and net proceeds from the agents’ receivables sales are computed based on short-term variable interest rates that subject Viad to risk arising from changes in such rates. Viad has hedged a substantial portion of the variable rate risk through the purchase of swap agreements which convert the variable rate payments to fixed rates. These instruments create a cash flow hedge as defined under Statement of Financial Accounting Standards (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities.”

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

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

Earnings Sensitivity to Interest Rate Changes. Based on a hypothetical 10 percent proportionate increase in interest rates from the average level of interest rates during the last twelve months, and taking into consideration expected investment positions, commissions paid to selling agents, growth in new business, the effects of the swap agreements and the expected borrowing level of variable-rate debt, the increase in pre-tax income would be approximately $3.4 million. A hypothetical 10 percent proportionate decrease in interest rates, based on the same set of assumptions, would result in a decrease in pre-tax income of approximately $1.7 million. These amounts are estimated based on a certain set of assumptions about interest rates and portfolio balance growth and do not represent expected results.

Fair Value Sensitivity to Interest Rate Changes. The fair value of securities classified as available for sale, derivative financial instruments and fixed-rate debt is sensitive to changes in interest rates. A 10 percent proportionate increase in interest rates would result in an estimated decrease in the fair value of securities classified as available for sale of approximately $100.1 million (along with an after-tax decrease in accumulated other comprehensive income of approximately $61.1 million), an estimated increase in the fair value of derivative financial instruments of approximately $50.9 million (along with an after-tax increase in accumulated other comprehensive income of approximately $31.0 million) and an estimated off-balance-sheet decrease in the fair value of fixed-rate debt of approximately $1.5 million at December 31, 2001. A 10 percent proportionate decrease in interest rates would result in an estimated increase in the fair value of securities classified as available for sale of approximately $95.9 million (along with an after-tax increase in accumulated other comprehensive income of approximately $58.5 million), an estimated off-balance-sheet decrease in the fair value of derivative financial instruments of approximately $50.9 million (along with an after-tax decrease in accumulated other comprehensive income of approximately $31.0 million) and an estimated off-balance-sheet increase in the fair value of fixed-rate debt of approximately $1.6 million at December 31, 2001. These amounts are estimated based on a certain set of assumptions about interest rates and portfolio balance growth.

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

Table of Contents

Recent Accounting Pronouncements:

As discussed in Note A of Notes to Consolidated Financial Statements, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets" and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 142, which is effective for Viad on January 1, 2002, specifies that goodwill and certain intangibles with indefinite lives will no longer be amortized but instead will be subject to periodic impairment testing. As part of the transition provisions, Viad will be required to measure goodwill for impairment as of January 1, 2002. Viad is in the process of evaluating the impact of SFAS No. 142. SFAS No. 144, which is also effective for Viad on January 1, 2002, supersedes existing accounting guidance on asset impairment under SFAS No. 121. Viad does not anticipate that SFAS No. 144 will have any material impact on its financial position or results of operations.

Forward-Looking Statements:

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

Item 8. ***Financial Statements and Supplementary Data***

Refer to Index to Financial Statements on page 22 for required information.

Item 9. ***Disagreements on Accounting and Financial Disclosure***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Information regarding Directors of the Registrant is included in the Proxy Statement for the Annual Meeting of Stockholders of Viad to be held on May 14, 2002, and is incorporated herein by reference. Information regarding executive officers of Registrant is located at page 5 of this Report.

Item 11. ***Executive Compensation***

Information regarding executive compensation is contained in the Proxy Statement for the Annual Meeting of Stockholders of Viad to be held on May 14, 2002, and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

Information regarding security ownership of certain beneficial owners and management is contained in the Proxy Statement for the Annual Meeting of Stockholders of Viad to be held on May 14, 2002, and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

None.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a) 1. The financial statements listed in the accompanying Index to Financial Statements are filed as part of this report.

2. None.

3. The exhibits listed in the accompanying Exhibit Index are filed as part of this report.

(b) Reports on Form 8-K filed since Third Quarter 2001

Viad filed no reports on Form 8-K during the last quarterly period covered by this report. A report on Form 8-K dated January 24, 2002 was filed January 24, 2002 by Viad. The Form 8-K reported, under Item 5, Viad’s announcement of its financial results for the fourth quarter and 2001 fiscal year (subject to audit) and the restatement of Viad’s audited financial statements for the fiscal years 1998, 1999 and 2000.

(c) Exhibits

See Exhibit Index.

(d) Financial Statement Schedules

None.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 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, in Phoenix, Arizona, on the 22nd day of February, 2002.

VIAD CORP

By: /s/ ROBERT H. BOHANNON

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Principal Executive Officer

By: /s/ ROBERT H. BOHANNON

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

Date: February 22, 2002

Principal Financial Officer

By: /s/ KIMBRA A. FRACALOSSI

Kimbra A. Fracalossi
Chief Financial Officer

Date: February 22, 2002

Principal Accounting Officer

By: /s/ CATHERINE L. STEVENSON

Catherine L. Stevenson
Vice President — Controller

Date: February 22, 2002

Directors

Jess Hay
Judith K. Hofer
Donald E. Kiernan
Jack F. Reichert
Linda Johnson Rice
Douglas L. Rock
Timothy R. Wallace

By: /s/ CATHERINE L. STEVENSON

Attorney-in-Fact

Date: February 21, 2002

INDEX TO FINANCIAL STATEMENTS

VIAD CORP

CONSOLIDATED BALANCE SHEETS

	December 31, 2001	December 31, 2000 (as restated)
	(000 omitted, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 46,593	$ 42,298
Short-term investments	118,021	42,538
Receivables	64,134	115,792
Inventories	55,682	70,434
Deferred income taxes	45,916	40,050
Other current assets	48,555	32,511
	378,901	343,623
Funds, agents' receivables and current maturities of investments restricted for payment service obligations	1,476,475	1,462,503
Total current assets	1,855,376	1,806,126
Investments in securities	51,535	41,018
Investments restricted for payment service obligations	5,422,899	3,630,615
Property and equipment	260,480	286,157
Other investments and assets	67,715	102,967
Deferred income taxes	82,764	46,596
Intangibles	623,290	638,013
	$8,364,059	$6,551,492
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term bank loans	$ 457	$ 2,666
Accounts payable	60,913	81,146
Other current liabilities	203,702	176,467
Current portion of long-term debt	42,224	67,134
	307,296	327,413
Payment service obligations	6,649,722	4,875,254
Total current liabilities	6,957,018	5,202,667
Long-term debt	354,147	377,306
Pension and other postretirement benefits	94,424	74,280
Derivative financial instruments (Note K)	91,414	
Other deferred items and insurance liabilities	135,420	135,588
Commitments and contingent liabilities (Notes Q and R)		
Minority interests	5,284	4,263
$4.75 Redeemable preferred stock	6,679	6,658
Common stock and other equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 99,739,925 shares issued	149,610	149,610

Additional capital	225,003	245,634
Retained income	762,008	742,615
Unearned employee benefits and other	(82,952)	(94,804)
Accumulated other comprehensive income:		
Unrealized gain on securities classified as available for sale	29,876	656
Unrealized loss on derivative financial instruments (Note K)	(53,875)	
Cumulative translation adjustments	(13,211)	(8,612)
Minimum pension liability adjustment	(13,739)	(1,795)
Common stock in treasury, at cost, 10,806,006 and 10,676,444 shares	(283,047)	(282,574)
Total common stock and other equity	719,673	750,730
	$8,364,059	$6,551,492

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2001	2000	1999
		(as restated)	(as restated)
	(000 omitted, except per share data)		
Revenues	$1,659,390	$1,726,808	$1,581,169
Costs and expenses:			
Costs of sales and services	1,482,361	1,538,174	1,403,559
Corporate activities	12,029	9,783	19,369
Other investment income	(5,652)	(13,115)	(14,468)
Interest expense	25,936	25,303	26,888
Restructuring charges and other items	96,644	(2,091)	(9,676)
Minority interests	1,326	1,717	2,078
	1,612,644	1,559,771	1,427,750
Income before income taxes	46,746	167,037	153,419
Income tax (benefit) expense	(4,388)	26,218	30,964
Income from continuing operations	51,134	140,819	122,455
Income from discontinued operations			218,954
Net income	$ 51,134	$ 140,819	$ 341,409
Diluted income per common share			
Continuing operations	$ 0.58	$ 1.54	$ 1.26
Discontinued operations			2.27
Diluted net income per common share	$ 0.58	$ 1.54	$ 3.53
Average outstanding and potentially dilutive common shares	86,322	90,925	96,396
Basic income per common share			
Continuing operations	$ 0.58	$ 1.57	$ 1.31
Discontinued operations			2.35
Basic net income per common share	$ 0.58	$ 1.57	$ 3.66
Average outstanding common shares	85,503	88,802	93,007
Dividends declared per common share	$ 0.36	$ 0.36	$ 0.35

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2001	**2000**	**1999**
		(as restated)	**(as restated)**
		(000 omitted)	
Net income	$ 51,134	$140,819	$341,409
Other comprehensive income:			
Unrealized gains (losses) on securities classified as available for sale:			
Transition adjustment resulting from the transfer of securities classified as held to maturity to securities classified as available for sale, upon initial application of Statement of Financial Accounting Standards No. 133 on January 1, 2001, net of tax provision of $2,412	3,772		
Holding gains (losses) arising during the period, net of tax provision (benefit) of $20,914, $47,797, and $(53,748)	32,711	74,759	(84,068)
Reclassification adjustment for net realized gains included in net income, net of tax provision of $4,643, $2,610, and $2,675	(7,263)	(4,082)	(4,184)
	29,220	70,677	(88,252)
Unrealized loss on derivative financial instruments:			
Cumulative effect of transition adjustment upon initial application of Statement of Financial Accounting Standards No. 133 on January 1, 2001, net of tax benefit of $4,796	(7,501)		
Holding losses arising during the period, net of tax benefit of $50,428	(78,874)		
Net reclassifications from other comprehensive income to net income, net of tax provision of $20,779	32,500		
	(53,875)	—	—
Unrealized foreign currency translation adjustments:			
Holding (losses) gains arising during the period	(4,599)	(3,677)	1,066
Reclassification adjustment for sales of investments in foreign entities included in net income			1,008
	(4,599)	(3,677)	2,074
Minimum pension liability adjustment, net of tax benefit of $6,432, $65, and $389	(11,944)	(121)	(721)
Other comprehensive (loss) income	(41,198)	66,879	(86,899)
Comprehensive income	$ 9,936	$207,698	$254,510

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2001	**2000**	**1999**
		(as restated) **(000 omitted)**	**(as restated)**
Cash flows provided (used) by operating activities			
Net income	$ 51,134	$ 140,819	$ 341,409
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	69,096	68,600	62,979
Deferred income taxes	(36,480)	12,705	2,700
Income from discontinued operations			(218,954)
Restructuring charges and other items	96,644	8,165	(1,500)
Gains on dispositions of businesses, property and other assets	(12,277)	(17,619)	(7,659)
Other noncash items, net	10,941	879	9,320
Change in operating assets and liabilities:			
Receivables and inventories	49,085	(73,448)	56,340
Accounts payable and accrued compensation	(26,874)	(23,655)	(52,254)
Other assets and liabilities, net	16,128	(16,318)	(49,742)
	217,397	100,128	142,639
Change in payment service assets and obligations, net	1,774,193	413,765	556,340
Net cash provided by operating activities	1,991,590	513,893	698,979
Cash flows provided (used) by investing activities			
Capital expenditures	(49,783)	(45,206)	(62,010)
Acquisitions of businesses, net of cash acquired	(865)	(28,868)	(29,521)
Proceeds from dispositions of businesses, property and other assets	1,040	44,276	57,215
Proceeds from sales and maturities of securities classified as available for sale	2,074,719	1,530,519	1,403,277
Proceeds from maturities of securities classified as held to maturity	464,608	60,280	111,204
Purchases of securities classified as available for sale	(3,527,968)	(1,371,135)	(2,100,239)
Purchases of securities classified as held to maturity	(848,823)	(594,405)	(349,362)
Cash provided by discontinued operations		10,585	650,748
Net cash used by investing activities	(1,887,072)	(393,954)	(318,688)
Cash flows provided (used) by financing activities			
Payments on long-term borrowings	(68,316)	(32,751)	(3,709)
Net change in short-term borrowings	18,288	90,314	(142,145)
Dividends on common and preferred stock	(31,995)	(33,092)	(33,713)
Exercise of stock options	16,422	11,945	20,887
Common stock purchased for treasury	(34,622)	(147,163)	(204,059)
Net cash used by financing activities	(100,223)	(110,747)	(362,739)
Net increase in cash and cash equivalents	4,295	9,192	17,552
Cash and cash equivalents, beginning of year	42,298	33,106	15,554
Cash and cash equivalents, end of year	$ 46,593	$ 42,298	$ 33,106

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF COMMON STOCK AND OTHER EQUITY

	Common Stock	Additional Capital	Retained Income	Unearned Employee Benefits and Other	Accumulated Other Comprehensive Income	Common Stock in Treasury	Total
			(as restated)				(as restated)
				(000 omitted)			
Balance, December 31, 1998	$149,610	$327,866	$326,609	$(162,543)	$ 10,269	$ (8,579)	$ 643,232
Net income			341,409				341,409
Dividends on common and preferred stock			(33,713)				(33,713)
Employee benefit plans		(26,809)		21,487		44,950	39,628
Employee Equity Trust adjustment to market value		(11,238)		11,238			—
Treasury shares acquired						(204,059)	(204,059)
Unrealized translation gain					2,074		2,074
Unrealized loss on securities classified as available for sale					(88,252)		(88,252)
Minimum pension liability adjustment					(721)		(721)
Other, net		(21)	294			21	294
Balance, December 31, 1999	149,610	289,798	634,599	(129,818)	(76,630)	(167,667)	699,892
Net income			140,819				140,819
Dividends on common and preferred stock			(33,092)				(33,092)
Employee benefit plans		(27,200)		18,051		32,255	23,106
Employee Equity Trust adjustment to market value		(16,963)		16,963			—
Treasury shares acquired						(147,163)	(147,163)
Unrealized translation loss					(3,677)		(3,677)
Unrealized gain on securities classified as available for sale					70,677		70,677
Minimum pension liability adjustment					(121)		(121)
Other, net		(1)	289			1	289
Balance,							

December 31, 2000	149,610	245,634	742,615	(94,804)	(9,751)	(282,574)	750,730
Transition adjustment, effective January 1, 2001, upon initial application of Statement of Financial Accounting Standards No. 133					(3,729)		(3,729)
Net income			51,134				51,134
Dividends on common and preferred stock			(31,995)				(31,995)
Employee benefit plans		(23,009)		14,230		34,149	25,370
Employee Equity Trust adjustment to market value		2,378		(2,378)			—
Treasury shares acquired						(34,622)	(34,622)
Unrealized translation loss					(4,599)		(4,599)
Unrealized gain on securities classified as available for sale					25,448		25,448
Unrealized loss on derivatives					(46,374)		(46,374)
Minimum pension liability adjustment					(11,944)		(11,944)
Other, net			254				254
Balance, December 31, 2001	$149,610	$225,003	$762,008	$ (82,952)	$(50,949)	$(283,047)	$ 719,673

See Notes to Consolidated Financial Statements.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2001, 2000, and 1999

A. Significant Accounting Policies

Principles of Consolidation. The Consolidated Financial Statements of Viad Corp ("Viad") 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.

Use of Estimates. The Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported results of operations during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents. Viad considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Certain cash equivalents are classified as "Short-term investments." See Note F.

Investments in Securities. Corporate securities, other than securities held by Payment Services, are included in the Consolidated Balance Sheets under the caption, "Investments in securities" with the current portion and investments with original maturities of three months or less included under the caption, "Short-term investments." In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," Viad classifies these investments as available for sale. See Note F.

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

In accordance with SFAS No. 115, Viad classifies these investment securities restricted for payment service obligations as either available for sale or held to maturity. See Note G.

Inventories. Inventories, which consist primarily of exhibit materials and supplies used in providing services, are stated at the lower of cost (first-in, first-out and specific identification methods) or market.

Long-Lived Assets. Viad reviews the carrying values of its long-lived assets and identifiable intangibles for possible impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

Property and Equipment. Property and equipment are stated at cost, net of accumulated depreciation and any impairment write-downs pursuant to SFAS No. 121. Property and equipment are depreciated principally on the straight-line method over the estimated useful lives of the assets: buildings, 15 to 40 years; equipment, 3 to 10 years; and leasehold improvements, over the shorter of the lease term or useful life.

Intangibles. Intangibles, including goodwill, are carried at cost less accumulated amortization and any impairment write-downs pursuant to SFAS No. 121. Intangibles are amortized on the straight-line method over the estimated lives or periods of expected benefit, but not in excess of 40 years. (See Recent Accounting Pronouncements below).

Insurance Liabilities. Viad is self-insured up to certain limits for workers' compensation, automobile, product and general liability, property loss and medical claims. Viad has also retained and provided for certain insurance liabilities in conjunction with the sales of businesses. Provisions for losses for claims incurred, including estimated claims incurred but not yet reported, are made based on Viad's prior historical experience, claims frequency and other factors. Viad has purchased insurance for amounts in excess of the self-insured levels.

Derivative Financial Instruments. Viad uses derivative financial instruments as part of its risk management strategy to manage exposure to fluctuations in interest and foreign currency rates. Derivatives are not used for speculative purposes. Amounts receivable or payable under derivative swap agreements used to hedge exposure of interest rate changes on variable rate commission payments and net proceeds from agents' receivables sales are accrued and recognized as an adjustment to the expense of the related transaction. The change in fair value of the derivative is recognized in earnings or in other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. A derivative that does not qualify as a hedge will be reflected at fair value, with changes in value recognized through earnings. Forward derivative contracts used to hedge assets and liabilities denominated in foreign currencies are recorded on the Consolidated Balance Sheets at fair value, with the change in fair value reflected in earnings. The effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, was not significant. As discussed in Note K, on January 1, 2001, Viad adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and its related amendments and interpretations. SFAS No. 133 requires that entities record all derivatives as either assets or liabilities, measured at fair value.

Fair Value of Financial Instruments. The carrying values of cash and cash equivalents, receivables, accounts payable and payment service obligations approximate fair value due to the short-term maturities of these instruments. The fair value of investments in debt and equity securities is disclosed in Notes F and G. The estimated fair value of debt and derivative financial instruments is disclosed in Notes J and K, respectively. Considerable judgement is required in interpreting market data and assumptions used to develop the estimates of fair value. Accordingly, the estimates presented may not be indicative of the amounts that Viad could realize in a current market exchange. The use of different market assumptions or valuation methodologies could have a material effect on the estimated fair value amounts.

Revenue Recognition. Revenue is recognized when services are performed, fees are earned, or products are delivered. Convention service revenue is recognized upon completion of the tradeshow or event. Revenue on certain long-term exhibit contracts is recognized on the percentage of completion method. Revenues include investment earnings on assets restricted for payment service obligations.

Stock-Based Compensation. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," Viad uses the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans.

Net Income Per Common Share. Employee Stock Ownership Plan ("ESOP") shares are treated as outstanding for net income per share calculations. Shares held by the Employee Equity Trust (the "Trust") are not considered outstanding for net income per share calculations until the shares are released from the Trust.

Reclassifications. Certain prior year amounts have been reclassified to conform to the 2001 presentation.

Recent Accounting Pronouncements. In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets" (effective for Viad on January 1, 2002). SFAS No. 142 specifies that goodwill and certain intangibles with indefinite lives will no longer be amortized but instead will be subject to periodic impairment testing. Had SFAS No. 142 been adopted January 1, 2001, the impact of ceasing goodwill amortization (based on Viad's current levels of goodwill) would have increased net income in 2001 by approximately $14,300,000, or $0.16 per diluted share. Intangible assets with finite lives will continue to be amortized over their respective useful lives. Viad will be required to measure goodwill for impairment as of January 1, 2002 as part of the transition provisions. For Viad, the impairment analysis must be completed no later than June 30, 2002. Any impairment resulting from these transition tests will be recorded and recognized as the cumulative effect of a change in accounting principle. Viad is in the process of evaluating the impact of SFAS No. 142 on its other intangible assets and has not yet determined if a cumulative effect adjustment will be required upon adoption.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (effective for Viad on January 1, 2002). SFAS No. 144 supersedes existing accounting guidance on asset impairment under SFAS No. 121. Among other provisions, the new rules change the criteria for classifying an asset as held-for-sale. The standard also broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations, and changes the timing of recognizing losses on such operations. Viad does not anticipate that this new standard will have any material impact on its financial position or results of operations.

B. Restatement of Financial Statements

Subsequent to the issuance of Viad's 2000 consolidated financial statements, management determined that the financial statements for 2000, 1999, and 1998 required restatement due to errors identified at Exhibitgroup/ Giltspur (one of two operating companies included in the Convention and Event Services segment).

In the 2001 third quarter, Viad recorded a pre-tax restructuring charge of $66,100,000 (See Note C) relating, in large part, to the closure and consolidation of certain of Exhibitgroup/ Giltspur's facilities. As the company undertook the actual closure process, it discovered that, in addition to the amounts included in the restructuring charge, certain charges and expenses relating to the accounting for work-in-process costs after completion of associated job(s), raw material inventories and other current liabilities were necessary. Upon reviewing those additional items, it was determined that some of them related to prior periods. As a result, Viad determined it was necessary to restate its audited financial statements for 2000, 1999 and 1998.

The restatement is attributable only to Exhibitgroup/ Giltspur. The restatement reduced Viad's cumulative three-year (2000, 1999 and 1998) income from continuing operations by a total of $12,426,000 from $370,395,000, as originally reported, or by 3.4 percent as follows: $3,673,000, or $0.04 per share (2000), $6,104,000, or $0.06 per share (1999) and $2,649,000, or $0.03 per share (1998). Operating income for the Convention and Event Services segment (see Note S) and all applicable income and per share amounts for 2000, 1999 and 1998 presented herein have been restated. For restated unaudited quarterly data for 2000, see Note T.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of the effects of the restatement on Viad's Consolidated Statements of Income and related segment data for the years ended December 31, is as follows:

	2000		1999	
	(as previously reported)	(as restated)	(as previously reported)	(as restated)
	(000 omitted, except per share data)			
Total Company:				
Cost of sales and services	$1,532,053	$1,538,174	$1,393,383	$1,403,559
Income before income taxes	$ 173,158	$ 167,037	$ 163,595	$ 153,419
Income tax expense	28,666	26,218	35,036	30,964
Income from continuing operations	144,492	140,819	128,559	122,455
Income from discontinued operations			218,954	218,954
Net income	$ 144,492	$ 140,819	$ 347,513	$ 341,409
Diluted income per common share:				
Continuing operations	$ 1.58	$ 1.54	$ 1.32	$ 1.26
Discontinued operations			2.27	2.27
Diluted net income per common share	$ 1.58	$ 1.54	$ 3.59	$ 3.53
Basic income per common share:				
Continuing operations	$ 1.61	$ 1.57	$ 1.37	$ 1.31
Discontinued operations			2.35	2.35
Basic net income per common share	$ 1.61	$ 1.57	$ 3.72	$ 3.66
Convention and Event Services segment:				
Revenue	$1,032,115	$1,032,115	$ 932,768	$ 932,768
Operating income before restructuring charges and other items	$ 81,631	$ 75,510	$ 99,934	$ 89,758

A summary of the effects of the restatement on Viad's Consolidated Balance Sheets at December 31 is as follows:

	2000		1999	
	(as previously reported)	(as restated)	(as previously reported)	(as restated)
	(000 omitted)			
Inventories	$ 87,131	$ 70,434	$ 73,687	$ 62,301
Other current liabilities	180,738	176,467	206,912	204,279
Retained income(1)	755,041	742,615	643,352	634,599

(1) Retained income at January 1, 1999 was restated from $329,258,000 to $326,609,000.

C. Restructuring Charges and Other Items

In the 2001 third quarter, Viad recorded restructuring charges totaling $66,100,000 ($39,910,000 after-tax) associated with the closure and consolidation of certain facilities, severance and other employee benefits of which $3,730,000 (relating to the write-down of certain inventories) was charged to "Cost of sales and

services.” The remaining $62,370,000 was classified under the caption “Restructuring charges and other items.”

The charges, 93 percent relating to the Convention and Event Services segment, consist of costs associated with the closure and consolidation of certain facilities and severance and other employee benefits related to the elimination of approximately 800 positions across numerous regions, business functions and job classes. The charges also include amounts for the write-down (net of estimated sales proceeds) of certain inventories and fixed assets, facility closure and lease termination costs (less estimated sublease income) and other exit costs. The write-down of assets was based on impairment analyses, including discounted cash flow and estimates of the net realizable value of the assets to be disposed.

A summary of the restructuring charges, amounts utilized and remaining accrued liability balance is as follows:

	Severance and Benefits	Facility Closure and Lease Termination	Asset Impairment	Other	Total
		(000 omitted)			
Initial restructuring charge	$13,914	$30,252	$ 20,322	$ 1,612	$ 66,100
Cash payments	(6,907)	(2,335)		(1,612)	(10,854)
Noncash write-downs(1)			(20,322)		(20,322)
Balance at December 31, 2001	$ 7,007	$27,917	$ —	$ —	$ 34,924

(1) Relates primarily to the write-down of leasehold improvements and fixed assets.

Payments under long-term lease obligations will continue to be made over the remaining terms of the leases. Approximately 80 percent of the facility closures and consolidation had been completed and 60 percent of the positions had been eliminated as of December 31, 2001.

Also in the 2001 third quarter, Viad’s payment services subsidiary, Travelers Express Company, Inc. (“Travelers Express”) recorded a charge totaling $5,000,000 ($3,026,000 after-tax) resulting from the bankruptcy of a large money order agent in September 2001.

In August 2000, Key3Media Group, Inc. (“Key3Media”), a company spun off by Ziff-Davis Inc., terminated a long-term agreement with GES Exposition Services, Inc. (“GES”) to produce tradeshows. The companies had been involved in litigation regarding the contract termination. During the second quarter of 2001, GES and Key3Media agreed to end the litigation. As a result of the settlement, Viad recorded a noncash provision totaling $29,274,000 ($18,267,000 after-tax) in the 2001 second quarter representing primarily the write-off of net receivables and prepayments made to Key3Media. The settlement will have no adverse impact on future operations.

In July 2000, Viad sold its concession operations at America West Arena and Bank One Ballpark in Phoenix, Arizona. Viad recorded a gain of $10,256,000 ($5,655,000 after-tax) on the sale, after deducting costs of sale and related expense provisions. Also in the third quarter of 2000, Viad recorded a charge of $8,165,000 ($4,778,000 after-tax) to streamline and consolidate certain operations in Viad’s Convention and Event Services segment. In addition to costs related to reductions in headcount, the charge included the write-down of certain fixed assets and facility closure costs.

In the second quarter of 1998, Travelers Express petitioned the Federal District Court to set aside a settlement term sheet under a patent infringement litigation initiated by Travelers Express against Integrated Payment Systems (“IPS”), a subsidiary of First Data Corporation, because of the parties’ failure to agree on final settlement terms. At that time, Travelers Express recorded a provision totaling $10,642,000 ($6,917,000 after-tax) and tendered back to IPS amounts which IPS had paid to Travelers Express pursuant to the term sheet. In December 1999, the Court reinstated the settlement and ordered IPS to pay back to Travelers Express the amounts paid in 1998 and to resume scheduled payments as provided by the term sheet. Accordingly, after deducting legal and other costs, Travelers Express recorded a gain of $8,176,000 ($5,314,000 after-tax) in the fourth quarter of 1999.

In 1999, Viad adopted the equity method of accounting for its approximately 10% investment in the Arizona Diamondbacks (“Diamondbacks”) baseball franchise limited partnership. Noncash charges totaling $8,252,000 ($5,268,000 after-tax) were recorded in 1999 representing Viad’s pro-rata share of the Diamondbacks cumulative losses. On December 31, 1999, Viad contributed a portion of its investment in the Diamondbacks limited partnership to the Viad Corp Medical Plan Trust to fund certain postretirement benefits. The contribution, which was recorded at fair value, resulted in a gain of $2,377,000 ($1,483,000 after-tax). Viad’s remaining ownership interest is accounted for under the cost method.

In February 2000, Viad settled certain litigation in existence at the end of 1999 and recorded a provision in 1999 totaling $9,950,000 ($6,209,000 after-tax) including legal and other costs.

In January 1999, Viad sold the contract foodservice operations of Restaura, Inc. The public service division units of Restaura were sold in March 1999. After providing for costs of sale and related expense provisions, the net gain was not material.

Viad completed the sale of its duty-free and shipboard concessions business, Greyhound Leisure Services, Inc. (“GLSI”) in September 1998. The gain on sale recorded in 1998, after deducting costs of sale and related expense provisions, was $26,684,000 ($15,650,000 after-tax). Upon Viad’s collection of a subordinated note receivable and resolution of contingencies related to the sale of GLSI, an additional gain of $17,325,000 ($10,811,000 after-tax) was recorded in 1999.

Results of operations up to dates of sale of these sold businesses (not classified as discontinued operations) are included in Viad’s “Sold travel and recreation businesses” category. See Note S. In connection with the sales, Viad has retained and provided for certain environmental, insurance and other liabilities.

D. Acquisitions of Businesses

During 2000, Viad purchased a small Convention and Event Services company, and during 1999, Viad purchased several small Convention and Event Services companies. Also during 1999, Viad purchased a 71 percent interest in a small Travel and Recreation Services company; the remaining minority interest was acquired in 2000 and 2001. The acquisitions were accounted for as purchases. The purchase prices, including acquisition costs, were allocated to the net tangible and identifiable intangible assets acquired based on estimated fair values at the dates of the acquisitions. The difference between the purchase prices and the related fair values of net assets acquired represents goodwill.

The accompanying financial statements include the accounts and results of operations from the dates of acquisition. The results of operations of the acquired companies from the beginning of the year to the dates of acquisition are not material to the consolidated results of operations.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net cash paid, the estimated fair value of assets acquired and debt and other liabilities assumed for the years ended December 31 were as follows:

	2001	2000	1999
		(000 omitted)	
Assets acquired:			
Property and equipment	$ —	$ 791	$ 8,533
Intangibles, primarily goodwill	865	30,245	25,213
Other assets		12,402	6,838
Debt and other liabilities assumed		(14,570)	(11,063)
Net cash paid	$865	$ 28,868	$ 29,521

E. Discontinued Operations

In July 1999, Viad sold Dobbs International Services, Inc. In connection with the sale, Viad retained and provided for certain environmental and other liabilities.

Revenues applicable to the discontinued operations totaled $438,179,000 in 1999. The caption “Income from discontinued operations” in the Consolidated Statements of Income for the year ended December 31, 1999 includes the following:

	1999
	(000 omitted)
Income from operations, net of tax provision of $11,950	$ 16,678
Gains on sales of businesses, net of tax provision of $99,160	213,437
Provision related to previously discontinued businesses, net of tax provision of $6,111(1)	(11,161)
Income from discontinued operations	$218,954

(1) Represents additional provisions for self insurance, environmental and other liabilities arising from previously discontinued businesses.

F. Investments in Securities

Corporate securities, other than securities held by Payment Services as described in Note G, that are being held for an indefinite period of time pending Viad’s use to fund strategic acquisitions, purchase treasury shares or pay down debt are included in the Consolidated Balance Sheets under the caption, “Investments in securities.” The current portion and investments with original maturities of three months or less (including money market investments totaling $118,021,000 at December 31, 2001) are included under the caption, “Short-term investments.” Securities are classified as available for sale and are carried at fair market value in accordance with SFAS No. 115. The net unrealized holding loss of $67,000 (net of a deferred tax asset of $42,000) at December 31, 2001 and the net unrealized holding gain of $139,000 (net of a deferred tax liability of $88,000) at December 31, 2000, are included in the Consolidated Balance Sheets as a component of “Accumulated other comprehensive income.” Income arising from these investments is included in the Consolidated Statements of Income under the caption, “Other investment income.”

A summary of securities classified as available for sale at December 31, 2001 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(000 omitted)		
Mortgage-backed and other asset-backed securities	$51,644	$ —	$109	$51,535

A summary of securities classified as available for sale at December 31, 2000 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(000 omitted)		
Corporate debt securities	$42,538	$ —	$ —	$42,538
Mortgage-backed and other asset-backed securities	40,791	227		41,018
Securities classified as available for sale	$83,329	$227	$ —	$83,556

Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations.

Gross gains and losses are based on the specific identification method of determining cost. No gains or losses were realized during 2001 or 2000. Gross losses of $34,000 were realized during 1999.

G. Assets Restricted for Payment Service Obligations

Viad's Payment Services subsidiaries generate funds from the sale of official checks, money orders and other payment instruments, with the related liabilities classified as "Payment service obligations." Substantially all of the proceeds of such sales, along with certain additional subsidiary funds, are invested in permissible securities, principally high-quality debt instruments. These investments, along with related cash and funds in transit, are restricted by state regulatory agencies for use by the subsidiaries to satisfy the liability to pay, upon presentment, the face amount of the payment service obligations. In addition, certain other assets of the Payment Services subsidiaries are available, if necessary, to meet such obligations. Such assets are not available to satisfy working capital or other financing requirements of Viad. Accordingly, securities are included in the Consolidated Balance Sheets under the caption, "Investments restricted for payment service obligations." Certain additional assets of the Payment Services subsidiaries relating to payment service obligations, including cash on hand, funds in transit from agents and securities expected to be sold or maturing within one year, are included under the caption, "Funds, agents' receivables and current maturities of investments restricted for payment service obligations." In December 1999 and in July 2000, Viad made capital contributions of approximately $50,000,000 in each period to a Payment Services subsidiary. The proceeds were invested by the subsidiary in debt securities that are included in the caption, "Investments restricted for payment service obligations."

Viad regularly monitors credit and market risk exposures and takes steps to mitigate the likelihood of these exposures resulting in actual loss. Although the Payment Services investment portfolio exposes Viad to certain credit risks, Viad believes the high quality of its investments reduces this risk (approximately 99 percent of the investments at December 31, 2001, have a rating of A or higher or are collateralized by federal agency securities).

As described in Note K, a Payment Services subsidiary uses swap agreements to hedge a substantial portion of the variable rate commission payments to its selling agents and the net proceeds of selling receivables from its bill payment and money order agents. The swap agreements effectively convert such variable rates to fixed rates. The fair value of such swap agreements generally increases when market values of fixed rate, long-term debt investments decline and vice versa.

Under normal circumstances, the swap agreements will not be terminated prior to maturity, nor is there any requirement to sell long-term debt securities prior to maturity, as the funds flow from ongoing sales of money orders and other payment instruments and funds from maturing long-term and short-term investments are expected to be adequate to settle payment service obligations as they are presented. In addition, Viad's Payment Services subsidiaries have various lines of credit, overdraft facilities and reverse repurchase agreements totaling $755,000,000 available to assist in the management of investments and the clearing of payment service obligations. Amounts outstanding under reverse repurchase agreements are required to be collateralized by securities. No amounts were outstanding under these arrangements at December 31, 2001 or 2000.

Presented as additional information below is a summary of asset and liability carrying amounts related to the payment service obligations, along with the fair value of related swap agreements at December 31:

	2001	2000
	(000 omitted)	
Funds, agents' receivables and current maturities of investments restricted for payment service obligations	$ 1,476,475	$ 1,462,503
Investments restricted for payment service obligations(1)	5,422,899	3,630,615
Payment service obligations	(6,649,722)	(4,875,254)
Fair value of derivative financial instruments(2)	(87,187)	(12,297)
Total	$ 162,465	$ 205,567

(1) As noted below, securities classified as available for sale are carried at fair market value, and securities classified as held to maturity are carried at amortized cost.

(2) The fair value represents the estimated amount that Viad would pay to counterparties to terminate the swap agreements at December 31. At December 31, 2000, the fair value of the swap agreements was not included in Viad's Consolidated Balance Sheets. As described in Note K, upon the adoption of SFAS No. 133 on January 1, 2001, Viad recorded a liability of $12,297,000, representing the fair value of Viad's swap agreements.

Payment Services securities classified in accordance with SFAS No. 115 are presented below.

Securities Classified as Available for Sale. Securities that are being held for indefinite periods of time, including those securities which may be sold to assist in the clearing of payment service obligations or in the management of investments, are classified as securities available for sale and are carried at fair value. The net unrealized holding gains of $29,943,000 (net of a deferred tax liability of $19,144,000) and $517,000 (net of a deferred tax liability of $331,000) at December 31, 2001 and 2000, respectively, are included in the Consolidated Balance Sheets as a component of "Accumulated other comprehensive income." The unrealized gains during 2001 and 2000 were due principally to decreases in longer-term market interest rates.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of securities classified as available for sale at December 31, 2001 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(000 omitted)			
U.S. Government agencies	$ 19,672	$ 107	$ 68	$ 19,711
Obligations of states and political subdivisions	734,865	11,320	3,372	742,813
Corporate debt securities	186,192	4,339	941	189,590
Mortgage-backed and other asset-backed securities	2,881,620	57,750	17,853	2,921,517
Debt securities issued by foreign governments	4,991	200		5,191
Preferred stock	120,631	761	3,156	118,236
Securities classified as available for sale	$3,947,971	$74,477	$25,390	$3,997,058

A summary of securities classified as available for sale at December 31, 2000 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(000 omitted)			
U.S. Government agencies	$ 29,761	$ —	$ 716	$ 29,045
Obligations of states and political subdivisions	959,313	9,670	2,028	966,955
Corporate debt securities	60,352	1,347	204	61,495
Mortgage-backed and other asset-backed securities	1,119,025	10,300	7,126	1,122,199
Debt securities issued by foreign governments	6,976		69	6,907
Preferred stock	134,218	203	10,529	123,892
Securities classified as available for sale	$2,309,645	$21,520	$20,672	$2,310,493

Gross gains and losses from sales of securities are based on the specific identification method of determining cost. Gross gains of $15,796,000, $6,738,000, and $6,972,000 were realized during 2001, 2000, and 1999, respectively. Gross losses of $3,890,000, $46,000, and $79,000 were realized during 2001, 2000, and 1999 respectively.

Table of Contents

Securities Classified as Held to Maturity. Securities classified as held to maturity consist of securities that management has the ability and intent to hold to maturity and are carried at amortized cost. A summary of securities classified as held to maturity at December 31, 2001 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(000 omitted)			
U.S. Government agencies	$ 91,768	$ 283	$ 353	$ 91,698
Obligations of states and political subdivisions	464,695	18,687	293	483,089
Corporate debt securities	18,112	1,070		19,182
Mortgage-backed and other asset-backed securities	869,610	21,803	12,685	878,728
Debt securities issued by foreign governments	5,456	25		5,481
Securities classified as held to maturity	$1,449,641	$41,868	$13,331	$1,478,178

On January 1, 2001, Viad transferred $260,026,000 in book value of securities classified as held to maturity to securities classified as available for sale as permitted in conjunction with the initial application of SFAS No. 133 without calling into question management's intent or ability to hold other securities as held to maturity. The transfer was reflected as an increase in the carrying value of the investments of $6,184,000, with a corresponding deferred tax liability of $2,412,000 and a transition adjustment of $3,772,000 in other comprehensive income.

A summary of securities classified as held to maturity at December 31, 2000 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(000 omitted)			
U.S. Government agencies	$ 37,975	$ 79	$ 280	$ 37,774
Obligations of states and political subdivisions	659,051	23,647	84	682,614
Corporate debt securities	8,317	42	10	8,349
Mortgage-backed and other asset-backed securities	614,390	9,747	1,004	623,133
Debt securities issued by foreign governments	5,492	169		5,661
Securities classified as held to maturity	$1,325,225	$33,684	$1,378	$1,357,531

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Scheduled Maturities. Scheduled maturities of securities at December 31, 2001 are presented below:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(000 omitted)			
Due in:				
2002	$ 23,400	$ 23,800	$ —	$ —
2003-2006	105,772	109,363	19,408	20,218
2007-2011	403,572	408,360	259,815	267,541
2012 and later	436,376	439,582	300,808	311,691
Mortgage-backed and other asset-backed securities	2,881,620	2,921,517	869,610	878,728
Preferred stock	97,231	94,436		
	$3,947,971	$3,997,058	$1,449,641	$1,478,178

Actual maturities may differ from scheduled maturities because the borrowers have the right to call or prepay certain obligations, sometimes without penalties. Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations.

H. Property and Equipment

Property and equipment at December 31 consisted of the following:

	2001	2000
	(000 omitted)	
Land	$ 21,396	$ 22,331
Buildings and leasehold improvements	77,116	97,384
Equipment	454,926	445,556
	553,438	565,271
Less accumulated depreciation	292,958	279,114
Property and equipment	$260,480	$286,157

I. Intangibles

Intangibles at December 31 consisted of the following:

	2001	2000
	(000 omitted)	
Goodwill	$668,496	$667,631
Other intangibles	68,734	65,210
	737,230	732,841
Less accumulated amortization	113,940	94,828
Intangibles	$623,290	$638,013

J. Debt

Long-term debt at December 31 was as follows:

	2001	2000
	(000 omitted)	
Senior debt:(1)		
Short-term borrowings:		
Promissory notes, 2.8% (2001) and 7.5% (2000) weighted average interest rate at December 31	$ 20,000	$ 91,000
Commercial paper, 2.5% (2001) and 7.8% (2000) weighted average interest rate at December 31	146,000	54,503
Senior notes, 6.4% (2001) and 6.3% (2000) weighted average interest rate at December 31, due to 2009	174,904	239,840
Guarantee of ESOP debt, floating rate indexed to LIBOR, 1.8% (2001) and 5.5% (2000) at December 31, due to 2009	16,925	18,675
Other obligations, 4.2% (2001) and 5.8% (2000) weighted average interest rate at December 31, due to 2016	20,039	21,919
	377,868	425,937
Subordinated debt, 10.5% debentures, due 2006	18,503	18,503
	396,371	444,440
Less current portion	42,224	67,134
Long-term debt	$354,147	$377,306

(1) Rates shown are exclusive of the effects of commitment fees and other costs of long-term bank credit used to support short-term borrowings.

Viad satisfies its short-term borrowing requirements with bank lines of credit and the issuance of commercial paper and promissory notes. At December 31, 2001 and 2000, there was $457,000 and $2,666,000, respectively, of short-term borrowings outstanding under bank notes payable.

Effective August 31, 2001, Viad completed credit facilities totaling $425,000,000, replacing and consolidating its previous $300,000,000 revolving bank credit agreement. The facilities support short-term borrowings, letters of credit and a Canadian facility without substantially increasing Viad's overall credit capacity. The $425,000,000 includes a $225,000,000 five-year facility and a $200,000,000 364-day facility. The interest rate applicable to borrowings under the credit facilities is indexed to the London Interbank Offering Rate ("LIBOR"), plus appropriate spreads. The facilities also provide for commitment fees. Such spreads and fees will change moderately should Viad's debt ratings change. Short-term borrowings totaling $166,000,000, and $145,503,000 at December 31, 2001 and 2000, respectively, have been classified as long-term debt, pursuant to the unused commitments under the applicable long-term credit facility. Unused commitments (net of amounts used to support short-term borrowings and letters of credit) under the facilities totaled $182,000,000 at December 31, 2001.

Annual maturities of long-term debt due in the next five years will approximate $42,224,000 (2002), $269,286,000 (2003), $20,815,000 (2004), $10,831,000 (2005), $862,000 (2006) and $52,353,000 thereafter. Included in the year 2003 is $166,000,000 which represents the maturity of short-term borrowings assuming the borrowings were due under the one-year term out provisions of the 364-day facility.

The weighted average interest rate on total debt excluding interest expense unrelated to debt obligations was 5.8%, 6.4%, and 6.0% for 2001, 2000, and 1999, respectively.

Interest paid in 2001, 2000, and 1999 was $27,118,000, $22,910,000, and $31,287,000, respectively.

Under a Shelf Registration filed in 1994 with the Securities and Exchange Commission, Viad can issue up to an aggregate $500,000,000 of debt and equity securities. While the Shelf Registration is effective, it requires amendment to ensure immediate access to the capital markets. Viad intends to prepare and file such amendment. No securities have been issued under the program.

The estimated fair value of total debt was $403,169,000 and $447,585,000 at December 31, 2001 and 2000, 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. The carrying values of the commercial paper and promissory notes were assumed to approximate fair values due to their short-term maturities.

K. Derivative Financial Instruments

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

A portion of Viad’s Payment Services business involves the payment of variable-rate commissions to selling agents of its official check program. In addition, a Viad Payment Services subsidiary has agreements to sell, on a periodic basis, undivided percentage ownership interests in certain receivables from bill payment and money order agents in an amount not to exceed $450,000,000. The agreement expires in June 2003. The receivables, sold at a discount based on short-term variable interest rates, are sold in order to accelerate Payment Services’ cash flow for investment in permissible securities as described in Note G.

The Payment Services subsidiary services the receivables that were sold in exchange for a fee commensurate with the cost of servicing. The balance of sold agents’ receivables as of December 31, 2001 and 2000 was $347,000,000 and $388,000,000, respectively. The average agents’ receivables sold approximated $444,000,000, $433,000,000 and $377,000,000 during 2001, 2000, and 1999, respectively. The expense of selling the agents’ receivables, discounted based on short-term variable interest rates, was $30,095,000, $30,396,000, and $26,352,000 in 2001, 2000, and 1999, respectively, and is included in “Costs of sales and services.”

Variable-to-fixed derivative financial instruments (swap agreements) have been entered into to mitigate the effects of fluctuations on commission expense and on the net proceeds from agents’ receivable sales. The notional amount of the variable-to-fixed swap agreements totaled $3,195,000,000 at December 31, 2001, with an average pay rate of 5.4% and an average receive rate of 1.7%. The variable-rate portion of the swaps is generally based on Treasury bill, federal funds, or commercial paper rates. The agreements expire as follows: $375,000,000 (2002), $795,000,000 (2003), $225,000,000 (2004), $975,000,000 (2005), $600,000,000 (2006) and $225,000,000 (2007).

The swap agreements are contracts to exchange fixed and floating payments periodically over the life of the agreements without the exchange of the underlying notional amounts. The notional amounts of such agreements are used to measure amounts to be paid or received and do not represent the amount of exposure to credit loss. The amounts to be paid or received under the swap agreements are accrued consistent with the terms of the agreements and market interest rates and are recognized as an adjustment to the expense of the related transaction.

Viad maintains formal procedures for entering into swap transactions, and management regularly monitors and reports to the Audit Committee of the Board of Directors on swap activity. The agreements are with major financial institutions which are currently expected to fully perform under the terms of the agreements, thereby mitigating the credit risk from the transactions in the event of nonperformance by the counterparties. In addition, Viad regularly monitors the credit ratings of the counterparties, and the likelihood of default is considered remote.

On January 1, 2001, Viad adopted SFAS No. 133 and its related amendments and interpretations. SFAS No. 133 requires that entities record all derivatives as either assets or liabilities, measured at fair value (representing the estimated amount Viad would pay to counterparties to terminate the swap agreements), with the change in fair value of the derivative recognized in earnings or in other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. Viad's swap agreements have been designated and qualify as cash flow hedges. The length of time over which future cash flows are hedged ranges from one to six years.

Upon the adoption of SFAS No. 133, Viad recorded a liability of $12,297,000 (representing the fair value of Viad's swap agreements), a corresponding deferred tax asset of $4,796,000, and a transition adjustment of $7,501,000 reflected in other comprehensive income. At December 31, 2001, the current portion of the fair value of the swap agreements totaling $11,518,000 is included under the caption "Other current assets," and $7,291,000 is included under the caption "Other current liabilities." The noncurrent portion of the swap agreements totaling $91,414,000 is included under the caption, "Derivative financial instruments."

The effective portion of the change in fair values of derivatives that qualify as cash flow hedges under SFAS No. 133 is recorded in other comprehensive income. Amounts receivable or payable under the swap agreements are reclassified from other comprehensive income to net income as an adjustment to the expense of the related transaction. These amounts are included in the Consolidated Income Statements under "Costs of sales and services." The amount recognized in earnings due to ineffectiveness of the cash flow hedges was not material. No cash flow hedges were discontinued during the year.

Viad is also exposed to foreign currency exchange risk. Forward derivative contracts used to hedge assets and liabilities denominated in foreign currencies are recorded on the Consolidated Balance Sheets at fair value, with the change in fair value reflected in earnings. Viad records these forward contracts consistent with the accounting requirements under SFAS No. 52, "Foreign Currency Translation." While these contracts economically hedge Viad's foreign currency risk, they are not designated as hedges for accounting purposes under SFAS No. 133. The effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, is not significant.

L. Earnings Per Share

The following is a reconciliation of the numerators and denominators of diluted and basic per share computations for income from continuing operations:

	2001	2000	1999
	(000 omitted, except per share data)		
Income from continuing operations	$51,134	$140,819	$122,455
Less: Preferred stock dividends	(1,137)	(1,134)	(1,131)
Income available to common stockholders	$49,997	$139,685	$121,324
Average outstanding common shares	85,503	88,802	93,007
Additional dilutive shares related to stock-based compensation	819	2,123	3,389
Average outstanding and potentially dilutive common shares	86,322	90,925	96,396
Diluted income per share from continuing operations	$ 0.58	$ 1.54	$ 1.26
Basic income per share from continuing operations	$ 0.58	$ 1.57	$ 1.31

Options to purchase 2,643,598, 1,377,898 and 179,235 shares of common stock were outstanding during 2001, 2000 and 1999, respectively, but were not included in the computation of diluted earnings per share because the effect would be antidilutive.

M. Preferred Stock and Common Stock and Other Equity

Viad has 442,352 shares of $4.75 Preferred Stock authorized, of which 340,352 shares are issued. The holders of the $4.75 Preferred Stock are entitled to a liquidation preference of $100 per share and to annual cumulative sinking fund redemptions of 6,000 shares. Viad presently holds 105,372 shares which will be applied to this sinking fund requirement; the 234,980 shares held by others are scheduled to be redeemed in the years 2019 to 2058. In addition, Viad has authorized 5,000,000 and 2,000,000 shares of Preferred Stock and Junior Participating Preferred Stock, respectively.

Viad has one Preferred Stock Purchase Right (“Right”) outstanding on each outstanding share of its common stock. The Rights contain provisions to protect stockholders in the event of an unsolicited attempt to acquire Viad that is not believed by the Board of Directors to be in the best interest of stockholders. The Rights are represented by the common share certificates and are not exercisable or transferable apart from the common stock until such a situation arises. Viad may redeem the Rights at $0.01 per Right prior to the time any person or group has acquired 20% or more of Viad’s shares. Viad has reserved 1,000,000 shares of Junior Participating Preferred Stock for issuance in connection with the Rights.

Viad funds its matching contributions to employees’ 401(k) plans through a leveraged ESOP. All eligible employees of Viad and its participating affiliates, other than certain employees covered by collective bargaining agreements that do not expressly provide for participation of such employees in an ESOP, may participate in the ESOP.

In 1989, the ESOP borrowed $40,000,000 to purchase treasury shares from Viad. The ESOP’s obligation to repay this borrowing is guaranteed by Viad; therefore, the unpaid balance of the borrowing ($16,925,000 and $18,675,000 at December 31, 2001 and 2000, respectively) has been reflected in the accompanying Consolidated Balance Sheets as long-term debt. The same amounts, representing unearned employee benefits, have been recorded as a deduction from common stock and other equity. The liability is reduced as the ESOP repays the borrowing, and the amount offsetting common stock and other equity is reduced as stock is allocated to employees and benefits are charged to expense. The ESOP intends to repay the loan (plus interest) using Viad contributions and dividends received on the unallocated Viad shares held by the ESOP.

Information regarding ESOP transactions for the years ended December 31 was as follows:

	2001	2000	1999
		(000 omitted)	
Amounts paid by ESOP for:			
Debt repayment	$1,750	$1,325	$2,000
Interest	678	1,115	917
Amounts received from Viad as:			
Dividends	$ 727	$ 808	$ 847
Contributions	1,649	1,615	2,080

Shares are released for allocation to participants based upon the ratio of the current year’s principal and interest payments to the sum of the total principal and interest payments expected over the remaining life of the plan. Expense is recognized based upon the greater of cumulative cash payments to the plan or 80% of the cumulative expense that would have been recognized under the shares allocated method, in accordance with Emerging Issues Task Force Issue No. 89-8, “Expense Recognition for Employee Stock Ownership Plans.” Under this method, Viad has recorded expense of $1,701,000, $1,631,000, and $2,067,000 in 2001, 2000, and 1999, respectively.

Unallocated shares held by the ESOP totaled 1,860,000 and 2,095,000 at December 31, 2001 and 2000, respectively. Shares allocated during 2001 and 2000 totaled 235,000 and 207,000, respectively.

In 1992, Viad sold treasury stock to Viad's Employee Equity Trust (the "Trust") in exchange for a promissory note. The Trust is used to fund certain existing employee compensation and benefit plans. For financial reporting purposes, the Trust is consolidated with Viad and the promissory note ($27,697,000 at December 31, 2001) and dividend and interest transactions are eliminated in consolidation. The fair market value ($68,074,000 and $78,185,000 at December 31, 2001 and 2000, respectively) of the 2,874,753 and 3,399,343 remaining shares held by the Trust at December 31, 2001 and 2000, respectively, representing unearned employee benefits, is shown as a deduction from common stock and other equity and is reduced as employee benefits are funded. The difference between the cost and fair value of shares held is included in additional capital.

At December 31, 2001, retained income of $216,047,000 was unrestricted as to payment of dividends by Viad.

N. Stock-Based Compensation

In 1997, stockholders adopted the Viad Corp Omnibus Incentive Plan ("Omnibus Plan"). The Omnibus Plan provides for the following types of awards to officers, directors and certain key employees: (a) incentive and nonqualified stock options; (b) stock appreciation rights ("SARs"); (c) restricted stock; and (d) performance-based awards. The number of shares available for grant under the Omnibus Plan in each calendar year is equal to 2% of the total number of shares of common stock outstanding as of the first day of each year. Any shares available for grant in a particular calendar year which are not granted in such year are added to the shares available for grant in any subsequent calendar year.

Stock options are granted for terms of ten years at an exercise price based on the market value at the date of grant, and are exercisable 50% after one year with the balance exercisable after two years from the date of grant. Stock options granted since 1998 contain certain forfeiture and noncompete provisions.

Performance-based stock awards (82,200 and 77,200 shares awarded in 2000 and 1999, respectively, at a fair market value per share of $24.44, and $29.50, respectively) vest at the end of a three-year period from the date of grant, based on total shareholder return relative to the applicable stock and industry indices specified at the time of each award. Vested shares with respect to performance periods beginning in 1998, 1997, and 1996 totaled 26,646 in 2001, 70,361 in 2000, and 139,815 in 1999, respectively. Throughout the performance period, holders of the performance-based stock have the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the stock. There were no performance-based stock awards granted in 2001.

Restricted stock and performance-driven restricted stock awards of 340,600 shares were granted in 2001 at a weighted average price (based on fair market value at date of grant) of $21.69 per share. The restricted stock awards vest three years from the date of grant. Performance-driven restricted stock vests five years from the date of grant; but, a portion of the award may vest, on an accelerated basis, as early as three years from the date of grant if certain long-term incentive performance targets are met or exceeded. Holders of the restricted stock have the right to receive dividends and vote the shares, but may not sell, assign, transfer, pledge or otherwise encumber the stock.

Information with respect to stock options for the years ended December 31 is as follows:

	Shares	Weighted Average Exercise Price	Options Exercisable
Options outstanding at December 31, 1998	8,721,919	$13.38	
Granted	800,500	29.46	
Exercised	(2,357,122)	12.24	
Canceled	(260,676)	23.20	
Options outstanding at December 31, 1999	6,904,621	15.27	5,838,871
Granted	995,403	24.47	
Exercised	(1,924,706)	10.57	
Canceled	(178,028)	25.74	
Options outstanding at December 31, 2000	5,797,290	18.09	4,451,659
Granted	2,006,617	23.80	
Exercised	(1,739,109)	12.10	
Canceled	(414,130)	25.61	
Options outstanding at December 31, 2001	5,650,668	21.40	3,466,201

The following table summarizes information concerning stock options outstanding and exercisable at December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted Remaining Contractual Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 5.51 to $13.05	824,197	2.4 years	$11.73	824,197	$11.73
$13.88 to $18.34	1,017,320	4.7 years	16.17	1,017,320	16.17
$18.59 to $24.44	1,403,441	8.8 years	22.78	429,774	24.44
$24.78 to $25.20	1,808,010	8.1 years	25.07	621,510	24.82
$25.25 to $29.50	597,700	7.3 years	29.34	573,400	29.46
$ 5.51 to $29.50	5,650,668	6.7 years	21.40	3,466,201	19.89

Viad applies APB Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than for performance-based and restricted stock awards, which gave rise to compensation expense aggregating $1,261,000, $727,000, and $4,607,000 in 2001, 2000, and 1999, respectively.

Assuming Viad had recognized compensation cost for stock options and performance-based and restricted stock awards in accordance with the fair value method of accounting defined in SFAS No. 123, income from continuing operations and diluted income per share from continuing operations would be as presented in the table below. Compensation cost calculated under SFAS No. 123 is recognized ratably over the vesting period and is net of estimated forfeitures and the tax benefit on nonqualified stock options.

	2001	2000	1999
	(000 omitted, except per share data)		
Income from continuing operations:			
As reported	$51,134	$140,819	$122,455
Pro forma	45,159	135,368	118,759
Diluted income per share from continuing operations:			
As reported	$ 0.58	$ 1.54	$ 1.26
Pro forma	0.51	1.48	1.22

For purposes of applying SFAS No. 123, the estimated fair value of stock options granted during 2001, 2000, and 1999 was $7.25, $8.15, and $9.17 per share, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2001	2000	1999
Expected dividend yield	1.5%	1.5%	1.2%
Expected volatility	30.4%	29.1%	28.3%
Risk-free interest rate	4.80%	6.85%	5.46%
Expected life	5 years	5 years	5 years

O. Income Taxes

Deferred income tax assets (liabilities) included in the Consolidated Balance Sheets at December 31 related to the following:

	2001	2000
	(000 omitted)	
Property and equipment	$ (29,636)	$(31,614)
Deferred income	3,581	3,653
Pension, compensation and other employee benefits	45,149	40,653
Provisions for losses	49,233	41,700
Unrealized gain on securities classified as available for sale	(19,102)	(419)
Unrealized loss on derivative financial instruments	33,975	
State income taxes	16,011	14,235
Tax credit carryforwards	24,936	9,200
Other deferred income tax assets	16,341	20,438
Other deferred income tax liabilities	(22,512)	(23,872)
	117,976	73,974
Foreign deferred tax liabilities included above	10,704	12,672
United States deferred tax assets	$128,680	$ 86,646

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The (benefit) provision for income taxes on income from continuing operations for the years ended December 31 consisted of the following:

	2001	2000	1999
	(000 omitted)		
Current:			
United States:			
Federal	$ 15,739	$ (2,262)	$15,606
State	7,259	2,324	3,583
Foreign	9,094	13,451	9,075
	32,092	13,513	28,264
Deferred	(36,480)	12,705	2,700
Income tax (benefit) expense	$ (4,388)	$26,218	$30,964

Certain tax benefits related primarily to stock option exercises and dividends paid to the ESOP totaling $6,733,000, $8,417,000, and $8,832,000 in 2001, 2000, and 1999, respectively, were credited to common stock and other equity.

Eligible subsidiaries (including sold and discontinued businesses up to their respective disposition dates) are included in the consolidated federal and other applicable income tax returns of Viad. Income tax refunds received in 2001 and income taxes paid in 2000 and 1999 including amounts paid on behalf of the sold and discontinued businesses, including refunds received related to prior years, amounted to $16,429,000, $11,261,000, and $99,271,000, respectively.

A reconciliation of the provision for income taxes on income from continuing operations and the amount that would be computed using statutory federal income tax rates for the years ended December 31 was as follows:

	2001		2000		1999	
	(000 omitted)					
Computed income taxes at statutory federal income tax rate of 35%	$ 16,361	35.0%	$ 58,463	35.0%	$ 53,697	35.0%
Nondeductible goodwill amortization	3,443	7.4%	3,337	2.0%	2,678	1.7%
State income taxes	1,672	3.6%	3,075	1.8%	2,619	1.7%
Other, net	364	0.7%	(1,582)	(0.9)%	1,226	0.9%
Provision for income taxes before the effect of tax-exempt income	21,840	46.7%	63,293	37.9%	60,220	39.3%
Tax-exempt income	(26,228)	(56.1)%	(37,075)	(22.2)%	(29,256)	(19.1)%
Income tax (benefit) expense	$ (4,388)	(9.4)%	$ 26,218	15.7%	$ 30,964	20.2%

United States and foreign income before income taxes from continuing operations for the years ended December 31 was as follows:

	2001	2000	1999
		(000 omitted)	
United States	$22,865	$135,798	$130,534
Foreign	23,881	31,239	22,885
Income before income taxes	$46,746	$167,037	$153,419

P. Pension and Other Postretirement Benefits

Pension Benefits. Viad has trusteed, noncontributory pension plans that cover certain employees. Pension benefits are supplemented, in most cases, by defined matching company stock contributions to employees' 401(k) plans as described in Note M. In addition, Viad retained the obligations for such benefits for employees of certain sold businesses. Through December 31, 2000, the principal retirement plan was structured using a traditional defined benefit formula based primarily on final average pay and years of service. Benefits earned under this formula ceased accruing at December 31, 2000, with no change to retirement benefits earned through that date. Effective January 1, 2001, benefits began accruing under a cash accumulation account formula based upon a percentage of pay plus interest. Funding policies provide that payments to defined benefit pension trusts shall be at least equal to the minimum funding required by applicable regulations. Certain defined pension benefits, primarily those in excess of benefit levels permitted under qualified pension plans, are unfunded.

Net periodic pension cost for defined benefit plans for the years ended December 31 includes the following components:

	2001	2000	1999
		(000 omitted)	
Service cost	$ 2,592	$ 2,433	$ 2,554
Interest cost	12,144	11,686	11,037
Expected return on plan assets	(13,538)	(12,816)	(12,407)
Amortization of prior service cost	955	835	674
Recognized net actuarial loss	344	629	820
Net periodic pension cost	$ 2,497	$ 2,767	$ 2,678

Contributions to multiemployer pension plans totaled $14,617,000, $16,456,000, and $13,578,000 in 2001, 2000, and 1999, respectively. Costs of 401(k) defined contribution and other pension plans totaled $2,054,000, $2,464,000, and $1,383,000 in 2001, 2000, and 1999, respectively.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table indicates the plans' funded status and amounts recognized in Viad's Consolidated Balance Sheets at December 31:

	Funded Plans		Unfunded Plans	
	2001	2000	2001	2000
	(000 omitted)			
Change in projected benefit obligation:				
Benefit obligation at beginning of year	$123,069	$118,289	$ 37,223	$ 34,620
Service cost	1,262	1,478	1,330	955
Interest cost	8,983	8,999	3,161	2,687
Plan amendments	(5,589)		3,895	835
Actuarial adjustments	9,585	1,223	3,433	274
Curtailments			(56)	
Benefits paid	(7,526)	(6,920)	(2,751)	(2,148)
Benefit obligation at end of year(1)	129,784	123,069	46,235	37,223
Change in plan assets:				
Fair value of plan assets at beginning of year	133,168	145,836		
Actual return on plan assets	(4,183)	(5,765)		
Company contributions	28	17	2,751	2,148
Benefits paid	(7,526)	(6,920)	(2,751)	(2,148)
Fair value of plan assets at end of year	121,487	133,168	—	—
Funded status	(8,297)	10,099	(46,235)	(37,223)
Unrecognized net transition asset	(77)	(369)		
Unrecognized prior service (reduction) cost	(4,150)	1,083	7,718	5,427
Unrecognized actuarial loss (gain)	25,804	(1,503)	9,622	6,536
Net amount recognized	$ 13,280	$ 9,310	$(28,895)	$(25,260)

(1) The accumulated benefit obligation for the funded pension plans was $128,226,000 and $115,045,000 as of December 31, 2001 and 2000, respectively, and the accumulated benefit obligation for the unfunded pension plans was $38,379,000 and $32,759,000 as of December 31, 2001 and 2000, respectively.

The total amounts recognized in Viad's Consolidated Balance Sheets at December 31 were as follows:

	Funded Plans		Unfunded Plans	
	2001	2000	2001	2000
	(000 omitted)			
Prepaid pension cost	$ 13,324	$9,365	$ —	$ —
Accrued pension liability	(17,528)	(177)	(38,560)	(33,091)
Intangible asset			6,012	5,192
Deferred tax asset	6,119	43	1,279	923
Accumulated other comprehensive income	11,365	79	2,374	1,716
Net amount recognized	$ 13,280	$9,310	$(28,895)	$(25,260)

Postretirement Benefits Other Than Pensions. Viad and certain of its subsidiaries have defined benefit postretirement plans that provide medical and life insurance for certain eligible employees, retirees and

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

dependents. The related postretirement benefit liabilities are recognized over the period that services are provided by employees. In addition, Viad retained the obligations for such benefits for retirees of certain sold businesses. While the plans have no funding requirements, Viad may fund the plans. As described in Note C, on December 31, 1999, Viad contributed a portion of its investment in the Arizona Diamondbacks limited partnership to the Viad Corp Medical Plan Trust to fund certain postretirement benefits.

The net periodic postretirement benefit cost for the years ended December 31 included the following components:

	2001	2000	1999
	(000 omitted)		
Service cost	$ 332	$ 315	$ 594
Interest cost	2,591	2,604	2,664
Expected return on plan assets	(383)	(372)	
Amortization of prior service cost	(643)	(645)	(408)
Recognized net actuarial gain	(82)	(77)	(77)
Net periodic postretirement benefit cost	$1,815	$1,825	$2,773

The status of the plans as of December 31 is set forth below:

	2001	2000
	(000 omitted)	
Change in accumulated benefit obligation:		
Benefit obligation at beginning of year	$ 34,894	$ 33,711
Service cost	332	315
Interest cost	2,591	2,604
Actuarial adjustments	1,657	1,320
Curtailments		(176)
Benefits paid	(2,901)	(2,880)
Benefit obligation at end of year	36,573	34,894
Change in plan assets:		
Fair value of plan assets at beginning of year	11,719	11,347
Actual return on plan assets	(6,136)	372
Company contributions	2,901	2,880
Benefits paid	(2,901)	(2,880)
Fair value of plan assets at end of year	5,583	11,719
Funded status	(30,990)	(23,175)
Unrecognized prior service reduction	(6,157)	(6,800)
Unrecognized net actuarial loss (gain)	5,041	(3,192)
Accrued postretirement benefit cost	$(32,106)	$(33,167)

The assumed health care cost trend rate used in measuring the 2001 and 2000 accumulated postretirement benefit obligation was 6% and 7%, respectively, declining to 5% for the year 2002 and remaining at that level thereafter for retirees below age 65; and 5.5% and 6.0%, respectively, declining to 5% for the year 2002 and remaining at that level thereafter for retirees above age 65.

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, 2001 by approximately $3,804,000 and the ongoing annual expense by approximately $377,000. 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, 2001 by approximately $3,237,000 and the ongoing annual expense by approximately $311,000.

Weighted Average Assumptions. Weighted average assumptions used at December 31 were as follows:

	Pension Benefits		Other Benefits	
	2001	2000	2001	2000
Discount rate	7.25%	7.75%	7.25%	7.75%
Expected return on plan assets	10.00%	10.00%	3.75%	3.75%
Rate of compensation increase	4.50%	4.50%	N/A	N/A

Q. Leases

Certain offices, equipment, and other facilities are leased. The leases expire over periods generally ranging from one to 12 years, and some leases provide for renewal options ranging from one to 29 years. Leases which expire are generally renewed or replaced by similar leases.

At December 31, 2001, Viad's future minimum rental payments and related sublease rentals receivable with respect to noncancelable operating leases with terms in excess of one year were as follows:

	Rental Payments	Rentals Receivable Under Subleases
	(000 omitted)	
2002	$ 32,888	$ 4,201
2003	28,540	3,560
2004	24,852	3,360
2005	21,397	3,249
2006	18,512	3,215
Thereafter	82,149	9,046
Total	$208,338	$26,631

Net rent expense under operating leases for the years ended December 31 consisted of the following:

	2001	2000	1999
		(000 omitted)	
Minimum rentals	$40,002	$38,809	$39,986
Sublease rentals	(2,607)	(2,613)	(3,021)
Total rentals, net	$37,395	$36,196	$36,965

R. Litigation, Claims and Other Contingencies

Viad and certain of its subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings, or claims could be decided against Viad. Although the amount of liability at December 31, 2001, with respect to certain of these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, will not have a material effect on Viad’s financial statements.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recoveries, will not have a material effect on Viad's financial statements.

S. Segment Information

Viad measures profit and performance of its operations on the basis of operating income before restructuring charges and other items.

The accounting policies of the operating segments are the same as those described in Note A, except that an adjustment is made to the Payment Services segment to present revenues and operating income on a fully taxable equivalent basis as though amounts were invested in taxable investments. Consolidated revenues, operating income and interest expense for 2000 and 1999 also reflect the elimination of intercompany interest payments on investments in Viad commercial paper by a Payment Services subsidiary. Intersegment sales and transfers are not significant. Corporate activities include expenses not allocated to operations. Depreciation and amortization are the only significant noncash items for the reportable segments.

Viad's two reportable segments are Payment Services and Convention and Event Services. The Payment Services segment sells money orders through agents, performs official check and negotiable instrument clearing services for banks and credit unions, and provides cash access services to gaming establishments throughout the United States. In addition, the segment provides consumer money wire transfer services throughout the world. The Convention and Event Services segment provides decorating, exhibit design and fabrication, installation and dismantling, and electrical, transportation and management services for conventions, tradeshows, associations and other corporate events; and designs and builds convention, tradeshow, museum and other exhibits and displays throughout the world.

The remaining categories represent ongoing Travel and Recreation Services businesses below reportable segment quantitative thresholds, sold businesses not classified as discontinued operations, and corporate activities. These categories are presented to reconcile to total results. Ongoing Travel and Recreation Services includes Viad's Canadian travel tour service subsidiary, which operates tours and charters in the Canadian Rockies and conducts hotel operations and snowcoach tours of the Columbia Icefield; and Glacier Park, Inc., which operates historic lodges in and around Glacier National Park. Sold businesses are described in Note C.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Disclosures regarding Viad's reportable segments with reconciliations to consolidated totals are presented in the accompanying tables.

	2001	2000	1999
		(000 omitted)	
Revenues:			
Payment Services	$ 760,740	$ 671,683	$ 581,492
Convention and Event Services	884,044	1,032,115	932,768
Reportable segments	1,644,784	1,703,798	1,514,260
Travel and Recreation Services	61,453	72,508	78,977
Subtotal, ongoing operations	1,706,237	1,776,306	1,593,237
Sold travel and recreation businesses		19,023	45,647
Intercompany interest elimination		(2,297)	(5,681)
Less taxable equivalent adjustment(1)	(46,847)	(66,224)	(52,034)
	$1,659,390	$1,726,808	$1,581,169
Operating income before restructuring charges and other items:			
Payment Services	$ 176,615	$ 160,055	$ 128,487
Convention and Event Services(2)	32,563	75,510	89,758
Reportable segments	209,178	235,565	218,245
Travel and Recreation Services	14,698	19,123	16,364
Subtotal, ongoing operations	223,876	254,688	234,609
Sold travel and recreation businesses		2,467	716
Corporate activities	(12,029)	(9,783)	(19,369)
Intercompany interest elimination		(2,297)	(5,681)
Less taxable equivalent adjustment(1)	(46,847)	(66,224)	(52,034)
	165,000	178,851	158,241
Other investment income(3)	5,652	13,115	14,468
Interest expense	(25,936)	(25,303)	(26,888)
Restructuring charges and other items(4)	(96,644)	2,091	9,676
Minority interests	(1,326)	(1,717)	(2,078)
Income before income taxes(2)	$ 46,746	$ 167,037	$ 153,419

(1) The fully taxable equivalent adjustment for Payment Services' income from tax-exempt securities is calculated based on a combined income tax rate of 39%.

(2) As restated for 2000 and 1999. See Note B.

(3) See Note F.

(4) See Note C.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	2001	2000	1999
		(000 omitted)	
Assets:			
Payment Services(1)	$7,427,394	$5,618,400	$4,141,818
Convention and Event Services(2)	497,216	591,186	532,171
Reportable segments	7,924,610	6,209,586	4,673,989
Travel and Recreation Services	76,709	79,590	78,662
Subtotal, ongoing operations	8,001,319	6,289,176	4,752,651
Sold travel and recreation businesses			16,171
Corporate and other	362,740	262,316	483,347
Elimination of intercompany commercial paper			(50,000)
	$8,364,059	$6,551,492	$5,202,169
Depreciation and amortization:			
Payment Services	$ 31,680	$ 28,071	$ 25,285
Convention and Event Services	30,965	32,275	27,979
Reportable segments	62,645	60,346	53,264
Travel and Recreation Services	4,219	4,176	3,686
Subtotal, ongoing operations	66,864	64,522	56,950
Sold travel and recreation businesses		1,163	2,462
Corporate and other	2,232	2,915	3,567
	$ 69,096	$ 68,600	$ 62,979
Capital expenditures:			
Payment Services	$ 32,225	$ 24,810	$ 41,830
Convention and Event Services	15,143	13,321	14,739
Reportable segments	47,368	38,131	56,569
Travel and Recreation Services	1,997	4,634	4,416
Subtotal, ongoing operations	49,365	42,765	60,985
Sold travel and recreation businesses		62	528
Corporate and other	418	2,379	497
	$ 49,783	$ 45,206	$ 62,010

(1) Includes assets restricted for payment service obligations of $6,899,374,000 (2001), $5,093,118,000 (2000), and $3,589,064,000 (1999), including $50,000,000 in 1999 invested in Viad commercial paper.

(2) As restated for 2000 and 1999. See Note B.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Geographic Areas. Viad's foreign operations are located principally in Canada and Europe. Convention and Event Services revenues are designated as foreign based on the originating location of the product or service plus exports to foreign shows. Payment Services foreign revenues are defined as revenues generated from wire transfer transactions originating in a country other than the United States. Long-lived assets are attributed to domestic or foreign based principally on physical location of the assets. Long-lived assets consist of "Property and equipment" and "Other investments and assets." The table below presents the financial information by major geographic area:

	2001	2000	1999
		(000 omitted)	
Revenues:			
United States	$1,442,577	$1,521,161	$1,418,050
Foreign	216,813	205,647	163,119
Total revenues	$1,659,390	$1,726,808	$1,581,169
Long-lived assets:			
United States	$ 270,292	$ 322,927	$ 365,383
Foreign	57,903	66,197	69,399
Total long-lived assets	$ 328,195	$ 389,124	$ 434,782

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

T. Condensed Consolidated Quarterly Results (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(000 omitted, except per share data)				
2001					
Revenues:(1)	$459,564	$444,566	$390,086	$365,174	$1,659,390
Operating income:(1)					
Ongoing operations(2)	$ 44,886	$ 58,001	$ 37,175	$ 36,967	$ 177,029
Corporate activities(3)	(4,841)	(3,953)	(1,709)	(1,526)	(12,029)
Restructuring charges and other items(4)		(29,274)	(67,370)		(96,644)
Operating income	$ 40,045	$ 24,774	$ (31,904)	$ 35,441	$ 68,356
Net income	$ 24,302	$ 17,409	$ (15,764)	$ 25,187	$ 51,134
Diluted net income per common share(5)	0.28	0.20	(0.19)	0.29	0.58
Basic net income per common share	0.28	0.20	(0.19)	0.29	0.58
Fully taxable equivalent adjustment(1)	12,902	12,777	10,950	10,218	46,847
2000					
Revenues:(1)					
Ongoing operations	$402,918	$464,165	$427,657	$413,045	$1,707,785
Sold businesses	5,301	12,363	1,359		19,023
Revenues	$408,219	$476,528	$429,016	$413,045	$1,726,808
Operating income:(1)					
Ongoing operations(2)(6)	$ 40,428	$ 58,928	$ 55,652	$ 31,159	$ 186,167
Sold businesses(2)	863	1,294	310		2,467
Corporate activities(3)	(4,761)	(4,757)	(2,510)	2,245	(9,783)
Restructuring charges and other items(4)			(8,165)		(8,165)
Operating income(6)	$ 36,530	$ 55,465	$ 45,287	$ 33,404	$ 170,686
Net income(6)	$ 26,053	$ 42,308	$ 44,012	$ 28,446	$ 140,819
Diluted net income per common share(5)(6)	0.28	0.46	0.48	0.32	1.54
Basic net income per common share(6)	0.29	0.47	0.49	0.32	1.57
Fully taxable equivalent adjustment(1)	14,339	16,846	17,525	17,514	66,224

(1) Viad Payment Services subsidiaries invest substantial amounts in tax-exempt securities. On a fully taxable equivalent basis using a combined tax rate of 39%, revenues and operating income would be higher by the fully taxable equivalent adjustments shown above.

(2) Represents revenues less cost of sales and services.

(3) The third and fourth quarters of 2000 and 2001 include reversal of expense provisions associated with certain of Viad's incentive plans because aggressive targets were not achieved.

(4) In the second quarter of 2001, Viad recorded a noncash provision totaling $29,274,000 representing primarily the write-off of net receivables and prepayments made to Key3Media. In the third quarter of 2001, Viad's Payment Service subsidiary recorded a charge totaling $5,000,000 resulting from the bankruptcy of a large money order agent. Also in the third quarter of 2001, Viad recorded restructuring charges totaling $62,370,000 associated with the closure and consolidation of certain facilities, severance and other employee benefits. In the third quarter of 2000, Viad recorded a restructuring charge of $8,165,000 to streamline and consolidate certain operations in Viad's Convention and Event Services segment. See Note C.

(5) Includes restructuring charges and other items of $61,203,000 (after-tax), or $0.71 per diluted share in 2001, and $877,000 income (after-tax) or $0.01 per diluted share, in 2000. Excluding these items, diluted income per share was:

	2001	**2000**
First Quarter	$0.28	$0.28
Second Quarter	0.41	0.46
Third Quarter	0.31	0.47
Fourth Quarter	0.29	0.32
Total	$1.29	$1.53

(6) Amounts shown for the 2000 fourth quarter are as restated. See Note B. As a result of the restatement, 2000 fourth quarter operating income declined $6,121,000, net income declined $3,673,000, diluted net income per common share declined $0.04, and basic net income per common share declined $0.05 from amounts previously reported. The restatement had no impact on the unaudited quarterly results previously reported for the 2001 and 2000 first, second, and third quarters.

REPORT OF MANAGEMENT

The management of Viad Corp has the responsibility for preparing and assuring the integrity and objectivity of the accompanying financial statements and other financial information in this report. The financial statements were developed using accounting principles generally accepted in the United States of America and appropriate policies, consistently applied. They reflect, where applicable, management's best estimates and judgments and include relevant disclosures and explanations.

Viad's financial statements have been audited by Deloitte & Touche LLP. Their audit was conducted in accordance with auditing standards generally accepted in the United States of America. The Independent Auditors' Report appears below.

Management has established and maintains a system of internal control that it believes provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets, and the prevention and detection of fraudulent financial reporting. The system of internal control is believed to provide for appropriate division of responsibilities and is documented by written policies and procedures that are utilized by employees involved in the financial reporting process. Viad also maintains a comprehensive internal auditing function which independently monitors compliance and assesses the effectiveness of the internal controls and recommends potential improvements thereto.

In addition, as part of their audit of Viad's financial statements, the independent auditors review and evaluate selected internal accounting and other controls to establish a basis for reliance thereon in determining the audit tests to be applied. There is close coordination of audit planning and coverage between Viad's internal auditing function and the independent auditors. Management has considered the recommendations of both internal auditing and the independent auditors concerning Viad's system of internal control and has taken actions believed to be cost-effective in the circumstances to implement appropriate recommendations and otherwise enhance controls. Management believes that Viad's system of internal control accomplishes the objectives discussed herein.

The Board of Directors oversees Viad's financial reporting through its Audit Committee. The Audit Committee regularly meets with management and, jointly and separately, with the independent auditors and internal auditing management to review interest rate swap activity, accounting, auditing, financial reporting and internal control matters and the effectiveness of Viad's Corporate Compliance Program.

/s/ ROBERT H. BOHANNON	/s/ KIMBRA A. FRACALOSSI	/s/ CATHERINE L. STEVENSON
Robert H. Bohannon Chairman, President and Chief Executive Officer	Kimbra A. Fracalossi Chief Financial Officer	Catherine L. Stevenson Vice President — Controller

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of Viad Corp:

We have audited the accompanying consolidated balance sheets of Viad Corp as of December 31, 2001 and 2000, and the related consolidated statements of income, comprehensive income, cash flows, and common stock and other equity for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Viad Corp as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B of Notes to Consolidated Financial Statements, the accompanying consolidated balance sheet as of December 31, 2000, and the related consolidated statements of income, comprehensive income, cash flows and common stock and other equity for the years ended December 31, 2000 and 1999, have been restated.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Phoenix, Arizona
February 21, 2002

EXHIBIT INDEX

EXHIBITS. #	
3.A	Copy of Restated Certificate of Incorporation of Viad Corp, as amended through August 15, 1996, filed as Exhibit 3.A to Viad Corp's 1996 Form 10-K, is hereby incorporated by reference.
3.B	Copy of Bylaws of Viad Corp, as amended through November 19, 1998, filed as Exhibit 3.B to Viad Corp's 1998 Form 10-K, is hereby incorporated by reference.
4.A	Instruments with respect to issues of long-term debt have not been filed as exhibits to this Annual Report on Form 10-K if the authorized principal amount of any one of such issues does not exceed 10% of total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation agrees to furnish a copy of each such instrument to the Securities and Exchange Commission upon request.
4.B	Copy of Amended and Restated Credit Agreement (Long-Term Revolving Credit Facility) dated as of August 31, 2001, filed as Exhibit 4.A to Viad Corp's Form 10-Q for the period ended September 30, 2001, is hereby incorporated by reference.
4.B1	Copy of Credit Agreement (Short-Term Revolving Credit Facility) dated as of August 31, 2001, filed as Exhibit 4.B to Viad Corp's Form 10-Q for the period ended September 30, 2001, is hereby incorporated by reference.
4.B2	Copy of First Amendment dated October 3, 2001 to Amended and Restated Credit Agreement (Long Term Revolving Credit Facility) dated as of August 31, 2001.*
10.A	Copy of Viad Corp 1992 Stock Incentive Plan as amended August 15, 1996, filed as Exhibit 4.3 to Viad Corp's Registration Statement on Form S-8 (Registration No. 333-63397), is hereby incorporated by reference.+
10.B	Copy of 1997 Viad Corp Omnibus Incentive Plan, as amended through February 15, 2001, filed as Exhibit 10.A to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+
10.C1	Copy of Performance Driven Restricted Stock Agreement pursuant to the 1997 Viad Corp Omnibus Incentive Plan, filed as Exhibit 10.B to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+
10.C2	Copy of Restricted Stock Agreement (periodic vesting) pursuant to the 1997 Viad Corp Omnibus Incentive Plan, filed as Exhibit 10.C to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+
10.C3	Copy of Restricted Stock Agreement pursuant (three year cliff vesting) to the 1997 Viad Corp Omnibus Incentive Plan.+*
10.D	Copy of Viad Corp Management Incentive Plan, as amended March 15, 2001, filed as Exhibit 10.D to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+
10.E	Copy of Viad Corp Performance Unit Incentive Plan, as amended August 15, 2001.+*
10.F	Copy of Viad Corp Performance-Based Stock Plan, as amended and restated effective May 1998, filed as Exhibit 10.D to Viad Corp's Second Quarter 1998 Form 10-Q, is hereby incorporated by reference.+
10.G	Viad Corp Deferred Compensation Plan, Amended and Restated as of August 15, 2000, filed as Exhibit 10.A to Viad Corp's Form 10-Q for the period ended September 30, 2000, is hereby incorporated by reference.+
10.H1	Copy of form of Amended and Restated Executive Severance Agreement effective as of March 15, 2001, between Viad Corp and Chairman, President and Chief Executive Officer, filed as Exhibit 10.F(i) to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+
10.H2	Copy of forms of Viad Corp Amended and Restated Executive Severance Plans covering certain executive officers, filed as Exhibit 10.F(ii) to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+
10.I	Copy of Employment Agreement between Viad Corp and Robert H. Bohannon dated April 1, 1998, filed as Exhibit 10 to Viad Corp's First Quarter 1998 Form 10-Q, is hereby incorporated by reference.+

EXHIBITS. #	
10.J	Copy of Employment Agreement between Viad Corp and Gordon W. Anderson effective January 1, 2001, filed as Exhibit 10.J to Viad Corp's 2000 Form 10-K, is hereby incorporated by reference.+
10.K	Copy of Viad Corp Supplemental TRIM Plan, filed as Exhibit 10.M to Viad Corp's 1994 Form 10-K, is hereby incorporated by reference.+
10.K1	Copy of First Amendment, dated as of May 8, 2001, to the Viad Corp Supplemental TRIM Plan, filed as Exhibit 10.A to Viad Corp's Form 10-Q for the period ended June 30, 2001, is hereby incorporated by reference.+
10.L	Copy of Viad Corp Supplemental Pension Plan, as amended and restated effective January 1, 2001, filed as Exhibit 10.B to Viad Corp's Form 10-Q for the period ending June 30, 2001, is hereby incorporated by reference.+
10.M	Copy of Travelers Express Company, Inc. Supplemental Pension Plan, restated as of January 1, 2001, filed as Exhibit 10.A to Viad Corp's Form 10-Q for the period ending September 30, 2001, is hereby incorporated by reference.+
10.N	Copy of GES Exposition Services, Inc. Supplemental Executive Retirement Plan, restated as of January 1, 2001, filed as Exhibit 10.B to Viad Corp's Form 10-Q for the period ending September 30, 2001, is hereby incorporated by reference.+
10.O	Copy of Viad Corp Deferred Compensation Plan for Directors, as Amended and Restated July 25, 1996, filed as Exhibit 10.D to Viad Corp's 1996 Form 10-K, is hereby incorporated by reference.+
10.P	Copy of Viad Corp Director's Charitable Award Program as amended through March 15, 1996, filed as Exhibit 10.T to Viad Corp's 1995 Form 10-K, is hereby incorporated by reference.+
10.Q	Description of Viad Corp Director's Matching Gift Program, filed as Exhibit 10.Q to Viad Corp's 1999 Form 10-K, is hereby incorporated by reference.+
21	List of Subsidiaries of Viad Corp.*
23	Independent Auditors' Consent to the incorporation by reference into specified registration statements on Form S-3 or on Form S-8 of their report contained in this report.*
24	Power of Attorney signed by Directors of Viad Corp.*

* Filed herewith.

\+ Management contract or compensation plan or arrangement.

EXHIBIT 4.B2
FIRST AMENDMENT DATED OCTOBER 3, 2001

TO AMENDED AND RESTATED CREDIT AGREEMENT (LONG TERM REVOLVING CREDIT FACILITY) DATED AS OF AUGUST 31, 2001

This FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "AMENDMENT") is dated as of October 3, 2001 and entered into by and among VIAD CORP, a Delaware corporation (the "COMPANY"), as the Domestic Borrower and as the Guarantor, GREYHOUND CANADA HOLDINGS, INC., an Alberta corporation (the "CANADIAN BORROWER", and together with the Domestic Borrower, collectively, the "BORROWERS"), the undersigned Lenders, BANK ONE, NA, as an Issuing Lender ("BANK ONE"), CITICORP USA, INC. ("CUSA"), as the administrative agent for the Lenders hereunder (in such capacity, the "ADMINISTRATIVE AGENT") and CITIBANK CANADA, special administrative agent for the Canadian Lenders (the "CANADIAN AGENT"), and is made with reference to that certain Amended and Restated Credit Agreement (Long Term Revolving Credit Facility), dated as of August 31, 2001, by and among the Company, the Canadian Borrower and the lenders listed on the signature pages thereof (the "LENDERS"), Bank One, the Administrative Agent and the Canadian Agent (the "CREDIT AGREEMENT"). Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement.

RECITALS

WHEREAS, the Company has requested and Requisite Lenders have agreed to modify the terms of the Credit Agreement with respect to the issuance of Letters of Credit and amend the Credit Agreement in certain other respects;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION 1. AMENDMENTS TO THE CREDIT AGREEMENT

A. AMENDMENT TO SECTION 1.01. CERTAIN DEFINED TERMS.

(i) Section 1.01 of the Credit Agreement is hereby amended by inserting the following definition:

`"Bank One" means Bank One, NA and its successors.'

(ii) Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of "Issuing Lender" and substituting the following in lieu thereof:

`"Issuing Lender" means (i) Bank One or (ii) such other U.S. Lenders that agree to Issue a Letter of Credit in accordance with Section 2.17 at the request of the Domestic Borrower.'

(iii) Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of "U.S. Lender" and substituting the following in lieu thereof:

"U.S. Lender" means each bank listed on Schedule II as a Domestic Lender and its successors and assigns.

(iv) Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of "Canadian Lenders" and substituting the following in lieu thereof:

"Canadian Lenders" means each bank listed on Schedule II hereto as a Canadian Lender and its successors and assigns, except that, in connection with the making of Loans to the Domestic Borrower under the Canadian Commitment, Canadian Lender shall mean the affiliate of a Canadian Lender that is a U.S. Lender.

B. AMENDMENT TO SECTION 2.04. FEES. Section 2.04 of the Credit Agreement is hereby amended by deleting subsection (c) thereof in its entirety and substituting the following in lieu thereof:

`(c) Letter of Credit Fee to Issuing Lender. The Domestic Borrower agrees to pay to the Administrative Agent for the account of each Issuing Lender a fee with respect to each Letter of Credit issued by such Issuing Lender payable quarterly, in arrears, on the last day of each March, June, September and December, commencing September 30, 2001 in an amount equal to the product of:

(i) the average daily aggregate amount of the outstanding Letters of Credit during such period for which such payment is to be made, times

(ii) a rate of .1250% per annum, or as otherwise agreed between such Issuing Lender and the Domestic Borrower.'

C. AMENDMENT TO SECTION 2.11. PAYMENTS AND COMPUTATIONS.

Section 2.11 of the Credit Agreement is hereby amended by inserting the following as subsection (e) thereof:

"(e) The obligations of each Borrower hereunder shall be several and not joint, subject to the provisions of Article VIII as to the obligations of the Company with respect to the Guarantied Obligations."

D. AMENDMENT TO SECTION 2.17. LETTERS OF CREDIT.

(i) Section 2.17 of the Credit Agreement is hereby amended by deleting subsection (a) thereof in its entirety and substituting the following in lieu thereof:

"(a) The Domestic Borrower may request, in accordance with the terms and conditions hereinafter set forth, from time to time on any Business Day during the period from the Closing Date until the date which occurs 30 days before the Termination Date that one or more Issuing Lenders Issue letters of credit denominated in Dollars (each a "Letter of Credit") in an aggregate face amount not to exceed $200,000,000 outstanding at any one time, each such Letter of Credit to expire on or before the earlier of (i) the Termination Date or (ii)(A) in the case of Standby Letters of Credit, unless the terms of the Letter of Credit provide for a longer period, the one year anniversary of its Issuance and (B) in the case of Commercial Letters of Credit, 180 days after the date of its Issuance. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of the Domestic Borrower herein set forth, Bank One, or another U.S. Lender designated by the Domestic Borrower (if such U.S. Lender agrees), shall Issue such Letters of Credit in accordance with the provisions of this Section 2.17 and in accordance with such U.S. Lender's standard form of application for Issuance of letters of credit; provided the Domestic Borrower shall not request that any Issuing Lender Issue any Letter of Credit if after giving effect to the Issuance of such Letter of Credit, either (I) the outstanding Letter of Credit Usage shall exceed $200,000,000 or (II) the sum of (A) the outstanding Letter of Credit Usage and (B) the equivalent in Dollars of the then outstanding Advances, shall exceed the aggregate Domestic Commitments.

On the last day of each calendar month, each Issuing Lender shall deliver to the Administrative Agent (with a copy to the Domestic Borrower) a schedule identifying all then outstanding Letters of Credit Issued by such Issuing Lender, together with details of the face amount and expiration date thereof and the name and address of each beneficiary thereof."

(ii) Section 2.17 of the Credit Agreement is hereby further amended by inserting the following as subsection (c) thereof:

"(c) Designation of Issuing Lender. The Domestic Borrower shall designate an Issuing Lender for a Letter of Credit by delivering an Issuance Notice to a U.S. Lender. In the event that the Issuing Lender designated by the Domestic Borrower elects not to Issue such Letter of Credit, the Administrative Agent shall promptly so notify the Domestic Borrower, whereupon the Domestic Borrower may request any other U.S. Lender to Issue such Letter of Credit by delivering to such U.S. Lender a copy of the applicable Issuance Notice. Any U.S. Lender so requested to issue such Letter of Credit shall promptly notify the Domestic Borrower and the Administrative Agent whether or not, in its sole discretion, it has elected to Issue such Letter of Credit, and any such U.S. Lender which so elects to Issue such Letter of Credit shall be the Issuing Bank with respect thereto. If no U.S. Lender is designated by the Domestic Borrower or if the U.S. Lender or U.S. Lenders designated by the Domestic Borrower elect not to Issue the Letter of Credit (and the Domestic Borrower has not withdrawn the Issuance Notice), the Issuing Lender shall be Bank One."

E. AMENDMENT TO SECTION 3.04. CONDITIONS TO ALL LETTERS OF CREDIT.
Section 3.04 of the Credit Agreement is hereby amended by deleting it in its entirety and substituting the following in lieu thereof:

"SECTION 3.04. CONDITIONS TO ALL LETTERS OF CREDIT. The obligation of an Issuing Lender to Issue any Letter of Credit hereunder and the Issuance of any Letter of Credit by an Issuing Lender hereunder are subject to prior or concurrent satisfaction of all of the following conditions:

(a) Notice Requesting Issuance. On or before the date of Issuance of each Letter of Credit, the Administrative Agent and the Issuing Lender each shall have received, in accordance with the provisions of Section 2.17(b), an Issuance Notice, all other information specified in Section 2.17 and such other documents and information as the applicable Issuing Lender may reasonably require in connection with the Issuance of such Letter of Credit.

(b) General Advance Conditions. On the date of Issuance of each Letter of Credit, all conditions precedent described in Section 3.02 shall be satisfied to the same extent as though the Issuance of such Letter of Credit were the making of a Borrowing and the date of Issuance of such Letter of Credit were a date of the funding of such Borrowing."

F. AMENDMENT TO SCHEDULE I: APPLICABLE LENDING OFFICES. Schedule I to the Credit Agreement is hereby amended by adding the following Domestic Lending Office and Canadian Lending Office information:

CITICORP USA, INC.

Domestic Lending Office:

c/o Global Loans Operations
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: Brian Maxwell
Facsimile: (302) 894-6120

Eurodollar Lending Office:

c/o Global Loans Operations
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: Brian Maxwell
Facsimile: (302) 894-6120

CITIBANK CANADA

Canadian Lending Office:

c/o Global Loans Operations
2 Penns Way, Suite 200
New Castle, Delaware 19720
Attn: Brian Maxwell
Facsimile: (302) 894-6120

THE CHASE MANHATTAN BANK, TORONTO BRANCH

Canadian Lending Office:

200 Bay Street, Suite 1800
Royal Bank Plaza, South Tower
Toronto, Ontario
M5J 2J2
Attn: Allana Winter
Facsimile: (416) 981-9128

G. AMENDMENT TO SCHEDULE II: COMMITMENTS. Schedule II to the Credit Agreement is hereby amended by deleting the Domestic Lender listed therein as "Citibank USA, Inc." and substituting "Citicorp USA, Inc." in lieu thereof.

SECTION 2. THE BORROWERS' REPRESENTATIONS AND WARRANTIES

To induce the Lenders to enter into this Amendment and to amend the Credit Agreement in the manner provided herein, each Borrower represents and warrants to each Lender that the following statements are true, correct and complete:

A. CORPORATE POWER AND AUTHORITY. Each Borrower has all requisite corporate power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Credit Agreement, as amended by this Amendment (the "AMENDED AGREEMENT").

B. AUTHORIZATION OF AGREEMENTS. The execution and delivery of this Amendment and the consummation of the Amended Agreement have been duly authorized by all necessary corporate action on the part of the Borrowers.

C. NO CONFLICT. The execution and delivery by the Borrowers of this Amendment and the consummation by the Borrowers of the Amended Agreement do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to the Borrowers, the certificate of incorporation or bylaws of either Borrower or any order, judgment or decree of any court or other agency of government binding on either Borrower, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any contractual obligation of either Borrower, (iii) result in or require the creation or imposition of any Lien upon any of the properties or assets of either Borrower, or (iv) require any approval of stockholders or any approval or consent of any Person under any contractual obligation of either Borrower (other than the parties hereto).

D. GOVERNMENTAL CONSENTS. The execution and delivery by the Borrowers of this Amendment and the consummation by the Borrowers of the Amended Agreement do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

E. BINDING OBLIGATION. This Amendment has been duly executed and delivered by the Borrowers and this Amendment and the Amended Agreement are the legally valid and binding obligations of the Borrowers, enforceable against each Borrower in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by principles of equity and commercial reasonableness.

F. INCORPORATION OF REPRESENTATIONS AND WARRANTIES FROM CREDIT AGREEMENT. The representations and warranties contained in Section 4.01 of the Credit Agreement are true, correct and complete in all material respects to the same extent as though made on and as of the date hereof, except as provided above or to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date.

G. ABSENCE OF DEFAULT. No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment that would, upon the giving of notice, the passage of time, or otherwise, constitute an Event of Default.

SECTION 3. CONDITIONS TO EFFECTIVENESS

Section 1 of this Amendment shall become effective as of the date hereof (such date being referred to herein as the "AMENDMENT EFFECTIVE DATE"); provided that all of the following conditions precedent shall have been satisfied:

A. The Borrowers shall have delivered to the Administrative Agent each of the following, unless otherwise noted, dated the Amendment Effective Date:

(i) A certificate of the Secretary or an Assistant Secretary of each Borrower either (a) attaching resolutions of the Board of Directors of such Borrower approving this Amendment or (b) certifying that the resolutions of the Executive Committee of the Board of Directors, with respect to the Company and the resolutions of the Board of Directors, with respect to the Canadian Borrower, delivered in connection with the closing of the Credit Agreement have not been modified and, in either case, certifying that such resolutions have not been revoked or rescinded and are in full force and effect; and

(ii) Executed copies of this Amendment.

B. All corporate and other proceedings taken in connection with the transactions contemplated hereby, and all documents incidental thereto not previously found acceptable by the Administrative Agent, shall be satisfactory in form and substance to the Administrative Agent, and the Administrative Agent shall have received all such counterpart originals or certified copies of such documents as the Administrative Agent may reasonably request.

SECTION 4. MISCELLANEOUS

A. Reference to and effect on the Credit Agreement.

(i) On and after the date this Amendment becomes effective in accordance with its terms, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Agreement.

(ii) Except as specifically amended by this Amendment, the Credit Agreement shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of, any right, power or remedy of the Administrative Agent or any Lender under, the Credit Agreement.

B. FEES AND EXPENSES. The Borrowers each acknowledge that all costs, fees and expenses as described in Section 9.04 of the Credit Agreement incurred by the Administrative Agent and its counsel with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of the Borrowers.

C. HEADINGS. Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

D. APPLICABLE LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

E. COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. Subject to the provisions of Section 3, this Amendment shall become effective as of the date hereof upon the execution and delivery of a counterpart hereof by the Borrowers, Bank One and Requisite Lenders.

[Remainder of page intentionally left blank]

EXHIBIT 4.B2

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

VIAD CORP, a Delaware corporation, as a Borrower and as a Guarantor

By *<u>/s/ Kimbra A. Fracalossi</u>*

Title: *Chief Financial Officer*

By *<u>/s/ David J. Iannini</u>*

Title: *Treasurer*

GREYHOUND CANADA HOLDINGS, INC., an
Alberta corporation, as Canadian Borrower

By *$/s/ David J. Iannini*

Title: *Assistant Treasurer*

CITICORP USA, INC. as Administrative Agent, as a Domestic Lender

By * /s/ Deborah Ironson*

Name: *Deborah Ironson*
Title: *Vice President*

CITIBANK CANADA, as Canadian Agent and as a Canadian Lender

By *\/s/ Adam Shepherd*

Title: *Vice President*

THE CHASE MANHATTAN BANK, as a Domestic Lender

By *_/s/ William P. Rindfuss_*

Title: *Vice President*

BANK ONE, NA, as a Domestic Lender

By /s/ Karen C. Ryan

Title: Vice President

BANK OF AMERICA, N.A., as Co-Documentation Agent and as a Domestic Lender

By /s/ Charles F. Lilygren

Title: Managing Director

CREDIT SUISSE FIRST BOSTON, as a Domestic Lender

By /s/ Robert Hetu
--
Title: Director

By /s/ Mark Heron
--
Title: Asst. Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Domestic Lender

By /s/ Paul K. Stimpfl

Title: Senior Vice President

WESTDEUTSCHE LANDESBANK GIROZENTRALE, as a Domestic Lender

By /s/ Barry S. Wadler

Title: Associate Director

By /s/ Walter T. Duffy III

Title: Associate Director

ABN-AMRO BANK N.V., as a Domestic Lender

By /s/ Laurie D. Flom
Title:Senior Vice President

By /s/ Wendy L. Watters
Title: Vice President

MELLON BANK, N.A., as a Domestic Lender

By /s/ L. C. Ivey

Title: First Vice President

WACHOVIA BANK, N.A., as a Domestic Lender

By /s/ Andrew B. Deskins

Title: Senior Vice President

THE INDUSTRIAL BANK OF JAPAN, LIMITED, as a Domestic Lender

By /s/ Bernardo Correa-Henschke

Title: Vice President

LEHMAN COMMERCIAL PAPER INC., as a Domestic Lender

By /s/ Mark Chesler

Title: Authorized Signatory

SUMITOMO MITSUI BANKING CORPORATION, as a Domestic Lender

By Al Galluzzo

Title: Senior Vice President

EXHIBIT 10.C3

VIAD CORP
1997 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK AGREEMENT

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

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

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

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

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

4. CERTIFICATES FOR THE SHARES. The Corporation shall issue a certificate in respect of the Shares in the name of the Employee, the number of Shares of which shall equal the amount of the award specified herein, and shall hold such certificate on deposit for the account of the Employee until the

expiration of the restrictions set forth in paragraph 2 above with respect to the Shares represented thereby. The certificate shall bear the following legend:

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

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

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

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

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

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

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

9. PLAN AND PLAN INTERPRETATIONS AS CONTROLLING. The Shares hereby awarded and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which are controlling. The Plan provides that the Corporation's Board of Directors may from time to time

make changes therein, interpret it and establish regulations for the administration thereof. The Employee, by acceptance of this Agreement, agrees to be bound by said Plan and such Board actions.

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

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

Dated: VIAD CORP

By:

ROBERT H. BOHANNON
Chairman, President and Chief Executive Officer

ATTEST:

Vice President - General Counsel
or Assistant Secretary

ACCEPTED:

<<FirstName>><<LastName>>

(RS)3

EXHIBIT 10.E

VIAD CORP

PERFORMANCE UNIT INCENTIVE PLAN

PURSUANT TO THE 1997 VIAD CORP OMNIBUS INCENTIVE PLAN

AS AMENDED AUGUST 15, 2001

1. PURPOSE

The purpose of the Plan is to promote the long-term interests of the Corporation and its stockholders by providing a means for attracting and retaining designated key executives of the Corporation and its Affiliates through a system of cash rewards for the accomplishment of long-term predefined objectives.

2. DEFINITIONS

The following definitions are applicable to the Plan:

"Affiliate" - Any "Parent Corporation" or "Subsidiary Corporation" of the Corporation as such terms are defined in Section 425(e) and (f), or the successor provisions, if any, respectively, of the Code (as defined herein).

"Award" - The grant by the Committee of a Performance Unit or Units as provided in the Plan.

"Board" - The Board of Directors of Viad Corp.

"Code" - The Internal Revenue Code of 1986, as amended, or its successor general income tax law of the United States.

"Committee" - The Human Resources Committee of the Board.

"Corporation" - Viad Corp.

"Operating Income" - Income before minority interest, interest expense and taxes, but after deduction of corporate overhead.

"Participant" - Any executive of the Corporation or any of its Affiliates who is selected by the Committee to receive an Award.

"Performance Period" - The period of time selected by the Committee for the purpose of determining performance goals and measuring the degree of accomplishment. Generally, the Performance Period will be a period of three successive fiscal years of the Corporation.

"Performance Unit Award" - An Award.

"Plan" - The Performance Unit Incentive Plan of the Corporation.

"Pre-Tax Income" - Pre-tax income after minority interest.

"Unit" - The basis for any Award under the Plan.

3. ADMINISTRATION

The Plan shall be administered by the Committee. Except as limited by the express provisions of the Plan, the Committee shall have sole and complete authority and discretion to (i) select Participants and grant Awards; (ii) determine the number of Units to be subject to Awards generally, as well as to individual Awards granted under the Plan; iii) determine the targets that must be achieved in order for the Awards to be payable and the other terms and conditions upon which Awards shall be granted under the Plan; (iv) prescribe the form and terms of instruments evidencing such grants; and (v) establish from time to time regulations for the administration of the Plan, interpret the Plan, and make all determinations deemed necessary or advisable for the administration of the Plan.

4. PERFORMANCE GOALS

The Performance Unit Incentive Plan is intended to provide Participants with a substantial incentive to achieve or surpass three pre-defined long-range financial goals which have been selected because they are key factors (goals) in increasing stockholder value.

The first goal for each Subsidiary Participant emphasizes growth in Average Three-Year Operating or Pre-tax Income.

The first goal for Corporate Participants also emphasizes Growth in Average Three-Year Operating Income but the target will be based on income per share from continuing operations, the most appropriate measure in increasing stockholder value.

The second goal for Corporate and Subsidiary Participants is a Viad Value Added (VVA) measure.

The third goal for Corporate and Subsidiary Participants emphasizes growth in Average Three-Year Revenues.

5. DETERMINATION OF TARGETS

A. AVERAGE THREE-YEAR GROWTH IN SUBSIDIARY EARNINGS

An appropriate average three-year operating or pre-tax income target for the Performance Period for each Subsidiary Company will be established taking into account historical operating or pre-tax income, financial plan operating or pre-tax income for the Performance Period, overall Corporate objectives, and if appropriate, other circumstances. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

B. AVERAGE GROWTH IN THREE-YEAR VIAD CORP INCOME PER SHARE

An appropriate average three-year "Income Per Share" from continuing operations target for Viad Corp will be established after considering historical income per share from continuing operations, financial plan income per share from continuing operations for the Performance Period, overall Corporate objectives and, if appropriate, other circumstances. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

C. VALUE ADDED MEASUREMENT:

The VVA measurement is intended to place increased emphasis on securing an adequate return to Viad Corp on all capital employed in the business. VVA compares net operating income to the return required on capital invested in the business.

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

An appropriate average three-year VVA target will be established; a range of values above and below such target will then be selected to measure achievement above or below the target.

D. REVENUE

An appropriate average three-year Revenue target will be established for Subsidiary and Corporate with a focus on enhancing profitable top-line growth. An appropriate range of values above and below such target will then be selected to measure achievement above or below the target.

E. ESTABLISHING TARGETS

The appropriate weighting of goals, targets, range of values above and below such targets and the Performance Period to be used as a basis for the measurement of performance for Awards under the Plan will be determined by the Committee no later than 90 days after the beginning of each new Performance Period during the life of the Plan, after giving consideration to the recommendations of the Chief Executive Officer of Viad Corp. Performance Units will be earned based upon the degree of achievement of pre-defined targets over the Performance Period following the date of grant. Earned Units can range, based on operating performance using an award range of values, from 0% to 200% of the target Units.

6. OTHER PLAN PROVISIONS

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

An adjustment to actual operating or pre-tax income will be made for any increase or decrease in cost to a subsidiary in connection with a change in the formula allocation of corporate overhead over amounts included in the Plan at the beginning of the applicable performance period.

Incentives to be paid under this Plan must be deducted from the subsidiary corporation's and the Corporation's earnings during the Performance Period (generally in the third year, when the amounts to be paid can be reasonably estimated). Goals must be achieved after deducting from actual results all incentive compensation applicable to such performance periods, including those incentives earned under this Plan.

7. RANGE OF PERFORMANCE AWARDS

The range of values for the Corporation's or a Subsidiary Company's operating or pre-tax income or income per share performance and the VVA and Revenue measurements will be recommended by the Chief Executive Officer of Viad Corp for approval by the Committee.

Performance Units will be earned based upon the degree of achievement of each of the pre-defined targets (operating or pre-tax income or income per share, VVA, and Revenue) over the Performance Period following the date of grant. A range of values will be established for the operating income or income per share target (to carry a 70% weighting), for the VVA target (to carry a 30% weighting), and for the Revenue target (to be used for adjustment to the total bonus pool otherwise accruable by 95% (threshold) up to 105% (maximum), depending upon the achievement against the revenue target).

8. PARTICIPANT ELIGIBILITY

Personnel will be eligible for participation as recommended by the Chief Executive Officer of Viad Corp for approval by the Committee, limited only to those key executives who contribute in a substantial measure to the successful performance of the Corporation or its Affiliates. The Chief Executive Officer will recommend for approval by the Committee which Affiliates among its Affiliates should be included in the Plan.

9. AWARD DETERMINATION

The number of Units to be awarded will be determined, generally, by multiplying a factor times the Participant's annual base salary in effect at the time the Award is granted and dividing the result by the average of the high and low of the Corporation's Common Stock on the date of approval of the grant by the Committee. The Award factor will be recommended by the Chief Executive Officer of Viad Corp for approval by the Committee annually no later than 90 days after the beginning of each new performance period. The Committee may adjust the number of Units awarded in its discretion.

10. GENERAL TERMS AND CONDITIONS

The Committee shall have full and complete authority and discretion, except as expressly limited by the Plan, to grant Units and to provide the terms and conditions (which need not be identical among Participants) thereof. Without limiting the generality of the foregoing, the Committee may specify a Performance Period of not less than two years or not more than five years, rather than the three-year Performance Period provided for above, and such time period will be substituted as appropriate to properly effect the specified Performance Period. No Participant or any person claiming under or through such person shall have any right or interest, whether vested or otherwise, in the Plan or in any Award thereunder, contingent or otherwise, unless and until all the terms, conditions, and provisions of the Plan and its approved administrative requirements that affect such Participant or such other person shall have been complied with. Nothing contained in the Plan or its Administrative Guidelines shall (i) require the Corporation to segregate cash or other property on behalf of any Participant or (ii) affect the rights and power of the Corporation or its Affiliates to dismiss and/or discharge any Participant at any time.

Any recapitalization, reclassification, stock split, stock dividend sale of assets, combination or merger not otherwise provided for herein which affects the outstanding shares of Common Stock of the Corporation or any other change in the capitalization of the Corporation affecting the Common Stock shall be appropriately adjusted for by the Committee or the Board, and any such adjustments shall be final, conclusive and binding.

11. PAYMENTS OF AWARDS

(a) Performance Unit Awards which may become payable under this Plan shall be calculated as determined by the Committee but any resulting Performance Unit Award payable shall be subject to the following calculation: each Unit payable shall be multiplied by the average of the daily means of the market prices of the Corporation's Common Stock during the ten trading day period beginning on the day following public announcement of the Corporation's year-end financial results following the Performance Period. Distribution of the Award will be made within ninety (90) days following the close of the Performance Period. For those Executive Officers affected by Section 162(m) of the Internal Revenue Code, awards will be subject to discretionary downward adjustment by the Committee.

(b) Performance Unit Awards granted under this Plan shall be payable during the lifetime of the Participant to whom such Award was granted only to such Participant; and, except as provided in (d) and (e) of this Section 11, no such Award will be payable unless at the time of payment such Participant is an employee of and has continuously since the grant thereof been an employee of, the Corporation or an Affiliate. Neither absence or leave, if approved by the Corporation, nor any transfer of employment between Affiliates or between an Affiliate and the Corporation shall be considered an interruption or termination of employment for purposes of this Plan.

(c) Prior to the expiration of the Performance Period, all Participants will be provided an irrevocable option to defer all or a portion of any earned Performance Unit Award, if there be one but not less than a specified minimum, in written form as prescribed by the Board under the provisions of a deferred compensation plan for executives of the Corporation and its Affiliates, if one be adopted.

(d) If a Participant to whom a Performance Unit Award was granted shall cease to be employed by the Corporation or its Affiliate for any reason (other than death, disability, or retirement) prior to the completion of any applicable Performance Period, said Performance Unit Award will be withdrawn and subsequent payment in any form at any time will not be made.

(e) If a Participant to whom a Performance Unit Award was granted shall cease to be employed by the Corporation or its Affiliate due to early, normal, or deferred retirement, or in the event of the death or disability of the Participant, during the Performance Period stipulated in the Performance Unit Award, such Award shall be prorated for the period of time from date of grant to date of retirement, disability or death, as applicable, and become payable within ninety (90 days) following the close of the Performance Period to the Participant or the person to whom interest therein is transferred by will or by the laws of descent and distribution. Performance Unit Awards shall be determined at the same time and in the same manner (except for applicable proration) as described in Section 11(a).

(f) There shall be deducted from all payment of Awards any taxes required to be withheld by any Federal, State, or local government and paid over to any such government in respect to any such payment.

12. EFFECT OF CHANGE OF CONTROL

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

13. ASSIGNMENTS AND TRANSFERS

No award to any Participant under the provisions of the Plan may be assigned, transferred, or otherwise encumbered except, in the event of death of a Participant, by will or the laws of descent and distribution.

14. AMENDMENT OR TERMINATION

The Board may amend, suspend, or terminate the Plan or any portion thereof at any time provided, however, that no such amendment, suspension, or termination shall invalidate the Awards already made to any Participant pursuant to the Plan, without his consent.

15. EFFECTIVE DATE

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

EXHIBIT 21

VIAD CORP
(DELAWARE)

Active Subsidiaries and Affiliates as of February 1, 2002

CONVENTION AND EVENT SERVICES GROUP

EXG, Inc. (Delaware)
Giltspur Exhibits of Canada, Inc. (Ontario) GES Exposition Services (Canada) Limited (Canada) Exposervice Standard Inc. (Canada)
Clarkson-Conway Inc. (Canada)
Stampede Display and Convention Services Ltd. (Alberta)
GES EXPOSITION SERVICES, INC. (Nevada)
ESR Exposition Service, Inc. (New Jersey) Expo Accessories, Inc. (New York)
Expo Display & Design, Inc. (New Jersey) Shows Unlimited, Inc. (Nevada)
Tradeshow Convention Services Inc. (Washington) David H. Gibson Company, Inc. (Texas)
Viad Holding GmbH (Germany)
Exhibitgroup/Giltspur France S.A.R.L. (France) Voblo Verwaltungs GmbH (Germany) (80%)

CORPORATE AND OTHER

Viad Service Companies Limited (United Kingdom) VREC, Inc. (Delaware)

PAYMENT SERVICES GROUP

TRAVELERS EXPRESS COMPANY, INC. (Minnesota)
CAG Inc. (Nevada)
Hematite Trust (Delaware)
Monazite Trust (Delaware)
Rhyolite Trust (Delaware)
FSMC, Inc. (Minnesota)
Game Financial Corporation (Minnesota) GameCash, Inc. (Minnesota)
Game Financial Corporation of Wisconsin (Wisconsin) MLE, Inc. (Wisconsin)
MoneyGram Payment Systems, Inc. (Delaware) Mid-America Money Order Company (Kentucky) MoneyGram of New York LLC (Delaware)
MoneyGram Payment Systems Canada, Inc. (Ontario) MoneyGram International Limited (United Kingdom) (51%) Travelers Express Co. (P.R.) Inc. (Puerto Rico)

TRAVEL AND RECREATION SERVICES GROUP

Glacier Park, Inc. (Arizona) (80%)
Waterton Transport Company, Limited (Alberta) Greyhound Canada Holdings, Inc. (Alberta)~~ Brewster Tours Inc. (Canada)
BREWSTER TRANSPORT COMPANY LIMITED (Alberta)
859371 Alberta Ltd. (Alberta)
Brewster Inc. (Alberta)
CANFINCO LLC (Delaware)

~~ Indicates a Corporate and Other Subsidiary

*Parent-subsidiary or affiliate relationships are shown by marginal indentation. State, province or country of incorporation and ownership percentage are shown in parentheses following name, except that no ownership percentage appears for subsidiaries owned 100% (in the aggregate) by Viad Corp.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-54465, and 33-55360 on Form S-3 and Nos. 33-41870, 333-63397, 333-35231, and 333-63399 on Form S-8 of Viad Corp, of our report dated February 21, 2002 (which expresses an unqualified opinion and includes an explanatory paragraph relating to the restatement described in Note B), appearing in this Annual Report on Form 10-K of Viad Corp for the year ended December 31, 2001.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona

February 21, 2002

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each director whose signature appears below constitutes and appoints Robert H. Bohannon and Catherine L. Stevenson, and each of them severally, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Form 10-K Annual Report of Viad Corp for the fiscal year ended December 31, 2001, and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ Jess Hay ------------------------------------ Jess Hay	February 21, 2002
/s/ Judith K. Hofer ------------------------------------ Judith K. Hofer	February 21, 2002
/s/ Donald E. Kiernan ------------------------------------ Donald E. Kiernan	February 21, 2002
/s/ Jack F. Reichert ------------------------------------ Jack F. Reichert	February 21, 2002
/s/ Linda Johnson Rice ------------------------------------ Linda Johnson Rice	February 21, 2002
/s/ Douglas L. Rock ------------------------------------ Douglas L. Rock	February 21, 2002
/s/ Timothy R. Wallace ------------------------------------ Timothy R. Wallace	February 21, 2002

Exhibit N

As filed with the Securities and Exchange Commission on March 3, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2002
Commission File Number 001-11015

VIAD CORP

(Exact name of registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**36-1169950** **(I.R.S. Employer Identification No.)**
1850 N. Central Ave., Phoenix, Arizona **(Address of principal executive offices)**	**85077** **(Zip Code)**

Registrant's telephone number, including area code: 602-207-4000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.50 par value	**New York Stock Exchange**
$4.75 Preferred Stock (stated value $100 per share)	**New York Stock Exchange**
Preferred Stock Purchase Rights	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

As of January 31, 2003, 88,095,098 shares of Common Stock ($1.50 par value) were outstanding and the aggregate market value of the Common Stock (based on its closing price per share on such date) held by nonaffiliates was approximately $1.9 billion.

Documents Incorporated by Reference

A portion of the Proxy Statement for the Annual Meeting of Stockholders of Viad Corp to be held May 13, 2003 is incorporated by reference into Part III of this Report.

TABLE OF CONTENTS

INDEX

PART I

Item 1. *Business*

Viad Corp ("Viad" or the "Corporation") is comprised of operating companies and a division which constitute a diversified services business. Most of Viad's services are provided to businesses for use by their customers. Accordingly, the Corporation primarily markets its services through more than 120,000 retail and financial locations (payment services), and to numerous tradeshow organizers and exhibitors (convention and event services). Occupying the number one or number two position in many of the markets in which they compete, each of the Corporation's businesses seek to provide quality, convenient and cost-effective services with a discernible difference to the ultimate users and thereby be considered a value-added provider by Viad's business customers.

Viad's services are classified into two reportable business segments, namely (1) Payment Services, and (2) Convention and Event Services. The Corporation also provides Travel and Recreation Services. A description of each of Viad's reportable business segments, the travel and recreation businesses, and recent developments relating to each follows.

Viad Business Units

Viad is built around two operating groups which are leading competitors in their businesses, including companies engaged in payment services (Travelers Express Company, Inc., MoneyGram Payment Systems, Inc., and Game Financial Corporation), and convention and event services (GES Exposition Services, Inc. and the Exhibitgroup/ Giltspur division). Viad business units also provide travel tour services (Brewster Transport Company Limited) and recreation services (Glacier Park, Inc.).

Payment Services

Viad's payment services business is conducted by the Travelers Express/ MoneyGram group of companies. These companies engage in a variety of payment service activities, including issuance and processing of money orders, processing of official checks and share drafts, and money transfer and cash access services. Travelers Express Company, Inc. ("Travelers Express") sells money orders to the public through more than 62,000 agent locations and financial institutions in the United States and Puerto Rico, and is the nation's leading issuer of money orders, issuing more than 314 million money orders in 2002. Travelers Express also provides processing services for approximately 15,000 branch locations of banks, credit unions and other financial institutions which offer official checks (used by financial institutions in place of their own bank check or cashier's check) and share drafts (the credit union industry's version of a personal check). In addition, MoneyGram Payment Systems, Inc. ("MoneyGram"), a subsidiary of Travelers Express, provides money transfer services through approximately 57,000 agent locations in more than 155 countries worldwide. Some of MoneyGram's agent locations sell or provide both money orders and money transfer services. In January 2003, MoneyGram announced that one of its subsidiaries owning a 51 percent interest in MoneyGram International Limited ("MIL") acquired the remaining 49 percent interest from Travelex Group ("Travelex"). MIL, a London-based joint venture begun in 1997 by MoneyGram and the Thomas Cook Group Ltd. (which was ultimately acquired by Travelex), serves as MoneyGram's international sales and marketing arm in Europe, Africa, Asia and Australia. Travelers Express also provides in-person electronic bill payment services for various companies, whose consumers pay their utility, car payment, and other bills at conveniently located retail stores. Additionally, Travelers Express provides high volume processing of refund and rebate checks, food vouchers, gift certificates, and other financial instruments. Another subsidiary, Game Financial Corporation ("Game Financial"), provides cash access services to the gaming industry. Game Financial provides three primary services: installing and maintaining automatic teller machines in casinos and check cashing locations; providing cash advances on consumers' credit cards for customers who utilize the automatic teller machines; and cashing checks at casinos. Game Financial provides these services to approximately 60 casinos.

Approximately 6% of payment services revenue is generated by a single customer, with no other customer accounting for more than 5% of payment services revenue.

Convention and Event Services

Convention and event services are provided by the Corporation's GES Exposition Services and Exhibitgroup/ Giltspur companies.

GES Exposition Services, Inc. ("GES"), one of North America's leading suppliers of convention services to trade associations, show management companies and exhibitors, provides tradeshow design and planning, decorating, exhibit design and fabrication, installation and dismantling, display rental, custom graphics, furnishings, electrical, freight-handling, logistics, transportation, and management services for conventions, tradeshows, associations, and corporate and special events. These convention services include design capabilities where GES designers and graphic artists create visual elements to communicate the customer's message; creation of floor plans and directional signage to ease traffic flow, to provide a precise and accurate production floor plan for the show, and to assist the viewer in understanding location and orientation both inside and outside the convention facility; electrical services where GES provides technical design and installation capabilities for electrical requirements as well as power supply systems and electrical rigging for lighting, audio visual, and special effects; decorating and carpet services where GES provides decorating services to events and exhibition booths and provides carpet in a variety of colors, styles and sizes; and installation and dismantling where GES sets up and dismantles events of every size, from large tradeshows to single exhibits.

GES is also a leader in bringing innovative ideas to the tradeshow industry, such as: InterKit, GES' online ordering system, that enables exhibitors to order goods and services directly through the Internet; Wireless Ambassador, hand-held computers that support GES' exhibitor services executives as they respond to client requests on the show floor; and automated freight and small package receiving, one of the most advanced receiving systems in the industry to help maximize the efficiency of the movement of exhibitors' shipments.

GES provides convention services through a network of offices in North America's most active and popular tradeshow service markets. GES has full service operations in 18 U.S. cities and four Canadian cities.

Exhibitgroup/ Giltspur, a division of the Corporation, operates one of the largest exhibit and display businesses in the United States. The division provides design, construction, installation and show services to clients attending conventions, tradeshows, and events, or requiring permanent exhibits and displays.

Exhibitgroup/ Giltspur's primary line of business is custom exhibit design, construction and services. The division also provides portable exhibits, retail merchandising units for shopping malls, and permanent installations within museums, corporate lobbies, visitor center showrooms and retail interiors. The division serves clients in varied industries that engage in tradeshows, private events, road shows, or other forms of "face-to-face" marketing.

Exhibitgroup/ Giltspur's strengths include the ability to design, fabricate, install and maintain exhibits as well as permanent installations and theme environments, and to enhance their effectiveness with new media/interactive services.

Exhibitgroup/ Giltspur has operations in 13 U.S. cities. The division will have 3 full service, sales, design and manufacturing locations, down from 5 such locations in early 2003, as a result of the restructuring of the division as described in Note 2 of Notes to Consolidated Financial Statements of the Corporation. The remaining 10 locations will be sales and design offices. Additionally, the division has operations in one Canadian city, one city in the United Kingdom, and one city in Germany and operates through an international network of strategic partners that gives Exhibitgroup/ Giltspur the ability to service customers worldwide.

Travel and Recreation Services

Travel and recreation services are provided by the Brewster Transport Company Limited (“Brewster Transport”) and Glacier Park, Inc. (“Glacier Park”) business units.

Brewster Transport, an Alberta, Canada corporation, has a 110-year heritage of providing sightseeing packages and tours to travelers visiting Canada. In that regard, it provides regularly scheduled bus service, operates tour and charter buses within the Canadian Rockies, conducts travel agency, hotel, and snowcoach tour operations and operates the Banff Gondola on Sulphur Mountain. Brewster Transport owns and operates 92 motorcoaches and three transit buses, as well as 21 snowcoaches which transport sightseers on tours of the glaciers of the Columbia Icefield. The snowcoach glacier tours and the Banff Gondola are two of the largest tourist attractions in the Canadian Rockies.

Glacier Park operates historic lodges in and around Glacier National Park in Montana and Waterton Lakes National Park, Canada. These parks are located in a remote area of the United States and Canada and are well known for their rugged mountains and glaciers. Services provided include room management, food and beverage operations, retail operations and transportation services. The transportation services utilize a fleet of authentic 1930s touring buses with rollback canvas tops. The well-known red buses are used to conduct park tours through the parks, including the scenic Going-to-the-Sun Road.

Competition

The Corporation’s businesses generally compete on the basis of discernible differences, value, quality, price, convenience and service, and encounter substantial competition from a large number of providers of similar services, including numerous well-known local, regional and national companies, private payment service companies and the U.S. Postal Service (money orders), many of which have greater resources than the Corporation. Travelers Express also competes on the basis of number and location of sales outlets, business automation and technology. First Data Corporation and its subsidiaries Western Union Financial Services, Inc., Orlandi Valuta and Global Cash Access, L.L.C.; the U.S. Postal Service; Federal Home Loan Banks and Imperial Bank are the principal competitors of Travelers Express. On a national basis, Freeman Decorating Company is the principal competitor of GES, and The George P. Johnson Company is the principal competitor of Exhibitgroup/ Giltspur.

Patents and Trademarks

United States patents are currently granted for a term of 20 years from the date a patent application is filed. The Viad companies own a number of patents which give them competitive advantages in the marketplace, including a number of patents owned by Exhibitgroup/ Giltspur covering exhibit systems and by Travelers Express for automated money order dispensing systems. The Travelers Express patents cover security, automated reporting and control, and other features which are important in the issuance of money orders.

United States trademark registrations are for a term of 10 years, renewable every 10 years as long as the trademarks are used in the regular course of trade. The Viad companies maintain a portfolio of trademarks representing substantial value in the businesses using the marks.

Many trademarks used by Viad and its businesses, including the TRAVELERS EXPRESS, MONEYGRAM, EXHIBITGROUP/ GILTSPUR, and GES service marks, have substantial importance and value. Certain rights in processing equipment and software held by Travelers Express and its subsidiaries also provide competitive advantage.

Government Regulation

Compliance with legal requirements and government regulations are a day-to-day integral part of the Corporation’s operations and represent a normal cost of doing business. Financial transaction reporting and state banking department regulations affect Travelers Express and MoneyGram, and state gaming department regulations, as well as various Native American tribal regulations, affect Game Financial. The payment services industry also has been subject to increased scrutiny following the events of September 11, 2001. Environmental, labor and employment and other regulations affect virtually all operations.

Employees

Viad operating units had approximately 5,520 employees at December 31, 2002 as follows:

	Approximate Number of Employees	Regular Full-Time Employees Covered by Collective Bargaining Agreements
Payment Services	1,720	0
Convention and Event Services	3,560	1,805
Travel and Recreation Services	240	45

Viad believes that relations with its employees are satisfactory and that collective bargaining agreements expiring in 2003 will be renegotiated in the ordinary course of business without adverse effect on Viad’s operations.

Viad had 72 employees at its corporate center at December 31, 2002 providing management, financial and accounting, internal auditing, tax, administrative, legal and other services to its operating units and handling residual matters pertaining to businesses previously discontinued or sold by the Corporation. Viad is managed by a Board of Directors comprised of eight non-employee directors and one employee director and has an executive management team consisting of five Viad officers (including the one employee director) and four principal executives of significant operating divisions or companies.

Seasonality

Convention and event service activity may vary significantly depending on the frequency and timing of shows (some shows are not held each year and some shows may shift between quarters). Viad’s travel and recreation operations generally experience peak activity during the summer months. Viad’s 2002 quarterly diluted earnings per share (before restructuring charges and other items and change in accounting principle), as a percentage of the full year’s earnings per share, were approximately 26% (first quarter), 25% (second quarter), 28% (third quarter), and 21% (fourth quarter). See Notes 19 and 20 of Notes to Consolidated Financial Statements of the Corporation.

Shelf Registration

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

Financial Information about Restructuring Charges and Other Items

Information regarding restructuring charges and other items is provided in Note 2 of Notes to Consolidated Financial Statements of the Corporation.

Financial Information about Segments

Business segment financial information is provided in Note 19 of Notes to Consolidated Financial Statements of the Corporation.

Financial Information about Geographic Areas

Geographic area financial information is provided in Note 19 of Notes to Consolidated Financial Statements of the Corporation.

Available Information

Viad files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These filings are available to the public over the Internet at the SEC's website at *http://www.sec.gov* . You may also read and copy any document Viad files at the SEC's public reference room located at 450 Fifth Street, NW, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

Viad's principal Internet address is *www.viad.com* . Viad makes available free of charge on *www.viad.com* its annual, quarterly and current reports, and amendments to those reports, as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC.

Item 2. ***Properties***

Viad and its subsidiaries operate service or production facilities and maintain sales and service offices in the United States, Canada, the United Kingdom, and Germany. The Corporation also conducts business in certain other foreign countries. The following information summarizes Viad and its subsidiaries' principal properties as of December 31, 2002, unless otherwise noted.

Viad's headquarters are located at 1850 N. Central Avenue in Phoenix, Arizona. Excluding space which Viad subleases to third parties, Viad leases approximately 61,000 square feet.

Payment Services operates 28 leased facilities for processing, sales and administrative purposes located in the United States, United Kingdom, and Puerto Rico. The principal operations for money order and official check processing and Travelers Express corporate headquarters are located in Minnesota. The principal money transfer service center is located in Colorado. Payment Services has 17 retail stores, with 15 in New York, one in Florida, and one in New Jersey. All Payment Services properties are leased.

Convention and Event Services operates 21 offices and 43 multi-use facilities (exhibit construction, sales and design, office and/or warehouse). The multi-use facilities vary in size up to approximately 890,000 square feet. Three of the multi-use facilities are owned; all other properties are leased. All of the properties are in the United States, except for one office and seven multi-use facilities that are located in Canada, one office located in the United Kingdom and three multi-use facilities located in Germany. As a result of the Exhibitgroup/ Giltspur restructuring, discussed in Note 2 of Notes to Consolidated Financial Statements of the Corporation, four multi-purpose locations will be converted to sales and design offices in 2003. GES and Exhibitgroup/ Giltspur corporate headquarters are located in Las Vegas, Nevada, and Roselle, Illinois, respectively.

Travel and Recreation Services operates three offices, nine retail stores, two bus terminals, four garages, an icefield tour facility, a gondola lift operation, and nine hotels/ lodges (with approximately 900 rooms, and ancillary foodservice and recreational facilities). Three offices, seven retail stores and six hotels/ lodges are in the United States. Two retail stores, the bus terminals, garages, icefield tour facility, gondola lift operation, and three hotels/ lodges are located in Canada. Travel and Recreation Services owns four hotels/ lodges and five other hotels/ lodges that are operated pursuant to concessionaire agreements. One bus terminal and three garages are owned. The icefield tour facility and gondola lift operation are owned and operated through lease agreements with Parks Canada and all other properties are leased.

Management believes that the Corporation's facilities in the aggregate are adequate and suitable for their purposes and that capacity is sufficient for current needs.

Item 3. ***Legal Proceedings***

Viad and certain subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings or claims could be decided against Viad. Although the amount of liability at December 31, 2002, with respect to certain of these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, will not have a material effect on Viad's financial statements.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recoveries, will not have a material effect on Viad's financial statements.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2002.

Optional Item. ***Executive Officers of Registrant***

Executive Officers of Viad Corp

The names, ages and positions of the Executive Officers of the Corporation as of February 28, 2003, are listed below:

Name	Age	Business Experience During the Past Five Years and Other Information
Robert H. Bohannon	58	Chairman of the Board, President and Chief Executive Officer since January 1997.
Ellen M. Ingersoll	38	Chief Financial Officer since June 2002; prior thereto, Vice President-Controller or similar position since January 2002; prior thereto, Controller of CashX, Inc. from June 2001 through October 2001; prior thereto Operations Finance Director of LeapSource, Inc. since January 2000; prior thereto Vice President and Controller of Franchise Finance Corporation of America since May 1992.
G. Michael Latta	40	Vice President-Controller since November 2002; prior thereto, Corporate Controller or similar position for SpeedFam-IPEC, Inc. since October 1999; prior thereto Controller for Cardiac Pathways Corporation since September 1994.
Suzanne Pearl	40	Vice President-Human Resources since September 2000; prior thereto, Executive Director, Compensation or similar position since 1993.
Scott E. Sayre	56	Vice President, General Counsel and Secretary since September 2000; prior thereto, Secretary and Associate General Counsel since January 1997.

Executive Officers of Viad Corp's Subsidiaries or Divisions Not Listed Above

Name	Age	Business Experience During the Past Five Years and Other Information
Paul B. Dykstra	41	President and Chief Executive Officer of GES Exposition Services, Inc., a subsidiary of Viad, since January 2000; prior thereto, Executive Vice President-International and Corporate Development of GES Exposition Services, Inc. since 1999; and prior thereto, Vice President-General Manager or similar executive positions with Travelers Express Company, Inc., a subsidiary of Viad, since 1994.
Kimbra A. Fracalossi	43	President and Chief Executive Officer of Exhibitgroup/ Giltspur, a division of Viad, since June 2002; prior thereto, Chief Financial Officer of Viad since September 2000; prior thereto, Vice President-Strategic Planning and Investor Relations since May 1999 and Executive Director of Corporate Development since January 1998.
Philip W. Milne	43	President and Chief Executive Officer of Travelers Express Company, Inc., a subsidiary of Viad, since August 1996.
David G. Morrison	54	President and Chief Executive Officer of Brewster Transport Company Limited, a subsidiary of Viad, since 1980.

The term of office of the Executive Officers is until the next annual organization meetings of the Boards of Directors of Viad or appropriate subsidiaries, all of which are scheduled for May or June of this year.

The Directors of Viad are divided into three classes, with the terms of one class of Directors to expire at each Annual Meeting of Stockholders. The current term of office of Robert H. Bohannon is scheduled to expire at the 2003 Annual Meeting of Stockholders.

PART II

Item 5. ***Market for Registrant's Common Equity and Related Stockholder Matters***

The principal market on which the common stock of Viad is traded is the New York Stock Exchange. The common stock is also admitted for trading on the American, Chicago, Cincinnati, Pacific, and Philadelphia Exchanges. The following tables summarize the high and low market prices as reported on the New York Stock Exchange Composite Tape and the cash dividends declared for the two years ended December 31:

SALES PRICE RANGE OF COMMON STOCK

	2002		2001	
	High	**Low**	**High**	**Low**
First Quarter	$28.55	$22.80	$25.99	$21.63
Second Quarter	$31.00	$24.50	$27.10	$21.30
Third Quarter	$25.95	$18.55	$27.30	$18.10
Fourth Quarter	$23.55	$16.75	$24.06	$18.00

DIVIDENDS DECLARED ON COMMON STOCK

	2002	2001
February	$.09	$.09
May	.09	.09
August	.09	.09
November	.09	.09
Total	$.36	$.36

Regular quarterly dividends were paid on Viad common stock on the first business day of January, April, July and October.

As of January 31, 2003, there were 24,546 stockholders of record of Viad's common stock.

Item 6. ***Selected Financial Data***

VIAD CORP

SELECTED FINANCIAL AND OTHER DATA

	Year ended December 31,				
	2002	2001	2000	1999	1998
	(in thousands, except per share data)				
Operations					
Revenues:					
Convention show services	$ 568,301	$ 604,148	$ 692,843	$ 642,817	$ 626,050
Payment services transaction fees	431,564	393,093	367,733	340,312	243,429
Payment services investment income(1)	370,934	320,800	235,429	183,465	141,675
Exhibit design and construction	217,932	279,896	339,272	289,951	223,115
Hospitality and recreation services	58,253	61,453	91,531	124,624	378,490
Total revenues	$1,646,984	$1,659,390	$1,726,808	$1,581,169	$1,612,759
Income from continuing operations(2),(3)	$ 113,833	$ 51,134	$ 140,819	$ 122,455	$ 94,695
Income from discontinued operations	—	—	—	218,954	53,296
Change in accounting principle(4)	(37,739)	—	—	—	—
Net income	$ 76,094	$ 51,134	$ 140,819	$ 341,409	$ 147,991
Diluted income per common share					
Continuing operations(2),(3)	$ 1.30	$ 0.58	$ 1.54	$ 1.26	$ 0.95
Discontinued operations	—	—	—	2.27	0.54
Change in accounting principle(4)	(0.44)	—	—	—	—
Diluted net income per common share	$ 0.86	$ 0.58	$ 1.54	$ 3.53	$ 1.49
Average outstanding and potentially dilutive common shares	86,716	86,322	90,925	96,396	98,367
Basic income per common share					
Continuing operations(2),(3)	$ 1.31	$ 0.58	$ 1.57	$ 1.31	$ 0.99
Discontinued operations	—	—	—	2.35	0.56
Change in accounting principle(4)	(0.44)	—	—	—	—
Basic net income per common share	$ 0.87	$ 0.58	$ 1.57	$ 3.66	$ 1.55
Average outstanding common shares	86,178	85,503	88,802	93,007	94,382
Dividends declared per common share	$ 0.36	$ 0.36	$ 0.36	$ 0.35	$ 0.32
Financial position at year-end					
Total assets	$9,690,528	$8,380,491	$6,551,492	$5,202,169	$4,661,720
Total debt	361,657	396,828	447,106	389,272	534,453
$4.75 Redeemable preferred stock	6,704	6,679	6,658	6,640	6,625
Common stock and other equity	701,112	719,673	750,730	699,892	643,232
Other data					
EBITDA(5)	$ 261,089	$ 188,625	$ 327,164	$ 514,274	$ 300,910
Debt-to-capital ratio(6)	33%	35%	37%	35%	45%

(1) Viad's Payment Services subsidiaries invest substantial amounts in tax-exempt securities. On a taxable equivalent basis using an income tax rate of approximately 39% (revised to 35% as of July 1, 2002),

revenues would be higher by $36.2 million, $46.8 million, $66.2 million, $52.0 million, and $39.3 million for 2002, 2001, 2000, 1999, and 1998, respectively.

(2) Includes restructuring charges and other items (after-tax) of $13.1 million expense, or $0.15 per diluted share, in 2002, $61.2 million expense, or $0.71 per diluted share, in 2001; $877,000 income, or $0.01 per diluted share, in 2000; $6.1 million income, or $0.06 per diluted share, in 1999; and $12.7 million income, or $0.13 per diluted share, in 1998. See Note 2 of Notes to Consolidated Financial Statements.

(3) In January 2002, Viad adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 specifies that goodwill and certain intangible assets with indefinite lives no longer be amortized but instead be subject to periodic impairment testing. Excluding the amortization of previously expensed goodwill and certain intangible assets, Income from continuing operations and corresponding diluted income per share would have been $65.4 million ($0.74 diluted income per share) in 2001, $154.7 million ($1.69 diluted income per share) in 2000, $135.1 million ($1.39 diluted income per share) in 1999, and $103.2 million ($1.04 diluted income per share) in 1998. See Note 7 of Notes to Consolidated Financial Statements.

(4) In accordance with the adoption of SFAS No. 142, Viad completed the transitional impairment test for goodwill during 2002 and concluded that a transitional impairment loss of $40.0 million ($37.7 million after-tax) should be recognized related to goodwill at the Exhibitgroup/ Giltspur reporting unit of the Convention and Event Services segment.

(5) EBITDA is a measure of Viad's ability to service debt, fund capital expenditures and finance growth, and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This information is supplemental to results presented under GAAP and may not be comparable to similarly titled measures used by other companies. EBITDA is defined by Viad as income before interest expense, income taxes, depreciation and amortization, changes in accounting principles and includes the taxable equivalent adjustment. Viad has historically presented EBITDA before restructuring charges and other items. Viad has revised its presentation of EBITDA to include restructuring charges and other items in conformity with the SEC's final rule of "Conditions for Use of Non-GAAP Financial Measures."

(6) Debt-to-capital is defined as total debt divided by capital. Capital is defined as total debt plus minority interests, preferred stock and common stock and other equity.

Item 7. ***Management's Discussion and Analysis of Results of Operations and Financial Condition***

Overview:

Viad Corp ("Viad") operates in two business segments as follows:

Payment Services — through Travelers Express Company, Inc. and related subsidiaries ("Travelers Express"), revenues are derived from transaction fees and investment and related income by providing various services related to money orders, official checks, money transfers, same-day bill payment and cash access services. Fee revenues are driven by transaction volume and contract pricing through a network of agents and customers, including financial institutions. Investment and related income is generated through a "float portfolio" of investments.

Convention and Event Services — through GES Exposition Services, Inc. ("GES"), revenues are generated from providing various convention and tradeshow services such as transportation, installation, dismantling and management services to trade associations, show management companies and exhibitors. Exhibitgroup/ Giltspur ("Exhibitgroup") specializes in the design, construction, installation and warehousing of convention and tradeshow exhibits, primarily for corporate customers.

Viad also operates certain travel and recreation businesses.

In 2002, Viad's two principal business segments achieved profitability improvements, despite market challenges and difficult economic conditions. Payment Services experienced increased transaction volume and higher investment balances, however, operating income growth was slowed due to significantly lower interest rates and unprecedented mortgage refinancing activity. Convention and Event Services produced profitable results despite decreased demand for new exhibit construction and tradeshow shrinkage. Viad also improved its financial strength during the year through increased cash and investment balances and a reduction in total debt obligations. Financial performance highlights for 2002 are presented below for Viad Corp (Consolidated) and its Payment Services and Convention and Event Services businesses. See "Results of Operations" and "Liquidity and Capital Resources" below for further discussion.

The following 2002 financial highlights are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") and are compared to 2001 amounts as adjusted for the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which eliminates goodwill amortization:

Viad Corp (Consolidated)

— Total revenues of $1.65 billion, a decrease of 0.7%

— Net income of $76.1 million, an increase of 16.4%

— Net income per share of $0.86, an increase of 16.2%

— Cash and corporate investments increased by $87 million year over year

— Debt decreased by $35 million year over year

— Stock repurchases of 1.2 million shares for $26 million

Payment Services

— Revenues of $802.5 million, an increase of 12.4%

— Operating income of $154.0 million, an increase of 16.6%

Convention and Event Services

— Revenues of $786.2 million, a decrease of 11.1%

— Operating income of $17.9 million, compared to a prior year loss

Other Significant Items

— Convention and Event Services recorded a pre-tax restructuring charge of $20.5 million during the fourth quarter

— Subsequent to year-end, Payment Services completed the acquisition of the remaining minority interest in an international money transfer business for approximately $98 million in cash

— An accounting change related to goodwill resulted in a pre-tax charge of $40.0 million during the year

Non-GAAP Measures:

Certain information included in the following discussion is presented using methods management utilizes to measure profit and performance of its operations. The information is supplemental to results presented under GAAP and may not be comparable to similarly titled measures used by other companies. This supplemental information includes the following:

— Payment Services invests in a mix of tax-exempt and taxable investments. The tax-exempt investments have lower pre-tax yields but produce higher income on an after-tax basis than comparable taxable investments. An adjustment is made to the Payment Services segment to present revenues and operating income resulting from amounts invested in tax-exempt securities on a taxable equivalent basis. See Note 19 of Notes to Consolidated Financial Statements for a reconciliation to GAAP.

— EBITDA is a measure of Viad's ability to service debt, fund capital expenditures and finance growth, and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP. EBITDA is defined by Viad as income before interest expense, income taxes, depreciation and amortization, changes in accounting principles and includes the taxable equivalent adjustment.

A reconciliation of EBITDA to net income is as follows:

	2002	2001	2000
		(in thousands)	
EBITDA as presented	$261,089	$188,625	$327,164
Less:			
Interest expense	(19,268)	(25,936)	(25,303)
Income taxes	(40,334)	4,388	(26,218)
Depreciation and amortization	(51,483)	(69,096)	(68,600)
Change in accounting principle	(37,739)	—	—
Taxable equivalent adjustment	(36,171)	(46,847)	(66,224)
Net income	$ 76,094	$ 51,134	$140,819

Viad has historically presented EBITDA before restructuring charges and other items. The above presentation of EBITDA includes restructuring charges and other items in conformity with the SEC's final rule of "Conditions for Use of Non-GAAP Financial Measures" and is a change from Viad's historical EBITDA presentation. The $72.5 million increase in EBITDA in 2002 is largely due to decreased restructuring charges and other items in 2002 as compared to 2001 of $80.3 million. The $138.5 million decrease in EBITDA from 2000 to 2001 is predominantly due to increased restructuring charges and other items in 2001 as compared to 2000 of $102.5 million.

The following discussion and analysis should be read in conjunction with the accompanying Consolidated Financial Statements, which include the accounts of Viad and all of its subsidiaries. All per share figures discussed are stated on the diluted basis.

Results of Operations:

During 2002, the Convention and Event Services segment continued to experience tradeshow shrinkage and further declines in the demand for the design and construction of new exhibits. This decline was due to diminished corporate spending and the continued downturn in the general economy as many exhibitors elected to reuse or refurbish existing exhibits rather than place new orders. As a result of decreased visibility over future revenues and continued uncertainties regarding improvements in the tradeshow industry, the Convention and Event Services segment revised its forecasted demand and reevaluated its manufacturing capacity requirements and cost structure during the fourth quarter of 2002. Accordingly, Viad recorded a 2002 fourth quarter restructuring charge totaling $20.5 million ($13.3 million after-tax) of which $1.2 million relating to consulting fees incurred and the write-down of certain inventories was charged to “Costs of products sold” in the Consolidated Statements of Income. The remaining $19.3 million was classified under the caption “Restructuring charges” in the Consolidated Statements of Income. The restructuring relates to the closure and consolidation of certain facilities, severance and other costs related to the elimination of approximately 230 positions across numerous regions, business functions and job classes. The charge also includes amounts for the disposal (net of estimated proceeds) of certain inventories and fixed assets, facility closure and lease termination costs (net of estimated sublease income) and other exit costs. Viad expects to substantially complete the restructuring activities by December 31, 2003, however, payments due under long-term lease obligations will continue to be made over the remaining terms of the lease agreements. Severance and benefits payments will be made over the varying terms of the individual separation agreements. Viad expects that the restructuring charge will result in cost savings in the range of $8 million to $9 million in 2003 based on the timing of activities pursuant to the restructuring plan. During 2001, the Convention and Event Services segment recorded a restructuring charge of $66.1 million ($39.9 million after-tax) for which the related restructuring activities had been completed by the end of 2002. See Note 2 of Notes to Consolidated Financial Statements.

In 2002, Viad adopted SFAS No. 142 which requires that goodwill and certain other intangible assets no longer be amortized, but instead be tested for impairment. Concurrent with the adoption of SFAS No. 142, Viad performed the transitional impairment testing of its goodwill and intangible assets with indefinite lives. Viad determined that no impairment existed for other intangible assets but a transitional impairment loss of $40.0 million ($37.7 million after-tax) was recorded related to goodwill at the Exhibitgroup/ Giltspur reporting unit of the Convention and Event Services segment. See “Critical Accounting Policies” for additional discussion related to goodwill impairment testing. See Note 7 of Notes to Consolidated Financial Statements.

During 2002, Viad contemplated an initial public offering and subsequent spin-off of Travelers Express. Further consideration and implementation of the initial public offering and spin-off was delayed pending improvement in overall economic and capital market conditions. Viad will continue to evaluate strategic options in order to enhance long-term value for its stockholders.

2002 vs. 2001:

Revenues for 2002 were $1.65 billion, down slightly from the 2001 amount of $1.66 billion. Viad’s Payment Services segment revenue increased by $88.6 million over the prior year, while the Convention and Event Services segment revenue decreased by $97.8 million over the same period. Viad also had a slight decline in its hospitality and recreation services businesses. Viad’s Payment Services subsidiaries invest a portion of funds received from the sale of official checks, money orders and other payment instruments in tax-exempt securities, which have lower pre-tax yields but produce higher income on an after-tax basis than comparable taxable investments. Even though nontaxable investments generally have higher after-tax yields than taxable investments, Viad has shifted its mix of nontaxable and taxable investments to balance its alternative minimum tax position. At December 31, 2002, tax-exempt investments represented 19 percent of the total investment portfolio versus 22 percent at December 31, 2001. On a taxable equivalent basis, as though amounts were invested in taxable investments, revenues were $1.68 billion, down slightly from the 2001 amount of $1.71 billion.

Net income for 2002 was $76.1 million, or $0.86 per share, as compared with the 2001 amount of $51.1 million, or $0.58 per share ($65.4 million, or $0.74 per share when adjusted for SFAS No. 142).

There were 394,000 additional average outstanding and potentially dilutive common shares in 2002 than in 2001. This was largely driven by significant stock option exercise activity during the first half of 2002, partially offset by the 2002 resumption of the stock repurchase program described in "Liquidity and Capital Resources."

Payment Services. Revenues of the Payment Services segment were $802.5 million in 2002, a 12.4 percent increase over 2001 revenues of $713.9 million. Operating income was $154.0 million, a 24.3 percent increase over 2001 operating income of $123.8 million (or up 16.6 percent from $132.1 million when adjusted for SFAS No. 142). Operating margins increased to 19.2 percent in 2002 from 17.3 percent in 2001 (or from 18.5 percent when adjusting 2001 for the impact of SFAS No. 142). On a taxable equivalent basis, 2002 revenues of $838.7 million were up 10.2 percent when compared to $760.7 million in 2001. On the same basis, segment operating income in 2002 was $190.6 million, up 7.9 percent from $176.6 million in 2001 (or up 3.1 percent from $184.9 million in 2001 when adjusted for SFAS No. 142).

The increase in operating income was driven by continued growth in the MoneyGram business. Payment Services experienced double-digit growth in the number of locations that sell or provide both money orders and money transfer services, including 2,851 U.S. Wal-Mart locations. MoneyGram continued to show strong results with transaction volume growing 33 percent from 2001 to 2002, led by strong international money transfer and same-day bill payment volume. MoneyGram's agent base expanded by 14 percent over 2001. Growth in the U.S. to Mexico corridor was down slightly over 2001, however MoneyGram's fixed-price product, Cambio Plus, continues to grow in the high teens on a percentage basis.

The January 2003 acquisition of the minority interest in MoneyGram International Limited ("MIL") is expected to be slightly accretive to earnings in 2003. MIL provides money transfer services primarily in Europe, Africa, Australia and Asia and has experienced significant growth in revenues, transaction volume and agent locations over the last two years. MIL's growth is expected to continue through increased transaction volume and further expansion of its agent network in international markets.

The money order business continues to contribute significantly to operating margin and cash flows, however, money order volume and related average investable balances were down slightly compared to 2001 as some agents were eliminated and fewer agents were approved in order to manage the credit quality of the money order business.

Average investable funds for 2002 were $6.2 billion, up 23 percent from 2001 levels primarily driven by the official check business. The float income generated from the investment of these funds (investment income from the investment portfolio) represented approximately 46 percent of total Payment Services revenue in 2002 compared with 45 percent for 2001. Float income is affected by the level of investment balances (float portfolio) and the yield on investments. The following tables present float income and expense associated with the Payment Services segment's investment portfolio on both a GAAP and taxable equivalent basis:

	2002			2001		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(in thousands, GAAP basis)					
Investments available or restricted for payment service obligations	$6,153,831	$354,434	5.76%	$4,993,255	$308,894	6.19%
Payment service obligations(1)	4,706,324	240,152	5.10%	3,490,246	208,273	5.97%
Net float income and margin		$114,282	1.86%		$100,621	2.02%

	2002			2001		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(in thousands, taxable equivalent basis)					
Investments available or restricted for payment service obligations	$6,153,831	$390,605	6.35%	$4,993,255	$355,741	7.12%
Payment service obligations(1)	4,706,324	240,152	5.10%	3,490,246	208,273	5.97%
Net float income and margin		$150,453	2.44%		$147,468	2.95%

(1) Commissions are paid to financial institution customers based upon average outstanding balances generated by the sale of official check products only. The expense reported includes those payments made to financial institution customers, costs associated with swaps and the sale of receivables program. The average balance in the table reflects only the payment service obligations for which commissions are paid and does not include the average balance of the sold receivables ($440 million and $444 million for 2002 and 2001, respectively) as these are not recorded on the Consolidated Balance Sheets. Commission expense is classified as “Costs of services” in the Consolidated Statements of Income.

On a GAAP basis, float income (excluding gains) was $354.4 million in 2002 compared to $308.9 million in 2001, an increase of 14.7 percent. The growth was primarily due to higher average float portfolio balances, which increased by $1.2 billion or 23 percent. The float income increase attributable to the balance growth was $71.8 million and was partially offset by a decrease of $26.3 million due to an interest rate decline, reflecting an average investment yield of 5.76 percent, or a 43 basis point decline from 6.19 percent in 2001.

On a taxable equivalent basis, 2002 float income was $390.6 million compared to $355.7 million in 2001, an increase of 9.8 percent. Higher balance growth drove the increase of $82.7 million in float income and was partially offset by a $47.8 million decrease in float income related to declining interest rates. This resulted in an average investment yield of 6.35 percent, a decrease of 77 basis points from 7.12 percent in 2001. During 2002, average 5-year U.S. Treasury Notes declined 70 basis points and short-term interest rates declined over 200 basis points. The Payment Services segment maintains approximately $400 million to $750 million in short-term, highly liquid balances in order to fulfill its payment service obligations. Lower yields were earned on these short-term balances during 2002 due to interest rate declines. In addition, the dramatic decline in interest rates resulted in unprecedented and volatile mortgage refinancing activity during 2002. Refinancing activities caused an increase in the sale of official checks and an increase in float balances. The refinancing activity also drove a significant increase in the prepayments of mortgage-backed debt securities, resulting in the investment of these funds at lower interest rates. Also contributing to the decline in average investment yield in 2002 was a lower percentage of the portfolio invested in the higher after-tax yield municipal securities. See Note 5 of Notes to Consolidated Financial Statements for a detail of investments available or restricted for payment service obligations. If the unprecedented mortgage refinancing activity continues, future results could be affected similarly.

Commission expense was $240.2 million in 2002, an increase of $31.9 million, or 15.3 percent from 2001, primarily due to higher average balances of $1.2 billion. The commission expense increase attributable to the higher average balances was $72.6 million and was partially offset by a decrease of approximately $40.7 million due to lower interest rates. Commission expense includes amounts paid to financial institution customers based upon their average outstanding balances generated by the sale of official check products as well as the discount on the sale of certain agent receivables. In addition, commission expense includes the impact of the variable-to-fixed rate swap agreements that are used to mitigate the effects of interest rate fluctuations on financial institution commission expense and on the net proceeds from the sale of agent receivables.

Net float income (float income less commission expense) on a GAAP basis was $114.3 million in 2002, up $13.7 million or 13.6 percent from 2001, primarily due to increased balances. This increase was partially offset by a decline in interest rates, reflecting a net float margin of 1.86 percent, or a 16 basis point decline from 2.02 percent in 2001. The margin decline was a result of a lower interest rate environment as short-term and float balances earned lower yields and proceeds from prepayments and sales were reinvested at lower yields. As mentioned above, refinancing activities caused an increase in the sale of official checks and therefore an increase in float balances. However, a substantial portion of these balances were invested at short-term interest rates equal to or less than the interest rates paid out in commissions to financial institution customers, thus reducing net float margin. Although commissions and the discount on the sale of receivables program benefited from lower short-term interest rates, the fixed rate derivatives used to mitigate the effects of fluctuations on these expenses have contractual maturities, and therefore, did not benefit from reduced interest rates. Also contributing to the margin decline was a change in product mix reflecting higher overall growth in the official check business, which has lower net float margins relative to the money order business. On a taxable equivalent basis, net float income was $150.5 million in 2002, up $3.0 million or 2.0 percent from 2001.

The following tables summarize the impact of changes in average investable balances and interest rates on the float income and commission expense associated with the investment portfolio on a GAAP and taxable equivalent basis:

	2002 vs 2001					
	Balance(1)	Yield/ Rate(1)	Total	Balance(1)	Yield/ Rate(1)	Total
	(in thousands, GAAP basis)			(in thousands, taxable equivalent basis)		
Float income	$71,797	$(26,257)	$45,540	$82,685	$(47,821)	$34,864
Commission expense	$72,567	$(40,688)	$31,879	$72,567	$(40,688)	$31,879
Net float income	$23,388	$ (9,727)	$13,661	$34,276	$(31,291)	$ 2,985

(1) The totals for the balance and rate columns are not the sum of the individual lines as income and expense changes are calculated independently.

One of the Payment Services business objectives in managing the float portfolio is to mitigate the risk to earnings created by changing interest rates. To mitigate that risk, interest rate derivatives are entered into which effectively limit exposure to the floating rate commission payments to financial institution customers. These derivatives effectively convert the variable interest rate to a fixed rate. The fair value of these derivatives can fluctuate with interest rate changes, reflected as increases or decreases to a component of stockholders' equity. Changes in the value of the available-for-sale investment portfolio also are reflected as increases and decreases to a component of stockholders' equity. The change in the fair value of the derivative liability for 2002 was a net decrease of $96.7 million in stockholders' equity, while the net change in the fair value of the available-for-sale investment portfolio was a net increase of $60.2 million in stockholders' equity. Changes in the value of the available-for-sale investment portfolio will generally move in the opposite direction of the derivative values although they will rarely offset. This is because the main objective in entering into the derivatives is to first mitigate the risk on earnings due to the change in interest rates and secondarily to mitigate the risk to equity.

Certain Payment Services segment 2003 challenges include (among others):

— If interest rates stay low and refinancing activity continues to be strong, revenue and operating income growth could continue to be constrained.

— A tight credit environment which slows new agent signings and necessitates cutting some existing agents; and

— Competitive pricing pressures, particularly for domestic business.

The Payment Services segment will respond to these challenges by focusing on profitable growth that meets its margin requirements and that Viad believes will enhance its stockholder value.

Convention and Event Services. Revenues of the Convention and Event Services segment were $786.2 million in 2002, a decrease of 11.1 percent from 2001 revenues of $884.0 million. Operating income was $17.9 million in 2002 compared to an operating loss of $54.5 million in 2001 (or an operating loss of $46.7 million when adjusted for SFAS No. 142). Before restructuring charges and other items, operating income was $36.5 million, an increase of 11.9 percent from $32.6 million in 2001 and operating margins were

4.6 percent and 3.7 percent in 2002 and 2001, respectively. When adjusting 2001 for the impact of SFAS No. 142, income before restructuring charges and other items would have been $40.4 million with a corresponding operating margin of 4.6 percent.

Within the Convention and Event Services segment, the exhibit and design business experienced a 22.1 percent decrease in revenues during the year. Exhibit design and construction revenues were $217.9 million in 2002 compared to $279.9 million in 2001. Revenues were negatively impacted by further declines in the demand for the design and construction of new exhibits. This decline was due to diminished corporate spending and the continued downturn in the general economy as many exhibitors elected to reuse or refurbish existing exhibits rather than placing new orders. Operating income performance was poor during 2002 primarily due to the decline in revenues, excess manufacturing capacity, and certain inefficiencies. As a result of decreased visibility over revenues and continued uncertainties regarding improvements in the tradeshow industry, Viad approved a restructuring plan in the fourth quarter of 2002 resulting in a restructuring charge of $20.5 million ($13.3 million after-tax). The components of the $20.5 million charge consist of facility closure and lease termination costs of $12.8 million (net of estimated sublease income of $3.9 million), asset impairments related to fixed assets and inventories of $4.1 million, employee severance and benefits of $2.9 million and other charges of $650,000. As of December 31, 2002, a remaining liability related to this restructuring of $15.7 million is included in the Consolidated Balance Sheets. The restructuring plan is primarily focused on cost reductions through centralizing manufacturing capacity from five locations to three and centralizing certain support functions. Approximately 230 positions will be eliminated in connection with the restructuring. Future revenues and operating income could be adversely impacted if there are further declines in corporate spending for exhibit construction, despite management’s plans to reduce costs. Viad expects to substantially complete the restructuring activities by December 31, 2003, however, payments due under the long-term lease obligations will continue to be made over the remaining terms of the lease agreements. Severance and benefits payments will be made over the varying terms of the individual separation agreements. Viad expects that the restructuring charge will result in cost savings in the range of $8 million to $9 million in 2003 based on the timing of activities pursuant to the restructuring plan. See “Critical Accounting Policies” for additional discussion of accounting method related to the 2002 restructuring. During 2001, the Convention and Event Services segment recorded a restructuring charge of $66.1 million ($39.9 million after-tax) for which the related restructuring activities were completed by the end of 2002. As of December 31, 2002, a remaining liability of $19.6 million related to the 2001 restructuring is included in the Consolidated Balance Sheets. See Note 2 of Notes to Consolidated Financial Statements.

The convention show services business experienced a 5.9 percent decrease in revenues, however, operating income increased during the year. Revenues were $568.3 million in 2002 compared to $604.1 million in 2001. The decline in revenues largely reflects lower demand for services and tradeshow shrinkage due to overall weak economic conditions. Since 2001, and throughout 2002, the tradeshow industry has experienced sequential declines in tradeshow attendance, the number of exhibiting companies, and convention square footage. Tradeshow activity also reflects industry-specific conditions. Show shrinkage has been significant in the technology and telecommunications sectors, while health-related shows have slightly improved and other service industries have stabilized. During 2002, several shows were canceled, scaled-back or lost to competitors. Furthermore, show shrinkage, particularly related to certain technology shows, negatively impacted revenues. However, these declines were partially offset by new business in 2002 such as the Comdex and International Manufacturing Technology shows, and positive show rotation related to the ConExpo/ ConAg and International Woodworking shows, as these events do not occur every year. Operating income improvements during 2002 primarily reflect improved margins and lower costs as the benefit of a previous restructuring has largely been realized. Although the convention show services business has a diversified revenue base (show portfolio) including existing contracts for future shows, revenue growth is dependent on general economic and industry-specific conditions. Furthermore, political instability in the Middle East and threats of terrorism could continue to impact travel which may adversely affect the convention show industry.

Travel and Recreation Services. Revenues of the travel and recreation businesses decreased $3.2 million, or 5.2 percent, to $58.3 million in 2002. Operating income for the travel and recreation businesses was $13.7 million, a decrease of 6.5 percent from that of 2001. Operating margins for 2002 and 2001 were

23.6 percent and 23.9 percent, respectively. When adjusting 2001 for the impact of SFAS No. 142, operating income would have been $15.6 million (with a 2002 decrease of 11.6 percent) and the operating margin would have been 25.3 percent. The revenue decrease resulted primarily from a continued decline in the world travel market. Despite declines in tourism and the soft economy, these businesses had a respectable year from a revenue standpoint and will continue to focus on cost control until world travel returns to previous levels. As with Convention and Event Services, political instability in the Middle East and threats of terrorism resulting in reduced travel could continue to impact the travel and recreation services businesses.

Corporate Activities. Corporate activities expense increased $5.1 million from 2001 to 2002. This increase is due largely to $2.5 million for legal, investment banking, and other costs incurred in connection with a contemplated initial public offering of Travelers Express. Additional increases relate to higher insurance premiums and employee benefit costs in 2002. Corporate activities expense is expected to increase in 2003 due to higher pension costs and insurance premium expense.

Other Investment Income. Investment income increased $4.9 million due primarily to $3.5 million of interest income received associated with a federal income tax refund for the 1994 through 1996 tax years as well as an increase in investment income associated with Corporate securities (see Note 4 of Notes to Consolidated Financial Statements) due to higher average investment levels during 2002, partially offset by lower average interest rates.

Interest Expense. Interest expense decreased to $19.3 million in 2002 from $25.9 million in 2001 as a result of steadily declining average outstanding debt balances and average interest rates throughout the year. Approximately 42 percent and 38 percent of the average debt outstanding during 2002 and 2001, respectively, related to short-term borrowings that are subject to variable interest rates.

Minority Interests. The increase in minority interests of $4.3 million in 2002 from 2001 relates to strong growth in the Payment Services segment's 51 percent interest in MIL. In January 2003, Viad purchased the remaining 49 percent interest in MIL as described in Note 18 of Notes to Consolidated Financial Statements.

Income Taxes. On a GAAP basis, the 2002 effective tax rate was 26.2 percent, up from a 9.4 percent tax benefit in 2001 predominantly due to the restructuring charges and other items recorded in 2001. Excluding the effect of the 2002 and 2001 restructuring charges and other items, the 2002 effective tax rate was 27.2 percent, up from 23.6 percent in 2001. (When adjusted for the impact of SFAS No. 142 the effective tax rate in 2001 would have been 22.8 percent). The relatively low rate compared to the statutory federal rate is primarily attributable to tax-exempt income from Viad's Payment Services businesses. The higher rate for 2002 is due to lower tax-exempt investment income in proportion to total pre-tax income, resulting from the shift in the mix of investments from nontaxable to taxable investments. Even though nontaxable investments generally have higher after-tax yields than taxable investments, Viad has shifted its mix of nontaxable and taxable investments to balance its alternative minimum tax position. This change in the mix of investments, the taxability of those investments, and the mix of companies included in the consolidated state filings, increased Viad's effective tax rate from 2001 to 2002.

2001 vs. 2000:

In the 2001 third quarter, Viad recorded restructuring charges totaling $66.1 million ($39.9 million after-tax) associated with the closure and consolidation of certain facilities, severance and other employee benefits of which $3.7 million (relating to the write-down of certain inventories) was charged to "Cost of products sold." The remaining $62.4 million was classified under the caption "Restructuring charges." All facilities were closed or consolidated and all of the positions had been eliminated as of December 31, 2002. Payments under long-term lease obligations, however, will continue to be made over the remaining terms of the leases. Severance and benefits payments will be made over the varying terms of the individual separation agreements. See Note 2 of Notes to Consolidated Financial Statements for further discussion on this charge and a rollforward of the restructuring liability at December 31, 2002.

The following discussion compares 2001 results with 2000 results as originally reported and also on an as adjusted for SFAS No. 142 basis.

Revenues for 2001 were $1.66 billion, down from the 2000 amount of $1.73 billion. The decrease was primarily due to Viad's Convention and Event Services segment revenue decline of $148.1 million over the prior year, partially offset by the Payment Services segment revenue increase of $108.4 million over the same period. Viad began shifting its mix of nontaxable and taxable investments in 2001 to balance its alternative minimum tax position. At December 31, 2001, tax-exempt investments represented 22 percent of the total investment portfolio versus 45 percent at December 31, 2000. On a taxable equivalent basis, as though amounts were invested in taxable investments, revenues were $1.71 billion, down 4.8 percent from $1.79 billion in 2000.

Net income for 2001 was $51.1 million, or $0.58 per share, compared with net income of $140.8 million, or $1.54 per share in 2000. When adjusted for SFAS No. 142, 2001 net income would have been $65.4 million ($0.74 per share) versus $154.7 million ($1.69 per share) in 2000.

There were 4.6 million fewer average outstanding and potentially dilutive common shares in 2001 than in 2000, due primarily to the stock repurchase programs described in "Liquidity and Capital Resources." In addition, a lower Viad stock price during 2001 contributed to fewer additional dilutive shares related to unexercised stock options.

Payment Services. Revenues of the Payment Services segment were $713.9 million in 2001, a 17.9 percent increase over 2000 revenues of $605.5 million. Operating income was $123.8 million, a 32.0 percent increase over 2000 operating income of $93.8 million. Operating margins increased to 17.3 percent in 2001 from 15.5 percent in 2000. When adjusting 2001 and 2000 for the impact of SFAS No. 142, operating income would have been $132.1 million and $102.0 million, respectively, and the operating margins would have been 18.5 percent and 16.8 percent in 2001 and 2000, respectively. The increase in operating income was driven by continuing solid growth in official check operations, continued improvements in MoneyGram and by the leveraging of the existing infrastructure, as Payment Services experienced double-digit growth in the number of financial institution locations and in the number of locations that sell or provide both money orders and money transfer services. MoneyGram experienced strong transaction volume growth of 37 percent driven by Latin America, International money transfer and same-day bill payment businesses. MoneyGram's agent base expanded by 31 percent over 2000. Average investable funds for 2001 were $5.0 billion, up over 31 percent from 2000 levels, however, results were partially offset by lower effective interest rates on new investments. On the taxable equivalent basis, 2001 revenues of $760.7 million were up 13.3 percent when compared to $671.7 million in 2000. On the same basis and before restructuring charges and other items, segment operating income in 2001 was $176.6 million, up 10.3 percent from $160.1 million in 2000. When adjusted for SFAS No. 142 segment operating income in 2001 was $184.9 million, up 9.9 percent from $168.2 million in 2000.

The money order business continued to contribute significantly to the operating margin, however, money order volume was flat and related average investable balances grew only slightly compared to 2000 as some agents were eliminated and fewer agents were approved in order to maintain the credit quality of the money order business. In the 2001 third quarter, Travelers Express recorded a charge totaling $5.0 million ($3.0 million after-tax) resulting from the bankruptcy of a large money order agent in September 2001.

Float income (investment income from the investment portfolio) represented approximately 45 percent of total Payment Services revenue for the year 2001 compared with 39 percent for 2000. Float income is affected by the level of investment balances (float portfolio) and the yield on investments.

The following tables present float income and expense associated with the Payment Services segment's investment portfolio on both a GAAP and taxable equivalent basis:

	2001			2000		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(in thousands, GAAP basis)					
Investments available or restricted for payment service obligations	$4,993,255	$308,894	6.19%	$3,805,821	$231,034	6.07%
Payment service obligations(1)	3,490,246	208,273	5.97%	2,410,511	164,326	6.82%
Net float income and margin		$100,621	2.02%		$ 66,708	1.75%

	2001			2000		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(in thousands, taxable equivalent basis)					
Investments available or restricted for payment service obligations	$4,993,255	$355,741	7.12%	$3,805,821	$297,258	7.81%
Payment service obligations(1)	3,490,246	208,273	5.97%	2,410,511	164,326	6.82%
Net float income and margin		$147,468	2.95%		$132,932	3.49%

(1) Commissions are paid to financial institution customers based upon average outstanding balances generated by the sale of official check products only. The expense reported includes those payments made to financial institution customers, costs associated with swaps and the sale of receivables program. The average balance in the table reflects only the payment service obligations for which commissions are paid and does not include the average balance of the sold receivables ($444 million and $433 million for 2001 and 2000, respectively) as these are not recorded on the Consolidated Balance Sheets. Commission expense is classified as "Costs of services" in the Consolidated Statements of Income.

On a GAAP basis, float income (excluding gains) was $308.9 million in 2001 compared to $231.0 million in 2000, an increase of $77.9 million or 33.7 percent. The growth was primarily due to higher average float portfolio balances which drove an increase in float income of $72.1 million. During 2001, average 5-year U.S. Treasury Notes declined 160 basis points and short-term interest rates declined over 235 basis points. Despite this decline, the average portfolio yield increased 12 basis points from 6.07 percent to 6.19 percent, primarily due to the mix of investments in the portfolio. The portfolio mix shifted away from lower yield tax-exempt securities into higher yield taxable securities as the percentage of the portfolio invested in tax-exempt securities declined from 45 percent at December 31, 2000 to 22 percent at December 31, 2001. See Note 5 of Notes to Consolidated Financial Statements for a breakout of investments available or restricted for payment service obligations.

On a taxable equivalent basis, 2001 float income (excluding gains) was $355.7 million compared to $297.3 million in 2000, an increase of 19.7 percent. Higher balance growth drove the increase of $92.7 million in float income and was partially offset by a decrease of $34.3 million related to declining interest rates. This resulted in an average investment yield of 7.12 percent, a decrease of 69 basis points from 7.81 percent in 2000. Contributing to the decline in average investment yield in 2001, in addition to the lower interest rate environment, was a lower percentage of the portfolio invested in the higher effective yield tax-exempt securities as mentioned above.

Commission expense was $208.3 million in 2001, an increase of $43.9 million, or 26.7 percent from 2000, primarily due to higher average balances of $1.1 billion. The commission expense increase attributable to the higher average balances was $73.6 million and was partially offset by a decrease of approximately $29.7 million due to an interest rate decline.

Net float income (float income less commission expense) on a GAAP basis was $100.6 million in 2001, up $33.9 million or 50.8 percent from 2000, primarily due to increased balances. The net float margin was

2.02 percent, or a 27 basis point increase from 1.75 percent in 2000. Net float income on a taxable equivalent basis was $147.5 million in 2001, up $14.5 million or 10.9 percent from 2000 primarily due to increased balances. This increase was partially offset by a decline in interest rates, reflecting a net float margin of 2.95 percent, or a 54 basis point decline from 3.49 percent in 2000. The decline was a result of a lower interest rate environment as well as a lower percentage of the portfolio invested in the higher effective yield municipal securities.

The following table summarizes the impact of changes in average investable balances and interest rates on the float income and commission expense associated with the investment portfolio:

	2001 vs 2000					
	Balance(1)	Yield/ Rate(1)	Total	Balance(1)	Yield/ Rate(1)	Total
	(in thousands, GAAP basis)			(in thousands, taxable equivalent basis)		
Float income	$72,084	$ 5,776	$77,860	$92,747	$(34,264)	$58,483
Commission expense	$73,606	$(29,659)	$43,947	$73,606	$(29,659)	$43,947
Net float income	$20,813	$ 13,100	$33,913	$41,475	$(26,939)	$14,536

(1) The totals for the balance and rate columns are not the sum of the individual lines as income and expense changes are calculated independently.

Convention and Event Services. Revenues of the Convention and Event Services segment were $884.0 million in 2001, a decrease of 14.3 percent from 2000 revenues of $1.03 billion. On a GAAP basis, the operating loss in 2001 of $54.5 million was significantly below the 2000 operating income of $66.8 million. The decline was driven by the $87.0 million of restructuring charges and other items expensed in 2001. Before restructuring charges and other items, operating income was $32.6 million, a decrease of 56.9 percent from the 2000 operating income of $75.5 million. On this basis, operating margins decreased to 3.7 percent in 2001 from 7.3 percent in 2000. When adjusting 2001 and 2000 for the impact of SFAS No. 142, income before restructuring charges and other items would have been $40.4 million and $83.0 million, respectively, with operating margins of 4.6 percent and 8.0 percent, respectively.

The Convention and Event Services segment's exhibit and design business has suffered from the events of September 11th and the negative implications to the tradeshow industry that resulted. The general malaise in the economy, further damaged with terrorist threats after September 11th and resulting travel concerns caused many customers to delay or cancel exhibit construction, opting instead to refurbish old exhibits, thus directly impacting revenues. As such, revenues were down 17.5 percent to $279.9 million in 2001.

The Convention and Event Services segment's convention show services was affected by the overall softness in the economy, the technology and telecom decline, the events of September 11th and negative show rotation. Fear of travel as a result of the events of September 11th negatively impacted tradeshow attendance and resulted in increased show cancellations, and thus reduced revenues. In addition, certain large tradeshows held in 2000 were not held in 2001 (negative "show rotation") therefore adversely impacting year over year revenues. Finally, year over year revenue was negatively impacted by the loss of tradeshows of the Key3Media Group, Inc. ("Key3Media"), as discussed below. As a result of the above, revenues were down 12.8 percent to $604.1 million in 2001 from 2000. Although progress was being made with regard to the 2000 restructuring, the benefits had not yet been fully realized and were further dampened by the dramatic drop in attendance after the events of September 11th.

In August 2000, Key3Media, a company spun off by Ziff-Davis Inc., terminated a long-term agreement with GES to produce tradeshows. The companies had been involved in litigation regarding the contract termination. The key issues in the litigation related to the interpretation of certain contract terms and the scope of free services required of GES. During the second quarter of 2001, after both sides assessed the business market, the risks and demands of the litigation and the need to move forward on a productive basis, GES and Key3Media agreed to settle the litigation. As a result, Viad recorded a charge totaling $29.3 million ($18.3 million after-tax) in the second quarter of 2001 representing primarily the write-off of net receivables and prepayments made to Key3Media. The $29.3 million charge was recorded under the caption “Litigation settlement and costs” in the Consolidated Statements of Income.

As a result of the above factors and the general downturn in the economy, Viad approved the 2001 restructuring plan previously discussed.

Travel and Recreation Services. Revenues of the travel and recreation businesses decreased $11.1 million, or 15.2 percent, to $61.5 million in 2001. The revenue decrease resulted primarily from an overall decrease in traffic from Japanese and European tourists and from a decrease in overall package tours and charter volumes. The declines in tourism were reflective of the soft economy, higher fuel costs and the September 11th terrorist attacks. Operating income for the travel and recreation businesses was $14.7 million, a decrease of $4.4 million, or 23.1 percent, from that of 2000 levels, primarily due to reduced tourism volume. When adjusting 2001 and 2000 for the impact of SFAS No. 142, operating income would have been $15.6 million and $20.0 million, respectively, and operating margins would have been 25.3 percent and 27.6 percent in 2001 and 2000, respectively.

Corporate Activities. The $2.2 million increase in corporate activities expense from 2000 to 2001 was due primarily to a write-down of a partnership interest resulting from its impairment, deemed to be other than temporary.

Other Investment Income. Investment income associated with Corporate securities (see Note 4 of Notes to Consolidated Financial Statements) declined $7.5 million due primarily to lower average investment levels in 2001 as funds were used for stock repurchases primarily in the first quarter of 2001 as described in “Liquidity and Capital Resources.” Lower average interest rates during 2001 also contributed to the decline.

Minority Interests. The decrease of $391,000 in 2001 minority interests from 2000 relates primarily to a $793,000 minority interest tax adjustment made in 2000, partially offset by an increase in revenue and transaction volume growth in the Payment Services segment’s 51 percent interest in MIL.

Interest Expense. Interest expense increased slightly to $25.9 million in 2001 from $25.3 million in 2000, primarily as a result of slightly higher average debt outstanding during the year, substantially offset by lower average interest rates. Approximately 38 percent and 27 percent of the average debt outstanding during 2001 and 2000, respectively, related to short-term borrowings that are subject to variable interest rates.

Income Taxes. On a GAAP basis, the 2001 effective tax rate was a benefit of 9.4 percent, compared to a 15.7 percent tax rate expense in 2000 predominantly due to the restructuring charges and other items in 2001. Excluding the effect of those charges, the 2001 effective tax rate was 23.6 percent, up from 15.2 percent in 2000. (When adjusted for the impact of SFAS No. 142 the effective tax rate in 2001 and 2000 would have been 22.8 percent and 15.3 percent, respectively). The relatively low rate compared to the statutory federal rate is primarily attributable to tax-exempt income from Viad’s Payment Services businesses. The higher rate for 2001 is due to lower tax-exempt investment income in proportion to total pre-tax income, resulting from the shift in the mix of investments from nontaxable to taxable investments. In addition, due to lower operating income in the Convention and Event Services segment, tax savings associated with filing consolidated state income tax returns was lower than anticipated, resulting in a higher effective state tax rate.

Liquidity and Capital Resources:

Cash and corporate investments were $303.6 million at December 31, 2002 as compared to $216.1 million at December 31, 2001, with the increase primarily related to cash flow generated from 2002 operations. Corporate investments are included in the balance sheet caption “Other investments in securities.”

In January 2003, MoneyGram Payment Systems, Inc. (“MoneyGram”), a subsidiary of Travelers Express, acquired the 49 percent minority interest in MoneyGram International Limited (“MIL”) from Travelex Group (“Travelex”). MIL, a London-based joint venture between MoneyGram and Travelex, provides international money transfer services primarily in Europe, Africa, Australia and Asia. Prior to the acquisition, MoneyGram owned a 51 percent interest in MIL. In connection with the transaction, MoneyGram paid approximately $98 million to Travelex. In addition, MIL paid a dividend to Travelex of approximately $8 million concurrent with the transaction.

Viad's total debt at December 31, 2002 was $361.7 million compared with $396.8 million at December 31, 2001. The debt-to-capital ratio at December 31, 2002 was 0.33 to 1, compared to 0.35 to 1 at December 31, 2001. Capital is defined as total debt plus minority interests, preferred stock and common stock and other equity.

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

Viad authorized a stock repurchase program in 1998 for the purpose of replacing common shares issued upon exercise of stock options and in connection with other stock compensation plans, with the intended effect of reducing dilution caused by the issuance of such shares. This program was on hold for most of 2001 and the first six months of 2002 while cash was conserved given the uncertainty in the economy. In the third quarter of 2002, Viad resumed the repurchase plan and acquired 1.2 million shares for $26.3 million at an average price of $21.89. Prior to the break in the stock repurchase program, 1.4 million shares were repurchased in early 2001 for $34.6 million at an average price of $24.45.

Proceeds from the exercise of stock options, including tax benefits on stock option exercises, totaled $12.7 million and $22.8 million in 2002 and 2001, respectively. The level of future cash generated from stock option exercises may vary depending on Viad's stock price compared to the option exercise price and the ability of the grantees to exercise stock options.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings, Viad strives to maintain current assets at the lowest practicable levels while at the same time taking advantage of payment terms offered by trade creditors and obtaining advance deposits from customers for certain projects and services. However, working capital requirements may fluctuate from seasonal factors as well as changes in levels of receivables and inventories caused by numerous business factors.

Viad satisfies a portion of its working capital and other financing requirements with short-term borrowings (through commercial paper, bank note programs and bank lines of credit). Effective August 31, 2001, Viad completed credit facilities totaling $425 million to replace and consolidate its previous $300 million revolving bank credit agreement, various letter of credit support facilities and a Canadian credit facility without substantially increasing Viad's overall credit capacity. Under these facilities, short-term borrowings were supported by a $200 million short-term 364-day revolving credit facility (with a one-year term out provision, at Viad's option, in the event a new facility is not established) and a $225 million five-year facility. On August 30, 2002, Viad's $200 million short-term 364-day facility was amended, the total amount of the lenders' commitments was reduced to $168 million under similar terms and the commitment termination date of each eligible lender was extended to August 2003. The short-term revolving credit facility, as amended, allows for Viad to increase the aggregate amount of the lender commitments up to $200 million subject to availability of commitments. Short-term borrowings totaling $173.0 million and $166.0 million at December 31, 2002 and 2001, respectively, have been classified as long-term debt, pursuant to the unused commitments under the applicable long-term and short-term credit facilities. Unused commitments (net of amounts used to support short-term borrowings and letters of credit) under the facilities totaled $142.0 million at December 31, 2002. Borrowings under the facilities are subject to various covenants, including standard equity and other financial ratio calculations, among others. The borrowings are also subject to increases in borrowing costs if debt ratings are not maintained at current levels. Default under the covenants relating to any of Viad's debt agreements could result in cross defaults to other debt agreements. Viad is currently in compliance with all of its covenants.

The following table presents Viad's contractual obligations as of December 31, 2002:

	Payments due by period				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
			(in thousands)		
Long-term debt	$353,584	$103,346	$204,000	$19,503	$26,735
Capital lease obligations	8,073	649	1,342	1,051	5,031
Operating leases	186,837	31,857	51,533	36,546	66,901
Derivative financial instruments	246,333	119,806	116,208	10,319	—
Other long-term obligations (1)	12,400	1,000	11,400	—	—
Total contractual cash obligations	$807,227	$256,658	$384,483	$67,419	$98,667

(1) Other long-term obligations include $11.4 million of expected pension funding obligations and $1.0 million of commission obligation payments.

In December 2002, GES began occupying and commenced lease payments on a newly constructed facility in Las Vegas, Nevada. The leased property provides GES with approximately 890,000 square feet of combined warehouse, manufacturing and office space. The lease term is 12 years and the aggregate base rental payments over the lease term are approximately $60 million. The lease was accounted for as an operating lease, and as such, is not included on Viad's Consolidated Balance Sheets as of December 31, 2002. The amounts relating to the lease are included under the caption "Operating leases" in the above table.

As of December 31, 2002, Viad had certain obligations under guarantees to third parties on behalf of its subsidiaries. These guarantees are not subject to liability recognition in the consolidated financial statements and primarily relate to leased facilities and credit or loan arrangements with banks, entered into by Viad's subsidiary operations. Viad would generally be required to make payments to the respective third parties under these guarantees in the event that the related subsidiary could not meet its own payment obligations. The maximum potential amount of future payments that Viad would be required to make under all guarantees existing at December 31, 2002 would be $60.4 million. Of these guarantees, 93 percent relate to obligations associated with operating leases and other unused credit facilities and the remaining 7 percent relates to subsidiary obligations included in total debt in the Consolidated Balance Sheets. At December 31, 2002, the aggregate guarantees related to leased facilities were $34.6 million, and expire through December 2006. At December 31, 2002, the aggregate guarantees related to credit or loan arrangements with banks were $25.8 million of which, $5.8 million expire through September 2003 and $20.0 million is subject to an ongoing guarantee by a Viad subsidiary commensurate with its subsidiary's credit facility which has no expiration date. 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.

The ability of Viad to maintain its investment grade rating is critical as it affects the cost of borrowing. In addition, certain financial institution customers of Viad's Payment Services segment require that Viad maintain an investment grade rating. Any ratings downgrade could increase Viad's cost of borrowing, result in termination of debt, or require certain actions be performed to rectify such a situation. Such a downgrade could also have a negative effect on Viad's ability to attract and retain new or existing customers. Being placed on credit watch with negative implication could also affect Viad's cost of borrowing for its short-term debt and/or the ability to obtain such short-term funding. Currently, the ratings outlook from the rating agencies is "stable."

Payment Services has agreements with clearing banks that provide processing and clearing functions for money orders and official checks. Certain contracts have covenants that require the maintenance of specified levels of capital for Viad's Payment Services operations. Any changes in specified capital levels may require additional capital contributions to be made by Viad to Payment Services and/or may require Payment Services to change the mix of its investments or increase the level of investment liquidity, which could result in lower rates of return.

Capital spending has been reduced by obtaining, where appropriate, equipment and other property under operating leases. Cash flows from operations and proceeds from the sales of noncore businesses and assets during the past three years have generally been sufficient to fund capital expenditures, acquire businesses and pay cash dividends to stockholders. Although no assurance can be given, Viad expects operating cash flows and short-term borrowings to be sufficient to finance its ongoing business, maintain adequate capital levels and meet covenant and investment grade rating requirements. Should financing requirements exceed such sources of funds, Viad believes it has adequate external financing sources available, including unused commitments under its credit facilities, to cover any shortfall.

Viad's Payment Services subsidiaries generate funds from the sale of official checks, money orders and other payment instruments, with the related liabilities classified as "Payment service obligations." Substantially all of the proceeds of such sales are invested in permissible securities, principally high-quality debt instruments. These investments are restricted by the Payment Services segment to the extent that they represent proceeds from the sale of its payment instruments for use by the subsidiaries to satisfy the liability to pay, upon presentment, the face amount of such payment service obligations. Accordingly, such assets are not available to satisfy working capital or other financing requirements of Viad. The securities are included in the Consolidated Balance Sheets under the caption, "Investments available or restricted for payment service obligations." Certain additional assets of the Payment Services subsidiaries relating to payment service obligations, including cash on hand, funds in transit from agents and securities expected to be sold or maturing within one year, are included under the caption, "Funds, agent receivables and current maturities of investments available or restricted for payment service obligations." Although the Payment Services investment portfolio exposes Viad to certain credit risks, Viad believes the high quality of the investments reduces this risk. Approximately 97 percent of the investments at December 31, 2002 (and approximately 99 percent of the investments at December 31, 2001) have an investment grade rating of A or higher or are collateralized by federal agency securities. Although Payment Services' investment portfolio is highly diversified, if any one issuer were unable to pay its obligations or were to enter into bankruptcy, Payment Services may have to sell the investment and reinvest the proceeds in permissible securities and/or could lose a portion or a substantial amount of the investment with such issuer. In addition, further deterioration in the debt and equity markets could lead to "other-than-temporary" impairment losses related to the Payment Services segment's investment securities in future periods. See "Critical Accounting Policies" for discussion regarding estimates and assumptions related to other-than-temporary declines in the value of securities. Under normal circumstances there is no requirement to sell long-term debt securities prior to their maturity, as the funds from ongoing sales of money orders and other payment instruments and funds from maturing long-term and short-term investments are expected to be adequate to settle payment service obligations as they are presented. Fluctuations in the balances of Payment Services' assets and obligations result from varying levels of sales of money orders and other payment instruments, the timing of agent receivables, and the timing of the presentment of such instruments.

Working in cooperation with certain financial institutions, Payment Services has established separate consolidated entities (special-purpose entities) and processes that provide these financial institutions with additional assurance of the ability to clear their official checks. These processes include maintenance of specified ratios of segregated investments to outstanding payment instruments. In some cases, alternative credit support has been purchased by Payment Services that provides backstop funding as additional security for payment of their instruments. However, Payment Services remains liable to satisfy the obligations. Accordingly, the obligations have been recorded in the Consolidated Balance Sheets under the caption "Payment service obligations." Under certain limited circumstances, clients have rights to demand liquidation of the segregated assets or to take other similar actions. While an orderly liquidation of assets would be required, any such actions by a client could nonetheless diminish the value of the total investment portfolio, decrease earnings, and result in loss of the client or other customers or prospects.

A Viad Payment Services subsidiary has an agreement to sell, on a periodic basis, undivided percentage ownership interests in certain receivables from bill payment and money order agents in an amount not to exceed $450 million. The agreement runs through June 2003, but the decision to sell receivables is made daily.

In addition, there is no requirement for the purchasing bank to purchase the receivables. The receivables are sold in order to accelerate Payment Services' cash flow for investments in permissible securities.

Viad's Payment Services subsidiaries have various lines of credit, overdraft facilities and reverse repurchase agreements totaling $1.95 billion available to assist in the management of their investments and the clearing of payment service obligations. No borrowings were outstanding under these facilities at December 31, 2002 or 2001.

The Payment Services segment has agreements with certain investors to provide funds related to investments in collateralized private equity obligations. As of December 31, 2002, the total amount of unfunded commitments related to these agreements was $21.0 million.

Viad sold treasury stock in 1992 to Viad's Employee Equity Trust (the "Trust") to fund certain existing employee compensation and benefit plans over the scheduled 15-year term of the Trust. For financial reporting purposes, the Trust is consolidated with Viad. The fair market value of the shares held by the Trust, representing unearned employee benefits, is recorded as a deduction from common stock and other equity and is reduced as employee benefits are funded. At December 31, 2002, approximately 2,366,000 shares remained in the Trust and were available to fund future benefit obligations.

Viad has certain unfunded pension and other postretirement benefit plans that require payments over extended periods of time. Such future benefit payments are not expected to materially affect Viad's liquidity.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recovery, have been properly reserved for; however, environmental settlements could result in future cash outlays.

Off-Balance-Sheet Arrangements:

Viad has certain arrangements or transactions which are not recorded on the consolidated balance sheets and could materially effect liquidity or require the use of capital resources. These arrangements and transactions are discussed in "Liquidity and Capital Resources," and include aggregate operating lease commitments of $186.8 million (including the GES lease commitment of $60 million), aggregate guarantees of $60.4 million and funding commitments related to collateralized private equity obligations of $21.0 million.

Critical Accounting Policies:

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements. The U.S. Securities and Exchange Commission 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 judgements, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this criteria, Viad has identified and discussed with its audit committee the following critical accounting policies and estimates, and the methodology and disclosures related to those estimates:

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

During 2002, Viad recorded a transitional goodwill impairment loss of $40.0 million ($37.7 million after-tax) related to the Exhibitgroup/Giltspur reporting unit of the Convention and Event Services segment. A decline in the expected cash flows or the estimated terminal value could lead to additional goodwill impairment losses. Similarly, an increase in the discount rate (weighted average cost of capital) could also result in additional goodwill impairment.

Insurance liabilities. Viad is self-insured up to certain limits for workers' compensation, automobile, product and general liability, property loss and medical claims. Viad has also retained and provided for certain insurance liabilities in conjunction with the sales of businesses. Provisions for losses for claims incurred, including estimated claims incurred but not yet reported, are made based on Viad's prior historical experience, claims frequency and other factors. Viad has purchased insurance for amounts in excess of the self-insured levels. A change in the assumptions used could result in an adjustment to recorded liabilities.

Pension obligations. Viad has trusteed, noncontributory pension plans that cover certain employees. Pension benefits are supplemented, in most cases, by defined matching company stock contributions to employees' 401(k) plans as described in Note 15 of Notes to Consolidated Financial Statements. In addition, Viad retained the obligations for such benefits for employees of certain sold businesses. Through December 31, 2000, the principal retirement plan was structured using a traditional defined benefit formula based primarily on final average pay and years of service. Benefits earned under this formula ceased accruing at December 31, 2000, with no change to retirement benefits earned through that date. Effective January 1, 2001, benefits began accruing under a cash accumulation account formula based upon a percentage of pay plus interest. Funding policies provide that payments to defined benefit pension trusts shall be at least equal to the minimum funding required by applicable regulations. Certain defined pension benefits, primarily those in excess of benefit levels permitted under qualified pension plans, are unfunded. As determined with the guidance of an external actuary, the following assumptions were used in determining the projected benefit obligation and pension expense:

	2002	2001
Discount rate	6.75%	7.25%
Expected return on plan assets	8.75%	10.00%
Rate of compensation increase	4.50%	4.50%

Viad's pension expense was $3.2 million and $2.5 million for 2002 and 2001, respectively. Pension expense is calculated based upon the actuarial assumptions shown above. For 2002, the pension expense consisted of service cost of $2.8 million, interest cost of $12.3 million, amortization of prior service cost of $786,000, recognized net actuarial loss of $462,000 less an expected return on plan assets of $13.2 million. The fair value of Viad's pension plan assets decreased to $107.1 million at December 31, 2002 from $121.5 million at December 31, 2001 primarily due to benefits paid and lower actual returns on plan assets.

Viad's discount rate used in determining future pension obligations is measured on November 30 and is based on rates determined by actuarial analysis and Viad management review. Lowering the discount rate by 0.5 percent would have increased Viad's pension expense by $645,000.

In developing the expected rate of return, input provided by Viad's actuaries was evaluated as well as other external factors. Viad's expected rate of return is based on asset allocation guidelines that are reviewed quarterly by its Pension Investment Committee and assets are invested in a manner consistent with the Fiduciary standards of the Employee Retirement Income Security Act ("ERISA"). To be consistent with ERISA Fiduciary standards, the assets should have the safeguards and diversity to which a prudent investor would adhere and all transactions undertaken on behalf of the fund must be for the sole benefit of plan participants and their beneficiaries. Viad's current asset allocation consists of approximately 55 percent in large capitalization and international equities, approximately 35 percent in fixed income such as long-term treasury bonds, intermediate government bonds and global bonds and approximately 10 percent in a real estate limited partnership interest. Lowering the expected rate of return by 0.5 percent would have increased Viad's 2002 pension expense by $663,000. Viad's pension assets are primarily invested in marketable securities that have readily determinable current market values. Viad's investments are re-balanced regularly to stay within the investment guidelines. Viad will continue to evaluate its pension assumptions, including its rate of return, and will adjust these factors as necessary.

Future actual pension income or expense will depend on future investment performance, changes in future rates and various other factors related to the populations participating in Viad's pension plans.

Postretirement benefits other than pensions. Viad and certain of its subsidiaries have defined benefit postretirement plans that provide medical and life insurance for certain eligible employees, retirees and dependents. The related postretirement benefit liabilities are recognized over the period that services are provided by employees. In addition, Viad retained the obligations for such benefits for retirees of certain sold businesses. While the plans have no funding requirements, Viad may fund the plans.

The assumed health care cost trend rate used in measuring the 2002 accumulated postretirement benefit obligation was 10 percent for the year 2003, gradually declining to 5 percent by the year 2008 and remaining at that level thereafter.

A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of December 31, 2002 by approximately $4.6 million and the ongoing annual expense by approximately $410,000. 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, 2002 by approximately $4.0 million and the ongoing annual expense by approximately $349,000.

Weighted average assumptions used at December 31 were as follows:

	2002	2001
Discount rate	6.75%	7.25%
Expected return on plan assets	3.75%	3.75%

Investment securities. Investment securities are accounted for in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Per SFAS No. 115, investments are classified into one of three categories: held-to-maturity, available-for-sale, or trading. Securities being held for indefinite periods of time, including those securities that may be sold to assist in the clearing of payment service obligations or in the management of securities, are classified as available-for-sale. These securities are carried at market value (or fair value), with the net after-tax unrealized gain or loss reported as a separate component of stockholders' equity under the caption "Accumulated other comprehensive income (loss)." Market value is determined by using available market information. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined may not be indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts. In general, as interest rates increase, the fair value of the available-for-sale portfolio and stockholders' equity decreases and as interest rates fall, the fair value of the available-for-sale portfolio increases as well as stockholders' equity. Securities classified as held-to-maturity are those that management has the ability and intent to hold to maturity and are carried at amortized cost. The cost of investment securities sold is determined using the specific-identification method.

Other-than-temporary declines in the value of securities. Viad's investments consist primarily of mortgage-backed securities, other asset-backed securities, state and municipal government obligations and corporate debt securities. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. Viad employs a methodology that considers available evidence in evaluating potential impairment of its investments including the duration and extent to which the fair value is less than book value; Viad's ability and intent to hold the investment; the security rating; the underlying collateral and other factors that influence projected future cash flows. When an other-than-temporary impairment occurs, investments are written down to fair market value. Subsequent increases in value are treated as an adjustment of yield.

Derivative financial instruments. Derivative financial instruments are used as part of Viad's risk management strategy to manage exposure to fluctuations in interest and foreign currency rates. Viad does not enter into derivatives for speculative purposes. Derivatives are accounted for in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its related amendments and interpretations. The derivatives are recorded as either assets or liabilities on the balance sheet at fair value, with the change in fair value recognized in earnings or in other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. A derivative that does not qualify, or is not designated, as a hedge will be reflected at fair value, with changes in value recognized through earnings. The estimated fair value of derivative financial instruments has been determined using available market information and certain valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined may not be indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts. While Viad intends to continue to meet the conditions to qualify for hedge accounting treatment under SFAS No. 133, if hedges did not qualify as highly effective or if forecasted transactions did not occur, the changes in the fair value of the derivatives used as hedges would be reflected in earnings. Viad does not believe it is exposed to more than a nominal amount of credit risk in its hedging activities as the counterparties are generally well established, well capitalized financial institutions.

Stock-based compensation. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," Viad uses the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans. Accordingly, Viad does not use the fair value method to value stock options in accordance with SFAS No. 123. See Note 1 of Notes to Consolidated Financial Statements for a discussion of the pro forma impact of stock-based awards using the fair value method of accounting.

Restructuring charges and other items. As a component of the 2002 restructuring charge of $20.5 million, an accrued liability related to facility closure and lease termination costs of $12.8 million, net of estimated sublease income of $3.9 million, was recorded as of December 31, 2002. These costs were accounted for pursuant to Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under EITF No. 94-3, these costs were considered to have no future economic benefit, and were therefore recorded at the time that Viad management approved and committed to the restructuring plan in the fourth quarter of 2002. The recorded amounts were based on the contractual obligations contained in the leases (net of estimated sublease income) and estimates of incremental costs incurred as a direct result of the restructuring plan.

In June 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. Under SFAS No. 146, a liability for the costs associated with an exit or disposal activity is recognized and measured initially at its fair value in the period in which the liability is incurred. The liability would subsequently be adjusted for revisions related to the timing and amount of estimated cash flows and accretion expense, if applicable. If Viad had elected to adopt the provisions of SFAS No. 146, the majority of the $12.8 million charge related to facility closure and lease termination costs would have been recorded based on the fair value of the liability at the time Viad ceased using the related leased facilities and determined using a present value technique. The remaining portion of the $12.8 million liability would have been recorded at fair value at the time the liability was incurred (when services associated with the activity were received). If Viad had elected to apply the accounting method under SFAS No. 146, the aggregate charge of $12.8 million discussed above would not have been recorded in the fourth quarter of 2002, rather, the fair value of these liabilities, estimated to be $10.9 million, would have been initially recorded in 2003 based on the restructuring plan. Furthermore, accretion expense associated with the lease termination liability would likely be recognized in future periods over the remaining term of the related lease agreements.

The application of SFAS No. 146 would not have changed the method of accounting for other components of the restructuring charge including severance and other benefits of $2.9 million, asset impairments of $4.1 million and other charges of $650,000.

Recent Accounting Pronouncements:

In November 2001, the Emerging Issues Task Force reached a consensus on Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for "Out-of-Pocket' Expenses Incurred" ("EITF No. 01-14"), which became effective for Viad on January 1, 2002. Under EITF No. 01-14, reimbursements received for out-of-pocket expenses incurred are characterized as revenue in the income statement. Upon adoption of EITF No. 01-14, comparative financial statements for prior periods should be reclassified to comply with the current presentation. Viad has historically accounted for the reimbursement of out-of-pocket expenses incurred similar to EITF No. 01-14 and, therefore, the adoption of EITF No. 01-14 did not impact Viad's consolidated financial statements.

In January 2002, Viad adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 specifies that goodwill and certain intangibles with indefinite lives no longer be amortized but instead be subject to periodic impairment testing. See Note 7 of Notes to Consolidated Financial Statements for discussion of transitional impairment loss related to goodwill recognized in connection with the adoption of SFAS No. 142.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (effective for Viad on January 1, 2002). SFAS No. 144 supersedes existing accounting guidance on asset impairment under SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. Among other provisions, the new rules change the criteria for classifying an asset as held-for-sale. The standard also broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations, and changes the timing of recognizing losses on such operations. The adoption of SFAS No. 144 did not have a material impact on Viad's financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers" and SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking Fund Requirements." This statement also amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Viad adopted SFAS No. 145 during 2002. The adoption of SFAS No. 145 did not have a material impact on Viad's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. Viad has adopted this new standard effective January 1, 2003, but as it has no planned 2003 exit or disposal activities, the impact on the future financial position or results of operations cannot presently be determined. See "Critical Accounting Policies" for discussion of 2002 restructuring charges.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation sets forth expanded disclosure requirements in the financial statements about a guarantor's obligations under certain guarantees that it has issued. It also clarifies that, under certain circumstances, a guarantor is required to recognize a liability for the fair value of the obligation at the inception of the guarantee. Certain types of guarantees, such as product warranties, guarantees accounted for as derivatives, and guarantees related to parent-subsidiary relationships are excluded from the liability recognition provisions of Interpretation No. 45, however, they are subject to the disclosure requirements. The initial liability recognition provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of Interpretation No. 45 are effective for financial statements for interim or annual periods ending after December 15, 2002. In accordance with Interpretation No. 45, Viad has included the required disclosures relating to its guarantees in the financial statements as of December 31, 2002 (see Note 17 of Notes to Consolidated Financial Statements). Viad's guarantees principally relate to a parent's guarantee of a subsidiary's debt to a third party, and would therefore, be excluded from liability recognition at inception. Viad has not yet determined if the adoption of the new rules will have any material impact on its financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. This statement also amends APB Opinion No. 28, "Interim Financial Reporting" to require disclosure about those effects in interim financial statements. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. Viad has elected not to voluntarily change to the fair value based method of accounting for stock-based compensation at this time. Viad has included the additional disclosure requirements in Notes 1 and 13 of Notes to Consolidated Financial Statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements." Interpretation No. 46 prescribes how to identify variable interest entities and how an enterprise assesses its interests in a variable interest entity to decide whether to consolidate that entity. This interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Interpretation No. 46 is effective immediately for variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. The interpretation applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. Viad has not yet determined if the adoption of Interpretation No. 46 will have a material impact on its financial position or results of operations.

Forward-Looking Statements:

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

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk:***

Viad's market risk exposures relate to fluctuations in interest rates and, to a lesser degree, to fluctuations in foreign exchange rates. Interest rate risk is the risk that changing interest rates will adversely affect the market value and earnings of Viad. Foreign exchange risk is the risk that fluctuating exchange rates will adversely affect earnings. Viad's exposure to these risks is primarily associated with its Payment Services business. Certain derivative financial instruments are used as part of Viad's risk management strategy to manage these exposures. Derivatives are not used for speculative purposes. Viad has exposure to changing rates related to its pension assumptions (including the expected return on plan assets and the discount rate) and the health care cost trend rate.

Viad is exposed to foreign exchange risk as it has certain receivables and payables denominated in foreign currencies. Viad primarily utilizes forward contracts to hedge its exposure to fluctuations in foreign exchange rates. Forward contracts relating to Payment Services' wire transfer transactions generally have maturities less than thirty days, and forward contracts relating to other receivables or payables generally have maturities less than ninety days. The forward contracts are recorded on the Consolidated Balance Sheets, and the effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, is not significant.

A portion of Viad's Payment Services business involves the payment of commissions to financial institution customers of its official check program described in Note 9 of Notes to Consolidated Financial Statements. A Payment Services subsidiary also has entered into agreements to sell receivables primarily from its money order agents. The commissions and net proceeds from the agent receivables sales are computed based on short-term variable interest rates that subject Viad to risk arising from changes in such rates. Viad has hedged a substantial portion of the variable rate risk through swap agreements which convert the variable rate payments to fixed rates.

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

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

Earnings Sensitivity to Interest Rate Changes. Based on a hypothetical 10 percent proportionate increase in interest rates from the average level of interest rates during the last twelve months, and taking into consideration expected investment positions, commissions paid to selling agents, growth in new business, the effects of the swap agreements and the expected borrowing level of variable-rate debt, the decrease in pre-tax income would be approximately $1.1 million. A hypothetical 10 percent proportionate decrease in interest rates, based on the same set of assumptions, would result in an increase in pre-tax income of approximately $1.8 million. These amounts are estimated based on a certain set of assumptions about interest rates and portfolio balance growth and do not represent expected results. In addition, refer to "Management's Discussion and Analysis of Results of Operations and Financial Condition" for a discussion of Viad's results of operations and the financial impact of interest rate fluctuations.

Fair Value Sensitivity to Interest Rate Changes. The fair value of securities classified as available-for-sale, derivative financial instruments and fixed-rate debt is sensitive to changes in interest rates. A 10 percent proportionate increase in interest rates would result in an estimated decrease in the fair value of securities classified as available-for-sale of approximately $80.3 million (reflected as an after-tax decrease in accumulated other comprehensive income of approximately $49.0 million), an estimated increase in the fair value of derivative financial instruments of approximately $30.7 million (reflected as an after-tax increase in accumulated other comprehensive income of approximately $18.7 million) and an estimated off-balance-sheet decrease in the fair value of fixed-rate debt of approximately $364,000 at December 31, 2002. A 10 percent proportionate decrease in interest rates would result in an estimated increase in the fair value of securities classified as available-for-sale of approximately $74.3 million (reflected as an after-tax increase in accumulated other comprehensive income of approximately $45.3 million), an estimated decrease in the fair value of derivative financial instruments of approximately $30.7 million (reflected as an after-tax decrease in accumulated other comprehensive income of approximately $18.7 million) and an estimated off-balance-sheet increase in the fair value of fixed-rate debt of approximately $366,000 at December 31, 2002. These amounts are estimated based on a certain set of assumptions about interest rates and portfolio balance growth and are not necessarily indicative of actual current period factors.

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

Item 8. ***Financial Statements and Supplementary Data***

Refer to Index to Financial Statements on page 41 for required information.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Table of Contents

PART III

Item 10. *Directors and Executive Officers of the Registrant*

Information regarding Directors of the Registrant is included in the Proxy Statement for the Annual Meeting of Stockholders of Viad to be held on May 13, 2003, and is incorporated herein by reference. Information regarding executive officers of the Registrant is located at page 6 of this Report.

Item 11. *Executive Compensation*

Information regarding executive compensation is contained in the Proxy Statement for the Annual Meeting of Stockholders of Viad to be held on May 13, 2003, and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information regarding security ownership of certain beneficial owners and management is contained in the Proxy Statement for the Annual Meeting of Stockholders of Viad to be held on May 13, 2003, and is incorporated herein by reference.

Securities Authorized for Issuance under Equity Compensation Plans as of December 31, 2002(1)

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	5,460,465	$22.80	4,791,829
Equity compensation plans not approved by security holders	—	—	—
Total	5,460,465	$22.80	4,791,829

(1) The number of shares available for grant under the Viad Corp Omnibus Incentive Plan in each calendar year is equal to 2 percent of the total number of shares of common stock outstanding as of the first day of each year. Any shares available for grant in a particular calendar year which are not granted in such year are added to the shares available for grant in any subsequent calendar year.

Item 13. *Certain Relationships and Related Transactions*

None.

Item 14. *Controls and Procedures*

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of disclosure controls and procedures has been evaluated within 90 days of the filing date of this annual report, and, based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective. There were no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of that evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in such reports is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decision regarding required disclosure.

Item 15. ***Audit Committee Financial Experts***

The Board of Directors of Viad Corp has determined that Donald E. Kiernan is an audit committee financial expert, and has been designated by the Board of Directors as the financial expert serving on Viad Corp's audit committee, and that Donald E. Kiernan is a Director independent of Viad's management.

PART IV

Item 16. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a) 1. The financial statements listed in the accompanying Index to Financial Statements are filed as part of this report.

2. None.

3. The exhibits listed in the accompanying Exhibit Index are filed as part of this report.

(b) Reports on Form 8-K filed since Third Quarter 2002

1. A report on Form 8-K dated November 5, 2002 was filed November 5, 2002 by Viad Corp. The Form 8-K reported, under Item 9 Regulation FD Disclosure, that on November 5, Robert H. Bohannon, Chairman, President and Chief Executive Officer and Ellen M. Ingersoll, Chief Financial Officer of Viad Corp furnished to the Securities and Exchange Commission a certification related to Viad's third quarter 2002 Form 10-Q filed November 5, 2002, pursuant to the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

2. A report on Form 8-K, dated January 17, 2003 was filed January 21, 2003 by Viad. The Form 8-K reported, under Item 5, that on January 17, 2003, MoneyGram Payment Systems, Inc. ("MoneyGram"), a subsidiary of Travelers Express Company, Inc. ("Travelers Express"), announced that one of its subsidiaries had acquired the Travelex Group's 49 percent interest in MoneyGram International Limited, a London-based joint venture owned by the two companies.

3. A report on Form 8-K dated January 23, 2003 was filed January 23, 2003 by Viad. The Form 8-K reported, under Item 5, that on January 23, 2003, Viad Corp issued a press release announcing its unaudited financial results for the fourth quarter and 2002 fiscal year.

(c) Exhibits

See Exhibit Index.

(d) Financial Statement Schedules

None.

SIGNATURES

Pursuant to the requirements of Section 13 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, in Phoenix, Arizona, on the 28th day of February, 2003.

VIAD CORP

By: /s/ ROBERT H. BOHANNON

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Principal Executive Officer

By: /s/ ROBERT H. BOHANNON

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

Date: February 28, 2003

Principal Financial Officer

By: /s/ ELLEN M. INGERSOLL

Ellen M. Ingersoll
Chief Financial Officer

Date: February 28, 2003

Principal Accounting Officer

By: /s/ G. MICHAEL LATTA

G. Michael Latta
Vice President — Controller

Date: February 28, 2003

Directors

Jess Hay
Judith K. Hofer
Donald E. Kiernan
Robert C. Krueger
Jack F. Reichert
Linda Johnson Rice
Douglas L. Rock
Timothy R. Wallace

By: /s/ ELLEN M. INGERSOLL

Attorney-in-Fact

Date: February 28, 2003

CERTIFICATIONS

I, Robert H. Bohannon, certify that:

1. I have reviewed this annual report on Form 10-K of Viad Corp;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By /s/ ROBERT H. BOHANNON

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

Date: February 28, 2003

I, Ellen M. Ingersoll, certify that:

1. I have reviewed this annual report on Form 10-K of Viad Corp;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By /s/ ELLEN M. INGERSOLL

Ellen M. Ingersoll
Chief Financial Officer

Date: February 28, 2003

(This page intentionally left blank)

INDEX TO FINANCIAL STATEMENTS

(This page intentionally left blank)

VIAD CORP

CONSOLIDATED BALANCE SHEETS

	December 31, 2002	December 31, 2001
	(in thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 57,219	$ 46,593
Other investments in securities	246,338	169,556
Receivables, net	50,818	64,134
Inventories	41,839	55,682
Deferred income taxes	55,747	45,916
Other current assets	35,366	37,036
	487,327	418,917
Funds, agent receivables and current maturities of investments available or restricted for payment service obligations	1,904,015	1,476,475
Total current assets	2,391,342	1,895,392
Investments available or restricted for payment service obligations	6,304,906	5,450,850
Property and equipment, net	248,099	260,480
Other investments and assets	49,960	67,715
Deferred income taxes	112,286	82,764
Goodwill	549,461	587,365
Other intangible assets, net	34,474	35,925
Total Assets	$9,690,528	$8,380,491
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term bank loans	$ —	$ 457
Accounts payable	63,188	60,913
Other current liabilities	230,857	196,411
Current portion of long-term debt	103,995	42,224
	398,040	300,005
Payment service obligations	7,945,760	6,741,291
Total current liabilities	8,343,800	7,041,296
Long-term debt	257,662	354,147
Pension and other postretirement benefits	110,895	94,424
Derivative financial instruments	126,527	23,568
Other deferred items and insurance liabilities	133,288	135,420
Commitments and contingencies (Notes 16 and 17)		
Minority interests	10,540	5,284
$4.75 Redeemable preferred stock	6,704	6,679
Common stock and other equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 99,739,925 shares issued	149,610	149,610
Additional capital	215,872	225,003
Retained income	806,179	762,008
Unearned employee benefits and other	(66,143)	(82,952)
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	90,120	29,876
Unrealized loss on derivative financial instruments	(150,557)	(53,875)
Cumulative foreign currency translation adjustments	(9,655)	(13,211)
Minimum pension liability adjustment	(34,274)	(13,739)
Common stock in treasury, at cost, 11,638,090 and 10,806,006 shares	(300,040)	(283,047)
Total common stock and other equity	701,112	719,673

Total Liabilities and Stockholders’ Equity	$9,690,528	$8,380,491

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31,		
	2002	2001	2000
	(in thousands, except per share data)		
Revenues:			
Convention show services	$ 568,301	$ 604,148	$ 692,843
Payment services transaction fees	431,564	393,093	367,733
Payment services investment income	370,934	320,800	235,429
Exhibit design and construction	217,932	279,896	339,272
Hospitality and recreation services	58,253	61,453	91,531
Total revenues	1,646,984	1,659,390	1,726,808
Costs and expenses:			
Costs of services	1,227,244	1,202,311	1,216,977
Costs of products sold	215,144	280,050	321,197
Corporate activities	17,114	12,029	9,783
Other investment income	(10,531)	(5,652)	(13,115)
Interest expense	19,268	25,936	25,303
Restructuring charges	18,942	62,370	8,165
Litigation settlement and costs	—	29,274	—
Gain on sale of business	—	—	(10,256)
Other charges	—	5,000	—
Minority interests	5,636	1,326	1,717
Total costs and expenses	1,492,817	1,612,644	1,559,771
Income before income taxes and change in accounting principle	154,167	46,746	167,037
Income tax expense (benefit)	40,334	(4,388)	26,218
Income before change in accounting principle	113,833	51,134	140,819
Change in accounting principle, net of tax	(37,739)	—	—
Net income	$ 76,094	$ 51,134	$ 140,819
Diluted income per common share			
Income per share before change in accounting principle	$ 1.30	$ 0.58	$ 1.54
Change in accounting principle, net of tax	(0.44)	—	—
Net income per common share	$ 0.86	$ 0.58	$ 1.54
Average outstanding and potentially dilutive common shares	86,716	86,322	90,925
Basic income per common share			
Income per share before change in accounting principle	$ 1.31	$ 0.58	$ 1.57
Change in accounting principle, net of tax	(0.44)	—	—
Net income per common share	$ 0.87	$ 0.58	$ 1.57
Average outstanding common shares	86,178	85,503	88,802
Dividends declared per common share	$ 0.36	$ 0.36	$ 0.36

See Notes to Consolidated Financial Statements.

Table of Contents

VIAD CORP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2002	2001	2000
		(in thousands)	
Net income	$ 76,094	$ 51,134	$140,819
Other comprehensive income (loss):			
Unrealized gains on available-for-sale securities:			
Statement of Financial Accounting Standards ("SFAS") No. 133 transition adjustment, effective January 1, 2001, resulting from the transfer of securities classified as held-to-maturity to securities classified as available-for-sale, net of tax expense of $2,412	—	3,772	—
Holding gains arising during the period, net of tax expense of $44,952, $20,914 and $47,797	70,309	32,711	74,759
Reclassification adjustment for net realized gains included in net income, net of tax expense of $6,435, $4,643 and $2,610	(10,065)	(7,263)	(4,082)
	60,244	29,220	70,677
Unrealized losses on derivative financial instruments:			
Cumulative effect of transition adjustment upon initial application of SFAS No. 133 on January 1, 2001, net of tax benefit of $4,796	—	(7,501)	—
Holding losses arising during the period, net of tax benefit of $113,994 and $50,428	(178,299)	(78,874)	—
Net reclassifications from other comprehensive income to net income, net of tax benefit of $52,182 and $20,779	81,617	32,500	—
	(96,682)	(53,875)	—
Unrealized foreign currency translation gains (losses)	3,556	(4,599)	(3,677)
Minimum pension liability adjustment, net of tax benefit of $11,057, $6,432 and $65	(20,535)	(11,944)	(121)
Other comprehensive income (loss)	(53,417)	(41,198)	66,879
Comprehensive income	$ 22,677	$ 9,936	$207,698

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2002	2001	2000
	(in thousands)		
Cash flows from operating activities			
Net income	$ 76,094	$ 51,134	$ 140,819
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	51,483	69,096	68,600
Deferred income taxes	4,369	(36,480)	12,705
Change in accounting principle	40,000	—	—
Restructuring charges and other items	18,942	96,644	8,165
Gains on dispositions of businesses, property and other assets	(18,097)	(12,277)	(17,619)
Other noncash items, net	10,710	10,206	879
Change in operating assets and liabilities:			
Receivables	7,176	38,291	(68,708)
Inventories	10,982	10,794	(4,740)
Accounts payable	2,275	(20,233)	(8,500)
Other assets and liabilities, net	15,220	10,222	(31,473)
	219,154	217,397	100,128
Change in payment service assets and obligations, net	794,243	1,774,193	413,765
Net cash provided by operating activities	1,013,397	1,991,590	513,893
Cash flows from investing activities			
Capital expenditures	(40,227)	(49,783)	(45,206)
Acquisitions of businesses, net of cash acquired	—	(865)	(28,868)
Proceeds from dispositions of businesses, property and other assets	3,040	1,040	44,276
Proceeds from sales and maturities of available-for-sale securities	2,494,238	2,074,719	1,530,519
Proceeds from maturities of held-to-maturity securities	745,387	464,608	60,280
Purchases of available-for-sale securities	(3,341,956)	(3,527,968)	(1,371,135)
Purchases of held-to-maturity securities	(775,670)	(848,823)	(594,405)
Cash provided by discontinued operations	—	—	10,585
Net cash used in investing activities	(915,188)	(1,887,072)	(393,954)
Cash flows from financing activities			
Payments on long-term borrowings	(44,039)	(68,316)	(32,751)
Net change in short-term borrowings	6,543	18,288	90,314
Dividends paid on common and preferred stock	(32,149)	(31,995)	(33,092)
Proceeds from exercise of stock options	10,371	16,422	11,945
Purchases of common stock for treasury	(28,309)	(34,622)	(147,163)
Net cash used in financing activities	(87,583)	(100,223)	(110,747)
Net increase in cash and cash equivalents	10,626	4,295	9,192
Cash and cash equivalents, beginning of year	46,593	42,298	33,106
Cash and cash equivalents, end of year	$ 57,219	$ 46,593	$ 42,298
Supplemental disclosure of cash flow information			
Cash paid (refunded) during the year for:			
Income taxes	$ 9,661	$ (16,429)	$ 11,261
Interest	$ 18,569	$ 27,118	$ 22,910

See Notes to Consolidated Financial Statements.

VIAD CORP

CONSOLIDATED STATEMENTS OF COMMON STOCK AND OTHER EQUITY

(in thousands)

	Common Stock	Additional Capital	Retained Income	Unearned Employee Benefits and Other	Accumulated Other Comprehensive Income (loss)	Common Stock in Treasury	Total
Balance, December 31, 1999	$149,610	$289,798	$634,599	$(129,818)	$ (76,630)	$(167,667)	$ 699,892
Net income	—	—	140,819	—	—	—	140,819
Dividends on common and preferred stock	—	—	(33,092)	—	—	—	(33,092)
Employee benefit plans	—	(27,200)	—	18,051	—	32,255	23,106
Employee Equity Trust adjustment to market value	—	(16,963)	—	16,963	—	—	—
Treasury shares acquired	—	—	—	—	—	(147,163)	(147,163)
Unrealized foreign currency translation adjustment	—	—	—	—	(3,677)	—	(3,677)
Unrealized gain on available-for-sale securities	—	—	—	—	70,677	—	70,677
Minimum pension liability adjustment	—	—	—	—	(121)	—	(121)
Other, net	—	(1)	289	—	—	1	289
Balance, December 31, 2000	149,610	245,634	742,615	(94,804)	(9,751)	(282,574)	750,730
Transition adjustment, effective January 1, 2001, upon initial application of SFAS No. 133	—	—	—	—	(3,729)	—	(3,729)
Net income	—	—	51,134	—	—	—	51,134
Dividends on common and preferred stock	—	—	(31,995)	—	—	—	(31,995)
Employee benefit plans	—	(23,009)	—	14,230	—	34,149	25,370
Employee Equity Trust adjustment to market value	—	2,378	—	(2,378)	—	—	—
Treasury shares acquired	—	—	—	—	—	(34,622)	(34,622)
Unrealized foreign currency translation adjustment	—	—	—	—	(4,599)	—	(4,599)
Unrealized gain on available-for-sale securities	—	—	—	—	25,448	—	25,448
Unrealized loss on derivative financial instruments	—	—	—	—	(46,374)	—	(46,374)
Minimum pension liability adjustment	—	—	—	—	(11,944)	—	(11,944)
Other, net	—	—	254	—	—	—	254
Balance, December 31, 2001	149,610	225,003	762,008	(82,952)	(50,949)	(283,047)	719,673
Net income	—	—	76,094	—	—	—	76,094
Dividends on common and preferred stock	—	—	(32,149)	—	—	—	(32,149)
Employee benefit plans	—	(7,884)	—	15,567	—	11,311	18,994
Employee Equity Trust adjustment to market value	—	(1,242)	—	1,242	—	—	—
Treasury shares acquired	—	—	—	—	—	(28,309)	(28,309)
Unrealized foreign currency translation adjustment	—	—	—	—	3,556	—	3,556
Unrealized gain on available-for-sale securities	—	—	—	—	60,244	—	60,244
Unrealized loss on derivative financial instruments	—	—	—	—	(96,682)	—	(96,682)
Minimum pension liability adjustment	—	—	—	—	(20,535)	—	(20,535)
Other, net	—	(5)	226	—	—	5	226
Balance, December 31, 2002	$149,610	$215,872	$806,179	$ (66,143)	$(104,366)	$(300,040)	$ 701,112

See Notes to Consolidated Financial Statements.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2002, 2001, and 2000

Note 1. Summary of Significant Accounting Policies

Nature of Business. Viad Corp ("Viad") is comprised of operating companies and a division which operate in two principal business segments: Payment Services and Convention and Event Services. The Payment Services segment issues and processes money orders, official checks and share drafts and provides same-day bill payment and cash access services throughout the United States. The segment also provides money transfer services throughout the world. The Convention and Event Services segment provides convention show services including transportation, installation, dismantling and management services to trade associations, show management companies and exhibitors throughout North America. The segment also provides design, construction, installation and warehousing of convention and tradeshow exhibits and displays to customers primarily in the United States and to a lesser extent in certain foreign locations. Viad also operates travel and recreation businesses in the northern United States and Canada.

Principles of Consolidation. The Consolidated Financial Statements of Viad include the accounts of Viad and all of its subsidiaries (including special-purpose entities). All significant intercompany account balances and transactions between Viad and its subsidiaries have been eliminated in consolidation.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions include, but are not limited to:

— Estimated fair value of Viad's reporting units used to perform annual impairment testing of recorded goodwill

— Estimated provisions for losses related to self-insured liability claims

— Projected benefit obligations and expense associated with pension and postretirement benefit plans

— Estimated fair value of financial instruments, including the identification of other-than-temporary declines in the value of securities

— Estimated fair value of derivative financial instruments

Actual results could differ from these and other estimates.

Reclassifications. Certain reclassifications have been made to prior years' financial statements to conform to the current year presentation.

Cash and Cash Equivalents. Viad considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Certain cash equivalents are classified in the Consolidated Balance Sheets as "Other investments in securities" based on their intended use. See Note 4.

Other Investments in Securities. Viad's corporate investment securities (excluding securities held by Viad's Payment Services subsidiaries) are included in the Consolidated Balance Sheets under the caption, "Other investments in securities." This caption includes money market funds and other investments. These other investments are classified as available-for-sale and reported at fair market value with unrealized gains and losses, net of tax, included in the Consolidated Balance Sheets as a component of "Accumulated other comprehensive income (loss)." Interest and other income on these investments are included in the Consolidated Statements of Income as "Other investment income." The specific identification method is used to determine the cost basis of securities sold.

Investments Available or Restricted for Payment Service Obligations. Viad's Payment Services subsidiaries generate funds from the sale of official checks, money orders and other payment instruments, with the related liabilities classified in the Consolidated Balance Sheets as "Payment service obligations."

Substantially all of the proceeds of such sales are invested in permissible securities, principally high-quality debt instruments. These investments, along with related cash and funds in transit, are restricted by the Payment Services segment to the extent that they represent proceeds from the sale of payment instruments for use by the subsidiaries to satisfy the liability to pay, upon presentment, the face amount of the payment service obligations. In addition, certain other assets of the Payment Services subsidiaries are available if necessary to meet such obligations. Such assets are not available to satisfy working capital or other financing requirements of Viad. Investment securities are included in the Consolidated Balance Sheets under the caption, “Investments available or restricted for payment service obligations.” Certain additional assets of the Payment Services subsidiaries relating to payment service obligations, including cash on hand, funds in transit from agents, and securities expected to be sold or maturing within one year, are included under the caption, “Funds, agent receivables and current maturities of investments available or restricted for payment service obligations.” Investment securities available or restricted for Payment Service obligations are classified as available-for-sale or held-to-maturity. Securities being held for indefinite periods of time, including those which may be sold to assist in the clearing of payment service obligations or in the management of investments, are classified as available-for-sale securities and reported at fair market value with unrealized gains and losses, net of tax, included in the Consolidated Balance Sheets as a component of “Accumulated other comprehensive income (loss).” The specific identification method is used to determine the cost basis of securities sold. Securities classified as held-to-maturity consist of securities that management has the ability and intent to hold to maturity and are reported at amortized cost. Interest income and realized gains and losses on the disposition of these investments are included in the Consolidated Statements of Income as “Payment services investment income.”

Viad’s investments consist primarily of mortgage-backed securities, other asset-backed securities (collateralized by various types of loans and leases), state and municipal government obligations and corporate debt securities. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. Viad employs a methodology that considers available evidence in evaluating potential impairment of its investments including the duration and extent to which the fair value is less than book value; Viad’s ability and intent to hold the investment; the security rating; the underlying collateral and other factors that influence projected future cash flows. When an other-than-temporary impairment occurs, investments are written down to fair market value. Subsequent increases in value are treated as an adjustment of yield.

Viad regularly monitors credit and market risk exposures and attempts to mitigate the likelihood of these exposures resulting in actual loss. Although the Payment Services investment portfolio exposes Viad to certain credit risks, Viad believes the high quality of its investments reduces this risk (approximately 97 percent of the investments at December 31, 2002, have an investment grade rating of A or higher or are collateralized by federal agency securities).

As described in Note 9, a Payment Services subsidiary uses swap agreements to hedge a substantial portion of the variable rate commission payments to its financial institution customers of its official check product and the net proceeds of selling receivables from its bill payment and money order agents. The swap agreements effectively convert such variable rates to fixed rates. The fair value of such swap agreements generally increases when market values of fixed rate, long-term debt investments decline and vice versa. The reported fair value of these derivative financial instruments represents the estimated amount that Viad would pay to counterparties to terminate the swap agreements.

Normally, the swap agreements will not be terminated prior to maturity, nor is there any requirement to sell long-term debt securities prior to maturity, as the funds flow from ongoing sales of money orders and other payment instruments and funds from maturing short-term and long-term investments are expected to be adequate to settle payment service obligations as they are presented. In addition, Viad’s Payment Services subsidiaries have various lines of credit, overdraft facilities and reverse repurchase agreements totaling $1.95 billion available to assist in the management of investments and the clearing of payment service obligations. Amounts outstanding under reverse repurchase agreements are required to be collateralized by securities. No amounts were outstanding under these arrangements at December 31, 2002 or 2001.

The following represents a summary of asset and liability carrying amounts related to the payment service obligations, along with the fair value of related swap agreements at December 31:

	2002	2001
	(in thousands)	
Funds, agent receivables and current maturities of investments available or restricted for payment service obligations	$ 1,904,015	$ 1,476,475
Investments available or restricted for payment service obligations (1)	6,304,906	5,422,899
Payment service obligations(1)	(7,825,954)	(6,649,722)
Fair value of derivative financial instruments(1)	(246,333)	(87,187)
Total	$ 136,634	$ 162,465

(1) The current liability portions of derivative financial instruments of $119.8 million and $91.6 million at December 31, 2002 and 2001, respectively, are included in the Consolidated Balance Sheets under the caption “Payment service obligations.” The long-term asset portion of derivative financial instruments of $28.0 million at December 31, 2001 is included in the Consolidated Balance Sheets under the caption “Investments available or restricted for payment service obligations.”

Inventories. Inventories, which consist primarily of exhibit design and construction materials and supplies used in providing convention show services, are stated at the lower of cost (first-in, first-out and specific identification methods) or market.

Property and Equipment. Property and equipment are stated at cost, net of accumulated depreciation and any impairment write-downs pursuant to Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” Property and equipment are depreciated on the straight-line method over the estimated useful lives of the assets: buildings, 15 to 40 years; equipment, 3 to 10 years; and leasehold improvements, over the shorter of the lease term or useful life.

Goodwill and Other Intangible Assets. Effective January 1, 2002, goodwill is no longer amortized but instead is subject to periodic impairment testing in accordance with SFAS No. 142, “Goodwill and Other Intangible Assets.” See Note 7. Intangible assets with finite lives are stated at cost, net of accumulated amortization and are tested for impairment in accordance with SFAS No. 144. These assets are amortized on the straight-line method over the estimated useful lives or periods of expected benefit, but not in excess of 20 years. Intangible assets with indefinite lives are no longer amortized but instead are subject to periodic impairment testing in accordance with SFAS No. 142.

Incentive and Other Upfront Payments. Viad’s Payment Services subsidiaries make incentive payments to certain money order and money transfer agents and financial institution customers of its official check products to enter into long-term contracts. Payments made are generally refundable in the event of non-performance or cancellation. These payments are deferred and amortized over the life of the related agent or financial institution contracts as management is satisfied that such costs are recoverable through future operations, minimums, penalties or refunds in case of early termination. Amortization expense associated with these payments is recorded under the caption “Costs of services” in the Consolidated Statements of Income.

Certain upfront payments incurred by Viad’s Convention and Event Services segment in connection with long-term contracts consist of incentive fees and prepaid commissions and are amortized over the life of the related contract. Incentive and other upfront payments are classified on the Consolidated Balance Sheets under the caption, “Other current assets” for the current portion and “Other investments and assets” for the non-current portion.

Viad reviews the carrying values of its incentive and other upfront payments for possible impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the provisions of SFAS No. 144. Incentive and other upfront payments which become refundable are recorded as accounts receivable and evaluated for collectibility in accordance with Viad’s credit policies.

Insurance Liabilities. Viad is self-insured up to certain limits for workers’ compensation, automobile, product and general liability, property loss and medical claims. Viad has also retained and provided for certain insurance liabilities in conjunction with the sales of businesses. Provisions for losses for claims incurred, including estimated claims incurred but not yet reported, are made based on Viad’s prior historical experience, claims frequency and other factors. Viad has purchased insurance for amounts in excess of the self-insured levels.

Derivative Financial Instruments. Viad uses derivative financial instruments as part of its risk management strategy to manage exposure to fluctuations in interest and foreign currency rates. Derivatives are not used for speculative purposes. Viad records derivative financial instruments in the Consolidated Balance Sheets as assets or liabilities at fair value. Amounts receivable or payable under derivative swap agreements used to hedge exposure of interest rate changes on variable rate commission payments and net proceeds from agent receivables sales are accrued and recognized as an adjustment to the expense of the related transaction. The derivatives are recorded as either assets or liabilities on the balance sheet at fair value, with the change in fair value recognized in earnings or in other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. Derivatives that do not qualify as hedges are reflected at fair value, with changes in value recognized through earnings. Forward derivative contracts used to hedge assets and liabilities denominated in foreign currencies are recorded on the Consolidated Balance Sheets at fair value, with the change in fair value reflected in earnings. The effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, was not significant.

Fair Value of Financial Instruments. The carrying values of cash and cash equivalents, receivables, accounts payable and payment service obligations approximate fair value due to the short-term maturities of these instruments. The fair value of investments in debt and equity securities is disclosed in Notes 4 and 5. The estimated fair value of debt and derivative financial instruments is disclosed in Notes 8 and 9, respectively. Considerable judgment is required in interpreting market data and assumptions used to develop the estimates of fair value. Accordingly, the estimates presented may not be indicative of the amounts that Viad could realize in a current market exchange. The use of different market assumptions or valuation methodologies could have a material effect on the estimated fair value amounts.

Revenue Recognition. Viad’s revenue recognition policies are as follows:

The Payment Services segment derives revenues primarily through transaction fees charged to consumers on the sale of MoneyGram’s money transfers, retail money order and bill payment products and through investment income earned on investments available or restricted for the settlement of payment service obligations (primarily official checks and money orders). Transaction fees are nonrefundable and are recognized in the period the item is sold.

Investment income is recognized as it is earned and includes investment interest and dividends, and realized gains and losses on the sale of investments. Viad includes investment income on investments available or restricted for payment service obligations in revenues as the generation of investment income is core to the earnings process of its Payment Services segment and is an ongoing major and central operation of this segment.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Payment Services segment also earns foreign exchange revenue from the management of currency exchange spreads (as a percentage of face value of the transaction) on international money transfer transactions. Foreign exchange revenue is recognized at the time the exchange in funds occurs and is classified as "Payment services transaction fees" in the Consolidated Statements of Income.

The Convention and Event Services segment derives revenues primarily by providing show services to vendors at conventions and from the design and construction of exhibit booths. Service revenue is recognized at the time services are performed. Exhibit design and construction revenue is generally accounted for using the completed-contract method as contracts are typically completed within three months of contract signing.

Viad's Travel and Recreation Services businesses recognize revenues at the time services are performed.

Stock-Based Compensation. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," Viad uses the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans.

Assuming Viad had recognized compensation cost for stock options and performance-based and restricted stock awards in accordance with the fair value method of accounting defined in SFAS No. 123, income before change in accounting principle and diluted and basic income per share before change in accounting principle would be as presented in the table below. Compensation cost calculated under SFAS No. 123 is recognized ratably over the vesting period and is net of estimated forfeitures and the tax benefit on the exercise of nonqualified stock options.

	2002	2001	2000
	(in thousands, except per share data)		
Income before change in accounting principle as reported	$113,833	$51,134	$140,819
Expense related to stock options determined under fair value based methods, net of tax	(7,616)	(5,975)	(5,451)
Pro forma income before change in accounting principle	$106,217	$45,159	$135,368
Diluted income per share before change in accounting principle:			
As reported	$ 1.30	$ 0.58	$ 1.54
Pro forma	$ 1.22	$ 0.51	$ 1.48
Basic income per share before change in accounting principle:			
As reported	$ 1.31	$ 0.58	$ 1.57
Pro forma	$ 1.22	$ 0.51	$ 1.51

For purposes of applying SFAS No. 123, the estimated fair value of stock options granted during 2002, 2001, and 2000 was $8.47, $7.25, and $8.15 per share, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2002	2001	2000
Expected dividend yield	1.3%	1.5%	1.5%
Expected volatility	30.1%	30.4%	29.1%
Risk-free interest rate	4.92%	4.80%	6.85%
Expected life	5 years	5 years	5 years

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net Income Per Common Share. Viad funds its matching contributions to employees' 401(k) plans through a leveraged Employee Stock Ownership Plan ("ESOP"). ESOP shares are treated as outstanding for net income per share calculations. The Employee Equity Trust (the "Trust") is used to fund certain existing employee compensation and benefit plans. Shares held by the Trust are not considered outstanding for net income per share calculations until the shares are released from the Trust.

Recent Accounting Pronouncements. In November 2001, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred" ("EITF No. 01-14"), which became effective for Viad on January 1, 2002. Under EITF No. 01-14, reimbursements received for out-of-pocket expenses incurred are characterized as revenue in the income statement. Upon adoption of EITF No. 01-14, comparative financial statements for prior periods should be reclassified to comply with the current presentation. Viad has historically accounted for the reimbursement of out-of-pocket expenses incurred similar to EITF No. 01-14 and, therefore, the adoption of EITF No. 01-14 did not impact Viad's consolidated financial statements.

In January 2002, Viad adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 specifies that goodwill and certain intangibles with indefinite lives no longer be amortized but instead be subject to periodic impairment testing. See Note 7 for discussion of transitional impairment loss related to goodwill recognized in connection with the adoption of SFAS No. 142.

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (effective for Viad on January 1, 2002). SFAS No. 144 supersedes existing accounting guidance on asset impairment under SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. Among other provisions, the new rules change the criteria for classifying an asset as held-for-sale. The standard also broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations, and changes the timing of recognizing losses on such operations. The adoption of SFAS No. 144 did not have a material impact on Viad's financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers" and SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking Fund Requirements." This statement also amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Viad adopted SFAS No. 145 during 2002. The adoption of SFAS No. 145 did not have a material impact on Viad's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. Viad has adopted this new standard effective January 1, 2003, but as it has no planned 2003 exit or disposal activities, the impact on the future financial position or results of operations cannot presently be determined.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation sets forth expanded disclosure requirements in the financial statements about a guarantor's obligations under certain guarantees that it has issued. It also clarifies that, under certain circumstances, a guarantor is required to recognize a liability for the fair value of the obligation at the inception of the guarantee. Certain types of guarantees, such as product warranties, guarantees accounted for as derivatives, and guarantees related to parent-subsidiary relationships are excluded from the liability recognition provisions of Interpretation No. 45, however, they are subject to the disclosure requirements. The initial liability recognition provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of Interpretation No. 45 are effective for financial statements for interim or annual periods ending after December 15, 2002. In accordance with Interpretation No. 45, Viad has included the required disclosures relating to its guarantees in the financial statements as of December 31, 2002 (see Note 17). Viad's guarantees principally relate to a parent's guarantee of a subsidiary's debt to a third party, and would therefore, be excluded from liability recognition at inception. Viad has not yet determined if the adoption of the new rules will have any material impact on its financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. This statement also amends APB Opinion No. 28, "Interim Financial Reporting" to require disclosure about those effects in interim financial statements. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. Viad has elected not to voluntarily change to the fair value based method of accounting for stock-based compensation at this time. Viad has included the additional disclosure requirements in Notes 1 and 13.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements." Interpretation No. 46 prescribes how to identify variable interest entities and how an enterprise assesses its interests in a variable interest entity to decide whether to consolidate that entity. This interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Interpretation No. 46 is effective immediately for variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. The interpretation applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. Viad has not yet determined if the adoption of Interpretation No. 46 will have a material impact on its financial position or results of operations.

Note 2. Restructuring Charges, Litigation Settlement and Other Items

Restructuring Charges. During 2002, the Convention and Event Services segment continued to experience tradeshow shrinkage and further declines in the demand for the design and construction of new exhibits. This decline was due to diminished corporate spending and the continued downturn in the general economy as many exhibitors elected to reuse or refurbish existing exhibits rather than placing new orders. As a result of decreased visibility over revenues and continued uncertainties regarding improvements in the trade show industry, the exhibit construction and design business revised its forecasted demand and reevaluated its manufacturing capacity requirements and cost structure during the fourth quarter of 2002. Accordingly, Viad approved a plan of restructuring and recorded a charge totaling $20.5 million in the fourth quarter of 2002. Of the total restructuring charge, $19.3 million was included in the Consolidated Statements of Income under the caption "Restructuring charges" and $1.2 million relating to consulting fees incurred and the write-down of certain inventories was included under the caption "Cost of products sold." Viad recorded the restructuring charge pursuant to the accounting methods contained in EITF No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," and SEC Staff Accounting Bulletin No. 100, "Accounting for Costs Associated with Exit or Disposal Activities." Viad did not elect to early adopt the requirements provided in SFAS No. 146.

The charges consist of costs associated with the closure and consolidation of certain facilities, severance and other employee benefits related to the elimination of approximately 230 positions across numerous regions, business functions and job classes. The charges also include amounts for the write-down (net of estimated proceeds) of certain inventories and fixed assets, facility closure and lease termination costs (less estimated sublease income) and other exit costs. The inventory write-downs were based on estimated net realizable value. Impairment losses related to fixed assets were determined based on the estimated fair value of the specific assets relative to their carrying amounts. Facility closure and lease termination costs were based on the estimated incremental costs to be incurred and the contractual obligation amounts in connection with the affected facilities under the restructuring plan (less estimated sublease income). Viad expects to substantially complete the restructuring activities by December 31, 2003, however, payments due under the long-term lease obligations will continue to be made over the remaining terms of the lease agreements.

A summary of the above restructuring charge, amounts utilized and remaining accrued liability balance is as follows:

	Severance and Benefits	Facility Closure and Lease Termination(1)	Asset Impairment	Other	Total
		(in thousands)			
Initial restructuring charge	$2,911	$12,814	$ 4,140	$ 650	$20,515
Cash payments	—	—	—	(650)	(650)
Noncash write-downs(2)	—	—	(4,140)	—	(4,140)
Balance at December 31, 2002	$2,911	$12,814	$ —	$ —	$15,725

(1) Amount net of estimated sublease income of $3.9 million.

(2) Relates primarily to the write-down of leasehold improvements, manufacturing-related equipment and inventory.

In 2001, due to the downturn in the economy and the general decrease in corporate spending, many customers delayed or canceled exhibit construction or elected to refurbish exhibits. Furthermore, general convention attendance declined in response to the uncertain economy and travel concerns. As a result, Viad approved a plan of restructuring and in the third quarter of 2001 recorded restructuring charges totaling $66.1 million, of which 93 percent related to the Convention and Event Services segment. The restructuring charges were associated with the closure and consolidation of certain facilities, severance and other employee benefits of which $3.7 million (relating to the write-down of certain inventories) was included in the Consolidated Statements of Income under the caption "Cost of products sold." The remaining $62.4 million was classified under the caption "Restructuring charges." All facilities were closed or consolidated and all positions had been eliminated as of December 31, 2002. Payments under long-term lease obligations, however, will continue to be made over the remaining terms of the leases. Severance and benefits payments will continue to be made over the varying terms of the individual separation agreements. In the third quarter of 2002, $413,000 of the 2001 restructuring charge was reversed as certain actual costs incurred were less than original estimates. The reversal was included in the Consolidated Statements of Income under the caption "Restructuring charges."

A summary of the 2001 restructuring charges, amounts utilized and remaining accrued liability balance is as follows:

	Severance and Benefits	Facility Closure and Lease Termination	Asset Impairment	Other	Total
			(in thousands)		
Initial restructuring charge	$13,914	$30,252	$ 20,322	$ 1,612	$ 66,100
Cash payments	(6,907)	(2,335)	—	(1,612)	(10,854)
Noncash write-downs(1)	—	—	(20,322)	—	(20,322)
Balance at December 31, 2001	7,007	27,917	—	—	34,924
Cash payments	(5,712)	(8,962)	—	—	(14,674)
Adjustment to severance liability	(413)	—	—	—	(413)
Noncash write-downs(2)	—	(205)	—	—	(205)
Balance at December 31, 2002	$ 882	$18,750	$ —	$ —	$ 19,632

(1) Relates primarily to the write-down of leasehold improvements, manufacturing and other equipment and inventory.

(2) Relates to write-off of remaining leasehold improvements.

In the third quarter of 2000, Viad recorded a charge of $8.2 million to streamline and consolidate certain operations in Viad's Convention and Event Services segment. In addition to costs related to reductions in headcount, the charge included the write-down of certain fixed assets and facility closure costs. No accrued liability relating to this restructuring remained at either December 31, 2002 or 2001.

Litigation Settlement and Costs. In August 2000, Key3Media Group, Inc. ("Key3Media"), a company spun off by Ziff-Davis Inc., terminated a long-term agreement with GES Exposition Services, Inc. ("GES") to produce tradeshows. The companies had been involved in litigation regarding the contract termination. The key issues in the litigation related to the interpretation of certain contract terms and the scope of free services required of GES. During the second quarter of 2001, after both sides assessed the business market, the risks and demands of the litigation and the need to move forward on a productive basis, GES and Key3Media agreed to settle the litigation. As a result, Viad recorded a noncash charge totaling $29.3 million ($18.3 million after-tax) in the second quarter of 2001 representing primarily the write-off of net receivables and prepayments made to Key3Media.

Gain on Sale of Business. In July 2000, Viad sold its concession operations at America West Arena and Bank One Ballpark in Phoenix, Arizona. Viad recorded a gain of $10.3 million ($5.7 million after-tax) on the sale, after deducting costs of sale and related expense provisions. The results of operations of the sold business are included in the "Sold travel and recreation businesses" category of Note 19.

Other Charges. In the third quarter of 2001, Viad's payment services subsidiary, Travelers Express Company, Inc. ("Travelers Express") recorded a charge totaling $5.0 million ($3.0 million after-tax) resulting from the bankruptcy of a large money order agent in September 2001.

Note 3. Acquisitions of Businesses

During 2000, Viad purchased a small Convention and Event Services company. In 1999, Viad purchased a 71 percent interest in a small Travel and Recreation Services company and in 2001 and 2000 the remaining minority interest was acquired. The acquisitions were accounted for as purchases. The purchase prices, including acquisition costs, were allocated to the net tangible and identifiable intangible assets acquired based on estimated fair values at the dates of the acquisitions. The difference between the purchase prices and the related fair values of net assets acquired represents goodwill. No acquisitions were made during 2002. In January 2003, a Viad Payment Services subsidiary completed the acquisition of the 49 percent minority interest in an international money transfer services joint venture. See Note 18.

The accompanying financial statements include the accounts and results of operations from the dates of acquisition. The results of operations of the acquired companies from the beginning of the year to the dates of acquisition are not material to the consolidated results of operations.

Net cash paid, the estimated fair value of assets acquired and debt and other liabilities assumed for the years ended December 31 were as follows:

	2002	2001	2000
		(in thousands)	
Assets acquired:			
Property and equipment	$—	$ —	$ 791
Intangibles, primarily goodwill	—	865	30,245
Other assets	—	—	12,402
Debt and other liabilities assumed	—	—	(14,570)
Net cash paid	$—	$865	$ 28,868

Note 4. Other Investments in Securities

Viad's investment securities (excluding securities held by Viad's Payment Services' subsidiaries) that are being held pending Viad's use to fund strategic acquisitions, purchase treasury shares or reduce debt obligations are included in the Consolidated Balance Sheets under the caption, "Other investments in securities." Certain investments with original maturities of three months or less, consisting of money market investments, are also included under this caption.

A summary of other investments in securities at December 31, 2002 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Money market funds	$ 38,690	$ —	$—	$ 38,690
Securities classified as available-for-sale:				
U.S. Government agencies	50,762	110	—	50,872
Corporate debt securities	55,603	36	—	55,639
Mortgage-backed and other asset-backed securities	100,497	640	—	101,137
	$245,552	$786	$—	$246,338

A summary of other investments in securities at December 31, 2001 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Money market funds	$118,021	$—	$ —	$118,021
Securities classified as available-for-sale:				
Mortgage-backed and other asset-backed securities	51,644	—	(109)	51,535
	$169,665	$—	$(109)	$169,556

The net unrealized holding gain of $479,000 (net of a deferred tax liability of $307,000) at December 31, 2002 and the net unrealized holding loss of $67,000 (net of a deferred tax asset of $42,000) at December 31, 2001, are included in the Consolidated Balance Sheets as a component of "Accumulated other comprehensive income."

Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations. There were no gains or losses realized during 2002, 2001 or 2000.

Note 5. Investments Available or Restricted for Payment Service Obligations

Securities Classified as Available-for-Sale. A summary of securities classified as available-for-sale at December 31, 2002 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
U.S. Government agencies	$ 171,132	$ 1,670	$ (1)	$ 172,801
Obligations of states and political subdivisions	715,149	44,420	(1)	759,568
Corporate debt securities	301,283	15,590	(927)	315,946
Mortgage-backed and other asset-backed securities	3,452,718	110,291	(19,606)	3,543,403
Debt securities issued by foreign governments	4,997	127	—	5,124
Preferred stock and other	97,074	583	(5,193)	92,464
Securities classified as available-for-sale	$4,742,353	$172,681	$(25,728)	$4,889,306

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of securities classified as available-for-sale at December 31, 2001 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
U.S. Government agencies	$ 19,672	$ 107	$ (68)	$ 19,711
Obligations of states and political subdivisions	734,865	11,320	(3,372)	742,813
Corporate debt securities	186,192	4,339	(941)	189,590
Mortgage-backed and other asset-backed securities	2,881,620	57,750	(17,853)	2,921,517
Debt securities issued by foreign governments	4,991	200	—	5,191
Preferred stock and other	120,631	761	(3,156)	118,236
Securities classified as available-for-sale	$3,947,971	$74,477	$(25,390)	$3,997,058

The net unrealized holding gains of $89.6 million (net of a deferred tax liability of $57.4 million) and $29.9 million (net of a deferred tax liability of $19.2 million) at December 31, 2002 and 2001, respectively, are included in the Consolidated Balance Sheets as a component of “Accumulated other comprehensive income.” Gross gains of $20.6 million, $15.8 million, and $6.7 million were realized during 2002, 2001, and 2000, respectively. Gross losses of $4.1 million, $3.9 million, and $46,000 were realized during 2002, 2001, and 2000, respectively.

Securities Classified as Held-to-Maturity. A summary of securities classified as held-to-maturity at December 31, 2002 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
U.S. Government agencies	$ 36,375	$ 320	$ —	$ 36,695
Obligations of states and political subdivisions	447,155	31,419	—	478,574
Corporate debt securities	18,038	1,212	—	19,250
Mortgage-backed and other asset-backed securities	977,968	28,476	(12,061)	994,383
Debt securities issued by foreign governments	5,416	63	—	5,479
Securities classified as held-to-maturity	$1,484,952	$61,490	$(12,061)	$1,534,381

A summary of securities classified as held-to-maturity at December 31, 2001 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
U.S. Government agencies	$ 91,768	$ 283	$ (353)	$ 91,698
Obligations of states and political subdivisions	464,695	18,687	(293)	483,089
Corporate debt securities	18,112	1,070	—	19,182
Mortgage-backed and other asset-backed securities	869,610	21,803	(12,685)	878,728
Debt securities issued by foreign governments	5,456	25	—	5,481
Securities classified as held-to-maturity	$1,449,641	$41,868	$(13,331)	$1,478,178

On January 1, 2001, Viad transferred $260.0 million in book value of securities classified as held-to-maturity to securities classified as available-for-sale as permitted in conjunction with the initial application of SFAS No. 133 without calling into question management's intent or ability to hold other securities as held-to-maturity. The transfer was reflected as an increase in the carrying value of the investments of $6.2 million, with a corresponding deferred tax liability of $2.4 million and a transition adjustment of $3.8 million in other comprehensive income.

Scheduled Maturities. Scheduled maturities of securities at December 31, 2002 are presented below:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)			
Due in:				
2003	$ 64,932	$ 65,864	$ 3,488	$ 3,618
2004-2007	247,475	255,318	31,765	33,968
2008-2012	437,047	464,170	226,907	242,043
2013 and later	454,098	479,193	244,824	260,369
Mortgage-backed and other asset-backed securities	3,452,718	3,543,403	977,968	994,383
Preferred stock and other	86,083	81,358	—	—
	$4,742,353	$4,889,306	$1,484,952	$1,534,381

Actual maturities may differ from scheduled maturities because the borrowers have the right to call or prepay certain obligations, sometimes without penalties. Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations.

Note 6. Property and Equipment

Property and equipment at December 31 consisted of the following:

	2002	2001
	(in thousands)	
Land	$ 21,693	$ 21,396
Buildings and leasehold improvements	78,027	77,116
Equipment	451,061	454,926
	550,781	553,438
Accumulated depreciation	(302,682)	(292,958)
Property and equipment	$ 248,099	$ 260,480

Depreciation expense was $49.5 million, $50.0 million and $49.3 million for 2002, 2001 and 2000, respectively.

Note 7. Goodwill and Other Intangible Assets

Upon adoption of SFAS No. 142, Viad completed the transitional impairment testing of its goodwill and intangible assets with indefinite lives. It was determined that no impairment existed for certain intangible assets but a transitional impairment loss of $40.0 million ($37.7 million after-tax) was recognized (retroactively to the January 2002 adoption of SFAS No. 142) related to goodwill at the Exhibitgroup/Giltspur reporting unit of the Convention and Event Services segment. The fair value of that reporting unit was estimated using the expected present value of future cash flows. The impairment resulted from a change in the criteria for measurement of impairment from an undiscounted to a discounted cash flow method. This impairment is included in the Consolidated Statements of Income under the caption “Change in accounting principle.”

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

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
		(in thousands)	
Amortized intangible assets:			
Customer lists	$28,874	$(16,236)	$12,638
Patents	13,200	(9,759)	3,441
Other	925	(791)	134
	42,999	(26,786)	16,213
Unamortized intangible assets:			
Trademarks	13,175	—	13,175
Pension intangible assets	5,086	—	5,086
	18,261	—	18,261
Total other intangible assets	$61,260	$(26,786)	$34,474

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Intangible asset amortization expense for the years ended December 31, 2002, 2001 and 2000 was $2.0 million, $2.2 million and $2.7 million, respectively. Estimated amortization expense related to these intangibles for the five succeeding fiscal years is as follows:

	(in thousands)
2003	$2,021
2004	$2,022
2005	$2,005
2006	$1,657
2007	$1,645

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

	Payment Services	Convention and Event Services	Other	Total
	(in thousands)			
Balance at January 1, 2002	$297,705	$262,243	$27,417	$587,365
Transitional impairment loss	—	(40,000)	—	(40,000)
Foreign currency translation adjustments	—	1,973	123	2,096
Balance at December 31, 2002	$297,705	$224,216	$27,540	$549,461

Amortization expense related to goodwill for the years ended December 31, 2001 and 2000 was $16.5 million ($14.0 million after-tax) and $16.2 million ($13.6 million after-tax), respectively. Amortization expense related to intangible assets with indefinite useful lives for the years ended December 31, 2001 and 2000 was $393,000 ($246,000 after-tax), and $393,000 ($246,000 after-tax), respectively.

Income before change in accounting principle as reported and as adjusted for the adoption of SFAS No. 142 is presented below:

	2002	2001	2000
	(in thousands, except per share data)		
Net income	$ 76,094	$51,134	$140,819
Change in accounting principle, net of tax	37,739	—	—
Income before change in accounting principle	113,833	51,134	140,819
Amortization of goodwill and intangible assets with indefinite lives, net of tax	—	14,243	13,846
Adjusted income before change in accounting principle	$113,833	$65,377	$154,665
Diluted earnings per share:			
Net income	$ 0.86	$ 0.58	$ 1.54
Change in accounting principle, net of tax	0.44	—	—
Income before change in accounting principle	1.30	0.58	1.54
Amortization of goodwill and intangible assets with indefinite lives, net of tax	—	0.16	0.15
Adjusted income before change in accounting principle	$ 1.30	$ 0.74	$ 1.69

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	2002	2001	2000
	(in thousands, except per share data)		
Basic earnings per share:			
Net income	$0.87	$0.58	$1.57
Change in accounting principle, net of tax	0.44	—	—
Income before change in accounting principle	1.31	0.58	1.57
Amortization of goodwill and intangible assets with indefinite lives, net of tax	—	0.17	0.16
Adjusted income before change in accounting principle	$1.31	$0.75	$1.73

Note 8. Debt

Long-term debt at December 31 was as follows:

	2002	2001
	(in thousands)	
Senior debt:(1)		
Short-term borrowings:		
Promissory notes, 1.7% (2002) and 2.8% (2001) weighted average interest rate at December 31	$ 21,000	$ 20,000
Commercial paper, 1.7% (2002) and 2.5% (2001) weighted average interest rate at December 31	152,000	146,000
Senior notes, 6.5% (2002) and 6.4% (2001) weighted average interest rate at December 31, due to 2009	134,968	174,904
Guarantee of ESOP debt, floating rate indexed to LIBOR, 1.2% (2002) and 1.8% (2001) at December 31, due to 2009	15,235	16,925
Other obligations, 4.0% (2002) and 4.2% (2001) weighted average interest rate at December 31, due to 2016	19,951	20,039
	343,154	377,868
Subordinated debt, 10.5% debentures, due 2006	18,503	18,503
	361,657	396,371
Current portion	(103,995)	(42,224)
Long-term debt	$ 257,662	$354,147

(1) Rates shown are exclusive of the effects of commitment fees and other costs of long-term bank credit used to support short-term borrowings.

Viad satisfies its short-term borrowing requirements with bank lines of credit and the issuance of commercial paper and promissory notes. At December 31, 2002 there were no amounts outstanding under short-term bank loans payable. At December 31, 2001, there was $457,000 of borrowings outstanding under short-term bank loans payable.

Viad has credit facilities totaling $393 million to support revolving bank credit agreements, various letter of credit support facilities and a Canadian credit facility. The $393 million includes a $225 million five-year facility and a $168 million 364-day facility. The interest rate applicable to borrowings under the credit facilities is indexed to the London Interbank Offering Rate (“LIBOR”), plus appropriate spreads. The facilities also provide for commitment fees. Such spreads and fees will change moderately should Viad’s debt ratings change. In August, 2002, Viad’s 364-day short-term revolving credit facility was amended. The total amount of the lenders' commitments was reduced from $200 million to $168 million under similar terms and the commitment termination date of each eligible lender was extended to August 2003. The short-term revolving credit facility, as amended, allows for Viad to increase the aggregate amount of the lender commitments up to $200 million, subject to availability of commitments. Short-term borrowings totaling $173.0 million and $166.0 million at December 31, 2002 and 2001, respectively, have been classified as long-term debt, pursuant to the unused commitments under the applicable long-term and short-term credit facilities. Unused commitments (net of amounts used to support short-term borrowings and letters of credit) under the facilities totaled $142.0 million at December 31, 2002. Borrowings under the facilities are subject to various covenants, including standard equity and other financial ratio calculations, among others. The borrowings are also subject to increases in borrowing costs if debt ratings are not maintained at current levels. Default under the covenants relating to any of Viad's debt agreements could result in cross defaults to other debt agreements.

Annual maturities of long-term debt due in the next five years will approximate $104.0 million (2003), $194.2 million (2004), $11.1 million (2005), $19.6 million (2006), $1.0 million (2007) and $31.8 million thereafter. Included in the year 2004 is $173.0 million which represents the maturity of short-term borrowings, assuming the borrowings were due under the five-year facility and one-year term out provisions of the 364-day facility.

The weighted average interest rate on total debt excluding interest expense unrelated to debt obligations was 4.9 percent, 5.8 percent, and 6.4 percent for 2002, 2001, and 2000, respectively.

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

The estimated fair value of total debt was $367.7 million and $403.2 million at December 31, 2002 and 2001, 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. The carrying values of the commercial paper and promissory notes were assumed to approximate fair values due to their short-term maturities.

Note 9. Derivative Financial Instruments

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

A portion of Viad's Payment Services business involves the payment of variable-rate commissions to financial institution customers of its official check program. In addition, a Viad Payment Services subsidiary has agreements to sell, on a periodic basis, undivided percentage ownership interests in certain receivables primarily from money order agents in an amount not to exceed $450 million. The agreement expires in June 2003. The receivables, sold at a discount based on short-term variable interest rates, are sold in order to accelerate Payment Services' cash flow for investment in permissible securities as described in Note 5.

The Payment Services subsidiary services the receivables that were sold in exchange for a fee commensurate with the cost of servicing. The balance of sold agent receivables as of December 31, 2002 and 2001 was $358.0 million and $347.0 million, respectively. The average agent receivables sold approximated $440.0 million, $444.0 million, and $433.0 million during 2002, 2001, and 2000, respectively. The expense of selling the agent receivables, discounted based on short-term variable interest rates, as well as the related swap cost was $29.5 million, $30.1 million, and $30.4 million in 2002, 2001, and 2000, respectively, and is included under the caption "Costs of services" in the Consolidated Statements of Income.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Variable-to-fixed derivative financial instruments (swap agreements) have been entered into to mitigate the effects of fluctuations on commission expense and on the net proceeds from agent receivable sales. The notional amount of the variable-to-fixed swap agreements totaled $3.795 billion at December 31, 2002, with an average pay rate of 5.1 percent and an average receive rate of 1.2 percent. The variable-rate portion of the swaps is generally based on Treasury bill, federal funds, or commercial paper rates. The agreements expire as follows: $795.0 million (2003), $350.0 million (2004), $975.0 million (2005), $600.0 million (2006), $975.0 million (2007), and $100.0 million (2008).

The swap agreements are contracts to exchange fixed and floating payments periodically over the life of the agreements without the exchange of the underlying notional amounts. The notional amounts of such agreements are used to measure amounts to be paid or received and do not represent the amount of exposure to credit loss. The amounts to be paid or received under the swap agreements are accrued consistent with the terms of the agreements and market interest rates and are recognized as an adjustment to the expense of the related transaction.

Viad maintains formal procedures for entering into swap transactions and management regularly monitors and reports to the Audit Committee of the Board of Directors on swap activity. The agreements are with major financial institutions which are currently expected to fully perform under the terms of the agreements, thereby mitigating the credit risk from the transactions in the event of nonperformance by the counterparties. In addition, Viad regularly monitors the credit ratings of the counterparties, and the likelihood of default is considered remote.

On January 1, 2001, Viad adopted SFAS No. 133 and its related amendments and interpretations. SFAS No. 133 requires that entities record all derivatives as either assets or liabilities, measured at fair value (representing the estimated amount Viad would pay to counterparties to terminate the swap agreements), with the change in fair value of the derivative recognized in earnings or in other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. Viad's swap agreements have been designated and qualify as cash flow hedges. The length of time over which future cash flows are hedged ranges from one to six years.

Upon the adoption of SFAS No. 133, Viad recorded a liability of $12.3 million (representing the fair value of Viad's swap agreements), a corresponding deferred tax asset of $4.8 million, and a transition adjustment of $7.5 million reflected in other comprehensive income. At December 31, 2002 and 2001, the current liability portions of the fair value of the swap agreements totaling $119.8 million and $91.6 million, respectively, are included under the caption "Payment service obligations." The noncurrent liability portions of the swap agreements totaling $126.5 million and $23.6 million at December 31, 2002 and 2001, respectively, are included under the caption, "Derivative financial instruments." The long-term asset portion of the swap agreements of $28.0 million at December 31, 2001 is included under the caption, "Investments available or restricted for payment service obligations."

The effective portion of the change in fair values of derivatives that qualify as cash flow hedges under SFAS No. 133 is recorded in other comprehensive income. Amounts receivable or payable under the swap agreements are reclassified from other comprehensive income to net income as an adjustment to the expense of the related transaction. The net amount estimated to be reclassified from other comprehensive income to net income is $119.8 million in 2003. Amounts reclassified are included in the Consolidated Income Statements under the caption, "Costs of services." The amount recognized in earnings due to ineffectiveness of the cash flow hedges was not material. No cash flow hedges were discontinued during the year.

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

Note 10. Income Per Share

The following is a reconciliation of the numerators and denominators of diluted and basic per share computations for income before change in accounting principle:

	2002	2001	2000
	(in thousands, except per share data)		
Income before change in accounting principle	$113,833	$51,134	$140,819
Preferred stock dividends	(1,141)	(1,137)	(1,134)
Income available to common stockholders	$112,692	$49,997	$139,685
Average outstanding common shares	86,178	85,503	88,802
Additional dilutive shares related to stock-based compensation	538	819	2,123
Average outstanding and potentially dilutive common shares	86,716	86,322	90,925
Diluted income per share before change in accounting principle	$ 1.30	$ 0.58	$ 1.54
Basic income per share before change in accounting principle	$ 1.31	$ 0.58	$ 1.57

Options to purchase 3,590,806, 2,643,598, and 1,377,898 shares of common stock were outstanding during 2002, 2001 and 2000, respectively, but were not included in the computation of diluted income per share because the effect would be antidilutive.

Note 11. Redeemable Preferred Stock and Preferred Stock Purchase Rights

Viad has 442,352 shares of $4.75 Preferred Stock authorized, of which 334,352 shares are issued. The holders of the $4.75 Preferred Stock are entitled to a liquidation preference of $100 per share and to annual cumulative sinking fund redemptions of 6,000 shares. Viad presently holds 99,369 shares which will be applied to this sinking fund requirement; the 234,983 shares held by others are scheduled to be redeemed in the years 2019 to 2058. In addition, Viad has authorized 5.0 million and 2.0 million shares of Preferred Stock and Junior Participating Preferred Stock, respectively.

Viad has one Preferred Stock Purchase Right (“Right”) outstanding on each outstanding share of its common stock. The Rights contain provisions to protect stockholders in the event of an unsolicited attempt to acquire Viad that is not believed by the Board of Directors to be in the best interest of stockholders. The Rights are represented by the common share certificates and are not exercisable or transferable apart from the common stock until such a situation arises. Viad may redeem the Rights at $0.01 per Right prior to the time any person or group has acquired 20 percent or more of Viad’s shares. Viad has reserved 1.0 million shares of Junior Participating Preferred Stock for issuance in connection with the Rights. The Rights will expire in February 2012.

Note 12. Common Stock and Other Equity

Viad funds its matching contributions to employees’ 401(k) plans through a leveraged Employee Stock Ownership Plan (“ESOP”). All eligible employees of Viad and its participating affiliates, other than certain employees covered by collective bargaining agreements that do not expressly provide for participation of such employees in an ESOP, may participate in the ESOP.

In 1989, the ESOP borrowed $40.0 million to purchase treasury shares from Viad. The ESOP's obligation to repay this borrowing is guaranteed by Viad; therefore, the unpaid balance of the borrowing ($15.2 million and $16.9 million at December 31, 2002 and 2001, respectively) has been reflected in the accompanying Consolidated Balance Sheets as long-term debt. The same amounts, representing unearned employee benefits, have been recorded as a deduction from common stock and other equity. The liability is reduced as the ESOP repays the borrowing, and the amount offsetting common stock and other equity is reduced as stock is allocated to employees and benefits are charged to expense. The ESOP intends to repay the loan (plus interest) using Viad contributions and dividends received on the unallocated Viad shares held by the ESOP.

Information regarding ESOP transactions for the years ended December 31 was as follows:

	2002	2001	2000
		(in thousands)	
Amounts paid by ESOP for:			
Debt repayment	$1,690	$1,750	$1,325
Interest	269	678	1,115
Amounts received from Viad as:			
Dividends	$ 645	$ 727	$ 808
Contributions	1,314	1,649	1,615

Shares are released for allocation to participants based upon the ratio of the current year's principal and interest payments to the sum of the total principal and interest payments expected over the remaining life of the plan. Expense is recognized based upon the greater of cumulative cash payments to the plan or 80 percent of the cumulative expense that would have been recognized under the shares allocated method, in accordance with EITF Issue No. 89-8, "Expense Recognition for Employee Stock Ownership Plans." Under this method, Viad has recorded expense of $1.3 million, $1.7 million, and $1.6 million in 2002, 2001, and 2000, respectively.

Unallocated shares held by the ESOP totaled 1,663,000 and 1,860,000 at December 31, 2002 and 2001, respectively. Shares allocated during 2002 and 2001 totaled 197,000 and 235,000, respectively.

In 1992, Viad sold treasury stock to Viad's Employee Equity Trust (the "Trust") in exchange for a promissory note. The Trust is used to fund certain existing employee compensation and benefit plans. For financial reporting purposes, the Trust is consolidated with Viad and the promissory note ($22.8 million at December 31, 2002) and dividend and interest transactions are eliminated in consolidation. The fair market value ($52.9 million and $68.1 million at December 31, 2002 and 2001, respectively) of the 2,365,901 and 2,874,753 remaining shares held by the Trust at December 31, 2002 and 2001, respectively, representing unearned employee benefits, is shown as a deduction from common stock and other equity and is reduced as employee benefits are funded. The difference between the cost and fair value of shares held is included in additional capital.

At December 31, 2002, retained income of $176.0 million was unrestricted for the payment of dividends by Viad.

Note 13. Stock-Based Compensation

In 1997, stockholders adopted the Viad Corp Omnibus Incentive Plan ("Omnibus Plan"). The Omnibus Plan provides for the following types of awards to officers, directors and certain key employees: (a) incentive and nonqualified stock options; (b) stock appreciation rights ("SARs"); (c) restricted stock; and (d) performance-based awards. The number of shares available for grant under the Omnibus Plan in each calendar year is equal to 2 percent of the total number of shares of common stock outstanding as of the first

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

day of each year. Any shares available for grant in a particular calendar year which are not granted in such year are added to the shares available for grant in any subsequent calendar year.

Stock options are granted for terms of ten years at an exercise price based on the market value at the date of grant, and are exercisable 50 percent after one year with the balance exercisable after two years from the date of grant. Stock options granted since 1998 contain certain forfeiture and noncompete provisions.

Restricted stock and performance-driven restricted stock awards of 386,000 shares and 340,600 shares were granted in 2002 and 2001, respectively, at a weighted average price (based on fair market value at date of grant) of $27.32 and $21.69 per share, respectively. The restricted stock awards vest three years from the date of grant. Performance-driven restricted stock granted in 2001 vests five years from the date of grant; but, a portion of the award may vest, on an accelerated basis, as early as three years from the date of grant if certain long-term incentive performance targets are met or exceeded. Performance-driven restricted stock granted in 2002 may be earned in three or four years from the date of the grant depending upon the achievement level of certain long-term incentive performance targets. If performance targets are not achieved, 100 percent of the grant will be forfeited. Holders of the restricted stock have the right to receive dividends and vote the shares, but may not sell, assign, transfer, pledge or otherwise encumber the stock.

Performance-based stock awards (82,200 shares awarded in 2000 at a fair market value per share of $24.44) vest at the end of a three-year period from the date of grant, based on total shareholder return relative to the applicable stock and industry indices specified at the time of each award. Vested shares with respect to performance periods beginning in 1998 and 1997 totaled 26,646 in 2001 and 70,361 in 2000, respectively. No shares from the 1999 performance period vested in 2002. Throughout the performance period, holders of the performance-based stock have the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the stock. There were no performance-based stock awards granted in 2002 or 2001.

Viad applies APB Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than for performance-based and restricted stock awards, which gave rise to compensation expense aggregating $4.5 million, $1.3 million, and $727,000 in 2002, 2001, and 2000, respectively. Refer to Note 1 for a discussion of the pro forma impact of stock options on reported net income.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Information with respect to stock options for the years ended December 31 is as follows:

	Shares	Weighted Average Exercise Price	Options Exercisable
Options outstanding at December 31, 1999	6,904,621	$15.27	
Granted	995,403	24.47	
Exercised	(1,924,706)	10.57	
Canceled	(178,028)	25.74	
Options outstanding at December 31, 2000	5,797,290	18.09	4,451,659
Granted	2,006,617	23.80	
Exercised	(1,739,109)	12.10	
Canceled	(414,130)	25.61	
Options outstanding at December 31, 2001	5,650,668	21.40	3,466,201
Granted	1,082,217	27.01	
Exercised	(703,923)	16.12	
Canceled	(568,497)	25.30	
Options outstanding at December 31, 2002	5,460,465	22.80	3,711,237

The following table summarizes information concerning stock options outstanding and exercisable at December 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 5.51 to $16.25	882,056	2.4 years	$12.86	882,056	$12.86
$18.34 to $24.24	1,009,516	7.1 years	19.70	694,516	19.25
$24.44 to $25.05	1,120,246	6.1 years	24.60	1,083,246	24.59
$25.20 to $26.39	1,070,147	8.0 years	25.23	561,519	25.24
$27.32 to $29.50	1,378,500	8.2 years	28.08	489,900	29.46
$ 5.51 to $29.50	5,460,465	6.6 years	22.80	3,711,237	21.54

Note 14. Income Taxes

Deferred income tax assets (liabilities) included in the Consolidated Balance Sheets at December 31 related to the following:

	2002	2001
	(in thousands)	
Property and equipment	$ (28,855)	$ (29,636)
Deferred income	3,753	3,581
Pension, compensation and other employee benefits	56,991	45,149
Provisions for losses	48,397	49,233
Unrealized gain on securities classified as available-for-sale	(57,619)	(19,102)
Unrealized loss on derivative financial instruments	96,070	33,975
State income taxes	20,534	16,011
Tax credit carryforwards	30,772	24,936
Other deferred income tax assets	16,011	16,341
Other deferred income tax liabilities	(28,769)	(22,512)
	157,285	117,976
Foreign deferred tax liabilities included above	10,748	10,704
United States deferred tax assets	$168,033	$128,680

The $30.8 million of tax credit carryforwards at December 31, 2002 consist of $6.5 million of foreign tax credit carryforwards that expire in 2005 and 2006, $8.1 million of general business credit carryforwards that expire in 2019 through 2021, and $16.2 million of alternative minimum tax carryforwards that can be carried forward indefinitely.

Income tax expense (benefit) on income before change in accounting principle for the years ended December 31 consisted of the following:

	2002	2001	2000
		(in thousands)	
Current:			
United States:			
Federal	$ 4,700	$ 15,739	$ (2,262)
State	21,224	7,259	2,324
Foreign	10,041	9,094	13,451
	35,965	32,092	13,513
Deferred	4,369	(36,480)	12,705
Income tax expense (benefit)	$40,334	$ (4,388)	$26,218

Certain tax benefits related primarily to stock option exercises and dividends paid to the ESOP totaling $2.6 million, $6.7 million, and $8.4 million in 2002, 2001, and 2000, respectively, were credited to common stock and other equity.

Eligible subsidiaries (including sold and discontinued businesses up to their respective disposition dates) are included in the consolidated federal and other applicable income tax returns of Viad.

A reconciliation of the income tax expense (benefit) on income before change in accounting principle and the amount that would be computed using statutory federal income tax rates for the years ended December 31 is as follows:

	2002		2001		2000	
			(in thousands)			
Computed income taxes at statutory federal income tax rate of 35%	$ 53,958	35.0%	$ 16,361	35.0%	$ 58,463	35.0%
Nondeductible goodwill amortization	—	0.0%	3,443	7.4%	3,337	2.0%
State income taxes	13,704	8.9%	1,672	3.6%	3,075	1.8%
Other, net	(5,626)	(3.6)%	364	0.7%	(1,582)	(0.9)%
Provision for income taxes before the effect of tax-exempt income	62,036	40.3%	21,840	46.7%	63,293	37.9%
Tax-exempt income	(21,702)	(14.1)%	(26,228)	(56.1)%	(37,075)	(22.2)%
Income tax expense (benefit)	$ 40,334	26.2%	$ (4,388)	(9.4)%	$ 26,218	15.7%

United States and foreign income before income taxes and change in accounting principle for the years ended December 31 was as follows:

	2002	2001	2000
		(in thousands)	
United States	$125,325	$22,865	$135,798
Foreign	28,842	23,881	31,239
Income before income taxes and change in accounting principle	$154,167	$46,746	$167,037

Note 15. Pension and Other Postretirement Benefits

Pension Benefits. Viad has trusteed, noncontributory pension plans that cover certain employees. Pension benefits are supplemented, in most cases, by defined matching company stock contributions to employees’ 401(k) plans as described in Note 12. In addition, Viad retained the obligations for such benefits for employees of certain sold businesses. Through December 31, 2000, the principal retirement plan was structured using a traditional defined benefit formula based primarily on final average pay and years of service. Benefits earned under this formula ceased accruing at December 31, 2000, with no change to retirement benefits earned through that date. Effective January 1, 2001, benefits began accruing under a cash accumulation account formula based upon a percentage of pay plus interest. Funding policies provide that payments to defined benefit pension trusts shall be at least equal to the minimum funding required by applicable regulations. Certain defined pension benefits, primarily those in excess of benefit levels permitted under qualified pension plans, are unfunded.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net periodic pension cost for defined benefit plans for the years ended December 31 includes the following components:

	2002	2001	2000
		(in thousands)	
Service cost	$ 2,827	$ 2,592	$ 2,433
Interest cost	12,334	12,144	11,686
Expected return on plan assets	(13,245)	(13,538)	(12,816)
Amortization of prior service cost	786	955	835
Recognized net actuarial loss	462	344	629
Net periodic pension cost	$ 3,164	$ 2,497	$ 2,767

Contributions to multiemployer pension plans totaled $16.6 million, $14.6 million, and $16.5 million in 2002, 2001, and 2000, respectively. Costs of 401(k) defined contribution and other pension plans totaled $2.3 million, $2.1 million, and $2.5 million in 2002, 2001, and 2000, respectively.

The following table indicates the plans' funded status and amounts recognized in Viad's Consolidated Balance Sheets at December 31:

	Funded Plans		Unfunded Plans	
	2002	2001	2002	2001
		(in thousands)		
Change in projected benefit obligation:				
Benefit obligation at beginning of year	$129,784	$123,069	$ 46,235	$ 37,223
Service cost	1,343	1,262	1,484	1,330
Interest cost	9,079	8,983	3,255	3,161
Plan amendments	—	(5,589)	32	3,895
Actuarial adjustments	7,647	9,585	2,726	3,433
Curtailments	—	—	—	(56)
Benefits paid	(8,234)	(7,526)	(3,000)	(2,751)
Benefit obligation at end of year(1)	139,619	129,784	50,732	46,235
Change in plan assets:				
Fair value of plan assets at beginning of year	121,487	133,168	—	—
Actual return on plan assets	(6,197)	(4,183)	—	—
Company contributions	41	28	3,000	2,751
Benefits paid	(8,234)	(7,526)	(3,000)	(2,751)
Fair value of plan assets at end of year	107,097	121,487	—	—
Funded status	(32,522)	(8,297)	(50,732)	(46,235)
Unrecognized net transition asset	—	(77)	—	—
Unrecognized prior service cost (reduction)	(3,794)	(4,150)	6,529	7,718
Unrecognized actuarial loss	52,893	25,804	11,887	9,622
Net amount recognized	$ 16,577	$ 13,280	$(32,316)	$(28,895)

(1) The accumulated benefit obligation for the funded pension plans was $138.2 million and $128.2 million as of December 31, 2002 and 2001, respectively, and the accumulated benefit obligation for the unfunded pension plans was $42.2 million and $38.4 million as of December 31, 2002 and 2001, respectively.

The total amounts recognized in Viad's Consolidated Balance Sheets at December 31 were as follows:

	Funded Plans		Unfunded Plans	
	2002	2001	2002	2001
	(in thousands)			
Net accrued pension liability	$(31,104)	$ (4,204)	$(42,450)	$(38,560)
Intangible asset	360	—	4,726	6,012
Deferred tax asset	16,562	6,119	1,893	1,279
Accumulated other comprehensive income	30,759	11,365	3,515	2,374
Net amount recognized	$ 16,577	$13,280	$(32,316)	$(28,895)

Postretirement Benefits Other Than Pensions. Viad and certain of its subsidiaries have defined benefit postretirement plans that provide medical and life insurance for certain eligible employees, retirees and dependents. The related postretirement benefit liabilities are recognized over the period that services are provided by employees. In addition, Viad retained the obligations for such benefits for retirees of certain sold businesses. While the plans have no funding requirements, Viad may fund the plans.

The net periodic postretirement benefit cost for the years ended December 31 included the following components:

	2002	2001	2000
	(in thousands)		
Service cost	$ 428	$ 332	$ 315
Interest cost	2,725	2,591	2,604
Expected return on plan assets	(148)	(383)	(372)
Amortization of prior service cost	(959)	(643)	(645)
Recognized net actuarial loss (gain)	713	(82)	(77)
Net periodic postretirement benefit cost	$2,759	$1,815	$1,825

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The status of the plans as of December 31 is set forth below:

	2002	2001
	(in thousands)	
Change in accumulated benefit obligation:		
Benefit obligation at beginning of year	$ 36,573	$ 34,894
Service cost	428	332
Interest cost	2,725	2,591
Actuarial adjustments	12,808	1,657
Plan amendments	(3,636)	—
Benefits paid	(2,692)	(2,901)
Benefit obligation at end of year	46,206	36,573
Change in plan assets:		
Fair value of plan assets at beginning of year	5,583	11,719
Actual return on plan assets	33	(6,136)
Company contributions	2,692	2,901
Benefits paid	(2,692)	(2,901)
Fair value of plan assets at end of year	5,616	5,583
Funded status	(40,590)	(30,990)
Unrecognized prior service reduction	(8,865)	(6,157)
Unrecognized net actuarial loss	17,281	5,041
Accrued postretirement benefit cost	$(32,174)	$(32,106)

The assumed health care cost trend rate used in measuring the 2002 accumulated postretirement benefit obligation was 10 percent for the year 2003, gradually declining to 5 percent by the year 2008 and remaining at that level thereafter. The assumed health care cost trend rate used in measuring the 2001 accumulated postretirement benefit obligation was 6 percent in 2001, declining to 5 percent in 2002.

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, 2002 by approximately $4.6 million and the ongoing annual expense by approximately $410,000. 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, 2002 by approximately $4.0 million and the ongoing annual expense by approximately $349,000.

Weighted Average Assumptions. Weighted average assumptions used at December 31 were as follows:

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Discount rate	6.75%	7.25%	6.75%	7.25%
Expected return on plan assets	8.75%	10.00%	3.75%	3.75%
Rate of compensation increase	4.50%	4.50%	N/A	N/A

Note 16. Leases

Viad has entered into operating leases for the use of certain of its offices, equipment, and other facilities. These leases expire over periods ranging from one to 12 years, and some of which provide for renewal options ranging from one to 28 years. Leases which expire are generally renewed or replaced by similar leases. Some leases contain scheduled rental increases accounted for on a straight-line basis.

At December 31, 2002, Viad's future minimum rental payments and related sublease rentals receivable with respect to noncancelable operating leases with terms in excess of one year were as follows:

	Rental Payments	Receivable Under Subleases
	(in thousands)	
2003	$ 31,857	$ 5,365
2004	27,742	4,540
2005	23,791	3,978
2006	19,028	3,105
2007	17,518	2,369
Thereafter	66,901	7,283
Total	$186,837	$26,640

Net rent expense under operating leases for the years ended December 31 consisted of the following:

	2002	2001	2000
		(in thousands)	
Minimum rentals	$40,665	$40,002	$38,809
Sublease rentals	(3,086)	(2,607)	(2,613)
Total rentals, net	$37,579	$37,395	$36,196

Note 17. Litigation, Claims and Other Contingencies

Viad and certain of its subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings, or claims could be decided against Viad. Although the amount of liability at December 31, 2002, with respect to certain of these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, will not have a material effect on Viad's financial statements.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recoveries, will not have a material effect on Viad's financial statements.

As of December 31, 2002, Viad had certain obligations under guarantees to third parties on behalf of its subsidiaries. These guarantees are not subject to liability recognition in the consolidated financial statements and primarily relate to leased facilities and credit or loan arrangements with banks, entered into by Viad's subsidiary operations. Viad would generally be required to make payments to the respective third parties under these guarantees in the event that the related subsidiary could not meet its own payment obligations. The maximum potential amount of future payments that Viad would be required to make under all guarantees existing at December 31, 2002 would be $60.4 million. At December 31, 2002, the aggregate guarantees related to leased facilities were $34.6 million, and expire through December 2006. At December 31, 2002, the

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

aggregate guarantees related to credit or loan arrangements with banks were $25.8 million of which, $5.8 million expire through September 2003 and $20.0 million is subject to an ongoing guarantee by a Viad subsidiary commensurate with its subsidiary's credit facility which has no expiration date. 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.

The Payment Services segment has agreements with certain investors to provide funds related to investments in collateralized private equity obligations. As of December 31, 2002, the total amount of unfunded commitments related to these agreements was $21.0 million.

Note 18. Subsequent Event

In January 2003, MoneyGram Payment Systems, Inc. ("MoneyGram"), a subsidiary of Travelers Express, acquired the 49 percent minority interest in MoneyGram International Limited ("MIL") from Travelex Group ("Travelex"). MIL, a London-based joint venture between MoneyGram and Travelex, provides international money transfer services primarily in Europe, Africa, Australia and Asia. Prior to the acquisition, MoneyGram owned a 51 percent interest in MIL. In connection with the transaction, MoneyGram paid approximately $98 million to Travelex. In addition, MIL paid a dividend to Travelex of approximately $8 million concurrent with the transaction.

Note 19. Segment Information

Viad measures profit and performance of its operations on the basis of operating income before restructuring charges and other items.

The accounting policies of the operating segments are the same as those described in Note 1, except that an adjustment is made to the Payment Services segment to present revenues and operating income on a taxable equivalent basis as though amounts were invested in taxable investments. Consolidated revenues, operating income and interest expense for 2000 also reflect the elimination of intercompany interest payments on investments in Viad commercial paper by a Payment Services subsidiary as well as intersegment sales and transfers. Corporate activities include expenses not allocated to operations. Depreciation and amortization are the only significant noncash items for the reportable segments.

Viad's two reportable segments are Payment Services and Convention and Event Services. The Payment Services segment sells money orders through agents, performs official check and negotiable instrument clearing services for banks and credit unions, and provides cash access services to gaming establishments throughout the United States. In addition, the segment provides consumer money wire transfer services throughout the world. The Convention and Event Services segment provides decorating, installation and dismantling, and electrical, transportation and management services for conventions, tradeshows, associations and other corporate events; and designs and builds convention, tradeshow, museum and other exhibits and displays throughout the world.

The remaining categories represent Travel and Recreation Services businesses below reportable segment quantitative thresholds, sold businesses not classified as discontinued operations, and corporate activities. These categories are presented to reconcile to total results. Travel and Recreation Services includes Viad's Canadian travel tour service subsidiary, which operates tours and charters in the Canadian Rockies, conducts hotel operations and snowcoach tours of the Columbia Icefield and offers gondola rides of Sulphur Mountain; and Glacier Park, Inc., which operates historic lodges in and around Glacier National Park.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Disclosures regarding Viad's reportable segments with reconciliations to consolidated totals are presented in the accompanying tables:

	2002	2001	2000
		(in thousands)	
Revenues:			
Payment Services	$ 838,669	$ 760,740	$ 671,683
Convention and Event Services	786,233	884,044	1,032,115
Reportable segments	1,624,902	1,644,784	1,703,798
Travel and Recreation Services	58,253	61,453	72,508
Subtotal, ongoing operations	1,683,155	1,706,237	1,776,306
Sold travel and recreation businesses	—	—	19,023
Intercompany interest elimination	—	—	(2,297)
Less taxable equivalent adjustment(1)	(36,171)	(46,847)	(66,224)
	$1,646,984	$1,659,390	$1,726,808
Operating income before restructuring charges and other items(2):			
Payment Services	$ 190,570	$ 176,615	$ 160,055
Convention and Event Services	36,454	32,563	75,510
Reportable segments	227,024	209,178	235,565
Travel and Recreation Services	13,743	14,698	19,123
Subtotal, ongoing operations	240,767	223,876	254,688
Sold travel and recreation businesses	—	—	2,467
Corporate activities	(17,114)	(12,029)	(9,783)
Intercompany interest elimination	—	—	(2,297)
Less taxable equivalent adjustment(1)	(36,171)	(46,847)	(66,224)
	187,482	165,000	178,851
Other investment income	10,531	5,652	13,115
Interest expense	(19,268)	(25,936)	(25,303)
Restructuring charges and other items:			
Payment Services	(440)	(5,947)	—
Convention and Event Services	(18,582)	(87,045)	(8,677)
Corporate	80	(3,652)	10,768
Minority interests	(5,636)	(1,326)	(1,717)
Income before income taxes and change in accounting principle	$ 154,167	$ 46,746	$ 167,037

(1) The taxable equivalent adjustment for Payment Services' income from tax-exempt securities is calculated based on an income tax rate of approximately 39% (revised to 35% as of July 1, 2002).

(2) Includes amortization of goodwill of $8.2 million and $8.1 million for 2001 and 2000, respectively, for the Payment Services segment; $7.8 million and $7.5 million for 2001 and 2000, respectively, for the Convention and Event Services segment; and $856,000 and $859,000 for 2001 and 2000, respectively, for the Travel and Recreation Services businesses.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	2002	2001	2000
		(in thousands)	
Assets:			
Payment Services(1)	$8,740,596	$7,443,826	$5,618,400
Convention and Event Services	431,384	497,216	591,186
Reportable segments	9,171,980	7,941,042	6,209,586
Travel and Recreation Services	88,590	76,709	79,590
Subtotal, ongoing operations	9,260,570	8,017,751	6,289,176
Corporate and other	429,958	362,740	262,316
	$9,690,528	$8,380,491	$6,551,492
Depreciation and amortization:(2)			
Payment Services	$ 26,691	$ 31,680	$ 28,071
Convention and Event Services	18,963	30,965	32,275
Reportable segments	45,654	62,645	60,346
Travel and Recreation Services	3,570	4,219	4,176
Subtotal, ongoing operations	49,224	66,864	64,522
Sold travel and recreation businesses	—	—	1,163
Corporate and other	2,259	2,232	2,915
	$ 51,483	$ 69,096	$ 68,600
Capital expenditures:			
Payment Services	$ 26,842	$ 32,225	$ 24,810
Convention and Event Services	11,226	15,143	13,321
Reportable segments	38,068	47,368	38,131
Travel and Recreation Services	2,045	1,997	4,634
Subtotal, ongoing operations	40,113	49,365	42,765
Sold travel and recreation businesses	—	—	62
Corporate and other	114	418	2,379
	$ 40,227	$ 49,783	$ 45,206

(1) Includes investments available or restricted for payment service obligations of $8.2 billion (2002), $6.9 billion (2001), and $5.1 billion (2000).

(2) Includes amortization of goodwill of $8.2 million and $8.1 million for 2001 and 2000, respectively, for the Payment Services segment; $7.8 million and $7.5 million for 2001 and 2000, respectively, for the Convention and Event Services segment; and $856,000 and $859,000 for 2001 and 2000, respectively, for the Travel and Recreation Services businesses.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Geographic Areas. Viad's foreign operations are located principally in Canada and Europe. Convention and Event Services revenues are designated as foreign based on the originating location of the product or service plus exports to foreign shows. Payment Services foreign revenues are defined as revenues generated from wire transfer transactions originating in a country other than the United States. Long-lived assets are attributed to domestic or foreign based principally on physical location of the assets. Long-lived assets consist of "Property and equipment" and "Other investments and assets." The table below presents the financial information by major geographic area:

	2002	2001	2000
		(in thousands)	
Revenues:			
United States	$1,453,703	$1,442,577	$1,521,161
Foreign	193,281	216,813	205,647
Total revenues	$1,646,984	$1,659,390	$1,726,808
Long-lived assets:			
United States	$ 235,179	$ 270,292	$ 322,927
Foreign	62,880	57,903	66,197
Total long-lived assets	$ 298,059	$ 328,195	$ 389,124

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 20. Condensed Consolidated Quarterly Results (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(in thousands, except per share data)				
2002					
Revenues:(1)	$445,021	$408,511	$417,977	$375,475	$1,646,984
Operating income:(1)					
Ongoing operations(2)	$ 52,525	$ 56,571	$ 55,946	$ 39,554	$ 204,596
Corporate activities(3)	(4,126)	(6,307)	(3,989)	(2,692)	(17,114)
Restructuring charges(4)	—	—	413	(19,355)	(18,942)
Operating income	$ 48,399	$ 50,264	$ 52,370	$ 17,507	$ 168,540
Net income (loss)(5)	$ (5,395)	$ 32,266	$ 35,617	$ 13,606	$ 76,094
Diluted net income (loss) per common share	(0.06)	0.36	0.41	0.15	0.86
Basic net income (loss) per common share	(0.06)	0.36	0.41	0.16	0.87
Taxable equivalent adjustment(1)	10,257	10,036	7,989	7,889	36,171
2001					
Revenues:(1)	$459,564	$444,566	$390,086	$365,174	$1,659,390
Operating income:(1)					
Ongoing operations(2)	$ 44,886	$ 58,001	$ 37,175	$ 36,967	$ 177,029
Corporate activities(3)	(4,841)	(3,953)	(1,709)	(1,526)	(12,029)
Restructuring charges(4)	—	—	(62,370)	—	(62,370)
Litigation settlement and costs(6)	—	(29,274)	—	—	(29,274)
Other charges(7)	—	—	(5,000)	—	(5,000)
Operating income	$ 40,045	$ 24,774	$ (31,904)	$ 35,441	$ 68,356
Net income (loss)	$ 24,302	$ 17,409	$ (15,764)	$ 25,187	$ 51,134
Diluted net income (loss) per common share	0.28	0.20	(0.19)	0.29	0.58
Basic net income (loss) per common share	0.28	0.20	(0.19)	0.29	0.58
Taxable equivalent adjustment(1)	12,902	12,777	10,950	10,218	46,847

(1) Viad's Payments Services subsidiaries invest substantial amounts in tax-exempt securities. On a taxable equivalent basis using a combined tax rate of approximately 39% (declining to 35% as of July 1, 2002), revenues and operating income would be higher by the taxable equivalent adjustments shown above.

(2) Represents revenues less costs of services and costs of products sold.

(3) In the second quarter of 2002, Viad recorded a charge of $2.5 million for legal, investment banking and other costs incurred in connection with a contemplated initial public offering of Travelers Express. The third and fourth quarters of 2001 include a reversal of expense provisions associated with certain of Viad's incentive plans because aggressive targets were not achieved.

(4) In the fourth quarter of 2002, Viad recorded restructuring charges totaling $19.3 million associated with the closure and consolidation of certain facilities, severance and other employee benefits. Viad had recorded restructuring charges totaling $62.4 million in the third quarter of 2001, of which $413,000 was reversed in the third quarter of 2002 as certain actual costs incurred were less than original estimates.

(5) Effective in the first quarter 2002, upon adoption of SFAS No. 142, Viad recorded an impairment charge of $40.0 million ($37.7 million after-tax) related to the Exhibitgroup/ Giltspur reporting unit of the Convention and Event Services segment. This charge was recorded as a change in accounting principle.

(6) In the second quarter of 2001, Viad recorded a charge totaling $29.3 million representing primarily the write-off of net receivables and prepayments made to Key3Media.

(7) In the third quarter of 2001, Viad's Payment Service subsidiary recorded a charge totaling $5.0 million resulting from the bankruptcy of a large money order agent.

REPORT OF MANAGEMENT

The management of Viad Corp has the responsibility for preparing and assuring the integrity and objectivity of the accompanying financial statements and other financial information in this report. The financial statements were developed using accounting principles generally accepted in the United States of America and appropriate policies, consistently applied. They reflect, where applicable, management's best estimates and judgments and include relevant disclosures and explanations.

Viad's financial statements have been audited by Deloitte & Touche LLP. Their audit was conducted in accordance with auditing standards generally accepted in the United States of America. The Independent Auditors' Report appears below.

Management has established and maintains a system of internal control that it believes provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets, and the prevention and detection of fraudulent financial reporting. The system of internal control is believed to provide for appropriate division of responsibilities and is documented by written policies and procedures that are utilized by employees involved in the financial reporting process. Viad also maintains a comprehensive internal auditing function which independently monitors compliance and assesses the effectiveness of the internal controls and recommends potential improvements thereto.

In addition, as part of their audit of Viad's financial statements, the independent auditors review and evaluate selected internal accounting and other controls to establish a basis for reliance thereon in determining the audit tests to be applied. There is close coordination of audit planning and coverage between Viad's internal auditing function and the independent auditors. Management has considered the recommendations of both internal auditing and the independent auditors concerning Viad's system of internal control and has taken actions believed to be cost-effective in the circumstances to implement appropriate recommendations and otherwise enhance controls. Management believes that Viad's system of internal control accomplishes the objectives discussed herein.

The Board of Directors oversees Viad's financial reporting through its Audit Committee. The Audit Committee regularly meets with management and, jointly and separately, with the independent auditors and internal auditing management to review interest rate swap activity, accounting, auditing, financial reporting and internal control matters and the effectiveness of Viad's Corporate Compliance Program.

/s/ ROBERT H. BOHANNON	/s/ ELLEN M. INGERSOLL	/s/ G. MICHAEL LATTA
Robert H. Bohannon Chairman, President and Chief Executive Officer	Ellen M. Ingersoll Chief Financial Officer	G. Michael Latta Vice President — Controller

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of Viad Corp:

We have audited the accompanying consolidated balance sheets of Viad Corp and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, comprehensive income, cash flows, and common stock and other equity for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Phoenix, Arizona
February 7, 2003

Table of Contents

EXHIBIT INDEX

EXHIBITS. #	
3.A	Copy of Restated Certificate of Incorporation of Viad Corp, as amended through August 15, 1996, filed as Exhibit 3.A to Viad Corp's 1996 Form 10-K, is hereby incorporated by reference.
3.B	Copy of Bylaws of Viad Corp, as amended through November 19, 1998, filed as Exhibit 3.B to Viad Corp's 1998 Form 10-K, is hereby incorporated by reference.
4.A	Instruments with respect to issues of long-term debt have not been filed as exhibits to this annual report on Form 10-K if the authorized principal amount of any one of such issues does not exceed 10% of total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation agrees to furnish a copy of each such instrument to the Securities and Exchange Commission upon request.
4.B	Copy of Amended and Restated Credit Agreement (Long-Term Revolving Credit Facility) dated as of August 31, 2001, filed as Exhibit 4.A to Viad Corp's Form 10-Q for the period ended September 30, 2001, is hereby incorporated by reference.
4.B1	Copy of Credit Agreement (Short-Term Revolving Credit Facility) dated as of August 31, 2001, filed as Exhibit 4.B to Viad Corp's Form 10-Q for the period ended September 30, 2001, is hereby incorporated by reference.
4.B2	Copy of First Amendment dated October 3, 2001 to Amended and Restated Credit Agreement (Long Term Revolving Credit Facility) dated as of August 31, 2001, filed as Exhibit 4.B2 to Viad Corp's Form 10-K for the period ended December 31, 2001, is hereby incorporated by reference.
4.B3	Copy of U.S. $168,000,000 First Amendment to Credit Agreement (Short-Term Revolving Credit Facility) dated as of August 30, 2002, filed as Exhibit 4 to Viad Corp's Form 10-Q for the period ended September 30, 2002, is hereby incorporated by reference.
10.A	Copy of Viad Corp 1992 Stock Incentive Plan as amended August 15, 1996, filed as Exhibit 4.3 to Viad Corp's Registration Statement on Form S-8 (Registration No. 333-63397), is hereby incorporated by reference.+
10.B	Copy of 1997 Viad Corp Omnibus Incentive Plan, as amended through May 14, 2002, filed as Exhibit 10.A to Viad Corp's Form 10-Q for the period ended June 30, 2002,is hereby incorporated by reference.+
10.C1	Copy of Performance Driven Restricted Stock Agreement, as amended March 26, 2002, pursuant to the 1997 Viad Corp Omnibus Incentive Plan, filed as Exhibit 10.B to Viad Corp's Form 10-Q for the period ended June 30, 2002, is hereby incorporated by reference.+
10.C2	Copy of Restricted Stock Agreement (periodic vesting) pursuant to the 1997 Viad Corp Omnibus Incentive Plan, filed as Exhibit 10.C to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+
10.C3	Copy of Restricted Stock Agreement (three year cliff vesting) as amended March 26, 2002, pursuant to the 1997 Viad Corp Omnibus Incentive Plan, filed as Exhibit 10.B to Viad Corp's Form 10-Q for the period ended March 31, 2002, is hereby incorporated by reference.+
10.D	Copy of Viad Corp Management Incentive Plan, as amended November 21, 2002.+*
10.E	Copy of Viad Corp Performance Unit Incentive Plan, as amended August 15, 2001, filed as Exhibit 10.E to Viad Corp's Form 10-K for the period ended December 31, 2001, is hereby incorporated by reference.+
10.F	Copy of Viad Corp Performance-Based Stock Plan, as amended and restated effective May 1998, filed as Exhibit 10.D to Viad Corp's Second Quarter 1998 Form 10-Q, is hereby incorporated by reference.+
10.G	Copy of Viad Corp Deferred Compensation Plan, Amended and Restated as of November 21, 2002.+*
10.H1	Copy of form of Amended and Restated Executive Severance Agreement effective as of March 15, 2001, between Viad Corp and Chairman, President and Chief Executive Officer, filed as Exhibit 10.F(i) to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+

EXHIBITS. #	
10.H2	Copy of forms of Viad Corp Amended and Restated Executive Severance Plans covering certain executive officers, filed as Exhibit 10.F(ii) to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+
10.I	Copy of Employment Agreement between Viad Corp and Robert H. Bohannon dated April 1, 1998, filed as Exhibit 10 to Viad Corp's First Quarter 1998 Form 10-Q, is hereby incorporated by reference.+
10.J	Copy of Viad Corp Supplemental TRIM Plan, filed as Exhibit 10.M to Viad Corp's 1994 Form 10-K, is hereby incorporated by reference.+
10.J1	Copy of First Amendment, dated as of May 8, 2001, to the Viad Corp Supplemental TRIM Plan, filed as Exhibit 10.A to Viad Corp's Form 10-Q for the period ended June 30, 2001, is hereby incorporated by reference.+
10.K	Copy of Viad Corp Supplemental Pension Plan, as amended and restated effective January 1, 2001, filed as Exhibit 10.B to Viad Corp's Form 10-Q for the period ending June 30, 2001, is hereby incorporated by reference.+
10.L	Copy of Travelers Express Company, Inc. Supplemental Pension Plan, restated as of January 1, 2001, filed as Exhibit 10.A to Viad Corp's Form 10-Q for the period ending September 30, 2001, is hereby incorporated by reference.+
10.M	Copy of GES Exposition Services, Inc. Supplemental Executive Retirement Plan, restated as of January 1, 2001, filed as Exhibit 10.B to Viad Corp's Form 10-Q for the period ending September 30, 2001, is hereby incorporated by reference.+
10.N	Copy of Deferred Compensation Plan for Directors of Viad Corp, as Amended and Restated November 21, 2002.+*
10.O	Copy of Viad Corp Director's Charitable Award Program as amended through March 15, 1996, filed as Exhibit 10.T to Viad Corp's 1995 Form 10-K, is hereby incorporated by reference.+
10.P	Description of Viad Corp Director's Matching Gift Program, filed as Exhibit 10.Q to Viad Corp's 1999 Form 10-K, is hereby incorporated by reference.+
21	List of Subsidiaries of Viad Corp.*
23	Independent Auditors' Consent to the incorporation by reference into specified registration statements on Form S-3 or on Form S-8 of their report contained in this report.*
24	Power of Attorney signed by Directors of Viad Corp.*

* Filed herewith.

\+ Management contract or compensation plan or arrangement.

EXHIBIT 10.D

VIAD CORP

MANAGEMENT INCENTIVE PLAN

PURSUANT TO THE 1997 VIAD CORP OMNIBUS INCENTIVE PLAN

AS AMENDED NOVEMBER 21, 2002

I. PURPOSE:

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

II. PHILOSOPHY:

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

III. SUBSIDIARIES, SUBSIDIARY GROUPS AND DIVISIONS:

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

Name of Company

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

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

B. FUNDING LIMIT:

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

C. PERFORMANCE GOALS:

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

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

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

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

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

2. VALUE ADDED MEASUREMENT:

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

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

3. CASH FLOW:

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

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

4. OTHER PERFORMANCE MEASUREMENTS:

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

5. REVENUE:

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

6. ESTABLISHING TARGETS:

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

D. PARTICIPANT ELIGIBILITY:

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

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

E. TARGET BONUSES:

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

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

Subsidiary Positions*	As a Percentage of Salary		
	Threshold**	Target	Cap
Chief Executive Officer/President	25.0%	50%	100%
	22.5%	45%	90%
	20.0%	40%	80%
Executive Vice President-Senior Vice President, and Other Operating Executives	20.0%	40%	80%
Vice Presidents	17.5%	35%	70%
	15.0%	30%	60%
Key Management Reporting to Officers	12.5%	25%	50%
	10.0%	20%	40%
Staff Professionals	7.5%	15%	30%
	5.0%	10%	20%

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

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

F. BONUS POOL TARGET:

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

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

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

G. INDIVIDUAL BONUS AWARDS:

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

a) discretionary upwards or downward adjustment of formula bonus awards by the Committee after considering the recommendation of the Company President or Chief Executive Officer with the approval of the

Chief Executive Officer of Viad Corp for those executives not affected by Section 162(m) of the Internal Revenue Code, and

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

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

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

IV. VIAD CORP CORPORATE STAFF:

A. FUNDING LIMIT:

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

B. PERFORMANCE GOALS:

1. INCOME PER SHARE:

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

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

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

2. VALUE ADDED MEASUREMENT:

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

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

3. OTHER PERFORMANCE MEASUREMENTS:

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

4. REVENUE:

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

5. ESTABLISHING TARGETS:

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

C. PARTICIPANT ELIGIBILITY:

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

a) Salary grade 25 and above; and

b) Not more than Organizational Level Four below the Chief Executive Officer.

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

D. TARGET BONUSES:

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

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

Corporate Positions	Threshold**	Target	Cap
	As a Percentage of Salary		
Chairman, President & Chief Executive Officer	37.5%	75%	150%
Senior Advisory Group	25.0%	50%	100%
	22.5%	45%	90%
Corporate Staff Officers	20.0%	40%	80%
Staff Directors*	17.5%	35%	70%
	15.0%	30%	60%
	12.5%	25%	50%
	10.0%	20%	40%
Staff Professionals*	7.5%	15%	30%
	5.0%	10%	20%

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

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

E. BONUS POOL TARGET:

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

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

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

F. INDIVIDUAL BONUS AWARDS:

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

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

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

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

V. SPECIAL ACHIEVEMENT AWARDS:

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

VI. APPROVAL AND DISTRIBUTION:

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

VII. COMPENSATION ADVISORY COMMITTEE:

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

VIII. SPECIAL COMPENSATION STATUS:

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

IX. DEFERRALS:

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

X. PLAN TERMINATION:

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

XI. EMPLOYEE RIGHTS:

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

XII. EFFECT OF CHANGE OF CONTROL:

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

XIII. EFFECTIVE DATE:

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

EXHIBIT 10.G

VIAD CORP
DEFERRED COMPENSATION PLAN
AMENDED AND RESTATED AS OF NOVEMBER 21, 2002

1. PURPOSE OF THE PLAN.

The purpose of the Deferred Compensation Plan (the Plan) is to provide a select group of management or highly compensated employees of Viad Corp (the Corporation) and its subsidiaries with an opportunity to defer the receipt of incentive compensation awarded to them under the Management Incentive Plan, the Performance Unit Incentive Plan and certain other incentive plans of Viad Corp and its subsidiaries (the Incentive Plans) and thereby enhance the long-range benefits and purposes of the incentive awards. Each plan year shall extend from January 1 through December 31 of each calendar year.

2. ADMINISTRATION OF THE PLAN.

The Plan shall be administered by the Compensation Advisory Committee (the Committee). Subject to the express provisions of the Plan, and the Incentive Plans, the Committee shall have the authority to adopt, amend and rescind such rules and regulations, and to make such determinations and interpretations relating to the Plan, which it deems necessary or advisable for the administration of the Plan, but it shall not have the power to amend, suspend or terminate the Plan. All such rules, regulations, determinations and interpretations shall be conclusive and binding on all parties.

3. PARTICIPATION IN THE PLAN.

(a) Participation in the Plan shall be restricted to a select group of management or highly compensated employees of the Corporation or one of its subsidiaries who are participants in certain Incentive Plans, including the Management Incentive Plan, Viad Corp Performance Unit Incentive Plan, and any other bonus or bonuses or similar or successor plans, who have been selected in writing by the Chief Executive Officer of the Corporation to participate in the Plan, and whose timely written requests to defer the receipt of all or a portion of any incentive compensation which may be awarded to them, are honored in whole or in part by the Committee. Any individual whose request for deferral is not accepted or honored by the Committee, whether for failure of timely submission or for any other reason, shall not become a participant in the Plan, and the Committee's determination in this regard shall be conclusive and binding.

(b) Participants may defer incentive compensation into a cash account and, if designated by the Committee, into a stock unit account.

(c) If a participant in the Plan shall 1) sever, voluntarily or involuntarily, his employment with the Corporation or one of its subsidiaries other than as a result of disability or retirement, 2) engage in any activity in competition with the Corporation or any of its subsidiaries during or following such employment, or 3) remain in the employ of a corporation which for any reason ceases to be a subsidiary of the Corporation, the Committee may at any time thereafter direct, in its sole and exclusive discretion, that his participation in the Plan shall terminate, and that he be paid in a lump sum the aggregate amount credited to his deferred incentive cash account as of the date such participation is terminated and that he be paid shares of the Corporation's Common Stock equal to the aggregate number of stock units credited to his deferred stock unit account as of the date such participation is terminated (with any fractional unit being settled by cash payment). The Committee is authorized to establish and implement a policy and procedures for administration of this paragraph, including, but not limited to, a policy regarding small account balance cash-outs.

(d) The Corporation and each participating subsidiary shall be solely liable for payment of any benefits and, except as may be otherwise determined by the Committee, for maintenance of deferred incentive accounts pursuant to paragraph 7, with respect to its own employees who participate in the Plan. In the event a participant leaves the employ of the Corporation or a participating subsidiary ("former employer") and is subsequently employed by another employer, the Corporation or another subsidiary of the Corporation ("new employer"), the former employer may agree to transfer and the new employer may agree to assume the benefit liability reflected in such participant's deferred incentive account, without the consent of such participant and subject to the approval of the Committee, in its sole discretion. In the event of such a transfer and assumption of liability, the former employer shall have no further liability for any benefit under the Plan to its former employee or otherwise with respect to such transferred account.

4. REQUESTS FOR DEFERRAL.

All requests for deferral of incentive awards must be made in writing prior to November 15 of the year in which the bonus is being earned and shall be in such form and shall contain such terms and conditions as the Committee may determine. Each such request shall specify the dollar amount or the percentage to be deferred of incentive award which would otherwise be received in the following calendar year, but the deferral amount must be in an amount equal to or greater than the lesser of $10,000 or 25% of the incentive award. Each such request shall also specify 1) the date (no later than the employee's actual retirement date) when payment of the aggregate amount credited to the deferred incentive account is to commence, 2) whether such payment is then to be made in a lump sum or in quarterly or annual installments, 3) if payment is to be made in installments, the period of time (not in excess of ten years) over which the installments are to be paid, and 4) if the participant is permitted to defer incentive compensation into a stock unit account, the portion of the deferred incentive compensation which shall be treated as a cash account under paragraph 7(b) and the portion which shall be treated as a stock unit account under paragraph 7(c). If the participant has requested that a portion of the deferred incentive compensation be placed in a stock unit account, such request shall also include acknowledgment that such stock unit account will be settled in Common Stock of the Corporation, and that such stock unit account cannot be converted to a cash account in the future. The Committee shall, under no circumstances, accept any request for deferral of less than $1,000 of an incentive award or any request which is not in writing or which is not timely submitted.

5. DEFERRAL AND PAYMENT OF INCENTIVE AWARDS.

The Committee shall, prior to December 15 of the year in which the bonus is being earned, notify each individual who has submitted a request for deferral of an incentive award whether or not such request has been accepted and honored. If the request has been honored in whole or in part, the Committee shall advise the participant of the dollar amount or percentage of his incentive compensation which the Committee has determined to be deferred. The Committee shall further advise the participant of its determination as to the date when payment of the aggregate amount credited to the participant's deferred incentive account is to commence, whether payment of the amount so credited as of that date will then be made in a lump sum or in quarterly or annual installments, if payment is to be made in installments, the period of time over which the installments will be paid, and if the participant is permitted to defer incentive compensation into a stock unit account, whether the deferred incentive account shall be treated as a cash account or a stock unit account or split between cash and stock units. Upon subsequently being advised of the existence of special circumstances which are beyond the participant's control and which impose an unforeseen severe financial hardship on the participant or his beneficiary, the Committee may, in its sole and exclusive discretion, modify the deferral arrangement established for that participant to the extent necessary to remedy such financial hardship.

If the participant has elected to defer incentive compensation in the form of cash, the Corporation shall distribute a sum in cash to such participant, pursuant to his or her election provided for in paragraph 4. If the participant has elected to defer incentive compensation in the form of stock units, the Corporation shall distribute to such participant, pursuant to his or her election provided for in paragraph 4, shares of Common Stock of the Corporation equal to the number of stock units being settled in such installment (with any fractional unit being settled by cash payment).

6. CONVERSION OF CASH ACCOUNT BALANCE.

Each participant who is permitted to defer incentive compensation into a stock unit account may, not more than once a year or such other period as is determined by the Committee, by written notice delivered to the Committee, convert the aggregate

balance or any portion thereof in his or her deferred compensation cash account (either before or after installment payments from the account may have commenced) from an account in the form of cash to an account in the form of stock units in an amount equal to the cash balance or specified portion thereof divided by the closing price of the Common Stock of the Corporation (as reported for the New York Stock Exchange-Composite Transactions) on the last trading day of the quarter in which such notice is given, said account to then accrue dividend equivalents as set forth in paragraph 7(c) below; provided however, that no such notice of conversion ("Conversion Notice") (a) may be given within six months following the date of an election by such participant, if an Executive Officer of the Corporation, with respect to any plan of the Corporation, that effected a Discretionary Transaction (as defined in Rule 16b-3(f) under the Securities Exchange Act of 1934) that was a disposition or
(b) may be given after an individual ceases to be an employee of the Corporation. The stock unit account will be settled in Common Stock of the Corporation and such stock unit account cannot be converted to a cash account in the future.

7. DEFERRED INCENTIVE ACCOUNT.

(a) A deferred incentive account shall be maintained by his employer for each participant in the Plan, and there shall be credited to each participant's account, on the date incentive compensation is paid, the incentive award, or portion thereof, which would have been paid to such participant on said date if the receipt thereof had not been deferred. If the account is to be a stock unit account, the incentive compensation award shall be converted into stock units by dividing the closing price of the Corporation=s Common Stock (as reported for the New York Stock Exchange Composite Transactions) on the day such incentive award is payable into such incentive award.

(b) If the participant has elected to defer incentive compensation in the form of cash, there shall be credited on the last day of the quarter to each participant's account, an interest credit on his deferred incentive award at the interest rates determined by the Committee to be payable during each calendar year, or portion thereof, prior to the termination of such participant's deferral period or, if the amount then credited to his deferred incentive account is to be paid in installments, prior to the termination of such installment period. Interest will be paid on a prorated basis for amounts withdrawn from the account during the quarter, with the remaining balance accruing interest for the duration of the quarter. The interest credit for the following quarter shall be a rate equal to the yield as of March 31, June 30, September 30, and December 31 on Merrill Lynch Taxable Bond Index - Long Term Medium Quality (A3) Industrial Bonds, unless and until otherwise determined.

(c) If a participant has elected to defer incentive compensation in the form of stock units, then, in the event of a dividend paid in cash, stock of the Corporation (other than Common Stock) or property, additional credits (dividend equivalents) shall be made to the participant's stock unit account consisting of a number of stock units equal to the amount of such dividend per share (or the fair market value, on the date of payment, of dividends paid in stock or property), multiplied by the aggregate number of stock units credited to such participant's deferred compensation account on the record date for the payment of such dividend, divided by the last closing price of the Corporation's Common Stock (as reported for the New York State Exchange-Composite transactions) prior to the date such dividend is payable to stockholders. After payment of deferred compensation commences, dividend equivalents shall accrue on the unpaid balance thereof in the same manner until all such deferred compensation has been paid.

(d) In the event of a dividend of Common Stock declared and paid by the Corporation, an additional credit shall be made to the participant's stock unit account of a number of stock units equal to the number of shares of the Corporation's Common Stock which the participant would have received as a stock dividend had he or she been the owner on the record date for the payment of such stock dividend of the number of shares of Common Stock equal to the number of units in such stock unit account on such date. After payment of deferred compensation commences, additional credits for stock dividends shall accrue on the unpaid balance thereof in the same manner until all such deferred compensation has been paid.

(e) The Plan shall at all times be unfunded. The Corporation shall not be required to segregate physically any amounts of money or otherwise provide funding or security for any amounts credited to the deferred incentive accounts of participants in the Plan.

8. CHANGE OF CONTROL OR CHANGE IN CAPITALIZATION.

(a) If a tender offer or exchange offer for shares of Common Stock of the Corporation (other than such an offer by the Corporation) is commenced, or if the stockholders of the Corporation shall approve an agreement providing either for a transaction in which the Corporation will cease to be an independent publicly owned corporation or for a sale or other disposition of all or substantially all the assets of the Corporation (Change of Control), a lump sum cash payment shall be made to each participant participating in the Plan of the aggregate current balance of his or her deferred compensation cash account accrued on the date of the Change of Control, notwithstanding any other provision herein. If the participant has elected to defer compensation in the form of stock units, the Corporation shall distribute to such participant shares of Common Stock of the Corporation equal to the number of stock units in such participant's stock unit account on the day preceding the date of the Change of Control (with any fractional unit being settled by cash payment). Any notice by a participant to change or terminate his or her election to defer Compensation on or before the date of the Change of Control shall be effective as of the date of the Change of Control, notwithstanding any other provision herein.

(b) Any recapitalization, reclassification, split-up, spin-off, sale of assets, combination or merger not otherwise provided for herein which affects the outstanding shares of Common Stock of the Corporation or any other relevant change in the capitalization of the Corporation shall be appropriately adjusted for by the Board of Directors of this Corporation, and any such adjustments shall be final, conclusive and binding.

9. DESIGNATION OF BENEFICIARY.

Each participant in the Plan shall deliver to the Committee a written instrument, in the form provided by the Committee, designating one or more beneficiaries to whom payment of the amount credited to his deferred incentive account shall be made in the event of his death. Unless the Committee shall otherwise determine, such payments shall be made in such amounts and at such times as they would otherwise have been paid to the participant if he had survived.

10. NONASSIGNABILITY OF PARTICIPATION RIGHTS.

No right, interest or benefit under the Plan shall be assignable or transferable under any circumstances other than to a participant's designated beneficiary in the event of his death, nor shall any such right, interest or benefit be subject to or liable for any debt, obligation, liability or default of any participant. The payments, benefits or rights arising by reason of this Plan shall not in any way be subject to a participant's debts, contracts or engagements, and shall not be subject to attachment, garnishment, levy, execution or other legal or equitable process.

11. RIGHTS OF PARTICIPANTS.

A participant in the Plan shall have only those rights, interests or benefits as are expressly provided in the Plan and in the Incentive Plans. The Plan shall be deemed to be ancillary to the Incentive Plans and the rights of participants in the Plan shall be limited as provided in the Incentive Plans.

12. CLAIMS FOR BENEFITS.

Claims for benefits under the Plan shall be filed with the Committee. Written notice of the disposition of a claim shall be furnished the claimant within 60 days after the application therefor is filed. In the event the claim is denied, the reasons for the denial shall be specifically set forth. Pertinent provisions of this Plan shall be cited. In addition, the written notice shall describe any additional material or information necessary for the claimant to perfect the claim (along with an explanation of why such material or information is needed), and the written notice will fully describe the claim review procedures of paragraph 13 below.

13. CLAIM REVIEW.

Any claimant who has been denied a benefit shall be entitled, upon request to the Committee, to receive a written notice of such action, together with a full and clear statement of the reasons for the action. The claimant may also review this Plan if he chooses. If the claimant wishes further consideration of his position, he may request a hearing. The request, together with a written statement of the claimant's position, shall be filed with a Committee member no later than 60 days after receipt of the written notification provided for above. The Committee shall schedule an opportunity for a full and fair hearing of the issue within the next 60 days. The decision following the hearing shall be made within 60 days and shall be communicated in writing to the claimant. If the claimant requests, the hearing may be waived, in which case the Committee's decision shall be made within 60 days from the date on which the hearing is waived and shall be communicated in writing to the claimant.

14. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN.

The Board of Directors of the Corporation (the Board) may from time to time amend, suspend or terminate the Plan, in whole or in part, and if the Plan is suspended or terminated, the Board may reinstate any or all provisions of the Plan, except that no amendment, suspension or termination of the Plan shall, without the consent of a participant, adversely affect such participant's right to receive payment of the entire amount credited to his deferred incentive account on the date of such Board action. In the event the Plan is suspended or terminated, the Board may, in its discretion, direct the Committee to pay to each participant the amount credited to his account either in a lump sum or in accordance with the Committee's prior determination regarding the method of payment.

15. EFFECTIVE DATE.

The Plan shall become effective on the date of its approval by the Human Resources Committee of the Viad Corp Board of Directors or on such other date as the Human Resources Committee may direct, but the Plan shall become operative with respect to a select group of management or highly compensated employees of each subsidiary only upon the adoption of the Plan by that subsidiary's Board of Directors.

EXHIBIT 10.N

DEFERRED COMPENSATION PLAN
FOR DIRECTORS OF
VIAD CORP

AS AMENDED AND RESTATED
NOVEMBER 21, 2002

1. ESTABLISHMENT AND CONTINUATION OF PLAN.

There was heretofore established, in recognition of the valuable services provided to Greyhound Dial Corporation by the individuals who serve as members of its Board of Directors, an unfunded plan of voluntary deferred compensation known as the "Directors Deferred Compensation Plan" (Plan). The Dial Corp, a Delaware corporation and successor by operation of law to Greyhound Dial Corporation, intends to distribute to its stockholders (the Spin-Off) one share of common stock, $0.01 par value, of The Dial Corporation, its wholly-owned subsidiary (Consumer Products) which will own and operate its consumer products business (Consumer Products Common Stock). Following the Spin-Off, The Dial Corp will change its name to "Viad Corp". All references herein to the "Corporation" mean The Dial Corp, prior to the Spin-Off, and Viad Corp, following the Spin-Off. All Directors of the Corporation, except Directors receiving a regular salary as an employee of the Corporation or one of its subsidiaries, are eligible to participate in this Plan. All Directors who become directors of Consumer Products and cease to be directors of the Corporation in connection with the Spin-Off will no longer be eligible to participate in this Plan, and all obligations accrued prior to the date of the Spin-Off under this Plan with respect to such individuals will be assumed by Consumer Products. A Director may elect to defer under this Plan any retainer or meeting attendance fee otherwise payable to him or her (Compensation) by the Corporation or by domestic subsidiaries of this Corporation (subsidiaries).

2. EFFECTIVE DATE.

This Plan became effective on January 1, 1981.

3. ELECTION TO PARTICIPATE IN THE PLAN.

A. (i) A Director of this Corporation may elect to defer the receipt of all or a specified part of the Compensation otherwise payable to him or her during a calendar year by the Corporation or its subsidiaries. Any person who shall become a Director during any calendar year, and who was not a Director of the Corporation or its subsidiaries on the preceding December 31, may elect before the Director's term begins to defer such Compensation. Such election shall also specify whether the account shall be treated as a cash account under Section 4A or a stock unit account under Section 4B; provided that an election to defer Compensation into a stock unit account must be specifically approved by the Board of Directors of the Corporation. If the account is to be a cash account, the Compensation, if it is a meeting attendance fee, shall be payable on the date of each applicable meeting, and, if it is a retainer, shall be payable on the last trading day of each applicable quarter. If the account is to be a stock unit account, the Compensation shall be converted into stock units by dividing the closing price of the Corporation's Common Stock (as reported for the New York Stock Exchange-Composite Transactions) on the day such Compensation is payable into such Compensation, which, in the case of a meeting attendance fee or a retainer, is the last trading day of each applicable quarter.

(ii) In connection with the Spin-Off, the Dial Director's Retirement Plan (the "Retirement Plan") will be terminated. As of the Distribution Date, the Corporation will credit, to an existing or newly-established, stock unit account for each Director eligible to participate in this Plan who is a participant under the Retirement Plan (and who does not elect to continue to receive cash payments under the Retirement Plan) a number of stock units equal to (A) the present value of such Director's vested accrued benefits under the Retirement Plan divided by (B) the closing price of the Corporation's Common Stock (as reported for the New York Stock Exchange-Composite Transactions) as of the first trading day following the Distribution Date. Such stock unit account shall thereafter be maintained in accordance with this Plan.

B. Any election under this Plan, unless otherwise provided therein, shall be made by delivering a signed request to the Secretary of the Corporation on or before December 31 with respect to the following calendar year, or, for a new Director, on or before his or her term begins. An election shall continue from year to year, unless specifically limited, until terminated by a signed request in the same manner in which an election is made. However, any such termination shall not become effective until the end of the calendar year in which notice of termination is given.

C. Each Director may, by notice delivered to the Secretary of the Corporation, convert: (i) the aggregate balance in his or her deferred compensation account (either before or after payments from the account may have commenced) from an account in the form of stock units to an account in the form of cash in an amount equal to such stock units balance multiplied by the closing price of the Common Stock of the Corporation (as reported for the New York Stock Exchange-Composite Transactions) on the last trading day of the quarter in which such notice is given, said account to accrue interest as set forth

in Section 4 below, or (ii) convert the aggregate balance in his or her deferred compensation account (either before or after installment payments from the account may have commenced) from an account in the form of cash to an account in the form of stock units in an amount equal to cash balance divided by the closing price of the Common Stock of the Corporation (as reported for the New York Stock Exchange-Composite Transactions) on the last trading day of the quarter in which such notice is given, said account to accrue dividend equivalents as set forth in
Section 4 below; provided however, that no such notice of conversion ("Conversion Notice") (a) may be given within six months following the date of an election by such Director, with respect to any plan of the Corporation, that effected a Discretionary Transaction (as defined in Rule 16b-3(f) under the Securities Exchange Act of 1934) that was an acquisition (if the Conversion Notice is pursuant to clause (i)) or a disposition (if the Conversion Notice is pursuant to clause (ii)) or (b) may be given after an individual ceases to be a Director.

4. ACCRUAL OF INTEREST OR DIVIDEND EQUIVALENTS.

A. If a Director has elected to defer Compensation in the form of cash, then interest on the unpaid balance of such Director's deferred compensation account, consisting of both accumulated Compensation and interest, if any, will be credited on the last day of each quarter based upon the yield on Merrill Lynch Taxable Bond Index-Long Term Medium Quality (A3) Industrial Bonds in effect at the beginning of such quarter, said interest to commence with the date such compensation was otherwise payable. After payment of deferred Compensation commences, interest shall accrue on the unpaid balance thereof in the same manner until all such deferred Compensation has been paid.

B. If a Director has elected to defer Compensation in the form of stock units, then, in the event of a dividend paid in cash, stock of the Corporation (other than Common Stock) or property, additional credits (dividend equivalents) shall be made to the Director's stock unit account consisting of a number of stock units equal to the amount of such dividend per share (or the fair market value, on the date of payment, of dividends paid in stock or property), multiplied by the aggregate number of stock units credited to such Director's deferred compensation account on the record date for the payment of such dividend, divided by the last closing price of the Corporation's Common Stock (as reported for the New York State Exchange-Composite transactions) prior to the date such dividend is payable to stockholders. Furthermore, additional credits (dividend equivalents) shall be made to the Director's stock unit account consisting of a number of stock units equal to the amount of such dividend per share (or the fair market value, on the date of payment, of dividends paid in stock or property), multiplied by the incremental number of stock units credited to such Director's deferred compensation account, on the last business day prior to the date such dividend is payable to stockholders, attributable to meeting attendance fee(s), divided by the last closing price of the Corporation's Common Stock (as reported for the New York State Exchange-Composite transactions) prior to the date such dividend is payable to stockholders. After payment of deferred Compensation commences, dividend equivalents shall accrue on the unpaid balance thereof in the same manner until all such deferred Compensation has been paid.

C. In the event of a dividend of Common Stock declared and paid by the Corporation, an additional credit shall be made to the Director's stock unit account of a number of stock units equal to the number of shares of the Corporation's Common Stock which the Director would have received as a stock dividend had he or she been the owner on the record date for the payment of such stock dividend of the number of shares of Common Stock equal to the number of units in such stock unit account on such date. After payment of deferred Compensation commences, additional credits for stock dividends shall accrue on the unpaid balance thereof in the same manner until all such deferred Compensation has been paid.

D. Notwithstanding and in lieu of the foregoing, in the case of the dividend distribution by the Corporation of the Consumer Products Common Stock in the Spin-Off, a new stock unit and cash account (the Special Account) will be established for each Director (in addition to any existing stock unit account) which will be credited with a number of units representing Consumer Products Common Stock equal to the number of stock units in such Director's account immediately prior to the Spin-Off. From and after the Spin-Off, the Corporation will credit the Special Account with amount(s) denominated in cash, representing all dividends paid by Consumer Products on the Consumer Products Common Stock, whether paid in cash, Consumer Products Common Stock, other stock or property, in an amount equal to the amount of such dividend per share of Consumer Products Common Stock (or the fair market value on the date of payment of dividends paid in stock or property) multiplied by the aggregate number of stock units credited to such Director's Special Account on the record date for payment of such dividend. The amount credited as cash shall thereafter accrue interest in accordance with Section 4A. A Director may convert the stock unit portion of the Special Account into an account in the form of cash by using the notice procedures in Section 3C without regard to the six months restriction set forth in the proviso thereto (it being understood that the closing price of the Consumer Products Common Stock, instead of Corporation Common Stock, will be used for such conversion).
Section 3C may not, however, be used to convert a cash account into additional units of Consumer Products Common Stock in the Special Account.

5. ACCOUNTING.

No fund or escrow deposit shall be established by any deferred Compensation payable pursuant to this Plan, and the obligation to pay deferred Compensation hereunder shall be a general unsecured obligation of the Corporation, payable out of its general account, and deferred Compensation shall accrue to the general account of the Corporation. However, the Controller of the Corporation shall maintain an account and properly credit Compensation to each such account, and keep a record of all sums which each participating Director has elected to have paid as deferred Compensation and of interest or dividend equivalents accrued thereon. Within sixty (60) days after the close of each calendar year the Controller shall furnish each Director who has participated in the Plan a statement of all sums and stock units, including interest and dividend equivalents, which have accrued to the account of such Director as of the end of such calendar year.

6. PAYMENT FROM DIRECTORS' ACCOUNTS.

A. After a Director ceases to be a director of the Corporation, the aggregate amount of deferred compensation credited to a Director's account, either in the form of cash or stock units, together with interest or dividend equivalents accrued thereon, shall be paid in a lump sum or, if the Director elects, in substantially equal quarterly, semi-annual, or annual installments over a period of years, not greater than ten (10), specified by the Director. Such election must be made by written notice delivered to the Secretary of the Corporation prior to December 31 of the year preceding the year in which, and at least six months prior to the date on which, the Director ceases to be a director. The first installment (or the lump sum payment) shall be made promptly following the date on which the Director ceases to be a Director of the Corporation, and any subsequent installments shall be paid promptly at the beginning of each succeeding specified period until the entire amount credited to the Director's account shall have been paid. To the extent installment payments are elected, and the Director's account consists of cash as well as stock units, a pro rata portion of the cash, and the cash equivalent of a pro rata portion of the stock units, shall be paid with each installment. If the participating Director dies before receiving the balance of his or her deferred compensation account, then payment shall be made in a lump sum to any beneficiary or beneficiaries which may be designated, as provided in paragraph B of this Section 6, or in the absence of such designation, or, in the event that the beneficiary designated by such Director shall have predeceased such Director, to such Director's estate.

B. Each Director who elects to participate in this Plan may file with the Secretary of the Corporation a notice in writing designating one or more beneficiaries to whom payment shall be made in the event of such Director's death prior to receiving payment of any or all of the deferred Compensation hereunder.

C. If the Director has elected to defer Compensation in the form of cash, the Corporation shall distribute a sum in cash to such Director, pursuant to his or her election provided for in paragraph A of this Section 6. If the Director has elected to defer Compensation in the form of stock units, the Corporation shall distribute to such Director, pursuant to his or her election provided for in paragraph A of this Section 6, the cash equivalent of the portion of the stock units being distributed in such installment which will be calculated by multiplying (i) the average of the month-end closing prices of the Corporation's Common Stock (or Consumer Products Common Stock, in the case of stock units in the Special Account) for the last 12 months preceding the date of each distribution, as reported for the New York Stock Exchange-Composite Transactions, by (ii) the number of stock units being distributed in such installment.

7. CHANGE OF CONTROL OR CHANGE IN CAPITALIZATION.

A. If a tender offer or exchange offer for shares of Common Stock of the Corporation (other than such an offer by the Corporation) is commenced, or if the stockholders of the Corporation shall approve an agreement providing either for a transaction in which the Corporation will cease to be an independent publicly owned corporation or for a sale or other disposition of all or substantially all the assets of the Corporation (Change of Control), a lump sum cash payment shall be made to each Director participating in the Plan of the aggregate current balance of his or her deferred compensation account accrued to the Director's deferred compensation account on the date of the Change of Control, notwithstanding any other provision herein. If the Director has elected to defer Compensation in the form of stock units, the Corporation shall distribute to such Director the sum in cash equal to the closing price of the Corporation's Common Stock on the day preceding the date of the Change of Control (as reported for the New York Stock Exchange-Composite Transactions) multiplied by the number of stock units in such account. Any notice by a Director to change or terminate his or her election to defer Compensation or before the date of the Change of Control shall be effective as of the date of the Change of Control, notwithstanding any other provision herein.

B. Any recapitalization, reclassification, split up, sale of assets, combination or merger not otherwise provided for herein which affects the outstanding shares of Common Stock of the Corporation (or the stock subject to the Special Account) or any other relevant change in the capitalization of the Corporation (or, in the case of the Special Account, Consumer Products) shall be appropriately adjusted for by the Board of Directors of this Corporation, and any such adjustments shall be final, conclusive and binding.

8. NONALIENATION OF BENEFITS.

No right or benefit under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to alienate, sell, assign, pledge, encumber or charge the same shall be void. To the extent permitted by law, no right or benefit hereunder shall in any manner be attachable for or otherwise available to satisfy the debts, contracts, liabilities or torts of the person entitled to such right or benefit.

9. APPLICABLE LAW.

The Plan will be construed and enforced according to the laws of the State of Delaware; provided that the obligations of the Corporation shall be subject to any applicable law relating to the property interests of the survivors of a deceased person and to any limitations on the power of the person to dispose of his or her interest in the deferred Compensation.

10. AMENDMENT OR TERMINATION OF PLAN.

The Board of Directors of the Corporation may amend or terminate this Plan at any time, provided, however, any amendment or termination of this Plan shall not affect the rights of participating Directors or beneficiaries to payments, in accordance with Section 6 or 7, of amounts accrued to the credit of such Directors or beneficiaries at the time of such amendment or termination.

EXHIBIT 21

VIAD CORP
(DELAWARE)

Active Subsidiaries and Affiliates as of February 1, 2003

CONVENTION AND EVENT SERVICES GROUP

EXG, Inc. (Delaware)
Giltspur Exhibits of Canada, Inc. (Ontario) GES Exposition Services (Canada) Limited (Canada) Exposervice Standard Inc. (Canada)
Clarkson-Conway Inc. (Canada)
Stampede Display and Convention Services Ltd. (Alberta)
GES EXPOSITION SERVICES, INC. (Nevada)
ESR Exposition Service, Inc. (New Jersey) Expo Accessories, Inc. (New York)
Expo Display & Design, Inc. (New Jersey) Shows Unlimited, Inc. (Nevada)
Tradeshow Convention Services Inc. (Washington) David H. Gibson Company, Inc. (Texas)
Viad Holding GmbH (Germany)
Exhibitgroup/Giltspur France S.A.R.L. (France) Voblo Verwaltungs GmbH (Germany) (80%)

CORPORATE AND OTHER

Viad Service Companies Limited (United Kingdom) VREC, Inc. (Delaware)

PAYMENT SERVICES GROUP

TRAVELERS EXPRESS COMPANY, INC. (Minnesota)
CAG Inc. (Nevada)
Hematite Trust (Delaware)
Monazite Trust (Delaware)
Rhyolite Trust (Delaware)
FSMC, Inc. (Minnesota)
Game Financial Corporation (Minnesota) GameCash, Inc. (Minnesota)
Game Financial Corporation of Wisconsin (Wisconsin) MLE, Inc. (Wisconsin)
MoneyGram Payment Systems, Inc. (Delaware) Mid-America Money Order Company (Kentucky) MoneyGram International Holdings Limited (United Kingdom) MoneyGram International Limited (United Kingdom) MoneyGram of New York LLC (Delaware)
MoneyGram Payment Systems Canada, Inc. (Ontario) Travelers Express Co. (P.R.) Inc. (Puerto Rico)

TRAVEL AND RECREATION SERVICES GROUP

Glacier Park, Inc. (Arizona) (80%)
Waterton Transport Company, Limited (Alberta) Greyhound Canada Holdings, Inc. (Alberta)~~ Brewster Tours Inc. (Canada)
BREWSTER TRANSPORT COMPANY LIMITED (Alberta)
859371 Alberta Ltd. (Alberta)
Brewster Inc. (Alberta)
CANFINCO LLC (Delaware)

~~ Indicates a Corporate and Other Subsidiary

*Parent-subsidiary or affiliate relationships are shown by marginal indentation. State, province or country of incorporation and ownership percentage are shown in parentheses following name, except that no ownership percentage appears for subsidiaries owned 100% (in the aggregate) by Viad Corp.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos.33-54465, and 33-55360 on Form S-3 and Nos. 333-63397, 333-35231, and 333-99239 on Form S-8 of Viad Corp, of our report dated February 7, 2003 (which expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of Statement of Financial Accounting Standards No. 142 described in Note 7), appearing in this Annual Report on Form 10-K of Viad Corp for the year ended December 31, 2002.

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona

February 27, 2003

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each director whose signature appears below constitutes and appoints Robert H. Bohannon and Ellen M. Ingersoll, and each of them severally, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Form 10-K Annual Report of Viad Corp for the fiscal year ended December 31, 2002, and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ Jess Hay ---------------------------------- Jess Hay	February 20, 2003
/s/ Judith K. Hofer ---------------------------------- Judith K. Hofer	February 20, 2003
/s/ Donald E. Kiernan ---------------------------------- Donald E. Kiernan	February 20, 2003
/s/ Robert C. Krueger ---------------------------------- Robert C. Krueger	February 20, 2003
/s/ Jack F. Reichert ---------------------------------- Jack F. Reichert	February 20, 2003
/s/ Linda Johnson Rice ---------------------------------- Linda Johnson Rice	February 20, 2003
/s/ Douglas L. Rock ---------------------------------- Douglas L. Rock	February 20, 2003
/s/ Timothy R. Wallace ---------------------------------- Timothy R. Wallace	February 20, 2003

Table of Contents

As filed with the Securities and Exchange Commission on June 2, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A
(Amendment No. 1)

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

For the Fiscal Year Ended December 31, 2002
Commission File Number 001-11015

VIAD CORP
(Exact name of registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**36-1169950** **(I.R.S. Employer Identification No.)**
1850 N. Central Ave., Phoenix, Arizona **(Address of principal executive offices)**	**85077** **(Zip Code)**

Registrant's telephone number, including area code: 602-207-4000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1.50 par value	New York Stock Exchange
$4.75 Preferred Stock (stated value $100 per share)	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ]

The aggregate market value of the Common Stock (based on its closing price per share on such date) held by nonaffiliates on the last business day of the registrant's most recently completed second fiscal quarter (June 28, 2002) was approximately $2.3 billion.

Registrant had 88,416,582 shares of Common Stock ($1.50 par value) outstanding as of April 30, 2003.

Documents Incorporated by Reference

A portion of the Proxy Statement for the Annual Meeting of Stockholders of Viad Corp held May 13, 2003 is incorporated by reference into Part III of the registrant's Annual Report on Form 10-K.

TABLE OF CONTENTS

Table of Contents

INDEX

Explanatory Note

This Amendment No. 1 to Viad Corp's Annual Report on Form 10-K for the year ended December 31, 2002 includes restated consolidated financial statements as of and for the years ended December 31, 2002 and 2001 (the consolidated financial statements for years prior to 2001 were not restated). The restatement relates to impairment losses and interest income adjustments for certain structured investments (notes) held by Viad's Payment Services segment. See Note 21 of Notes to Consolidated Financial Statements and the discussion below for further information.

Viad's Payment Services float portfolio of approximately $7.4 billion at December 31, 2002 consisted primarily of mortgage-backed and other asset-backed securities, state and municipal government obligations and corporate debt securities. Included in other asset-backed securities were certain structured investments, which the Payment Services segment began purchasing in 1999. These structured investments generally consist of a zero coupon U.S. Treasury or government agency strip security combined with a residual interest in a collateralized debt obligation. In certain cases, the structured investments consist of an investment grade security and a limited partnership interest.

The structured investments were historically accounted for under the provisions of Emerging Issues Task Force Issue No. 96-12, "Recognition of Interest Income and Balance Sheet Classification of Structured Notes" (EITF 96-12). Furthermore, these investments were accounted for as single debt instruments, representing the combined characteristics of the individual securities.

Subsequent to the issuance of its financial statements for the year ended December 31, 2002, it was determined that the majority of the structured notes should have been accounted for under the provisions of Emerging Issues Task Force Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" (EITF 99-20). EITF 99-20 generally requires applicable investments to be written down to fair value when certain conditions exist. It was also determined that certain structured notes should have been consolidated in the financial statements which requires that the two components of the structured notes be accounted for as separate securities instead of a single debt instrument. Furthermore, as a result of consolidation, the equity method of accounting should have been applied to the investments containing limited partnership interests.

Based on the retroactive application of EITF 99-20, the equity method of accounting, and the consolidation of the individual securities within the structured notes, it was determined that total impairment losses and interest income adjustments of $39.2 million (pre-tax) should be recorded related to the 2002 and 2001 financial results. Of the total amount, $28.9 million and $10.3 million related to the years ended December 31, 2002 and 2001, respectively. In 2001, $3.0 million ($1.9 million after-tax) of the adjustment was recorded as a cumulative effect of a change in accounting principle. The reduction in net income was $18.2 million, or $0.21 per diluted share for 2002 and $6.5 million, or $0.08 per diluted share for 2001.

This Form 10-K/A amends and restates only those items of Viad's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 3, 2003, which have been affected by the restatement, including Items 6, 7 and 8 of Part II of the Annual Report originally filed. This amendment incorporates certain revisions to historical financial data and related descriptions as a result of the restatement, but is not intended to update other information presented in the Annual Report as originally filed, except where specifically noted. Certain additional exhibits also are included in Item 16 of Part IV as Exhibits 23, 99.1 and 99.2. In addition, the third sentence under the "Seasonality" section of Item 1 of Part I is revised to reflect the restatement by replacing the sentence with the following: "Viad's 2002 quarterly diluted earnings per share (before restructuring charges and other items and change in accounting principle), as a percentage of the full year's earnings per share, were approximately 26% (first quarter), 27% (second quarter), 29% (third quarter), and 18% (fourth quarter)."

Item 6. ***Selected Financial Data***

VIAD CORP
SELECTED FINANCIAL AND OTHER DATA

	Year ended December 31,				
	2002	2001	2000	1999	1998
	(as restated) (1)	(as restated) (1)			
	(in thousands, except per share data)				
Operations					
Revenues:					
Convention show services	$ 568,301	$ 604,148	$ 692,843	$ 642,817	$ 626,050
Payment services transaction fees	431,564	393,093	367,733	340,312	243,429
Payment services investment income (2)	342,055	313,432	235,429	183,465	141,675
Exhibit design and construction	217,932	279,896	339,272	289,951	223,115
Hospitality and recreation services	58,253	61,453	91,531	124,624	378,490
Total revenues	$1,618,105	$1,652,022	$1,726,808	$1,581,169	$1,612,759
Income from continuing operations (3), (4)	$ 95,625	$ 46,488	$ 140,819	$ 122,455	$ 94,695
Income from discontinued operations	—	—	—	218,954	53,296
Changes in accounting principles (5)	(37,739)	(1,884)	—	—	—
Net income	$ 57,886	$ 44,604	$ 140,819	$ 341,409	$ 147,991
Diluted income per common share					
Continuing operations (3), (4)	$ 1.09	$ 0.52	$ 1.54	$ 1.26	$ 0.95
Discontinued operations	—	—	—	2.27	0.54
Changes in accounting principles (5)	(0.44)	(0.02)	—	—	—
Diluted net income per common share	$ 0.65	$ 0.50	$ 1.54	$ 3.53	$ 1.49
Average outstanding and potentially dilutive common shares	86,716	86,322	90,925	96,396	98,367
Basic income per common share					
Continuing operations (3), (4)	$ 1.10	$ 0.53	$ 1.57	$ 1.31	$ 0.99
Discontinued operations	—	—	—	2.35	0.56
Changes in accounting principles (5)	(0.44)	(0.02)	—	—	—
Basic net income per common share	$ 0.66	$ 0.51	$ 1.57	$ 3.66	$ 1.55
Average outstanding common shares	86,178	85,503	88,802	93,007	94,382
Dividends declared per common share	$ 0.36	$ 0.36	$ 0.36	$ 0.35	$ 0.32
Financial position at year-end					
Total assets	$9,675,429	$8,375,299	$6,551,492	$5,202,169	$4,661,720
Total debt	361,657	396,828	447,106	389,272	534,453
$4.75 Redeemable preferred stock	6,704	6,679	6,658	6,640	6,625
Common stock and other equity	677,894	714,481	750,730	699,892	643,232
Other data					
EBITDA (6)	$ 232,210	$ 181,257	$ 327,164	$ 514,274	$ 300,910
Debt-to-capital ratio (7)	34%	35%	37%	35%	45%

(1) See Note 21 of Notes to Consolidated Financial Statements.

(2) Viad's Payment Services subsidiaries invest substantial amounts in tax-exempt securities. On a taxable equivalent basis using an income tax rate of approximately 39% (revised to 35% as of July 1, 2002), revenues would be higher by $36.2 million, $46.8 million, $66.2 million, $52.0 million, and $39.3 million for 2002, 2001, 2000, 1999, and 1998, respectively.

(3) Includes investment impairment losses and interest income adjustments (after-tax) of $18.2 million, or $0.21 per diluted share, in 2002

and \$4.6 million, or \$0.06 per diluted share, in 2001. Also includes restructuring charges and other items (after-tax) of \$13.1 million expense, or \$0.15 per diluted share, in 2002, \$61.2 million expense, or \$0.71 per diluted share, in 2001; \$877,000 income, or \$0.01 per diluted share, in 2000; \$6.1 million income, or \$0.06 per diluted share, in 1999; and \$12.7 million income, or \$0.13 per diluted share, in 1998. See Notes 2 and 21 of Notes to Consolidated Financial Statements.

(4) In January 2002, Viad adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 specifies that goodwill and certain intangible assets with indefinite lives no longer be amortized but instead be subject to periodic impairment testing. Excluding the amortization of previously expensed goodwill and certain intangible assets, Income from continuing operations and corresponding diluted income per share would have been $60.7 million ($0.69 diluted income per share) in 2001, $154.7 million ($1.69 diluted income per share) in 2000, $135.1 million ($1.39 diluted income per share) in 1999, and $103.2 million ($1.04 diluted income per share) in 1998. See Note 7 of Notes to Consolidated Financial Statements.

(5) In accordance with the adoption of SFAS No. 142, Viad completed the transitional impairment test for goodwill during 2002 and concluded that a transitional impairment loss of $40.0 million ($37.7 million after-tax) should be recognized related to goodwill at the Exhibitgroup/Giltspur reporting unit of the Convention and Event Services segment. Effective in the second quarter of 2001, Viad adopted the provisions of Emerging Issues Task Force Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" ("EITF No. 99-20"). Accordingly, the Company recorded a cumulative effect of a change in accounting principle of $3.0 million ($1.9 million after-tax).

(6) EBITDA is a measure of Viad's ability to service debt, fund capital expenditures and finance growth, and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America ("GAAP"). This information is supplemental to results presented under GAAP and may not be comparable to similarly titled measures used by other companies. EBITDA is defined by Viad as income before interest expense, income taxes, depreciation and amortization, changes in accounting principles and includes the taxable equivalent adjustment. Viad has historically presented EBITDA before restructuring charges and other items. Viad has revised its presentation of EBITDA to include restructuring charges and other items in conformity with the SEC's final rule of "Conditions for Use of Non-GAAP Financial Measures."

(7) Debt-to-capital is defined as total debt divided by capital. Capital is defined as total debt plus minority interests, preferred stock and common stock and other equity.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Management's Discussion and Analysis of Results of Operations and Financial Condition set forth in this Item 7 has been revised to reflect the restatement of 2002 and 2001 amounts. See Note 21 of Notes to Consolidated Financial Statements.

Overview:

Viad Corp ("Viad") operates in two business segments as follows:

Payment Services - through Travelers Express Company, Inc. and related subsidiaries ("Travelers Express"), revenues are derived from transaction fees and investment and related income by providing various services related to money orders, official checks, money transfers, same-day bill payment and cash access services. Fee revenues are driven by transaction volume and contract pricing through a network of agents and customers, including financial institutions. Investment and related income is generated through a "float portfolio" of investments.

Convention and Event Services - through GES Exposition Services, Inc. ("GES"), revenues are generated from providing various convention and tradeshow services such as transportation, installation, dismantling and management services to trade associations, show management companies and exhibitors. Exhibitgroup/Giltspur ("Exhibitgroup") specializes in the design, construction, installation and warehousing of convention and tradeshow exhibits, primarily for corporate customers.

Viad also operates certain travel and recreation businesses.

In 2002, Viad faced market challenges and difficult economic conditions. Payment Services experienced increased transaction volume and higher investment balances, however, operating income growth was slowed due to significantly lower interest rates and unprecedented mortgage refinancing activity. Furthermore, Payment Services recorded significant other-than-temporary impairment losses and adjustments on certain investments. Convention and Event Services produced profitable results despite decreased demand for new exhibit construction and tradeshow shrinkage. Viad improved its financial strength during the year through increased cash and investment balances and a reduction in total debt obligations. Financial performance highlights for 2002 are presented below for Viad Corp (Consolidated) and its Payment Services and Convention and Event Services businesses. See "Results of Operations" and "Liquidity and Capital Resources" below for further discussion.

The following 2002 financial highlights are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") and are compared to 2001 amounts as adjusted for the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which eliminates goodwill amortization:

Viad Corp (Consolidated)

– Total revenues of $1.62 billion, a decrease of 2.1%

– Net income of $57.9 million, a decrease of 1.6%

– Diluted income per share of $0.65, a decrease of 3.0%

– Cash and corporate investments increased by $87 million year over year

– Debt decreased by $35 million year over year

– Stock repurchases of 1.2 million shares for $26 million

Payment Services

– Revenues of $773.6 million, an increase of 9.5%

– Operating income of $125.1 million, an increase of 0.3%

– Other-than-temporary impairment losses and adjustments of $28.9 million were recorded in 2002 related to certain investments in the Payment Services investment portfolio compared to similar losses and adjustments of $10.3 million in 2001. See “Results of Operations” and Note 21 of Notes to Consolidated Financial Statements for further discussion.

Convention and Event Services

– Revenues of $786.2 million, a decrease of 11.1%

– Operating income of $17.9 million, compared to a prior year loss

Other Significant Items

– Convention and Event Services recorded a pre-tax restructuring charge of $20.5 million during the fourth quarter

– Subsequent to year-end, Payment Services completed the acquisition of the remaining minority interest in an international money transfer business for approximately $98.0 million in cash

– An accounting change related to goodwill resulted in a pre-tax charge of $40.0 million during the year

Non-GAAP Measures:

Certain information included in the following discussion is presented using methods management utilizes to measure profit and performance of its operations. The information is supplemental to results presented under GAAP and may not be comparable to similarly titled measures used by other companies. This supplemental information includes the following:

– Payment Services invests in a mix of tax-exempt and taxable investments. The tax-exempt investments have lower pre-tax yields but produce higher income on an after-tax basis than comparable taxable investments. An adjustment is made to the Payment Services segment to present revenues and operating income resulting from amounts invested in tax-exempt securities on a taxable equivalent basis. See Note 19 of Notes to Consolidated Financial Statements for a reconciliation to GAAP.

– EBITDA is a measure of Viad’s ability to service debt, fund capital expenditures and finance growth, and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP. EBITDA is defined by Viad as income before interest expense, income taxes, depreciation and amortization, changes in accounting principles and includes the taxable equivalent adjustment.

A reconciliation of EBITDA to net income is as follows:

	2002	2001	2000
	(as restated)	(as restated) (in thousands)	
EBITDA as presented	$232,210	$181,257	$327,164
Less:			
Interest expense	(19,268)	(25,936)	(25,303)
Income taxes	(29,663)	7,110	(26,218)
Depreciation and amortization	(51,483)	(69,096)	(68,600)
Changes in accounting principles	(37,739)	(1,884)	—
Taxable equivalent adjustment	(36,171)	(46,847)	(66,224)
Net income	$ 57,886	$ 44,604	$140,819

Viad has historically presented EBITDA before restructuring charges and other items. The above presentation of EBITDA includes restructuring charges and other items in conformity with the SEC’s final rule of “Conditions for Use of Non-GAAP Financial Measures” and is a change from Viad’s historical EBITDA presentation. The $51.0 million increase in EBITDA in 2002 is largely due to decreased restructuring charges and other items in 2002 as compared to 2001 of $80.3 million, partially offset by an increase in investment impairment losses of $21.5 million. The $145.9 million decrease in

EBITDA from 2000 to 2001 is predominantly due to increased restructuring charges and other items in 2001 as compared to 2000 of $102.5 million.

The following discussion and analysis should be read in conjunction with the accompanying Consolidated Financial Statements, which include the accounts of Viad and all of its subsidiaries. All per share figures discussed are stated on the diluted basis.

Results of Operations:

As a result of the evaluation of certain structured investments within Viad's Payment Services float portfolio, it was determined that other-than-temporary impairment losses and other adjustments of $39.2 million (pre-tax) should be recorded related to the 2002 and 2001 financial results. Of the total amount, $28.9 million and $10.3 million related to the years ended December 31, 2002 and 2001, respectively.

During 2002, the Convention and Event Services segment continued to experience tradeshow shrinkage and further declines in the demand for the design and construction of new exhibits. This decline was due to diminished corporate spending and the continued downturn in the general economy as many exhibitors elected to reuse or refurbish existing exhibits rather than place new orders. As a result of decreased visibility over future revenues and continued uncertainties regarding improvements in the tradeshow industry, the Convention and Event Services segment revised its forecasted demand and reevaluated its manufacturing capacity requirements and cost structure during the fourth quarter of 2002. Accordingly, Viad recorded a 2002 fourth quarter restructuring charge totaling $20.5 million ($13.3 million after-tax) of which $1.2 million relating to consulting fees incurred and the write-down of certain inventories was charged to "Costs of products sold" in the Consolidated Statements of Income. The remaining $19.3 million was classified under the caption "Restructuring charges" in the Consolidated Statements of Income. The restructuring relates to the closure and consolidation of certain facilities, severance and other costs related to the elimination of approximately 230 positions across numerous regions, business functions and job classes. The charge also includes amounts for the disposal (net of estimated proceeds) of certain inventories and fixed assets, facility closure and lease termination costs (net of estimated sublease income) and other exit costs. Viad expects to substantially complete the restructuring activities by December 31, 2003, however, payments due under long-term lease obligations will continue to be made over the remaining terms of the lease agreements. Severance and benefits payments will be made over the varying terms of the individual separation agreements. Viad expects that the restructuring charge will result in cost savings in the range of $8 million to $9 million in 2003 based on the timing of activities pursuant to the restructuring plan. During 2001, the Convention and Event Services segment recorded a restructuring charge of $66.1 million ($39.9 million after-tax) for which the related restructuring activities had been completed by the end of 2002. See Note 2 of Notes to Consolidated Financial Statements.

In 2002, Viad adopted SFAS No. 142 which requires that goodwill and certain other intangible assets no longer be amortized, but instead be tested for impairment. Concurrent with the adoption of SFAS No. 142, Viad performed the transitional impairment testing of its goodwill and intangible assets with indefinite lives. Viad determined that no impairment existed for other intangible assets but a transitional impairment loss of $40.0 million ($37.7 million after-tax) was recorded related to goodwill at the Exhibitgroup/Giltspur reporting unit of the Convention and Event Services segment. See "Critical Accounting Policies" for additional discussion related to goodwill impairment testing. See Note 7 of Notes to Consolidated Financial Statements.

During 2002, Viad contemplated an initial public offering and subsequent spin-off of Travelers Express. Further consideration and implementation of the initial public offering and spin-off was delayed pending improvement in overall economic and capital market conditions. Viad will continue to evaluate strategic options in order to enhance long-term value for its stockholders.

2002 vs. 2001:

Revenues for 2002 were $1.62 billion, down slightly from the 2001 amount of $1.65 billion. Viad's Payment Services segment revenue increased by $67.1 million over the prior year, while the Convention and Event Services segment revenue decreased by $97.8 million over the same period. Viad also had a slight decline in its hospitality and recreation services businesses. Viad's Payment Services subsidiaries invest a portion of funds received from the sale of official checks, money orders and other payment instruments in tax-exempt securities, which have lower pre-tax yields but produce higher income on an after-tax basis than comparable taxable investments. Even though nontaxable investments generally have higher after-tax yields than taxable investments, Viad has shifted its mix of nontaxable and taxable investments to balance its alternative minimum tax position. At December 31, 2002, tax-exempt investments represented 19 percent of the total investment portfolio versus 22 percent at December 31, 2001. On a taxable equivalent basis, as though amounts were invested in taxable investments, revenues were $1.65 billion, down slightly from the 2001 amount of $1.70 billion.

Net income for 2002 was $57.9 million, or $0.65 per share, as compared with the 2001 amount of $44.6 million, or $0.50 per share ($58.8 million, or $0.67 per share when adjusted for SFAS No. 142).

There were 394,000 additional average outstanding and potentially dilutive common shares in 2002 than in 2001. This was largely driven by significant stock option exercise activity during the first half of 2002, partially offset by the 2002 resumption of the stock repurchase program described in "Liquidity and Capital Resources."

Payment Services. Revenues of the Payment Services segment were $773.6 million in 2002, a 9.5 percent increase over 2001 revenues of $706.5 million. Operating income was $125.1 million, a 7.4 percent increase over 2001 operating income of $116.5 million (or up slightly from $124.7 million when adjusted for SFAS No. 142). Operating margins remained relatively flat at 16.2 percent in 2002 compared to 16.5 percent in 2001 (or down from 17.6 percent when adjusting 2001 for the impact of SFAS No. 142). On a taxable equivalent basis, 2002 revenues of $809.8 million were up 7.5 percent when compared to $753.4 million in 2001. On the same basis, and before restructuring charges and other items, segment operating income in 2002 was $161.7 million, down 4.5 percent from $169.2 million in 2001 (or down 8.9 percent from $177.5 million in 2001 when adjusted for SFAS No. 142).

The 2002 Payment Services operating income and margin were reduced by other-than-temporary impairment losses and other adjustments of $28.9 million in 2002 as compared to similar losses and adjustments of $7.3 million in 2001 (which excludes a $3.0 million adjustment for a cumulative effect of a change in accounting principle). These charges related to structured notes that offer the potential of enhanced yields over and above that of U.S. government securities. These structured investments generally consist of a zero coupon U.S. Treasury or government agency strip security combined with a residual interest in a collateralized debt obligation. In connection with its evaluation of structured notes, Viad determined that there had been a deterioration in the projected cash flows from certain of the structured notes resulting in "adverse cash flow changes" as described in EITF 99-20 "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets." The occurrence of an adverse cash flow change requires the Company to adjust the carrying value of the investment to equal its fair value, if lower, and to record that adjustment as a charge to earnings. Future adverse cash flow changes related to the collateralized debt obligations could result in additional impairment charges.

Payment Services experienced continued growth in the MoneyGram business. Payment Services experienced double-digit growth in the number of locations that sell or provide both money orders and money transfer services, including 2,851 U.S. Wal-Mart locations. MoneyGram continued to show strong results with transaction volume growing 33 percent from 2001 to 2002, led by strong international money transfer and same-day bill payment volume. MoneyGram's agent base expanded by 14 percent over 2001. Growth in the U.S. to Mexico corridor was down slightly over 2001, however MoneyGram's fixed-price product, Cambio Plus, continues to grow in the high teens on a percentage basis.

The January 2003 acquisition of the minority interest in MoneyGram International Limited ("MIL") is expected to be slightly accretive to earnings in 2003. MIL provides money transfer services primarily in Europe, Africa, Australia and Asia and has experienced significant growth in revenues, transaction volume and agent locations over the last two years. MIL's growth is expected to continue through increased transaction volume and further expansion of its agent network in international markets.

The money order business continues to contribute significantly to operating margin and cash flows; however, money order volume and related average investable balances were down slightly compared to 2001 as some agents were eliminated and fewer agents were approved in order to manage the credit quality of the money order business.

Average investable funds for 2002 were $6.1 billion, up 23 percent from 2001 levels primarily driven by the official check business. The float income generated from the investment of these funds (investment income from the investment portfolio) represented approximately 44 percent of total Payment Services revenue in 2002 and in 2001. Float income is affected by the level of investment balances (float portfolio) and the yield on investments. The following tables present float income and expense associated with the Payment Services segment's investment portfolio on both a GAAP and taxable equivalent basis:

	2002			2001		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(in thousands, GAAP basis)					
Investments available or restricted for payment service obligations	$6,118,096	$351,331	5.74%	$4,984,698	$306,145	6.14%
Payment service obligations (1)	4,706,324	240,152	5.10%	3,490,246	208,273	5.97%
Net float income and margin		$111,179	1.82%		$ 97,872	1.96%

	2002			2001		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(in thousands, taxable equivalent basis)					
Investments available or restricted for payment service obligations	$6,118,096	$387,502	6.33%	$4,984,698	$352,992	7.08%
Payment service obligations (1)	4,706,324	240,152	5.10%	3,490,246	208,273	5.97%
Net float income and margin		$147,350	2.41%		$144,719	2.90%

(1) Commissions are paid to financial institution customers based upon average outstanding balances generated by the sale of official check products only. The expense reported includes those payments made to financial institution customers, costs associated with swaps and the sale of receivables program. The average balance in the table reflects only the payment service obligations for which commissions are paid and does not include the average balance of the sold receivables ($440 million and $444 million for 2002 and 2001, respectively) as these are not recorded on the Consolidated Balance Sheets. Commission expense is classified as "Costs of services" in the Consolidated Statements of Income.

On a GAAP basis, float income (excluding gains and losses) was $351.3 million in 2002 compared to $306.1 million in 2001, an increase of 14.8 percent. The growth was primarily due to higher average float portfolio balances, which increased by $1.1 billion or 23 percent. The float income increase attributable to the balance growth was $69.6 million and was partially offset by a decrease of $24.4 million due to an interest rate decline reflecting an average investment yield of 5.74 percent, or a 40 basis point decline from 6.14 percent in 2001.

On a taxable equivalent basis, 2002 float income was $387.5 million compared to $353.0 million in 2001, an increase of 9.8 percent. Higher balance growth drove the increase of $80.3 million in float income and was partially offset by a $45.8 million decrease in float income related to declining interest rates. This resulted in an average investment yield of 6.33 percent, a decrease of 75 basis points from 7.08 percent in 2001. During 2002, average 5-year U.S. Treasury Notes declined 70 basis points and short-term interest rates declined over 200 basis points. The Payment Services segment maintains approximately $400 million to $750 million in short-term, highly liquid balances in order to fulfill its payment service obligations. Lower yields were earned on these short-term balances during 2002 due to interest rate declines. In addition, the dramatic decline in interest rates resulted in unprecedented and volatile mortgage refinancing activity during 2002. Refinancing activities caused an increase in the sale of official checks and an increase in float balances. The refinancing activity also drove a significant increase in the prepayments of mortgage-backed debt securities, resulting in the investment of these funds at lower interest rates. Also contributing to the decline in average investment yield in 2002 was a lower percentage of the portfolio invested in the higher after-tax yield municipal securities. See Note 5 of Notes to Consolidated Financial Statements for a detail of investments available or restricted for payment service obligations. If the unprecedented mortgage refinancing activity continues, future results could be affected similarly.

Commission expense was $240.2 million in 2002, an increase of $31.9 million, or 15.3 percent from 2001, primarily due to higher average balances of $1.2 billion. The commission expense increase attributable to the higher average balances was $72.6 million and was partially offset by a decrease of approximately $40.7 million due to lower interest rates. Commission expense includes amounts paid to financial institution customers based upon their average outstanding balances generated by the sale of official check products as well as the discount on the sale of certain agent receivables. In addition, commission expense includes the impact of the variable-to-fixed rate swap agreements that are used to mitigate the effects of interest rate fluctuations on financial institution commission expense and on the net proceeds from the sale of agent receivables.

Net float income (float income less commission expense) on a GAAP basis was $111.2 million in 2002, up $13.3 million or 13.6 percent from 2001, primarily due to increased balances. This increase was partially offset by a decline in interest rates, reflecting a net float margin of 1.82 percent, or a 14 basis point decline from 1.96 percent in 2001. The margin decline was a result of a lower interest rate environment as short-term and float balances earned lower yields and proceeds from prepayments and sales were reinvested at lower yields. As mentioned above, refinancing activities caused an increase in the sale of official checks and therefore an increase in float balances. However, a substantial portion of these balances were invested at short-term interest rates equal to or less than the interest rates paid out in commissions to financial institution customers, thus reducing net float margin. Although commissions and the discount on the sale of receivables program benefited from lower short-term interest rates, the fixed rate derivatives used to mitigate the effects of fluctuations on these expenses have contractual maturities, and therefore, did not benefit from reduced interest rates. Also contributing to the margin decline was a change in product mix reflecting higher overall growth in the official check business, which has lower net float margins relative to the money order business. On a taxable equivalent basis, net float income was $147.4 million in 2002, up $2.6 million or 1.8 percent from 2001.

The following tables summarize the impact of changes in average investable balances and interest rates on the float income and commission expense associated with the investment portfolio on a GAAP and taxable equivalent basis:

	2002 vs 2001					
	Balance (1)	Yield/ Rate (1)	Total	Balance (1)	Yield/ Rate (1)	Total
	(in thousands, GAAP basis)			(in thousands, taxable equivalent basis)		
Float income	$69,610	$(24,424)	$45,186	$80,262	$(45,752)	$34,510
Commission expense	$72,567	$(40,688)	$31,879	$72,567	$(40,688)	$31,879
Net float income	$22,254	$ (8,947)	$13,307	$32,906	$(30,275)	$ 2,631

(1) The totals for the balance and rate columns are not the sum of the individual lines as income and expense changes are calculated independently.

One of the Payment Services business objectives in managing the float portfolio is to mitigate the risk to earnings created by changing interest rates. To mitigate that risk, interest rate derivatives are entered into which effectively limit exposure to the floating rate commission payments to financial institution customers. These derivatives effectively convert the variable interest rate to a fixed rate. The fair value of these derivatives can fluctuate with interest rate changes, reflected as increases or decreases to a component of stockholders' equity. Changes in the value of the available-for-sale investment portfolio also are reflected as increases and decreases to a component of stockholders' equity. The change in the fair value of the derivative liability for 2002 was a net decrease of $96.7 million in stockholders' equity, while the net change in the fair value of the available-for-sale investment portfolio was a net increase of $60.4 million in stockholders' equity. Changes in the value of the available-for-sale investment portfolio will generally move in the opposite direction of the derivative values although they will rarely offset. This is because the main objective in entering into the derivatives is to first mitigate the risk on earnings due to the change in interest rates and secondarily to mitigate the risk to equity.

Certain Payment Services segment 2003 challenges include (among others):

– If interest rates stay low and refinancing activity continues to be strong, revenue and operating income growth could continue to be constrained.

– A tight credit environment which slows new agent signings and necessitates cutting some existing agents; and

– Competitive pricing pressures, particularly for domestic business.

The Payment Services segment will respond to these challenges by focusing on profitable growth that meets its margin requirements and that Viad believes will enhance its stockholder value.

Convention and Event Services. Revenues of the Convention and Event Services segment were $786.2 million in 2002, a decrease of 11.1 percent from the 2001 revenues of $884.0 million. Operating income was $17.9 million in 2002 compared to an operating loss of $54.5 million in 2001 (or an operating loss of $46.7 million when adjusted for SFAS No. 142). Before restructuring charges and other items, operating income was $36.5 million, an increase of 11.9 percent from $32.6 million in 2001 and operating margins were 4.6 percent and 3.7 percent in 2002 and 2001, respectively. When adjusting 2001 for the impact of SFAS No. 142, income before restructuring charges and other items would have been $40.4 million with a corresponding operating margin of 4.6 percent.

Within the Convention and Event Services segment, the exhibit and design business experienced a 22.1 percent decrease in revenues during the year. Exhibit design and construction revenues were $217.9 million in 2002 compared to $279.9 million in 2001. Revenues were negatively impacted by further declines in the demand for the design and construction of new exhibits. This decline was due to diminished corporate spending and the continued downturn in the general economy as many exhibitors elected to reuse or refurbish existing exhibits rather than placing new orders. Operating income performance was poor during 2002 primarily due to the decline in revenues, excess manufacturing capacity, and certain inefficiencies. As a result of decreased visibility over revenues and continued uncertainties regarding improvements in the tradeshow industry, Viad approved a restructuring plan in the fourth quarter of 2002 resulting in a restructuring charge of $20.5 million ($13.3 million after-tax). The components of the $20.5 million charge consist of facility closure and lease termination costs of $12.8 million (net of estimated sublease income of $3.9 million), asset impairments related to fixed assets and inventories of $4.1 million, employee severance and benefits of $2.9 million and other charges of $650,000. As of December 31, 2002, a remaining liability related to this restructuring of $15.7 million is included in the Consolidated Balance Sheets. The restructuring plan is primarily focused on cost reductions through centralizing manufacturing capacity from five locations to three and centralizing certain support functions. Approximately 230 positions will be eliminated in connection with the restructuring. Future revenues and operating income could be adversely impacted if there are further declines in corporate spending for exhibit construction, despite management's plans to reduce costs. Viad expects to substantially complete the restructuring activities by December 31, 2003, however, payments due under the long-term lease obligations will continue to be made over the remaining terms of the lease agreements. Severance and benefits payments will be made over the varying terms of the individual separation agreements. Viad expects that the restructuring charge will result in cost savings in the range of $8 million to $9 million in 2003 based on the timing of activities pursuant to the restructuring plan. See "Critical Accounting Policies" for additional discussion of accounting method related to the 2002 restructuring. During 2001, the Convention and Event Services segment recorded a restructuring charge of $66.1 million ($39.9 million after-tax) for which the related restructuring activities were completed by the end of 2002. As of December 31, 2002, a remaining liability of $19.6 million related to the 2001 restructuring is included in the Consolidated Balance Sheets. See Note 2 of Notes to Consolidated Financial Statements.

The convention show services business experienced a 5.9 percent decrease in revenues, however, operating income increased during the year. Revenues were $568.3 million in 2002 compared to $604.1 million in 2001. The decline in revenues largely reflects lower demand for services and tradeshow shrinkage due to overall weak economic conditions. Since 2001, and throughout 2002, the tradeshow industry has experienced sequential declines in tradeshow attendance, the number of exhibiting companies, and convention square footage. Tradeshow activity also reflects industry-specific conditions. Show shrinkage has been significant in the technology and telecommunications sectors, while health-related shows have slightly improved and other service industries have stabilized. During 2002, several shows were canceled, scaled-back or lost to competitors. Furthermore, show shrinkage, particularly related to certain technology shows, negatively impacted revenues. However, these declines were partially offset by new business in 2002 such as the Comdex and International Manufacturing Technology shows, and positive show rotation related to the ConExpo/ConAg and International Woodworking shows, as these events do not occur every year. Operating income improvements during 2002 primarily reflect improved margins and lower costs as the benefit of a previous restructuring has largely been realized. Although the convention show services business has a diversified revenue base (show portfolio) including existing contracts for future shows, revenue growth is dependent on general economic and industry-specific conditions. Furthermore, political instability in the Middle East and threats of terrorism could continue to impact travel which may adversely affect the convention show industry.

Travel and Recreation Services. Revenues of the travel and recreation businesses decreased $3.2 million, or 5.2 percent, to $58.3 million in 2002. Operating income for the travel and recreation businesses was $13.7 million, a decrease of 6.5 percent from that of 2001. Operating margins for 2002 and 2001 were 23.6 percent and 23.9 percent, respectively. When adjusting 2001 for the impact of SFAS No. 142, operating income would have been $15.6 million (with a 2002 decrease of 11.6 percent) and the operating margin would have been 25.3 percent. The revenue decrease resulted primarily from a continued decline in the world travel market. Despite declines in tourism and the soft economy, these businesses had a respectable year from a revenue standpoint and will continue to focus on cost control until world travel returns to previous levels. As with Convention and Event Services, political instability in the Middle East and threats of terrorism resulting in reduced travel could continue to impact the travel and recreation services businesses.

Corporate Activities. Corporate activities expense increased $5.1 million from 2001 to 2002. This increase is due largely to $2.5 million for legal, investment banking, and other costs incurred in connection with a contemplated initial public offering of Travelers Express. Additional increases relate to higher insurance premiums and employee benefit costs in 2002. Corporate activities expense is expected to increase in 2003 due to higher pension costs and insurance premium expense.

Other Investment Income. Investment income increased $4.9 million due primarily to $3.5 million of interest income received associated with a federal income tax refund for the 1994 through 1996 tax years as well as an increase in investment income associated with Corporate securities (see Note 4 of Notes to Consolidated Financial Statements) due to higher average investment levels during 2002, partially offset by lower average interest rates.

Interest Expense. Interest expense decreased to $19.3 million in 2002 from $25.9 million in 2001 as a result of steadily declining average outstanding debt balances and average interest rates throughout the year. Approximately 42 percent and 38 percent of the average debt outstanding during 2002 and 2001, respectively, related to short-term borrowings that are subject to variable interest rates.

Minority Interests. The increase in minority interests of $4.3 million in 2002 from 2001 relates to strong growth in the Payment Services segment’s 51 percent interest in MIL. In January 2003, Viad purchased the remaining 49 percent interest in MIL as described in Note 18 of Notes to Consolidated Financial Statements.

Income Taxes. On a GAAP basis, the 2002 effective tax rate was 23.7 percent, up from an 18.1 percent tax benefit in 2001 predominantly due to the restructuring charges and other items recorded in 2001. Excluding the effect of the 2002 and 2001 restructuring charges and other items, the 2002 effective tax rate was 25.2 percent, up from 22.9 percent in 2001. When adjusted for the impact of SFAS No. 142 the effective tax rate in 2001 would have been 22.2 percent. The relatively low rate compared to the statutory federal rate is primarily attributable to tax-exempt income from Viad’s Payment Services businesses. The higher rate for 2002 is due to lower tax-exempt investment income in proportion to total pre-tax income, resulting from the shift in the mix of investments from nontaxable to taxable investments. Even though nontaxable investments generally have higher after-tax yields than taxable investments, Viad has shifted its mix of nontaxable and taxable investments to balance its alternative minimum tax position. This change in the mix of investments, the taxability of those investments, and the mix of companies included in the consolidated state filings, increased Viad’s effective tax rate from 2001 to 2002.

2001 vs. 2000:

In the 2001 third quarter, Viad recorded restructuring charges totaling $66.1 million ($39.9 million after-tax) associated with the closure and consolidation of certain facilities, severance and other employee benefits of which $3.7 million (relating to the write-down of certain inventories) was charged to "Cost of products sold." The remaining $62.4 million was classified under the caption "Restructuring charges." All facilities were closed or consolidated and all of the positions had been eliminated as of December 31, 2002. Payments under long-term lease obligations, however, will continue to be made over the remaining terms of the leases. Severance and benefits payments will be made over the varying terms of the individual separation agreements. See Note 2 of Notes to Consolidated Financial Statements for further discussion on this charge and a rollforward of the restructuring liability at December 31, 2002.

Furthermore, during 2001 Viad's Payment Services segment recorded other-than-temporary impairment losses and adjustments related to structured investments of $10.3 million of which $3.0 million ($1.9 million after-tax) was recorded as a cumulative effect of a change in accounting principle.

The following discussion compares 2001 results with 2000 results as restated and also on an as adjusted for SFAS No. 142 basis.

Revenues for 2001 were $1.65 billion, down from the 2000 amount of $1.73 billion. The decrease was primarily due to Viad's Convention and Event Services segment revenue decline of $148.1 million over the prior year, partially offset by the Payment Services segment revenue increase of $101.1 million over the same period. Viad began shifting its mix of nontaxable and taxable investments in 2001 to balance its alternative minimum tax position. At December 31, 2001, tax-exempt investments represented 22 percent of the total investment portfolio versus 45 percent at December 31, 2000. On a taxable equivalent basis, as though amounts were invested in taxable investments, revenues were $1.70 billion, down 5.3 percent from $1.79 billion in 2000.

Net income for 2001 was $44.6 million, or $0.50 per share, compared with net income of $140.8 million, or $1.54 per share in 2000. When adjusted for SFAS No. 142, 2001 net income would have been $58.8 million ($0.67 per share) versus $154.7 million ($1.69 per share) in 2000.

There were 4.6 million fewer average outstanding and potentially dilutive common shares in 2001 than in 2000, due primarily to the stock repurchase programs described in "Liquidity and Capital Resources." In addition, a lower Viad stock price during 2001 contributed to fewer additional dilutive shares related to unexercised stock options.

Payment Services. Revenues of the Payment Services segment were $706.5 million in 2001, a 16.7 percent increase over 2000 revenues of $605.5 million. Operating income was $116.5 million, a 24.1 percent increase over 2000 operating income of $93.8 million. Operating margins increased to 16.5 percent in 2001 from 15.5 percent in 2000. When adjusting 2001 and 2000 for the impact of SFAS No. 142, operating income would have been $124.7 million and $102.0 million, respectively, and the operating margins would have been 17.6 percent and 16.8 percent in 2001 and 2000, respectively. The increase in operating income was driven by continuing solid growth in official check operations, continued improvements in MoneyGram and by the leveraging of the existing infrastructure, as Payment Services experienced double-digit growth in the number of financial institution locations and in the number of locations that sell or provide both money orders and money transfer services. MoneyGram experienced strong transaction volume growth of 37 percent driven by Latin America, International money transfer and same-day bill payment businesses. MoneyGram's agent base expanded by 31 percent over 2000. Average investable funds for 2001 were $5.0 billion, up approximately 31 percent from 2000 levels, however, results were partially offset by lower effective interest rates on new investments. Furthermore, the increase in operating income in 2001 was partially offset by the impairment losses and other adjustments recorded in 2001. On the taxable equivalent basis, 2001 revenues of $753.4 million were up 12.2 percent when compared to $671.7 million in 2000. On the same basis and before restructuring charges and other items, segment operating income in 2001 was $169.2 million, up 5.7 percent from $160.1 million in 2000. When adjusted for SFAS No. 142 segment operating income in 2001 was $177.5 million, up 5.5 percent from $168.2 million in 2000.

The money order business continued to contribute significantly to the operating margin, however, money order volume was flat and related average investable balances grew only slightly compared to 2000 as some agents were eliminated and fewer agents were approved in order to maintain the credit quality of the money order business. In the 2001 third quarter, Travelers Express recorded a charge totaling $5.0 million ($3.0 million after-tax) resulting from the bankruptcy of a large money order agent in September 2001.

Float income (investment income from the investment portfolio) represented approximately 44 percent of total Payment Services revenue for the year 2001 compared with 39 percent for 2000. Float income is affected by the level of investment balances (float portfolio) and the yield on investments.

The following tables present float income and expense associated with the Payment Services segment's investment portfolio on both a GAAP and taxable equivalent basis:

	2001			2000		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(in thousands, GAAP basis)					
Investments available or restricted for payment service obligations	$4,984,698	$306,145	6.14%	$3,805,821	$231,034	6.07%
Payment service obligations (1)	3,490,246	208,273	5.97%	2,410,511	164,326	6.82%
Net float income and margin		$ 97,872	1.96%		$ 66,708	1.75%

	2001			2000		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
	(in thousands, taxable equivalent basis)					
Investments available or restricted for payment service obligations	$4,984,698	$352,992	7.08%	$3,805,821	$297,258	7.81%
Payment service obligations (1)	3,490,246	208,273	5.97%	2,410,511	164,326	6.82%
Net float income and margin		$144,719	2.90%		$132,932	3.49%

(1) Commissions are paid to financial institution customers based upon average outstanding balances generated by the sale of official check products only. The expense reported includes those payments made to financial institution customers, costs associated with swaps and the sale of receivables program. The average balance in the table reflects only the payment service obligations for which commissions are paid and does not include the average balance of the sold receivables ($444 million and $433 million for 2001 and 2000, respectively) as these are not recorded on the Consolidated Balance Sheets. Commission expense is classified as "Costs of services" in the Consolidated Statements of Income.

On a GAAP basis, float income (excluding gains and losses) was $306.1 million in 2001 compared to $231.0 million in 2000, an increase of $75.1 million or 32.5 percent. The growth was primarily due to higher average float portfolio balances which drove an increase in float income of $71.6 million. During 2001, average 5-year U.S. Treasury Notes declined 160 basis points and short-term interest rates declined over 235 basis points. Despite this decline, the average portfolio yield increased 7 basis points from 6.07 percent to 6.14 percent, primarily due to the mix of investments in the portfolio. The portfolio mix shifted away from lower yield tax-exempt securities into higher yield taxable securities as the percentage of the portfolio invested in tax-exempt securities declined from 45 percent at December 31, 2000 to 22 percent at December 31, 2001. See Note 5 of Notes to Consolidated Financial Statements for a breakout of investments available or restricted for payment service obligations.

On a taxable equivalent basis, 2001 float income (excluding gains and losses) was $353.0 million compared to $297.3 million in 2000, an increase of 18.7 percent. Higher balance growth drove the increase of $92.1 million in float income and was partially offset by a decrease of $36.3 million related to declining interest rates. This resulted in an average investment yield of 7.08 percent, a decrease of 73 basis points from 7.81 percent in 2000. Contributing to the decline in average investment yield in 2001, in addition to the lower interest rate environment, was a lower percentage of the portfolio invested in the higher effective yield tax-exempt securities as mentioned above.

Commission expense was $208.3 million in 2001, an increase of $43.9 million, or 26.7 percent from 2000, primarily due to higher average balances of $1.1 billion. The commission expense increase attributable to the higher average balances was $73.6 million and was partially offset by a decrease of approximately $29.7 million due to an interest rate decline.

Net float income (float income less commission expense) on a GAAP basis was $97.9 million in 2001, up $31.2 million or 46.7 percent from 2000, primarily due to increased balances. The net float margin was 1.96 percent, or a 21 basis point increase from 1.75 percent in 2000. Net float income on a taxable equivalent basis was $144.7 million in 2001, up $11.8 million or 8.9 percent from 2000 primarily due to increased balances. This increase was partially offset by a decline in interest rates, reflecting a net float margin of 2.90 percent, or a 59 basis point decline from 3.49 percent in 2000. The decline was a result of a lower interest rate environment as well as a lower percentage of the portfolio invested in the higher effective yield municipal securities.

The following table summarizes the impact of changes in average investable balances and interest rates on the float income and commission expense associated with the investment portfolio:

	2001 vs 2000					
	Balance (1)	**Yield/ Rate (1)**	**Total**	**Balance (1)**	**Yield/ Rate (1)**	**Total**
	(in thousands, GAAP basis)			**(in thousands, taxable equivalent basis)**		
Float income	$71,564	$ 3,547	$75,111	$92,078	$(36,344)	$55,734
Commission expense	$73,606	$(29,659)	$43,947	$73,606	$(29,659)	$43,947
Net float income	$20,663	$ 10,501	$31,164	$41,177	$(29,390)	$11,787

(1) The totals for the balance and rate columns are not the sum of the individual lines as income and expense changes are calculated independently.

Convention and Event Services. Revenues of the Convention and Event Services segment were $884.0 million in 2001, a decrease of 14.3 percent from 2000 revenues of $1.03 billion. On a GAAP basis, the operating loss in 2001 of $54.5 million was significantly below the 2000 operating income of $66.8 million. The decline was driven by the $87.0 million of restructuring charges and other items expensed in 2001. Before restructuring charges and other items, operating income was $32.6 million, a decrease of 56.9 percent from the 2000 operating income of $75.5 million. On this basis, operating margins decreased to 3.7 percent in 2001 from 7.3 percent in 2000. When adjusting 2001 and 2000 for the impact of SFAS No. 142, income before restructuring charges and other items would have been $40.4 million and $83.0 million, respectively, with operating margins of 4.6 percent and 8.0 percent, respectively.

The Convention and Event Services segment's exhibit and design business has suffered from the events of September 11th and the negative implications to the tradeshow industry that resulted. The general malaise in the economy, further damaged with terrorist threats after September 11th and resulting travel concerns caused many customers to delay or cancel exhibit construction, opting instead to refurbish old exhibits, thus directly impacting revenues. As such, revenues were down 17.5 percent to $279.9 million in 2001.

The Convention and Event Services segment's convention show services was affected by the overall softness in the economy, the technology and telecom decline, the events of September 11 th and negative show rotation. Fear of travel as a result of the events of September 11 th negatively impacted tradeshow attendance and resulted in increased show cancellations, and thus reduced revenues. In addition, certain large tradeshows held in 2000 were not held in 2001 (negative "show rotation") therefore adversely impacting year over year revenues. Finally, year over year revenue was negatively impacted by the loss of tradeshows of the Key3Media Group, Inc. ("Key3Media"), as discussed below. As a result of the above, revenues were down 12.8 percent to $604.1 million in 2001 from 2000. Although progress was being made with regard to the 2000 restructuring, the benefits had not yet been fully realized and were further dampened by the dramatic drop in attendance after the events of September 11th.

In August 2000, Key3Media, a company spun off by Ziff-Davis Inc., terminated a long-term agreement with GES to produce tradeshows. The companies had been involved in litigation regarding the contract termination. The key issues in the litigation related to the interpretation of certain contract terms and the scope of free services required of GES. During the second quarter of 2001, after both sides assessed the business market, the risks and demands of the litigation and the need to move forward on a productive basis, GES and Key3Media agreed to settle the litigation. As a result, Viad recorded a charge totaling $29.3 million ($18.3 million after-tax) in the second quarter of 2001 representing primarily the write-off of net receivables and prepayments made to Key3Media. The $29.3 million charge was recorded under the caption "Litigation settlement and costs" in the Consolidated Statements of Income.

As a result of the above factors and the general downturn in the economy, Viad approved the 2001 restructuring plan previously discussed.

Travel and Recreation Services. Revenues of the travel and recreation businesses decreased $11.1 million, or 15.2 percent, to $61.5 million in 2001. The revenue decrease resulted primarily from an overall decrease in traffic from Japanese and European tourists and from a decrease in overall package tours and charter volumes. The declines in tourism were reflective of the soft economy, higher fuel costs and the September 11th terrorist attacks. Operating income for the travel and recreation businesses was $14.7 million, a decrease of $4.4 million, or 23.1 percent, from that of 2000 levels, primarily due to reduced tourism volume. When adjusting 2001 and 2000 for the impact of SFAS No. 142, operating income would have been $15.6 million and $20.0 million, respectively, and operating margins would have been 25.3 percent and 27.6 percent in 2001 and 2000, respectively.

Corporate Activities. The $2.2 million increase in corporate activities expense from 2000 to 2001 was due primarily to a write-down of a partnership interest resulting from its impairment, deemed to be other than temporary.

Other Investment Income. Investment income associated with Corporate securities (see Note 4 of Notes to Consolidated Financial Statements) declined $7.5 million due primarily to lower average investment levels in 2001 as funds were used for stock repurchases primarily in the first quarter of 2001 as described in "Liquidity and Capital Resources." Lower average interest rates during 2001 also contributed to the decline.

Minority Interests. The decrease of $391,000 in 2001 minority interests from 2000 relates primarily to a $793,000 minority interest tax adjustment made in 2000, partially offset by an increase in revenue and transaction volume growth in the Payment Services segment's 51 percent interest in MIL.

Interest Expense. Interest expense increased slightly to $25.9 million in 2001 from $25.3 million in 2000, primarily as a result of slightly higher average debt outstanding during the year, substantially offset by lower average interest rates. Approximately 38 percent and 27 percent of the average debt outstanding during 2001 and 2000, respectively, related to short-term borrowings that are subject to variable interest rates.

Income Taxes. On a GAAP basis, the 2001 effective tax rate was a benefit of 18.1 percent, compared to a 15.7 percent tax rate expense in 2000 predominantly due to the restructuring charges and other items in 2001. Excluding the effect of those charges, the 2001 effective tax rate was 22.9 percent, up from 15.2 percent in 2000. When adjusted for the impact of SFAS No. 142 the effective tax rate in 2001 and 2000 would have been 22.2 percent and 15.3 percent, respectively. The relatively low rate compared to the statutory federal rate is primarily attributable to tax-exempt income from Viad's Payment Services businesses. The higher rate for 2001 is due to lower tax-exempt investment income in proportion to total pre-tax income, resulting from the shift in the mix of investments from nontaxable to taxable investments. In addition, due to lower operating income in the Convention and Event Services segment, tax savings associated with filing consolidated state income tax returns was lower than anticipated, resulting in a higher effective state tax rate.

Liquidity and Capital Resources:

Cash and corporate investments were $303.6 million at December 31, 2002 as compared to $216.1 million at December 31, 2001, with the increase primarily related to cash flow generated from 2002 operations. Corporate investments are included in the balance sheet caption “Other investments in securities.”

In January 2003, MoneyGram Payment Systems, Inc. (“MoneyGram”), a subsidiary of Travelers Express, acquired the 49 percent minority interest in MoneyGram International Limited (“MIL”) from Travelex Group (“Travelex”). MIL, a London-based joint venture between MoneyGram and Travelex, provides international money transfer services primarily in Europe, Africa, Australia and Asia. Prior to the acquisition, MoneyGram owned a 51 percent interest in MIL. In connection with the transaction, MoneyGram paid approximately $98.0 million to Travelex. In addition, MIL paid a dividend to Travelex of approximately $8.1 million concurrent with the transaction.

Viad’s total debt at December 31, 2002 was $361.7 million compared with $396.8 million at December 31, 2001. The debt-to-capital ratio at December 31, 2002 was 0.34 to 1, compared to 0.35 to 1 at December 31, 2001. Capital is defined as total debt plus minority interests, preferred stock and common stock and other equity.

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

Viad authorized a stock repurchase program in 1998 for the purpose of replacing common shares issued upon exercise of stock options and in connection with other stock compensation plans, with the intended effect of reducing dilution caused by the issuance of such shares. This program was on hold for most of 2001 and the first six months of 2002 while cash was conserved given the uncertainty in the economy. In the third quarter of 2002, Viad resumed the repurchase plan and acquired 1.2 million shares for $26.3 million at an average price of $21.89. Prior to the break in the stock repurchase program, 1.4 million shares were repurchased in early 2001 for $34.6 million at an average price of $24.45.

Proceeds from the exercise of stock options, including tax benefits on stock option exercises, totaled $12.7 million and $22.8 million in 2002 and 2001, respectively. The level of future cash generated from stock option exercises may vary depending on Viad’s stock price compared to the option exercise price and the ability of the grantees to exercise stock options.

With respect to working capital, in order to minimize the effects of borrowing costs on earnings, Viad strives to maintain current assets at the lowest practicable levels while at the same time taking advantage of payment terms offered by trade creditors and obtaining advance deposits from customers for certain projects and services. However, working capital requirements may fluctuate from seasonal factors as well as changes in levels of receivables and inventories caused by numerous business factors.

Viad satisfies a portion of its working capital and other financing requirements with short-term borrowings (through commercial paper, bank note programs and bank lines of credit). Effective August 31, 2001, Viad completed credit facilities totaling $425 million to replace and consolidate its previous $300 million revolving bank credit agreement, various letter of credit support facilities and a Canadian credit facility without substantially increasing Viad’s overall credit capacity. Under these facilities, short-term borrowings were supported by a $200 million short-term 364-day revolving credit facility (with a one-year term out provision, at Viad’s option, in the event a new facility is not established) and a $225 million five-year facility. On August 30, 2002, Viad’s $200 million short-term 364-day facility was amended, the total amount of the lenders’ commitments was reduced to $168 million under similar terms and the commitment termination date of each eligible lender was extended to August 2003. The short-term revolving credit facility, as amended, allows for Viad to increase the aggregate amount of the lender commitments up to $200 million subject to availability of commitments. Short-term borrowings totaling $173.0 million and $166.0 million at December 31, 2002 and 2001, respectively, have been classified as long-term debt, pursuant to the unused commitments under the applicable long-term and short-term credit facilities. Unused commitments (net of amounts used to support short-term borrowings and letters of credit) under the facilities totaled $142.0 million at December

31, 2002. Borrowings under the facilities are subject to various covenants, including standard equity and other financial ratio calculations, among others. The borrowings are also subject to increases in borrowing costs if debt ratings are not maintained at current levels. Default under the covenants relating to any of Viad's debt agreements could result in cross defaults to other debt agreements. As of December 31, 2002, Viad was in compliance with all of its covenants.

The following table presents Viad's contractual obligations as of December 31, 2002:

	Payments due by period				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
			(in thousands)		
Long-term debt	$353,584	$103,346	$204,000	$19,503	$26,735
Capital lease obligations	8,073	649	1,342	1,051	5,031
Operating leases	186,837	31,857	51,533	36,546	66,901
Derivative financial instruments	246,333	119,806	116,208	10,319	—
Other long-term obligations (1)	12,400	1,000	11,400	—	—
Total contractual cash obligations	$807,227	$256,658	$384,483	$67,419	$98,667

(1) Other long-term obligations include $11.4 million of expected pension funding obligations and $1.0 million of commission obligation payments.

In December 2002, GES began occupying and commenced lease payments on a newly constructed facility in Las Vegas, Nevada. The leased property provides GES with approximately 890,000 square feet of combined warehouse, manufacturing and office space. The lease term is 12 years and the aggregate base rental payments over the lease term are approximately $60 million. The lease was accounted for as an operating lease, and as such, is not included on Viad's Consolidated Balance Sheets as of December 31, 2002. The amounts relating to the lease are included under the caption "Operating leases" in the above table.

As of December 31, 2002, Viad had certain obligations under guarantees to third parties on behalf of its subsidiaries. These guarantees are not subject to liability recognition in the consolidated financial statements and primarily relate to leased facilities and credit or loan arrangements with banks, entered into by Viad's subsidiary operations. Viad would generally be required to make payments to the respective third parties under these guarantees in the event that the related subsidiary could not meet its own payment obligations. The maximum potential amount of future payments that Viad would be required to make under all guarantees existing at December 31, 2002 would be $60.4 million. Of these guarantees, 93 percent relates to obligations associated with operating leases and other unused credit facilities and the remaining 7 percent relates to subsidiary obligations included in total debt in the Consolidated Balance Sheets. At December 31, 2002, the aggregate guarantees related to leased facilities were $34.6 million, and expire through December 2006. At December 31, 2002, the aggregate guarantees related to credit or loan arrangements with banks were $25.8 million of which, $5.8 million expire through September 2003 and $20.0 million is subject to an ongoing guarantee by a Viad subsidiary commensurate with its subsidiary's credit facility which has no expiration date. 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.

The ability of Viad to maintain its investment grade rating is critical as it affects the cost of borrowing. In addition, certain financial institution customers of Viad's Payment Services segment require that Viad maintain an investment grade rating. Any ratings downgrade could increase Viad's cost of borrowing, result in termination of debt, or require certain actions be performed to rectify such a situation. Such a downgrade could also have a negative effect on Viad's ability to attract and retain new or existing customers. Being placed on credit watch with negative implication could also affect Viad's cost of borrowing for its short-term debt and/or the ability to obtain such short-term funding. As of December 31, 2002, the ratings outlook from the rating agencies was "stable."

Payment Services has agreements with clearing banks that provide processing and clearing functions for money orders and official checks. Certain contracts have covenants that require the maintenance of specified levels of capital for Viad's Payment Services operations. Any changes in specified capital levels may require additional capital contributions to be made by Viad to Payment Services and/or may require Payment Services to change the mix of its investments or increase the level of investment liquidity, which could result in lower rates of return.

Capital spending has been reduced by obtaining, where appropriate, equipment and other property under operating leases. Cash flows from operations and proceeds from the sales of noncore businesses and assets during the past three years have generally been sufficient to fund capital expenditures, acquire businesses and pay cash dividends to stockholders. Although no assurance can be given, Viad expects operating cash flows and short-term borrowings to be sufficient to finance its ongoing business, maintain adequate capital levels and meet covenant and investment grade rating requirements. Should financing requirements exceed such sources of funds, Viad believes it has adequate external financing sources available, including unused commitments under its credit facilities, to cover any shortfall.

Viad's Payment Services subsidiaries generate funds from the sale of official checks, money orders and other payment instruments, with the related liabilities classified as "Payment service obligations." Substantially all of the proceeds of such sales are invested in permissible securities, principally high-quality debt instruments. These investments are restricted by the Payment Services segment to the extent that they represent proceeds from the sale of its payment instruments for use by the subsidiaries to satisfy the liability to pay, upon presentment, the face amount of such payment service obligations. Accordingly, such assets are not available to satisfy working capital or other financing requirements of Viad. The securities are included in the Consolidated Balance Sheets under the caption, "Investments available or restricted for payment service obligations." Certain additional assets of the Payment Services subsidiaries relating to payment service obligations, including cash on hand, funds in transit from agents and securities expected to be sold or maturing within one year, are included under the caption, "Funds, agent receivables and current maturities of investments available or restricted for payment service obligations." Although the Payment Services investment portfolio exposes Viad to certain credit risks, Viad believes the high quality of the investments reduces this risk. Approximately 97 percent of the investments at December 31, 2002 (and approximately 99 percent of the investments at December 31, 2001) have an investment grade rating of A or higher or are collateralized by federal agency securities. Although Payment Services' investment portfolio is highly diversified, if any one issuer were unable to pay its obligations or were to enter into bankruptcy, Payment Services may have to sell the investment and reinvest the proceeds in permissible securities and/or could lose a portion or a substantial amount of the investment with such issuer. In addition, further deterioration in the debt and equity markets could lead to further other-than-temporary impairment losses related to the Payment Services segment's investment securities in future periods. See "Critical Accounting Policies" for discussion regarding estimates and assumptions related to other-than-temporary declines in the value of securities. Under normal circumstances there is no requirement to sell long-term debt securities prior to their maturity, as the funds from ongoing sales of money orders and other payment instruments and funds from maturing long-term and short-term investments are expected to be adequate to settle payment service obligations as they are presented. Fluctuations in the balances of Payment Services' assets and obligations result from varying levels of sales of money orders and other payment instruments, the timing of agent receivables, and the timing of the presentment of such instruments.

Working in cooperation with certain financial institutions, Payment Services has established separate consolidated entities (special-purpose entities) and processes that provide these financial institutions with additional assurance of the ability to clear their official checks. These processes include maintenance of specified ratios of segregated investments to outstanding payment instruments. In some cases, alternative credit support has been purchased by Payment Services that provides backstop funding as additional security for payment of their instruments. However, Payment Services remains liable to satisfy the obligations. Accordingly, the obligations have been recorded in the Consolidated Balance Sheets under the caption "Payment service obligations." Under certain limited circumstances, clients have rights to demand liquidation of the segregated assets or to take other similar actions. While an orderly liquidation of assets would be required, any such actions by a client could nonetheless diminish the value of the total investment portfolio, decrease earnings, and result in loss of the client or other customers or prospects.

A Viad Payment Services subsidiary has an agreement to sell, on a periodic basis, undivided percentage ownership interests in certain receivables from bill payment and money order agents in an amount not to exceed $450 million. The agreement runs through June 2003, but the decision to sell receivables is made daily. In addition, there is no requirement for the purchasing bank to purchase the receivables. The receivables are sold in order to accelerate Payment Services' cash flow for investments in permissible securities.

Viad's Payment Services subsidiaries have various lines of credit, overdraft facilities and reverse repurchase agreements totaling $1.95 billion available to assist in the management of their investments and the clearing of payment service obligations. No borrowings were outstanding under these facilities at December 31, 2002 or 2001.

The Payment Services segment has agreements with certain investors to provide funds related to investments in collateralized private equity obligations. As of December 31, 2002, the total amount of unfunded commitments related to these agreements was $21.0 million.

Viad sold treasury stock in 1992 to Viad's Employee Equity Trust (the "Trust") to fund certain existing employee compensation and benefit plans over the scheduled 15-year term of the Trust. For financial reporting purposes, the Trust is consolidated with Viad. The fair market value of the shares held by the Trust, representing unearned employee benefits, is recorded as a deduction from common stock and other equity and is reduced as employee benefits are funded. At December 31, 2002, approximately 2,366,000 shares remained in the Trust and were available to fund future benefit obligations.

Viad has certain unfunded pension and other postretirement benefit plans that require payments over extended periods of time. Such future benefit payments are not expected to materially affect Viad's liquidity.

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recovery, have been properly reserved for; however, environmental settlements could result in future cash outlays.

Off-Balance-Sheet Arrangements:

Viad has certain arrangements or transactions which are not recorded on the consolidated balance sheets and could materially effect liquidity or require the use of capital resources. These arrangements and transactions are discussed in "Liquidity and Capital Resources," and include aggregate operating lease commitments of $186.8 million (including the GES lease commitment of $60 million), aggregate guarantees of $60.4 million and funding commitments related to collateralized private equity obligations of $21.0 million.

Critical Accounting Policies:

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements. The U.S. Securities and Exchange Commission 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 judgements, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this criteria, Viad has identified and discussed with its audit committee the following critical accounting policies and estimates, and the methodology and disclosures related to those estimates:

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

During 2002, Viad recorded a transitional goodwill impairment loss of $40.0 million ($37.7 million after-tax) related to the Exhibitgroup/Giltspur reporting unit of the Convention and Event Services segment. A decline in the expected cash flows or the estimated terminal value could lead to additional goodwill impairment losses. Similarly, an increase in the discount rate (weighted average cost of capital) could also result in additional goodwill impairment.

Insurance liabilities - Viad is self-insured up to certain limits for workers' compensation, automobile, product and general liability, property loss and medical claims. Viad has also retained and provided for certain insurance liabilities in conjunction with the sales of businesses. Provisions for losses for claims incurred, including estimated claims incurred but not yet reported, are made based on Viad's prior historical experience, claims frequency and other factors. Viad has purchased insurance for amounts in excess of the self-insured levels. A change in the assumptions used could result in an adjustment to recorded liabilities.

Pension obligations - Viad has trusteed, noncontributory pension plans that cover certain employees. Pension benefits are supplemented, in most cases, by defined matching company stock contributions to employees' 401(k) plans as described in Note 15 of Notes to Consolidated Financial Statements. In addition, Viad retained the obligations for such benefits for employees of certain sold businesses. Through December 31, 2000, the principal retirement plan was structured using a traditional defined benefit formula based primarily on final average pay and years of service. Benefits earned under this formula ceased accruing at December 31, 2000, with no change to retirement benefits earned through that date. Effective January 1, 2001, benefits began accruing under a cash accumulation account formula based upon a percentage of pay plus interest. Funding policies provide that payments to defined benefit pension trusts shall be at least equal to the minimum funding required by applicable regulations. Certain defined pension benefits, primarily those in excess of benefit levels permitted under qualified pension plans, are unfunded. As determined with the guidance of an external actuary, the following assumptions were used in determining the projected benefit obligation and pension expense:

	2002	2001
Discount rate	6.75%	7.25%
Expected return on plan assets	8.75%	10.00%
Rate of compensation increase	4.50%	4.50%

Viad's pension expense was $3.2 million and $2.5 million for 2002 and 2001, respectively. Pension expense is calculated based upon the actuarial assumptions shown above. For 2002, the pension expense consisted of service cost of $2.8 million, interest cost of $12.3 million, amortization of prior service cost of $786,000, recognized net actuarial loss of $462,000 less an expected return on plan assets of $13.2 million. The fair value of Viad's pension plan assets decreased to $107.1 million at December 31, 2002 from $121.5 million at December 31, 2001 primarily due to benefits paid and lower actual returns on plan assets.

Viad's discount rate used in determining future pension obligations is measured on November 30 and is based on rates determined by actuarial analysis and Viad management review. Lowering the discount rate by 0.5 percent would have increased Viad's pension expense by $645,000.

In developing the expected rate of return, input provided by Viad's actuaries was evaluated as well as other external factors. Viad's expected rate of return is based on asset allocation guidelines that are reviewed quarterly by its Pension Investment Committee and assets are invested in a manner consistent with the Fiduciary standards of the Employee Retirement Income Security Act ("ERISA"). To be consistent with ERISA Fiduciary standards, the assets should have the safeguards and diversity to which a prudent investor would adhere and all transactions undertaken on behalf of the fund must be for the sole benefit of plan participants and their beneficiaries. Viad's current asset allocation consists of approximately 55 percent in large capitalization and international equities, approximately 35 percent in fixed income such as long-term treasury bonds, intermediate government bonds and global bonds and approximately 10 percent in a real estate limited partnership interest. Lowering the expected rate of return by 0.5 percent would have increased Viad's 2002 pension expense by $663,000. Viad's pension assets are primarily invested in marketable securities that have readily determinable current market values. Viad's investments are re-balanced regularly to stay within the investment guidelines. Viad will continue to evaluate its pension assumptions, including its rate of return, and will adjust these factors as necessary.

Future actual pension income or expense will depend on future investment performance, changes in future rates and various other factors related to the populations participating in Viad's pension plans.

Postretirement benefits other than pensions - Viad and certain of its subsidiaries have defined benefit postretirement plans that provide medical and life insurance for certain eligible employees, retirees and dependents. The related postretirement benefit liabilities are recognized over the period that services are provided by employees. In addition, Viad retained the obligations for such benefits for retirees of certain sold businesses. While the plans have no funding requirements, Viad may fund the plans.

The assumed health care cost trend rate used in measuring the 2002 accumulated postretirement benefit obligation was 10 percent for the year 2003, gradually declining to 5 percent by the year 2008 and remaining at that level thereafter.

A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligation as of December 31, 2002 by approximately $4.6 million and the ongoing annual expense by approximately $410,000. 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, 2002 by approximately $4.0 million and the ongoing annual expense by approximately $349,000.

Weighted average assumptions used at December 31 were as follows:

	2002	2001
Discount rate	6.75%	7.25%
Expected return on plan assets	3.75%	3.75%

Investment securities - Investment securities are accounted for in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Per SFAS No. 115, investments are classified into one of three categories: held-to-maturity, available-for-sale, or trading. Securities being held for indefinite periods of time, including those securities that may be sold to assist in the clearing of payment service obligations or in the management of securities, are classified as available-for-sale. These securities are carried at market value (or fair value), with the net after-tax unrealized gain or loss reported as a separate component of stockholders' equity under the caption "Accumulated other comprehensive income (loss)." Market value is determined by using available market information. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined may not be indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts. In general, as interest rates increase, the fair value of the available-for-sale portfolio and stockholders' equity decreases and as interest rates fall, the fair value of the available-for-sale portfolio increases as well as stockholders' equity. Securities classified as held-to-maturity are those that management has the ability and intent to hold to maturity and are carried at amortized cost. The cost of investment securities sold is determined using the specific-identification method.

Other-than-temporary declines in the value of securities - Viad's investments consist primarily of mortgage-backed securities, other asset-backed securities, state and municipal government obligations and corporate debt securities. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. Viad employs a methodology that considers available evidence in evaluating potential impairment of its investments including the duration and extent to which the fair value is less than book value; Viad's ability and intent to hold the investment; the security rating; the underlying collateral and other factors that influence projected future cash flows. When an other-than-temporary impairment occurs, investments are written down to fair market value. Subsequent increases in value are treated as an adjustment of yield.

As discussed elsewhere in this annual report, Viad recorded other-than-temporary impairment losses and adjustments of approximately $28.9 million and $10.3 million for the years ended December 31, 2002 and 2001, respectively, related to certain structured notes held in its Payment Services investment portfolio during the period. The impact of changes in cash flow projections and the related default and recovery rate assumptions on certain structured notes and collateralized debt obligations could result in additional impairment. Furthermore, adverse changes in actual or projected cash flows on other investments could result in impairment losses to the extent that the recorded value of such investments exceeds fair value.

Derivative financial instruments - Derivative financial instruments are used as part of Viad's risk management strategy to manage exposure to fluctuations in interest and foreign currency rates. Viad does not enter into derivatives for speculative purposes. Derivatives are accounted for in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its related amendments and interpretations. The derivatives are recorded as either assets or liabilities on the balance sheet at fair value, with the change in fair value recognized in earnings or in other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. A derivative that does not qualify, or is not designated, as a hedge will be reflected at fair value, with changes in value recognized through earnings. The estimated fair value of derivative financial instruments has been determined using available market information and certain valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined may not be indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts. While Viad intends to continue to meet the conditions to qualify for hedge accounting treatment under SFAS No. 133, if hedges did not qualify as highly effective or if forecasted transactions did not occur, the changes in the fair value of the derivatives used as hedges would be reflected in earnings. Viad does not believe it is exposed to more than a nominal amount of credit risk in its hedging activities as the counterparties are generally well established, well capitalized financial institutions.

Stock-based compensation - As permitted by SFAS No. 123, “Accounting for Stock-Based Compensation,” Viad uses the intrinsic value method prescribed by Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations in accounting for its stock-based compensation plans. Accordingly, Viad does not use the fair value method to value stock options in accordance with SFAS No. 123. See Note 1 of Notes to Consolidated Financial Statements for the pro forma impact of stock-based awards using the fair value method of accounting.

Restructuring charges and other items - As a component of the 2002 restructuring charge of $20.5 million, an accrued liability related to facility closure and lease termination costs of $12.8 million, net of estimated sublease income of $3.9 million, was recorded as of December 31, 2002. These costs were accounted for pursuant to Emerging Issues Task Force (“EITF”) Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” Under EITF No. 94-3, these costs were considered to have no future economic benefit, and were therefore recorded at the time that Viad management approved and committed to the restructuring plan in the fourth quarter of 2002. The recorded amounts were based on the contractual obligations contained in the leases (net of estimated sublease income) and estimates of incremental costs incurred as a direct result of the restructuring plan.

In June 2002, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. Under SFAS No. 146, a liability for the costs associated with an exit or disposal activity is recognized and measured initially at its fair value in the period in which the liability is incurred. The liability would subsequently be adjusted for revisions related to the timing and amount of estimated cash flows and accretion expense, if applicable. If Viad had elected to adopt the provisions of SFAS No. 146, the majority of the $12.8 million charge related to facility closure and lease termination costs would have been recorded based on the fair value of the liability at the time Viad ceased using the related leased facilities and determined using a present value technique. The remaining portion of the $12.8 million liability would have been recorded at fair value at the time the liability was incurred (when services associated with the activity were received). If Viad had elected to apply the accounting method under SFAS No. 146, the aggregate charge of $12.8 million discussed above would not have been recorded in the fourth quarter of 2002, rather, the fair value of these liabilities, estimated to be $10.9 million, would have been initially recorded in 2003 based on the restructuring plan. Furthermore, accretion expense associated with the lease termination liability would likely be recognized in future periods over the remaining term of the related lease agreements.

The application of SFAS No. 146 would not have changed the method of accounting for other components of the restructuring charge including severance and other benefits of $2.9 million, asset impairments of $4.1 million and other charges of $650,000.

Recent Accounting Pronouncements:

In November 2001, the Emerging Issues Task Force reached a consensus on Issue No. 01-14, “Income Statement Characterization of Reimbursements Received for ‘Out-of Pocket’ Expenses Incurred” (“EITF No. 01-14”), which became effective for Viad on January 1, 2002. Under EITF No. 01-14, reimbursements received for out-of-pocket expenses incurred are characterized as revenue in the income statement. Upon adoption of EITF No. 01-14, comparative financial statements for prior periods should be reclassified to comply with the current presentation. Viad has historically accounted for the reimbursement of out-of-pocket expenses incurred similar to EITF No. 01-14 and, therefore, the adoption of EITF No. 01-14 did not impact Viad's consolidated financial statements.

In January 2002, Viad adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 specifies that goodwill and certain intangibles with indefinite lives no longer be amortized but instead be subject to periodic impairment testing. See Note 7 of Notes to Consolidated Financial Statements for discussion of transitional impairment loss related to goodwill recognized in connection with the adoption of SFAS No. 142.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (effective for Viad on January 1, 2002). SFAS No. 144 supersedes existing accounting guidance on asset impairment under SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. Among other provisions, the new rules change the criteria for classifying an asset as held-for-sale. The standard also broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations, and changes the timing of recognizing losses on such operations. The adoption of SFAS No. 144 did not have a material impact on Viad's financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers" and SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking Fund Requirements." This statement also amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Viad adopted SFAS No. 145 during 2002. The adoption of SFAS No. 145 did not have a material impact on Viad's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. Viad has adopted this new standard effective January 1, 2003, but as it has no planned 2003 exit or disposal activities, the impact on the future financial position or results of operations cannot presently be determined. See "Critical Accounting Policies" for discussion of 2002 restructuring charges.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation sets forth expanded disclosure requirements in the financial statements about a guarantor's obligations under certain guarantees that it has issued. It also clarifies that, under certain circumstances, a guarantor is required to recognize a liability for the fair value of the obligation at the inception of the guarantee. Certain types of guarantees, such as product warranties, guarantees accounted for as derivatives, and guarantees related to parent-subsidiary relationships are excluded from the liability recognition provisions of Interpretation No. 45, however, they are subject to the disclosure requirements. The initial liability recognition provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of Interpretation No. 45 are effective for financial statements for interim or annual periods ending after December 15, 2002. In accordance with Interpretation No. 45, Viad has included the required disclosures relating to its guarantees in the financial statements as of December 31, 2002 (see Note 17 of Notes to Consolidated Financial Statements). Viad's guarantees principally relate to a parent's guarantee of a subsidiary's debt to a third party, and would therefore, be excluded from liability recognition at inception. Viad has not yet determined if the adoption of the new rules will have any material impact on its financial position or its results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. This statement also amends APB Opinion No. 28, "Interim Financial Reporting" to require disclosure about those effects in interim financial statements. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. Viad has elected not to voluntarily change to the fair value based method of accounting for stock-based compensation at this time. Viad has included the additional disclosure requirements in Notes 1 and 13 of Notes to Consolidated Financial Statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46), an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN 46 prescribes how to identify variable interest entities and how an enterprise assesses its interests in a variable interest entity to decide whether to consolidate that entity. This interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. FIN 46 is effective immediately for variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. The interpretation applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. While Viad has not yet completed its determination of the full impact of the adoption of FIN 46, the Company believes that it is reasonably possible that it will have to consolidate one of its investments in a collateralized debt obligation, unless certain structural changes can be made. The Company holds a 52% interest in a trust which holds a 94% equity interest in a collateralized debt obligation. Under current accounting principles, the Company consolidates the trust but not the underlying collateralized debt obligation. The impact of consolidating the collateralized debt obligation would be to increase investments by $150.0 million and record a minority interest of $146.0 million. The Company's maximum exposure to loss as a result of its involvement with the variable interest entity is limited to approximately $4.0 million, its recorded investment in the trust.

Forward-Looking Statements:

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

Item 8. ***Financial Statements and Supplementary Data***

Refer to Index to Financial Statements on page 29 for required information.

PART IV

Item 16. ***Exhibits, Financial Statements, and Reports on Form 8-K***

(a) 1. The financial statements listed in the accompanying Index to Financial Statements are filed as part of this report.

2. None.

3. The exhibits listed in the accompanying Exhibit Index are filed as part of this report.

(b) Reports on Form 8-K filed since Third Quarter 2002

1. A report on Form 8-K dated November 5, 2002 was filed November 5, 2002 by Viad Corp. The Form 8-K reported, under Item 9 Regulation FD Disclosure, that on November 5, Robert H. Bohannon, Chairman, President and Chief Executive Officer and Ellen M. Ingersoll, Chief Financial Officer of Viad Corp furnished to the Securities and Exchange Commission a certification related to Viad's third quarter 2002 Form 10-Q filed November 5, 2002, pursuant to the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

2. A report on Form 8-K, dated January 17, 2003 was filed January 21, 2003 by Viad. The Form 8-K reported, under Item 5, that on January 17, 2003, MoneyGram Payment Systems, Inc. ("MoneyGram"), a subsidiary of Travelers Express Company, Inc. ("Travelers Express"), announced that one of its subsidiaries had acquired the Travelex Group's 49 percent interest in MoneyGram International Limited, a London-based joint venture owned by the two companies.

3. A report on Form 8-K dated January 23, 2003 was filed January 23, 2003 by Viad. The Form 8-K reported, under Item 5, that on January 23, 2003, Viad Corp issued a press release announcing its unaudited financial results for the fourth quarter and 2002 fiscal year.

(c) Exhibits

See Exhibit Index.

(d) Financial Statement Schedules

None.

SIGNATURES

Pursuant to the requirements of Section 13 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, in Phoenix, Arizona, on the 2nd day of June, 2003.

VIAD CORP

By: /s/ Robert H. Bohannon

Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

	Principal Executive Officer	
Date: June 2, 2003	By:	/s/ Robert H. Bohannon
		Director; Chairman of the Board, President and Chief Executive Officer
	Principal Financial Officer	
Date: June 2, 2003	By:	/s/ Ellen M. Ingersoll
		Chief Financial Officer
	Principal Accounting Officer	
Date: June 2, 2003	By:	/s/ G. Michael Latta
		Vice President-Controller

Directors

Jess Hay
Judith K. Hofer
Donald E. Kiernan
Robert C. Krueger
Jack F. Reichert
Linda Johnson Rice
Douglas L. Rock
Timothy R. Wallace

By: /s/ Ellen M. Ingersoll

Attorney-in-Fact

Date: June 2, 2003

CERTIFICATIONS

I, Robert H. Bohannon, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K of Viad Corp;

2. Based on my knowledge, this annual report, as amended does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report, as amended;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, as amended, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report, as amended;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report, as amended is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report, as amended (the "Evaluation Date"); and

   c) presented in this annual report, as amended our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report, as amended whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 2, 2003

By /s/ Robert H. Bohannon

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

I, Ellen M. Ingersoll, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K of Viad Corp;

2. Based on my knowledge, this annual report, as amended does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report, as amended;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, as amended, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report, as amended;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report, as amended is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report, as amended (the "Evaluation Date"); and

   c) presented in this annual report, as amended our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report, as amended whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 2, 2003

By /s/ Ellen M. Ingersoll

Ellen M. Ingersoll
Chief Financial Officer

INDEX TO FINANCIAL STATEMENTS

VIAD CORP
CONSOLIDATED BALANCE SHEETS

	December 31, 2002 (as restated)	December 31, 2001 (as restated)
	(in thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 57,219	$ 46,593
Other investments in securities	246,338	169,556
Receivables, net	50,818	64,134
Inventories	41,839	55,682
Deferred income taxes	55,747	45,916
Other current assets	35,366	37,036
	487,327	418,917
Funds, agent receivables and current maturities of investments available or restricted for payment service obligations	1,904,015	1,476,475
Total current assets	2,391,342	1,895,392
Investments available or restricted for payment service obligations	6,268,080	5,442,615
Property and equipment, net	248,099	260,480
Other investments and assets	58,079	67,715
Deferred income taxes	125,894	85,807
Goodwill	549,461	587,365
Other intangible assets, net	34,474	35,925
Total Assets	$9,675,429	$8,375,299
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term bank loans	$ —	$ 457
Accounts payable	63,188	60,913
Other current liabilities	230,857	196,411
Current portion of long-term debt	103,995	42,224
	398,040	300,005
Payment service obligations	7,945,760	6,741,291
Total current liabilities	8,343,800	7,041,296
Long-term debt	257,662	354,147
Pension and other postretirement benefits	110,895	94,424
Derivative financial instruments	126,527	23,568
Other deferred items and insurance liabilities	133,288	135,420
Commitments and contingencies (Notes 16 and 17)		
Minority interests	18,659	5,284
$4.75 Redeemable preferred stock	6,704	6,679
Common stock and other equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 99,739,925 shares issued	149,610	149,610
Additional capital	215,872	225,003
Retained income	781,441	755,478
Unearned employee benefits and other	(66,143)	(82,952)
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	91,640	31,214
Unrealized loss on derivative financial instruments	(150,557)	(53,875)
Cumulative foreign currency translation adjustments	(9,655)	(13,211)
Minimum pension liability adjustment	(34,274)	(13,739)
Common stock in treasury, at cost, 11,638,090 and 10,806,006 shares	(300,040)	(283,047)
Total common stock and other equity	677,894	714,481
Total Liabilities and Stockholders' Equity	$9,675,429	$8,375,299

See Notes to Consolidated Financial Statements.

VIAD CORP
CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31, 2002	2001	2000
	(as restated)	(as restated)	
	(in thousands, except per share data)		
Revenues:			
Convention show services	$ 568,301	$ 604,148	$ 692,843
Payment services transaction fees	431,564	393,093	367,733
Payment services investment income	342,055	313,432	235,429
Exhibit design and construction	217,932	279,896	339,272
Hospitality and recreation services	58,253	61,453	91,531
Total revenues	1,618,105	1,652,022	1,726,808
Costs and expenses:			
Costs of services	1,227,244	1,202,311	1,216,977
Costs of products sold	215,144	280,050	321,197
Corporate activities	17,114	12,029	9,783
Other investment income	(10,531)	(5,652)	(13,115)
Interest expense	19,268	25,936	25,303
Restructuring charges	18,942	62,370	8,165
Litigation settlement and costs	—	29,274	—
Gain on sale of business	—	—	(10,256)
Other charges	—	5,000	—
Minority interests	5,636	1,326	1,717
Total costs and expenses	1,492,817	1,612,644	1,559,771
Income before income taxes and changes in accounting principles	125,288	39,378	167,037
Income tax expense (benefit)	29,663	(7,110)	26,218
Income before changes in accounting principles	95,625	46,488	140,819
Changes in accounting principles, net of tax	(37,739)	(1,884)	—
Net income	$ 57,886	$ 44,604	$ 140,819
Diluted income per common share			
Income per share before changes in accounting principles	$ 1.09	$ 0.52	$ 1.54
Changes in accounting principles, net of tax	(0.44)	(0.02)	—
Net income per common share	$ 0.65	$ 0.50	$ 1.54
Average outstanding and potentially dilutive common shares	86,716	86,322	90,925
Basic income per common share			
Income per share before changes in accounting principles	$ 1.10	$ 0.53	$ 1.57
Changes in accounting principles, net of tax	(0.44)	(0.02)	—
Net income per common share	$ 0.66	$ 0.51	$ 1.57
Average outstanding common shares	86,178	85,503	88,802
Dividends declared per common share	$ 0.36	$ 0.36	$ 0.36

See Notes to Consolidated Financial Statements.

VIAD CORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2002	2001	2000
	(as restated)	(as restated) (in thousands)	
Net income	$ 57,886	$ 44,604	$140,819
Other comprehensive income (loss):			
Unrealized gains on available-for-sale securities:			
Statement of Financial Accounting Standards (“SFAS”) No. 133 transition adjustment, effective January 1, 2001, resulting from the transfer of securities classified as held-to-maturity to securities classified as available-for-sale, net of tax expense of $2,412	—	3,772	—
Holding gains arising during the period, net of tax expense of $45,067, $21,768 and $47,797	70,491	34,049	74,759
Reclassification adjustment for net realized gains included in net income, net of tax expense of $6,435, $4,643 and $2,610	(10,065)	(7,263)	(4,082)
	60,426	30,558	70,677
Unrealized losses on derivative financial instruments:			
Cumulative effect of transition adjustment upon initial application of SFAS No. 133 on January 1, 2001, net of tax benefit of $4,796	—	(7,501)	—
Holding losses arising during the period, net of tax benefit of $113,994 and $50,428	(178,299)	(78,874)	—
Net reclassifications from other comprehensive income to net income, net of tax benefit of $52,182 and $20,779	81,617	32,500	—
	(96,682)	(53,875)	—
Unrealized foreign currency translation gains (losses)	3,556	(4,599)	(3,677)
Minimum pension liability adjustment, net of tax benefit of $11,057, $6,432 and $65	(20,535)	(11,944)	(121)
Other comprehensive income (loss)	(53,235)	(39,860)	66,879
Comprehensive income	$ 4,651	$ 4,744	$207,698

See Notes to Consolidated Financial Statements.

VIAD CORP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2002	2001	2000
	(as restated)	(as restated) (in thousands)	
Cash flows from operating activities			
Net income	$ 57,886	$ 44,604	$ 140,819
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	51,483	69,096	68,600
Deferred income taxes	(6,302)	(40,307)	12,705
Changes in accounting principles	40,000	2,989	—
Restructuring charges and other items	18,942	96,644	8,165
Investment impairment charges and adjustments	28,879	7,368	—
Gains on dispositions of businesses, property and investments	(18,097)	(12,277)	(17,619)
Other noncash items, net	10,710	10,206	879
Change in operating assets and liabilities:			
Receivables	7,176	38,291	(68,708)
Inventories	10,982	10,794	(4,740)
Accounts payable	2,275	(20,233)	(8,500)
Other assets and liabilities, net	15,220	10,222	(31,473)
	219,154	217,397	100,128
Change in payment service assets and obligations, net	794,243	1,774,193	413,765
Net cash provided by operating activities	1,013,397	1,991,590	513,893
Cash flows from investing activities			
Capital expenditures	(40,227)	(49,783)	(45,206)
Acquisitions of businesses, net of cash acquired	—	(865)	(28,868)
Proceeds from dispositions of businesses, property and other assets	3,040	1,040	44,276
Proceeds from sales and maturities of available-for-sale securities	2,494,238	2,074,719	1,530,519
Proceeds from maturities of held-to-maturity securities	745,387	464,608	60,280
Purchases of available-for-sale securities	(3,341,956)	(3,527,968)	(1,371,135)
Purchases of held-to-maturity securities	(775,670)	(848,823)	(594,405)
Cash provided by discontinued operations	—	—	10,585
Net cash used in investing activities	(915,188)	(1,887,072)	(393,954)
Cash flows from financing activities			
Payments on long-term borrowings	(44,039)	(68,316)	(32,751)
Net change in short-term borrowings	6,543	18,288	90,314
Dividends paid on common and preferred stock	(32,149)	(31,995)	(33,092)
Proceeds from exercise of stock options	10,371	16,422	11,945
Purchases of common stock for treasury	(28,309)	(34,622)	(147,163)
Net cash used in financing activities	(87,583)	(100,223)	(110,747)
Net increase in cash and cash equivalents	10,626	4,295	9,192
Cash and cash equivalents, beginning of year	46,593	42,298	33,106
Cash and cash equivalents, end of year	$ 57,219	$ 46,593	$ 42,298
Supplemental disclosure of cash flow information			
Cash paid (refunded) during the year for:			
Income taxes	$ 9,661	$ (16,429)	$ 11,261
Interest	$ 18,569	$ 27,118	$ 22,910

VIAD CORP
CONSOLIDATED STATEMENTS OF COMMON STOCK AND OTHER EQUITY

	Common Stock	Additional Capital	Retained Income	Unearned Employee Benefits and Other	Accumulated Other Comprehensive Income (loss)	Common Stock in Treasury	Total
			(as restated)		(as restated)		(as restated)
				(in thousands)			
Balance, December 31, 1999	$149,610	$289,798	$634,599	$(129,818)	$ (76,630)	$(167,667)	$ 699,892
Net income	—	—	140,819	—	—	—	140,819
Dividends on common and preferred stock	—	—	(33,092)	—	—	—	(33,092)
Employee benefit plans	—	(27,200)	—	18,051	—	32,255	23,106
Employee Equity Trust adjustment to market value	—	(16,963)	—	16,963	—	—	—
Treasury shares acquired	—	—	—	—	—	(147,163)	(147,163)
Unrealized foreign currency translation adjustment	—	—	—	—	(3,677)	—	(3,677)
Unrealized gain on available-for-sale securities	—	—	—	—	70,677	—	70,677
Minimum pension liability adjustment	—	—	—	—	(121)	—	(121)
Other, net	—	(1)	289	—	—	1	289
Balance, December 31, 2000	149,610	245,634	742,615	(94,804)	(9,751)	(282,574)	750,730
Transition adjustment, effective January 1, 2001, upon initial application of SFAS No. 133	—	—	—	—	(3,729)	—	(3,729)
Net income	—	—	44,604	—	—	—	44,604
Dividends on common and preferred stock	—	—	(31,995)	—	—	—	(31,995)
Employee benefit plans	—	(23,009)	—	14,230	—	34,149	25,370
Employee Equity Trust adjustment to market value	—	2,378	—	(2,378)	—	—	—
Treasury shares acquired	—	—	—	—	—	(34,622)	(34,622)
Unrealized foreign currency translation adjustment	—	—	—	—	(4,599)	—	(4,599)
Unrealized gain on available-for-sale securities	—	—	—	—	26,786	—	26,786
Unrealized loss on derivative financial instruments	—	—	—	—	(46,374)	—	(46,374)
Minimum pension liability adjustment	—	—	—	—	(11,944)	—	(11,944)
Other, net	—	—	254	—	—	—	254
Balance, December 31, 2001	149,610	225,003	755,478	(82,952)	(49,611)	(283,047)	714,481
Net income	—	—	57,886	—	—	—	57,886
Dividends on common and preferred stock	—	—	(32,149)	—	—	—	(32,149)
Employee benefit plans	—	(7,884)	—	15,567	—	11,311	18,994
Employee Equity Trust adjustment to market value	—	(1,242)	—	1,242	—	—	—
Treasury shares acquired	—	—	—	—	—	(28,309)	(28,309)
Unrealized foreign currency translation adjustment	—	—	—	—	3,556	—	3,556
Unrealized gain on available-for-sale securities	—	—	—	—	60,426	—	60,426
Unrealized loss on derivative financial instruments	—	—	—	—	(96,682)	—	(96,682)
Minimum pension liability adjustment	—	—	—	—	(20,535)	—	(20,535)
Other, net	—	(5)	226	—	—	5	226
Balance, December 31, 2002	$149,610	$215,872	$781,441	$ (66,143)	$(102,846)	$(300,040)	$ 677,894

VIAD CORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2002, 2001, and 2000

Note 1. Summary of Significant Accounting Policies

Nature of Business. Viad Corp (Viad) is comprised of operating companies and a division which operate in two principal business segments: Payment Services and Convention and Event Services. The Payment Services segment issues and processes money orders, official checks and share drafts and provides same-day bill payment and cash access services throughout the United States. The segment also provides money transfer services throughout the world. The Convention and Event Services segment provides convention show services including transportation, installation, dismantling and management services to trade associations, show management companies and exhibitors throughout North America. The segment also provides design, construction, installation and warehousing of convention and tradeshow exhibits and displays to customers primarily in the United States and to a lesser extent in certain foreign locations. Viad also operates travel and recreation businesses in the northern United States and Canada.

Principles of Consolidation. The consolidated financial statements include the accounts of Viad and all of its wholly-owned subsidiaries. The consolidated financial statements also include the accounts of MoneyGram International Limited (MIL), which was a majority-owned subsidiary prior to the acquisition of the remaining minority interest by the Company in January 2003. See Note 18, “Subsequent Events.” All significant intercompany account balances and transactions between Viad and its subsidiaries have been eliminated in consolidation.

Viad’s Payment Services segment participates in various trust arrangements (special-purpose entities) related to structured investments within its investment portfolio, official check processing agreements with financial institutions, and the sale of certain receivables. Certain structured investments owned by Viad represent beneficial interests in grantor trusts or other similar entities. These trusts typically contain an investment grade security, generally a U.S. Treasury strip, and an investment in the residual interest in a collateralized debt obligation, or in some cases, a limited partnership interest. For certain of these trusts, Payment Services owns the majority of the beneficial interests, and therefore, consolidates those trusts by recording and accounting for the assets of the trust separately in Viad’s consolidated financial statements.

In connection with its official check business, the Payment Services segment has established separate trust entities and processes that provide certain financial institution customers additional assurance of the Company’s ability to clear their official checks. The assets, liabilities, revenues and expenses associated with these arrangements are consolidated in Viad’s financial statements. Additionally, the Payment Services segment has an agreement to sell, on a periodic basis, undivided percentage ownership interests in certain receivables primarily from its money order agents. These receivables are sold to a commercial paper conduit and represent a small percentage of the total assets in such conduit. Viad’s rights and obligations are limited to the receivables transferred, and are accounted for as a sales transaction under Statement of Financial Accounting Standards No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.” The assets and liabilities associated with the conduit, including the sold receivables, are not recorded or consolidated in Viad’s financial statements.

See “Recent Accounting Pronouncements,” below for further information regarding consolidation of variable interest entities.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions include, but are not limited to:

- Estimated fair value of Viad’s reporting units used to perform annual impairment testing of recorded goodwill
- Estimated provisions for losses related to self-insured liability claims
- Projected benefit obligations and expense associated with pension and postretirement benefit plans
- Estimated fair value of financial instruments, including the identification of other-than-temporary declines in the value of securities
- Estimated fair value of derivative financial instruments

Actual results could differ from these and other estimates.

Reclassifications. Certain reclassifications have been made to prior years’ financial statements to conform to the current year presentation.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

Cash and Cash Equivalents. Viad considers all highly liquid investments with original maturities when purchased of three months or less to be cash equivalents. Certain cash equivalents are classified in the Consolidated Balance Sheets as "Other investments in securities" based on their intended use. See Note 4.

Other Investments in Securities. Viad's corporate investment securities (excluding securities held by Viad's Payment Services subsidiaries) are included in the Consolidated Balance Sheets under the caption, "Other investments in securities." This caption includes money market funds and other investments. These other investments are classified as available-for-sale and reported at fair market value with unrealized gains and losses, net of tax, included in the Consolidated Balance Sheets as a component of "Accumulated other comprehensive income (loss)." Interest and other income on these investments are included in the Consolidated Statements of Income as "Other investment income." The specific identification method is used to determine the cost basis of securities sold.

Investments Available or Restricted for Payment Service Obligations. Viad's Payment Services subsidiaries generate funds from the sale of official checks, money orders and other payment instruments, with the related liabilities classified in the Consolidated Balance Sheets as "Payment service obligations." Substantially all of the proceeds of such sales are invested in permissible securities, principally high-quality debt instruments. These investments, along with related cash and funds in transit, are restricted by the Payment Services segment to the extent that they represent proceeds from the sale of payment instruments for use by the subsidiaries to satisfy the liability to pay, upon presentment, the face amount of the payment service obligations. In addition, certain other assets of the Payment Services subsidiaries are available if necessary to meet such obligations. Such assets are not available to satisfy working capital or other financing requirements of Viad. Investment securities are included in the Consolidated Balance Sheets under the caption, "Investments available or restricted for payment service obligations." Certain additional assets of the Payment Services subsidiaries relating to payment service obligations, including cash on hand, funds in transit from agents, and securities expected to be sold or maturing within one year, are included under the caption, "Funds, agent receivables and current maturities of investments available or restricted for payment service obligations." Investment securities available or restricted for Payment Service obligations are classified as available-for-sale or held-to-maturity. Securities being held for indefinite periods of time, including those which may be sold to assist in the clearing of payment service obligations or in the management of investments, are classified as available-for-sale securities and reported at fair market value with unrealized gains and losses, net of tax, included in the Consolidated Balance Sheets as a component of "Accumulated other comprehensive income (loss)." The specific identification method is used to determine the cost basis of securities sold. Securities classified as held-to-maturity consist of securities that management has the ability and intent to hold to maturity and are reported at amortized cost. Interest income and realized gains and losses on the disposition of these investments are included in the Consolidated Statements of Income as "Payment services investment income."

Viad's investments consist primarily of mortgage-backed securities, other asset-backed securities (collateralized by various types of loans and leases), state and municipal government obligations and corporate debt securities. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. Viad employs a methodology that considers available evidence in evaluating potential impairment of its investments including the duration and extent to which the fair value is less than book value; Viad's ability and intent to hold the investment; the security rating; the underlying collateral and other factors that influence projected future cash flows. When an other-than-temporary impairment occurs, investments are written down to fair market value. Subsequent increases in value are treated as an adjustment of yield.

Other asset-backed securities are collateralized by various types of loans and leases, including home equity, corporate, manufactured housing, credit card, and airline. Interest income on mortgage-backed and other asset-backed securities for which the risk of credit loss is deemed remote is recorded utilizing the level yield method. Changes in estimated cash flows, both positive and negative, are accounted for with retrospective changes to the carrying value of investments in order to maintain a level yield over the life of the investment.

Interest income on mortgage and other asset-backed investments for which risk of credit loss is not deemed remote is recorded under the prospective method in accordance with EITF 99-20. EITF 99-20 requires that such changes be accounted for prospectively as adjustments of yield. Under EITF 99-20, investments are evaluated for impairment when an adverse cash flow change occurs. If the fair value of a security is less than its carrying value when an adverse cash flow change occurs, the investment is written down to fair value. Fair value is generally based on quoted market prices. However, certain investment securities are not readily marketable. As a result, the carrying value of these investments is based on cash flow projections which require a significant degree of management judgment as to default and recovery rates of the underlying investments. Any such impairment charges are included in the Consolidated Statement of Income under "Payment services investment income."

As described in Note 9, a Payment Services subsidiary uses swap agreements to hedge a substantial portion of the variable rate commission payments to its financial institution customers of its official check product and the net proceeds of selling receivables from its bill payment and money order agents. The swap agreements effectively convert such variable rates to fixed rates. The fair value of such swap agreements generally increases when market values of fixed rate, long-term debt investments decline and vice versa. The reported fair value of these derivative financial instruments represents the estimated amount that Viad would pay to counterparties to terminate the swap agreements.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

Normally, the swap agreements will not be terminated prior to maturity, nor is there any requirement to sell long-term debt securities prior to maturity, as the funds flow from ongoing sales of money orders and other payment instruments and funds from maturing short-term and long-term investments are expected to be adequate to settle payment service obligations as they are presented. In addition, Viad's Payment Services subsidiaries have various lines of credit, overdraft facilities and reverse repurchase agreements totaling $1.95 billion available to assist in the management of investments and the clearing of payment service obligations. Amounts outstanding under reverse repurchase agreements are required to be collateralized by securities. No amounts were outstanding under these arrangements at December 31, 2002 or 2001.

The following represents a summary of asset and liability carrying amounts related to the payment service obligations, along with the fair value of related swap agreements at December 31:

	2002	2001
	(in thousands)	
Funds, agent receivables and current maturities of investments available or restricted for payment service obligations	$ 1,904,015	$ 1,476,475
Investments available or restricted for payment service obligations (1)	6,268,080	5,414,664
Payment service obligations (1)	(7,825,954)	(6,649,722)
Fair value of derivative financial instruments (1)	(246,333)	(87,186)
Total	$ 99,808	$ 154,231

(1) The current liability portions of derivative financial instruments of $119.8 million and $91.6 million at December 31, 2002 and 2001, respectively, are included in the Consolidated Balance Sheets under the caption "Payment service obligations." The long-term asset portion of derivative financial instruments of $28.0 million at December 31, 2001 is included in the Consolidated Balance Sheets under the caption "Investments available or restricted for payment service obligations."

Inventories. Inventories, which consist primarily of exhibit design and construction materials and supplies used in providing convention show services, are stated at the lower of cost (first-in, first-out and specific identification methods) or market.

Property and Equipment. Property and equipment are stated at cost, net of accumulated depreciation and any impairment write-downs pursuant to Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Property and equipment are depreciated on the straight-line method over the estimated useful lives of the assets: buildings, 15 to 40 years; equipment, 3 to 10 years; and leasehold improvements, over the shorter of the lease term or useful life.

Goodwill and Other Intangible Assets. Effective January 1, 2002, goodwill is no longer amortized but instead is subject to periodic impairment testing in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." See Note 7. Intangible assets with finite lives are stated at cost, net of accumulated amortization and are tested for impairment in accordance with SFAS No. 144. These assets are amortized on the straight-line method over the estimated useful lives or periods of expected benefit, but not in excess of 20 years. Intangible assets with indefinite lives are no longer amortized but instead are subject to periodic impairment testing in accordance with SFAS No. 142.

Incentive and Other Upfront Payments. Viad's Payment Services subsidiaries make incentive payments to certain money order and money transfer agents and financial institution customers of its official check products to enter into long-term contracts. Payments made are generally refundable in the event of non-performance or cancellation. These payments are deferred and amortized over the life of the related agent or financial institution contracts as management is satisfied that such costs are recoverable through future operations, minimums, penalties or refunds in case of early termination. Amortization expense associated with these payments is recorded under the caption "Costs of services" in the Consolidated Statements of Income.

Certain upfront payments incurred by Viad's Convention and Event Services segment in connection with long-term contracts consist of incentive fees and prepaid commissions and are amortized over the life of the related contract. Incentive and other upfront payments are classified on the Consolidated Balance Sheets under the caption, "Other current assets" for the current portion and "Other investments and assets" for the non-current portion.

Viad reviews the carrying values of its incentive and other upfront payments for possible impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the provisions of SFAS No. 144. Incentive and other upfront payments which become refundable are recorded as accounts receivable and evaluated for collectibility in accordance with Viad's credit policies.

Insurance Liabilities. Viad is self-insured up to certain limits for workers' compensation, automobile, product and general liability, property loss and medical claims. Viad has also retained and provided for certain insurance liabilities in conjunction with the sales of businesses. Provisions for losses for claims incurred, including estimated claims incurred but not yet reported, are made based on Viad's prior historical experience, claims frequency and other factors. Viad has purchased insurance for amounts in excess of the self-insured levels.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

Derivative Financial Instruments. Viad uses derivative financial instruments as part of its risk management strategy to manage exposure to fluctuations in interest and foreign currency rates. Derivatives are not used for speculative purposes. Viad records derivative financial instruments in the Consolidated Balance Sheets as assets or liabilities at fair value. Amounts receivable or payable under derivative swap agreements used to hedge exposure of interest rate changes on variable rate commission payments and net proceeds from agent receivables sales are accrued and recognized as an adjustment to the expense of the related transaction. The derivatives are recorded as either assets or liabilities on the balance sheet at fair value, with the change in fair value recognized in earnings or in other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. Derivatives that do not qualify as hedges are reflected at fair value, with changes in value recognized through earnings. Forward derivative contracts used to hedge assets and liabilities denominated in foreign currencies are recorded on the Consolidated Balance Sheets at fair value, with the change in fair value reflected in earnings. The effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, was not significant.

Fair Value of Financial Instruments. The carrying values of cash and cash equivalents, receivables, accounts payable and payment service obligations approximate fair value due to the short-term maturities of these instruments. The fair value of investments in debt and equity securities is disclosed in Notes 4 and 5. The estimated fair value of debt and derivative financial instruments is disclosed in Notes 8 and 9, respectively. Considerable judgment is required in interpreting market data and assumptions used to develop the estimates of fair value. Accordingly, the estimates presented may not be indicative of the amounts that Viad could realize in a current market exchange. The use of different market assumptions or valuation methodologies could have a material effect on the estimated fair value amounts.

Revenue Recognition. Viad's revenue recognition policies are as follows:

The Payment Services segment derives revenues primarily through transaction fees charged to consumers on the sale of MoneyGram's money transfers, retail money order and bill payment products and through investment income earned on investments available or restricted for the settlement of payment service obligations (primarily official checks and money orders). Transaction fees are nonrefundable and are recognized in the period the item is sold.

Investment income is recognized as it is earned and includes investment interest and dividends, and realized gains and losses on the sale of investments and impairments. Viad includes investment income on investments available or restricted for payment service obligations in revenues as the generation of investment income is core to the earnings process of its Payment Services segment and is an ongoing major and central operation of this segment.

The Payment Services segment also earns foreign exchange revenue from the management of currency exchange spreads (as a percentage of face value of the transaction) on international money transfer transactions. Foreign exchange revenue is recognized at the time the exchange in funds occurs and is classified as "Payment services transaction fees" in the Consolidated Statements of Income.

The Convention and Event Services segment derives revenues primarily by providing show services to vendors at conventions and from the design and construction of exhibit booths. Service revenue is recognized at the time services are performed. Exhibit design and construction revenue is generally accounted for using the completed-contract method as contracts are typically completed within three months of contract signing.

Viad's Travel and Recreation Services businesses recognize revenues at the time services are performed.

Stock-Based Compensation. As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," Viad uses the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based compensation plans.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

Assuming Viad had recognized compensation cost for stock options and performance-based and restricted stock awards in accordance with the fair value method of accounting defined in SFAS No. 123, income before changes in accounting principles and diluted and basic income per share before changes in accounting principles would be as presented in the table below. Compensation cost calculated under SFAS No. 123 is recognized ratably over the vesting period and is net of estimated forfeitures and the tax benefit on the exercise of nonqualified stock options.

	2002	2001	2000
	(in thousands, except per share data)		
Income before changes in accounting principles as reported	$95,625	$46,488	$140,819
Expense related to stock options determined under fair value based methods, net of tax	(7,616)	(5,975)	(5,451)
Pro forma income before changes in accounting principles	$88,009	$40,513	$135,368
Diluted income per share before changes in accounting principles:			
As reported	$ 1.09	$ 0.52	$ 1.54
Pro forma	$ 1.00	$ 0.46	$ 1.48
Basic income per share before changes in accounting principles:			
As reported	$ 1.10	$ 0.53	$ 1.57
Pro forma	$ 1.01	$ 0.46	$ 1.51

For purposes of applying SFAS No. 123, the estimated fair value of stock options granted during 2002, 2001, and 2000 was $8.47, $7.25, and $8.15 per share, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2002	2001	2000
Expected dividend yield	1.3%	1.5%	1.5%
Expected volatility	30.1%	30.4%	29.1%
Risk-free interest rate	4.92%	4.80%	6.85%
Expected life	5 years	5 years	5 years

Net Income Per Common Share. Viad funds its matching contributions to employees' 401(k) plans through a leveraged Employee Stock Ownership Plan ("ESOP"). ESOP shares are treated as outstanding for net income per share calculations. The Employee Equity Trust (the "Trust") is used to fund certain existing employee compensation and benefit plans. Shares held by the Trust are not considered outstanding for net income per share calculations until the shares are released from the Trust.

Recent Accounting Pronouncements . In November 2001, the Emerging Issues Task Force reached a consensus on Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of Pocket' Expenses Incurred" ("EITF No. 01-14"), which became effective for Viad on January 1, 2002. Under EITF No. 01-14, reimbursements received for out-of-pocket expenses incurred are characterized as revenue in the income statement. Upon adoption of EITF No. 01-14, comparative financial statements for prior periods should be reclassified to comply with the current presentation. Viad has historically accounted for the reimbursement of out-of-pocket expenses incurred similar to EITF No. 01-14 and, therefore, the adoption of EITF No. 01-14 did not impact Viad's consolidated financial statements.

In January 2002, Viad adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 specifies that goodwill and certain intangibles with indefinite lives no longer be amortized but instead be subject to periodic impairment testing. See Note 8 of Notes to Consolidated Financial Statements for discussion of transitional impairment loss related to goodwill recognized in connection with the adoption of SFAS No. 142.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (effective for Viad on January 1, 2002). SFAS No. 144 supersedes existing accounting guidance on asset impairment under SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. Among other provisions, the new rules change the criteria for classifying an asset as held-for-sale. The standard also broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations, and changes the timing of recognizing losses on such operations. The adoption of SFAS No. 144 did not have a material impact on Viad’s financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.” This Statement rescinds SFAS No. 4, “Reporting Gains and Losses from Extinguishment of Debt,” SFAS No.

44, "Accounting for Intangible Assets of Motor Carriers" and SFAS No. 64, "Extinguishment of Debt Made to Satisfy Sinking Fund Requirements." This statement also amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Viad adopted SFAS No. 145 during 2002. The adoption of SFAS No. 145 did not have a material impact on Viad's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. Viad has adopted this new standard effective January 1, 2003, but as it has no planned 2003 exit or disposal activities, the impact on the future financial position or results of operations cannot presently be determined.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation sets forth expanded disclosure requirements in the financial statements about a guarantor's obligations under certain guarantees that it has issued. It also clarifies that, under certain circumstances, a guarantor is required to recognize a liability for the fair value of the obligation at the inception of the guarantee. Certain types of guarantees, such as product warranties, guarantees accounted for as derivatives, and guarantees related to parent-subsidiary relationships are excluded from the liability recognition provisions of Interpretation No. 45, however, they are subject to the disclosure requirements. The initial liability recognition provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of Interpretation No. 45 are effective for financial statements for interim or annual periods ending after December 15, 2002. In accordance with Interpretation No. 45, Viad has included the required disclosures relating to its guarantees in the financial statements as of December 31, 2002 (see Note 17 of Notes to Consolidated Financial Statements). Viad's guarantees principally relate to a parent's guarantee of a subsidiary's debt to a third party, and would therefore, be excluded from liability recognition at inception. Viad has not yet determined if the adoption of the new rules will have any material impact on its financial position or its results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. This statement also amends APB Opinion No. 28, "Interim Financial Reporting" to require disclosure about those effects in interim financial statements. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. Viad has elected not to voluntarily change to the fair value based method of accounting for stock-based compensation at this time. Viad has included the additional disclosure requirements in Notes 1 and 13 of Notes to Consolidated Financial Statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46), an interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements." FIN 46 prescribes how to identify variable interest entities and how an enterprise assesses its interests in a variable interest entity to decide whether to consolidate that entity. This interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. FIN 46 is effective immediately for variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. The interpretation applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. While Viad has not yet completed its determination of the full impact of the adoption of FIN 46, the Company believes that it is reasonably possible that it will have to consolidate one of its investments in a collateralized debt obligation, unless certain structural changes can be made. The Company holds a 52% interest in a trust which holds a 94% equity interest in a collateralized debt obligation. Under current accounting principles, the Company consolidates the trust but not the underlying collateralized debt obligation. The impact of consolidating the collateralized debt obligation would be to increase investments by $150.0 million and record a minority interest of $146.0 million. The Company's maximum exposure to loss as a result of its involvement with the variable interest entity is limited to approximately $4.0 million, its recorded investment in the trust.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

Note 2. Restructuring Charges, Litigation Settlement and Other Items

Restructuring Charges. During 2002, the Convention and Event Services segment continued to experience tradeshow shrinkage and further declines in the demand for the design and construction of new exhibits. This decline was due to diminished corporate spending and the continued downturn in the general economy as many exhibitors elected to reuse or refurbish existing exhibits rather than placing new orders. As a result of decreased visibility over revenues and continued uncertainties regarding improvements in the trade show industry, the exhibit construction and design business revised its forecasted demand and reevaluated its manufacturing capacity requirements and cost structure during the fourth quarter of 2002. Accordingly, Viad approved a plan of restructuring and recorded a charge totaling $20.5 million in the fourth quarter of 2002. Of the total restructuring charge, $19.3 million was included in the Consolidated Statements of Income under the caption "Restructuring charges" and $1.2 million relating to consulting fees incurred and the write-down of certain inventories was included under the caption "Cost of products sold." Viad recorded the restructuring charge pursuant to the accounting methods contained in EITF No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," and SEC Staff Accounting Bulletin No. 100, "Accounting for Costs Associated with Exit or Disposal Activities." Viad did not elect to early adopt the requirements provided in SFAS No. 146.

The charges consist of costs associated with the closure and consolidation of certain facilities, severance and other employee benefits related to the elimination of approximately 230 positions across numerous regions, business functions and job classes. The charges also include amounts for the write-down (net of estimated proceeds) of certain inventories and fixed assets, facility closure and lease termination costs (less estimated sublease income) and other exit costs. The inventory write-downs were based on estimated net realizable value. Impairment losses related to fixed assets were determined based on the estimated fair value of the specific assets relative to their carrying amounts. Facility closure and lease termination costs were based on the estimated incremental costs to be incurred and the contractual obligation amounts in connection with the affected facilities under the restructuring plan (less estimated sublease income). Viad expects to substantially complete the restructuring activities by December 31, 2003, however, payments due under the long-term lease obligations will continue to be made over the remaining terms of the lease agreements.

A summary of the above restructuring charge, amounts utilized and remaining accrued liability balance is as follows:

	Severance and Benefits	Facility Closure and Lease Termination (1)	Asset Impairment	Other	Total
			(in thousands)		
Initial restructuring charge	$2,911	$12,814	$ 4,140	$ 650	$20,515
Cash payments	—	—	—	(650)	(650)
Noncash write-downs (2)	—	—	(4,140)	—	(4,140)
Balance at December 31, 2002	$2,911	$12,814	$ —	$ —	$15,725

(1) Amount net of estimated sublease income of $3.9 million.

(2) Relates primarily to the write-down of leasehold improvements, manufacturing-related equipment and inventory.

In 2001, due to the downturn in the economy and the general decrease in corporate spending, many customers delayed or canceled exhibit construction or elected to refurbish exhibits. Furthermore, general convention attendance declined in response to the uncertain economy and travel concerns. As a result, Viad approved a plan of restructuring and in the third quarter of 2001 recorded restructuring charges totaling $66.1 million, of which 93 percent related to the Convention and Event Services segment. The restructuring charges were associated with the closure and consolidation of certain facilities, severance and other employee benefits of which $3.7 million (relating to the write-down of certain inventories) was included in the Consolidated Statements of Income under the caption "Cost of products sold." The remaining $62.4 million was classified under the caption "Restructuring charges." All facilities were closed or consolidated and all positions had been eliminated as of December 31, 2002. Payments under long-term lease obligations, however, will continue to be made over the remaining terms of the leases. Severance and benefits payments will continue to be made over the varying terms of the individual separation agreements. In the third quarter of 2002, $413,000 of the 2001 restructuring charge was reversed as certain actual costs incurred were less than original estimates. The reversal was included in the Consolidated Statements of Income under the caption "Restructuring charges."

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

A summary of the 2001 restructuring charges, amounts utilized and remaining accrued liability balance is as follows:

	Severance and Benefits	Facility Closure and Lease Termination	Asset Impairment	Other	Total
			(in thousands)		
Initial restructuring charge	$13,914	$30,252	$ 20,322	$ 1,612	$ 66,100
Cash payments	(6,907)	(2,335)	—	(1,612)	(10,854)
Noncash write-downs (1)	—	—	(20,322)	—	(20,322)
Balance at December 31, 2001	7,007	27,917	—	—	34,924
Cash payments	(5,712)	(8,962)	—	—	(14,674)
Adjustment to severance liability	(413)	—	—	—	(413)
Noncash write-downs (2)	—	(205)	—	—	(205)
Balance at December 31, 2002	$ 882	$18,750	$ —	$ —	$ 19,632

(1) Relates primarily to the write-down of leasehold improvements, manufacturing and other equipment and inventory.

(2) Relates to write-off of remaining leasehold improvements.

In the third quarter of 2000, Viad recorded a charge of $8.2 million to streamline and consolidate certain operations in Viad's Convention and Event Services segment. In addition to costs related to reductions in headcount, the charge included the write-down of certain fixed assets and facility closure costs. No accrued liability relating to this restructuring remained at either December 31, 2002 or 2001.

Litigation Settlement and Costs. In August 2000, Key3Media Group, Inc. ("Key3Media"), a company spun off by Ziff-Davis Inc., terminated a long-term agreement with GES Exposition Services, Inc. ("GES") to produce tradeshows. The companies had been involved in litigation regarding the contract termination. The key issues in the litigation related to the interpretation of certain contract terms and the scope of free services required of GES. During the second quarter of 2001, after both sides assessed the business market, the risks and demands of the litigation and the need to move forward on a productive basis, GES and Key3Media agreed to settle the litigation. As a result, Viad recorded a noncash charge totaling $29.3 million ($18.3 million after-tax) in the second quarter of 2001 representing primarily the write-off of net receivables and prepayments made to Key3Media.

Gain on Sale of Business. In July 2000, Viad sold its concession operations at America West Arena and Bank One Ballpark in Phoenix, Arizona. Viad recorded a gain of $10.3 million ($5.7 million after-tax) on the sale, after deducting costs of sale and related expense provisions. The results of operations of the sold business are included in the "Sold travel and recreation businesses" category of Note 19.

Other Charges. In the third quarter of 2001, Viad's payment services subsidiary, Travelers Express Company, Inc. ("Travelers Express") recorded a charge totaling $5.0 million ($3.0 million after-tax) resulting from the bankruptcy of a large money order agent in September 2001.

Note 3. Acquisitions of Businesses

During 2000, Viad purchased a small Convention and Event Services company. In 1999, Viad purchased a 71 percent interest in a small Travel and Recreation Services company and in 2001 and 2000 the remaining minority interest was acquired. The acquisitions were accounted for as purchases. The purchase prices, including acquisition costs, were allocated to the net tangible and identifiable intangible assets acquired based on estimated fair values at the dates of the acquisitions. The difference between the purchase prices and the related fair values of net assets acquired represents goodwill. No acquisitions were made during 2002. In January 2003, a Viad Payment Services subsidiary completed the acquisition of the 49 percent minority interest in an international money transfer services joint venture. See Note 18.

The accompanying financial statements include the accounts and results of operations from the dates of acquisition. The results of operations of the acquired companies from the beginning of the year to the dates of acquisition are not material to the consolidated results of operations.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

Net cash paid, the estimated fair value of assets acquired and debt and other liabilities assumed for the years ended December 31 were as follows:

	2002	2001	2000
	(in thousands)		
Assets acquired:			
Property and equipment	$—	$ —	$ 791
Intangibles, primarily goodwill	—	865	30,245
Other assets	—	—	12,402
Debt and other liabilities assumed	—	—	(14,570)
Net cash paid	$—	$865	$ 28,868

Note 4. Other Investments in Securities

Viad's investment securities (excluding securities held by Viad's Payment Services' subsidiaries) that are being held pending Viad's use to fund strategic acquisitions, purchase treasury shares or reduce debt obligations are included in the Consolidated Balance Sheets under the caption, "Other investments in securities." Certain investments with original maturities of three months or less, consisting of money market investments, are also included under this caption.

A summary of other investments in securities at December 31, 2002 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	$ 38,690	$ —	$—	$ 38,690
Securities classified as available-for-sale:				
U.S. Government agencies	50,762	110	—	50,872
Corporate debt securities	55,603	36	—	55,639
Mortgage-backed and other asset-backed securities	100,497	640	—	101,137
	$245,552	$786	$—	$246,338

A summary of other investments in securities at December 31, 2001 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	$118,021	$—	$ —	$118,021
Securities classified as available-for-sale:				
Mortgage-backed and other asset-backed securities	51,644	—	(109)	51,535
	$169,665	$—	$(109)	$169,556

The net unrealized holding gain of $479,000 (net of a deferred tax liability of $307,000) at December 31, 2002 and the net unrealized holding loss of $67,000 (net of a deferred tax asset of $42,000) at December 31, 2001, are included in the Consolidated Balance Sheets as a component of "Accumulated other comprehensive income."

Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations. There were no gains or losses realized during 2002, 2001 or 2000.

Note 5. Investments Available or Restricted for Payment Service Obligations

Securities Classified as Available-for-Sale. A summary of securities classified as available-for-sale at December 31, 2002 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
U.S. Government agencies	$ 197,459	$ 4,711	$ (1)	$ 202,169
Obligations of states and political subdivisions	715,149	44,420	(1)	759,568
Corporate debt securities	301,283	15,590	(927)	315,946
Mortgage-backed and other asset-backed securities	3,420,415	106,469	(16,415)	3,510,469
Debt securities issued by foreign governments	4,997	127	—	5,124
Preferred stock and other	97,074	583	(5,193)	92,464
Securities classified as available-for-sale	$4,736,377	$171,900	$(22,537)	$4,885,740

A summary of securities classified as available-for-sale at December 31, 2001 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
U.S. Government agencies	$ 29,423	$ 431	$ (68)	$ 29,786
Obligations of states and political subdivisions	734,865	11,320	(3,372)	742,813
Corporate debt securities	186,192	4,339	(941)	189,590
Mortgage-backed and other asset-backed securities	2,869,593	57,525	(15,830)	2,911,288
Debt securities issued by foreign governments	4,991	200	—	5,191
Preferred stock and other	120,631	761	(3,156)	118,236
Securities classified as available-for-sale	$3,945,695	$74,576	$(23,367)	$3,996,904

The net unrealized holding gains of $91.1 million (net of a deferred tax liability of $58.3 million) and $31.2 million (net of a deferred tax liability of $20.0 million) at December 31, 2002 and 2001, respectively, are included in the Consolidated Balance Sheets as a component of “Accumulated other comprehensive income.” Gross gains of $20.6 million, $15.8 million, and $6.7 million were realized during 2002, 2001, and 2000, respectively. Gross losses of $4.1 million, $3.9 million, and $46,000 were realized during 2002, 2001, and 2000, respectively.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

Securities Classified as Held-to-Maturity. A summary of securities classified as held-to-maturity at December 31, 2002 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
U.S. Government agencies	$ 121,233	$11,781	$ (104)	$ 132,910
Obligations of states and political subdivisions	447,155	31,419	—	478,574
Corporate debt securities	18,038	1,212	—	19,250
Mortgage-backed and other asset-backed securities	859,850	28,097	(7,541)	880,406
Debt securities issued by foreign governments	5,416	63	—	5,479
Securities classified as held-to-maturity	$1,451,692	$72,572	$(7,645)	$1,516,619

A summary of securities classified as held-to-maturity at December 31, 2001 is presented below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
U.S. Government agencies	$ 158,559	$ 2,794	$ (2,245)	$ 159,108
Obligations of states and political subdivisions	464,695	18,687	(293)	483,089
Corporate debt securities	18,112	1,070	—	19,182
Mortgage-backed and other asset-backed securities	794,740	24,064	(11,446)	807,358
Debt securities issued by foreign governments	5,456	25	—	5,481
Securities classified as held-to-maturity	$1,441,562	$46,640	$(13,984)	$1,474,218

On January 1, 2001, Viad transferred $260.0 million in book value of securities classified as held-to-maturity to securities classified as available-for-sale as permitted in conjunction with the initial application of SFAS No. 133 without calling into question management’s intent or ability to hold other securities as held-to-maturity. The transfer was reflected as an increase in the carrying value of the investments of $6.2 million, with a corresponding deferred tax liability of $2.4 million and a transition adjustment of $3.8 million in other comprehensive income.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

Scheduled Maturities. Scheduled maturities of securities at December 31, 2002 are presented below:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)			
Due in:				
2003	$ 64,932	$ 65,864	$ 3,488	$ 3,618
2004-2007	247,475	255,318	31,765	33,968
2008-2012	443,425	471,487	280,729	304,848
2013 and later	474,047	501,244	275,860	293,779
Mortgage-backed and other asset-backed securities	3,420,415	3,510,469	859,850	880,406
Preferred stock and other	86,083	81,358	—	—
	$4,736,377	$4,885,740	$1,451,692	$1,516,619

Actual maturities may differ from scheduled maturities because the borrowers have the right to call or prepay certain obligations, sometimes without penalties. Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations.

Note 6. Property and Equipment

Property and equipment at December 31 consisted of the following:

	2002	2001
	(in thousands)	
Land	$ 21,693	$ 21,396
Buildings and leasehold improvements	78,027	77,116
Equipment and other	451,061	454,926
	550,781	553,438
Accumulated depreciation	(302,682)	(292,958)
Property and equipment	$ 248,099	$ 260,480

Depreciation expense was $49.5 million, $50.0 million and $49.3 million for 2002, 2001 and 2000, respectively.

Note 7. Goodwill and Other Intangible Assets

Upon adoption of SFAS No. 142, Viad completed the transitional impairment testing of its goodwill and intangible assets with indefinite lives. It was determined that no impairment existed for certain intangible assets but a transitional impairment loss of $40.0 million ($37.7 million after-tax) was recognized (retroactively to the January 2002 adoption of SFAS No. 142) related to goodwill at the Exhibitgroup/Giltspur reporting unit of the Convention and Event Services segment. The fair value of that reporting unit was estimated using the expected present value of future cash flows. The impairment resulted from a change in the criteria for measurement of impairment from an undiscounted to a discounted cash flow method. This impairment is included in the Consolidated Statements of Income under the caption "Change in accounting principle."

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

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

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
		(in thousands)	
Amortized intangible assets:			
Customer lists	$28,874	$(16,236)	$12,638
Patents	13,200	(9,759)	3,441
Other	925	(791)	134
	42,999	(26,786)	16,213
Unamortized intangible assets:			
Trademarks	13,175	—	13,175
Pension intangible assets	5,086	—	5,086
	18,261	—	18,261
Total other intangible assets	$61,260	$(26,786)	$34,474

Intangible asset amortization expense for the years ended December 31, 2002, 2001 and 2000 was $2.0 million, $2.2 million and $2.7 million, respectively. Estimated amortization expense related to these intangibles for the five succeeding fiscal years is as follows:

	(in thousands)
2003	$2,021
2004	$2,022
2005	$2,005
2006	$1,657
2007	$1,645

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

	Payment Services	Convention and Event Services	Other	Total
		(in thousands)		
Balance at January 1, 2002	$297,705	$262,243	$27,417	$587,365
Transitional impairment loss	—	(40,000)	—	(40,000)
Foreign currency translation adjustments	—	1,973	123	2,096
Balance at December 31, 2002	$297,705	$224,216	$27,540	$549,461

Amortization expense related to goodwill for the years ended December 31, 2001 and 2000 was $16.5 million ($14.0 million after-tax) and $16.2 million ($13.6 million after-tax), respectively. Amortization expense related to intangible assets with indefinite useful lives for the years ended December 31, 2001 and 2000 was $393,000 ($246,000 after-tax), and $393,000 ($246,000 after-tax), respectively.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

Income before changes in accounting principles as reported and as adjusted for the adoption of SFAS No. 142 is presented below:

	2002	2001	2000
	(in thousands, except per share data)		
Net income	$57,886	$44,604	$140,819
Changes in accounting principles, net of tax	37,739	1,884	—
Income before changes in accounting principles	95,625	46,488	140,819
Amortization of goodwill and intangible assets with indefinite lives, net of tax	—	14,243	13,846
Adjusted income before changes in accounting principles	$95,625	$60,731	$154,665
Diluted earnings per share:			
Net income	$ 0.65	$ 0.50	$ 1.54
Changes in accounting principles, net of tax	0.44	0.02	—
Income before changes in accounting principles	1.09	0.52	1.54
Amortization of goodwill and intangible assets with indefinite lives, net of tax	—	0.17	0.15
Adjusted income before changes in accounting principles	$ 1.09	$ 0.69	$ 1.69
Basic earnings per share:			
Net income	$ 0.66	$ 0.51	$ 1.57
Changes in accounting principles, net of tax	0.44	0.02	—
Income before changes in accounting principles	1.10	0.53	1.57
Amortization of goodwill and intangible assets with indefinite lives, net of tax	—	0.17	0.16
Adjusted income before changes in accounting principles	$ 1.10	$ 0.70	$ 1.73

Note 8. Debt

Long-term debt at December 31 was as follows:

	2002	2001
	(in thousands)	
Senior debt: (1)		
Short-term borrowings:		
Promissory notes, 1.7% (2002) and 2.8% (2001) weighted average interest rate at December 31	$ 21,000	$ 20,000
Commercial paper, 1.7% (2002) and 2.5% (2001) weighted average interest rate at December 31	152,000	146,000
Senior notes, 6.5% (2002) and 6.4% (2001) weighted average interest rate at December 31, due to 2009	134,968	174,904
Guarantee of ESOP debt, floating rate indexed to LIBOR, 1.2% (2002) and 1.8% (2001) at December 31, due to 2009	15,235	16,925
Other obligations, 4.0% (2002) and 4.2% (2001) weighted average interest rate at December 31, due to 2016	19,951	20,039
	343,154	377,868
Subordinated debt, 10.5% debentures, due 2006	18,503	18,503
	361,657	396,371
Current portion	(103,995)	(42,224)
Long-term debt	$ 257,662	$354,147

(1) Rates shown are exclusive of the effects of commitment fees and other costs of long-term bank credit used to support short-term borrowings.

Viad satisfies its short-term borrowing requirements with bank lines of credit and the issuance of commercial paper and promissory notes. At December 31, 2002 there were no amounts outstanding under short-term bank loans payable. At December 31, 2001, there was $457,000 of borrowings outstanding under short-term bank loans payable.

Viad has credit facilities totaling $393 million to support revolving bank credit agreements, various letter of credit support facilities and a Canadian credit facility. The $393 million includes a $225 million five-year facility and a $168 million 364-day facility. The interest rate applicable to borrowings under the credit facilities is indexed to the London Interbank Offering Rate ("LIBOR"), plus appropriate spreads. The facilities also provide for commitment fees. Such spreads and fees will change moderately should Viad's debt ratings change. In August, 2002, Viad's 364-day short-term revolving credit facility was amended. The total amount of the lenders' commitments was reduced from $200 million to $168 million under similar terms and the commitment termination date of each eligible lender was extended to August 2003. The short-term revolving credit facility, as amended, allows for Viad to increase the aggregate amount of the lender commitments up to $200 million, subject to availability of commitments. Short-term borrowings totaling $173.0 million and $166.0 million at December 31, 2002 and 2001, respectively, have been classified as long-term debt, pursuant to the unused commitments under the applicable long-term and short-term credit facilities. Unused commitments (net of amounts used to support short-term borrowings and letters of credit) under the facilities totaled $142.0 million at December 31, 2002. Borrowings under the facilities are subject to various covenants, including standard equity and other financial ratio calculations, among others. The borrowings are also subject to increases in borrowing costs if debt ratings are not maintained at current levels. Default under the covenants relating to any of Viad's debt agreements could result in cross defaults to other debt agreements.

Annual maturities of long-term debt due in the next five years will approximate $104.0 million (2003), $194.2 million (2004), $11.1 million (2005), $19.6 million (2006), $1.0 million (2007) and $31.8 million thereafter. Included in the year 2004 is $173.0 million which represents the maturity of short-term borrowings, assuming the borrowings were due under the five-year facility and one-year term out provisions of the 364-day facility.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

The weighted average interest rate on total debt excluding interest expense unrelated to debt obligations was 4.9 percent, 5.8 percent, and 6.4 percent for 2002, 2001, and 2000, respectively.

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

The estimated fair value of total debt was $367.7 million and $403.2 million at December 31, 2002 and 2001, 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. The carrying values of the commercial paper and promissory notes were assumed to approximate fair values due to their short-term maturities.

Note 9. Derivative Financial Instruments

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

A portion of Viad's Payment Services business involves the payment of variable-rate commissions to financial institution customers of its official check program. In addition, a Viad Payment Services subsidiary has agreements to sell, on a periodic basis, undivided percentage ownership interests in certain receivables primarily from money order agents in an amount not to exceed $450 million. The agreement expires in June 2003. The receivables, sold at a discount based on short-term variable interest rates, are sold in order to accelerate Payment Services' cash flow for investment in permissible securities as described in Note 5. The balance of sold agent receivables as of December 31, 2002 and 2001 was $358.0 million and $347.0 million, respectively. The average agent receivables sold approximated $440.0 million, $444.0 million, and $433.0 million during 2002, 2001, and 2000, respectively. The Company has entered into interest rate swaps to hedge the change in these short-term interest rates. The swaps are accounted for as cash flow hedges. The expense of selling the agent receivables, discounted based on short-term variable interest rates including the related swap cost was $29.5 million, $30.1 million, and $30.4 million in 2002, 2001, and 2000, respectively, and is included under the caption "Costs of services" in the Consolidated Statements of Income.

Variable-to-fixed derivative financial instruments (swap agreements) have been entered into to mitigate the effects of fluctuations on commission expense and on the net proceeds from agent receivable sales. The notional amount of the variable-to-fixed swap agreements totaled $3.795 billion at December 31, 2002, with an average pay rate of 5.1 percent and an average receive rate of 1.2 percent. The variable-rate portion of the swaps is generally based on Treasury bill, federal funds, or commercial paper rates. The agreements expire as follows: $795.0 million (2003), $350.0 million (2004), $975.0 million (2005), $600.0 million (2006), $975.0 million (2007), and $100.0 million (2008).

The swap agreements are contracts to exchange fixed and floating payments periodically over the life of the agreements without the exchange of the underlying notional amounts. The notional amounts of such agreements are used to measure amounts to be paid or received and do not represent the amount of exposure to credit loss. The amounts to be paid or received under the swap agreements are accrued consistent with the terms of the agreements and market interest rates and are recognized as an adjustment to the expense of the related transaction.

Viad maintains formal procedures for entering into swap transactions and management regularly monitors and reports to the Audit Committee of the Board of Directors on swap activity. The agreements are with major financial institutions which are currently expected to fully perform under the terms of the agreements, thereby mitigating the credit risk from the transactions in the event of nonperformance by the counterparties. In addition, Viad regularly monitors the credit ratings of the counterparties, and the likelihood of default is considered remote.

On January 1, 2001, Viad adopted SFAS No. 133 and, subsequently, its related amendments and interpretations. SFAS No. 133 requires that entities record all derivatives as either assets or liabilities, measured at fair value (representing the estimated amount Viad would pay to counterparties to terminate the swap agreements), with the change in fair value of the derivative recognized in earnings or in other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. Viad's swap agreements have been designated and qualify as cash flow hedges. The length of time over which future cash flows are hedged ranges from one to six years.

Upon the adoption of SFAS No. 133, Viad recorded a liability of $12.3 million (representing the fair value of Viad's swap agreements), a corresponding deferred tax asset of $4.8 million, and a transition adjustment of $7.5 million reflected in other comprehensive income. At December 31, 2002 and 2001, the current liability portions of the fair value of the swap agreements totaling $119.8 million and $91.6 million, respectively, are included under the caption "Payment service obligations." The noncurrent liability portions of the swap agreements totaling $126.5 million and $23.6 million at December 31, 2002 and 2001, respectively, are included under the caption, "Derivative financial instruments." The long-term asset portion of the swap agreements of $28.0 million at December 31, 2001 is included under the caption, "Investments available or restricted for payment service obligations."

The effective portion of the change in fair values of derivatives that qualify as cash flow hedges under SFAS No. 133 is recorded in other comprehensive income. Amounts receivable or payable under the swap agreements are reclassified from other comprehensive income to net income as an adjustment to the expense of the related transaction. The net amount estimated to be reclassified from other comprehensive income to net income is $119.8 million in 2003. Amounts reclassified are included in the Consolidated Income Statements under the caption, "Costs of services." The amount recognized in earnings due to ineffectiveness of the cash flow hedges was not material. No cash flow hedges were discontinued during the year.

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

Note 10. Income Per Share

The following is a reconciliation of the numerators and denominators of diluted and basic per share computations for income before changes in accounting principles:

	2002	2001	2000
	(in thousands, except per share data)		
Income before changes in accounting principles	$95,625	$46,488	$140,819
Preferred stock dividends	(1,141)	(1,137)	(1,134)
Income available to common stockholders	$94,484	$45,351	$139,685
Average outstanding common shares	86,178	85,503	88,802
Additional dilutive shares related to stock-based compensation	538	819	2,123
Average outstanding and potentially dilutive common shares	86,716	86,322	90,925
Diluted income per share before changes in accounting principles	$ 1.09	$ 0.52	$ 1.54
Basic income per share before changes in accounting principles	$ 1.10	$ 0.53	$ 1.57

Options to purchase 3,590,806, 2,643,598, and 1,377,898 shares of common stock were outstanding during 2002, 2001 and 2000, respectively, but were not included in the computation of diluted income per share because the effect would be antidilutive.

Note 11. Redeemable Preferred Stock and Preferred Stock Purchase Rights

Viad has 442,352 shares of $4.75 Preferred Stock authorized, of which 334,352 shares are issued. The holders of the $4.75 Preferred Stock are entitled to a liquidation preference of $100 per share and to annual cumulative sinking fund redemptions of 6,000 shares. Viad presently holds 99,369 shares which will be applied to this sinking fund requirement; the 234,983 shares held by others are scheduled to be redeemed in the years 2019 to 2058. In addition, Viad has authorized 5.0 million and 2.0 million shares of Preferred Stock and Junior Participating Preferred Stock, respectively.

Viad has one Preferred Stock Purchase Right ("Right") outstanding on each outstanding share of its common stock. The Rights contain provisions to protect stockholders in the event of an unsolicited attempt to acquire Viad that is not believed by the Board of Directors to be in the best interest of stockholders. The Rights are represented by the common share certificates and are not exercisable or transferable apart from the common stock until such a situation arises. Viad may redeem the Rights at $0.01 per Right prior to the time any person or group has acquired 20 percent or more of Viad's shares. Viad has reserved 1.0 million shares of Junior Participating Preferred Stock for issuance in connection with the Rights. The Rights will expire in February 2012.

Note 12. Common Stock and Other Equity

Viad funds its matching contributions to employees' 401(k) plans through a leveraged Employee Stock Ownership Plan ("ESOP"). All eligible employees of Viad and its participating affiliates, other than certain employees covered by collective bargaining agreements that do not expressly provide for participation of such employees in an ESOP, may participate in the ESOP.

In 1989, the ESOP borrowed $40.0 million to purchase treasury shares from Viad. The ESOP's obligation to repay this borrowing is guaranteed by Viad; therefore, the unpaid balance of the borrowing ($15.2 million and $16.9 million at December 31, 2002 and 2001, respectively) has been reflected in the accompanying Consolidated Balance Sheets as long-term debt. The same amounts, representing unearned employee benefits, have been recorded as a deduction from common stock and other equity. The liability is reduced as the ESOP repays the borrowing, and the amount offsetting common stock and other equity is reduced as stock is allocated to employees and benefits are charged to expense. The ESOP intends to repay the loan (plus interest) using Viad contributions and dividends received on the unallocated Viad shares held by the ESOP.

Information regarding ESOP transactions for the years ended December 31 was as follows:

	2002	2001	2000
		(in thousands)	
Amounts paid by ESOP for:			
Debt repayment	$1,690	$1,750	$1,325
Interest	269	678	1,115
Amounts received from Viad as:			
Dividends	$ 645	$ 727	$ 808
Contributions	1,314	1,649	1,615

Shares are released for allocation to participants based upon the ratio of the current year's principal and interest payments to the sum of the total principal and interest payments expected over the remaining life of the plan. Expense is recognized based upon the greater of cumulative cash payments to the plan or 80 percent of the cumulative expense that would have been recognized under the shares allocated method, in accordance with EITF No. 89-8, "Expense Recognition for Employee Stock Ownership Plans." Under this method, Viad has recorded expense of $1.3 million, $1.7 million, and $1.6 million in 2002, 2001, and 2000, respectively.

Unallocated shares held by the ESOP totaled 1,663,000 and 1,860,000 at December 31, 2002 and 2001, respectively. Shares allocated during 2002 and 2001 totaled 197,000 and 235,000, respectively.

In 1992, Viad sold treasury stock to Viad's Employee Equity Trust (the "Trust") in exchange for a promissory note. The Trust is used to fund certain existing employee compensation and benefit plans. For financial reporting purposes, the Trust is consolidated with Viad and the promissory note ($22.8 million at December 31, 2002) and dividend and interest transactions are eliminated in consolidation. The fair market value ($52.9 million and $68.1 million at December 31, 2002 and 2001, respectively) of the 2,365,901 and 2,874,753 remaining shares held by the Trust at December 31, 2002 and 2001, respectively, representing unearned employee benefits, is shown as a deduction from common stock and other equity and is reduced as employee benefits are funded. The difference between the cost and fair value of shares held is included in additional capital.

At December 31, 2002, retained income of $176.0 million was unrestricted for the payment of dividends by Viad.

Note 13. Stock-Based Compensation

In 1997, stockholders adopted the Viad Corp Omnibus Incentive Plan ("Omnibus Plan"). The Omnibus Plan provides for the following types of awards to officers, directors and certain key employees: (a) incentive and nonqualified stock options; (b) stock appreciation rights ("SARs"); (c) restricted stock; and (d) performance-based awards. The number of shares available for grant under the Omnibus Plan in each calendar year is equal to 2 percent of

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

the total number of shares of common stock outstanding as of the first day of each year. Any shares available for grant in a particular calendar year which are not granted in such year are added to the shares available for grant in any subsequent calendar year.

Stock options are granted for terms of ten years at an exercise price based on the market value at the date of grant, and are exercisable 50 percent after one year with the balance exercisable after two years from the date of grant. Stock options granted since 1998 contain certain forfeiture and noncompete provisions.

Restricted stock and performance-driven restricted stock awards of 386,000 shares and 340,600 shares were granted in 2002 and 2001, respectively, at a weighted average price (based on fair market value at date of grant) of $27.32 and $21.69 per share, respectively. The restricted stock awards vest three years from the date of grant. Performance-driven restricted stock granted in 2001 vests five years from the date of grant; but, a portion of the award may vest, on an accelerated basis, as early as three years from the date of grant if certain long-term incentive performance targets are met or exceeded. Performance-driven restricted stock granted in 2002 may be earned in three or four years from the date of the grant depending upon the achievement level of certain long-term incentive performance targets. If performance targets are not achieved, 100 percent of the grant will be forfeited. Holders of the restricted stock have the right to receive dividends and vote the shares, but may not sell, assign, transfer, pledge or otherwise encumber the stock.

Performance-based stock awards (82,200 shares awarded in 2000 at a fair market value per share of $24.44) vest at the end of a three-year period from the date of grant, based on total shareholder return relative to the applicable stock and industry indices specified at the time of each award. Vested shares with respect to performance periods beginning in 1998 and 1997 totaled 26,646 in 2001 and 70,361 in 2000, respectively. No shares from the 1999 performance period vested in 2002. Throughout the performance period, holders of the performance-based stock have the right to receive dividends and vote the shares but may not sell, assign, transfer, pledge or otherwise encumber the stock. There were no performance-based stock awards granted in 2002 or 2001.

Viad applies APB Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized for its stock-based compensation plans other than for performance-based and restricted stock awards, which gave rise to compensation expense aggregating $4.5 million, $1.3 million, and $727,000 in 2002, 2001, and 2000, respectively. Refer to Note 1 for a discussion of the pro forma impact of stock options on reported net income.

Information with respect to stock options for the years ended December 31 is as follows:

	Shares	Weighted Average Exercise Price	Options Exercisable
Options outstanding at December 31, 1999	6,904,621	$15.27	
Granted	995,403	24.47	
Exercised	(1,924,706)	10.57	
Canceled	(178,028)	25.74	
Options outstanding at December 31, 2000	5,797,290	18.09	4,451,659
Granted	2,006,617	23.80	
Exercised	(1,739,109)	12.10	
Canceled	(414,130)	25.61	
Options outstanding at December 31, 2001	5,650,668	21.40	3,466,201
Granted	1,082,217	27.01	
Exercised	(703,923)	16.12	
Canceled	(568,497)	25.30	
Options outstanding at December 31, 2002	5,460,465	22.80	3,711,237

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

The following table summarizes information concerning stock options outstanding and exercisable at December 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 5.51 to $16.25	882,056	2.4 years	$12.86	882,056	$12.86
$18.34 to $24.24	1,009,516	7.1 years	19.70	694,516	19.25
$24.44 to $25.05	1,120,246	6.1 years	24.60	1,083,246	24.59
$25.20 to $26.39	1,070,147	8.0 years	25.23	561,519	25.24
$27.32 to $29.50	1,378,500	8.2 years	28.08	489,900	29.46
$ 5.51 to $29.50	5,460,465	6.6 years	22.80	3,711,237	21.54

Note 14. Income Taxes

Deferred income tax assets (liabilities) included in the Consolidated Balance Sheets at December 31 related to the following:

	2002	2001
	(in thousands)	
Deferred tax assets:		
Deferred income	$ 3,753	$ 3,581
Pension, compensation and other employee benefits	56,991	45,149
Revaluation of investments	12,430	3,571
Provisions for losses	48,397	49,233
Unrealized loss on derivative financial instruments	96,070	33,975
State income taxes	21,227	16,213
Tax credit carryforwards	30,772	24,936
Other deferred income tax assets	16,011	16,341
	285,651	192,999
Deferred tax liabilities:		
Property and equipment	(28,855)	(29,636)
Unrealized gain on securities classified as available-for-sale	(57,134)	(19,832)
Other deferred income tax liabilities	(28,769)	(22,512)
	(114,758)	(71,980)
Foreign deferred tax liabilities included above	10,748	10,704
United States deferred tax assets	$ 181,641	$131,723

The $30.8 million of tax credit carryforwards at December 31, 2002 consist of $6.5 million of foreign tax credit carryforwards that expire in 2005 and 2006, $8.1 million of general business credit carryforwards that expire in 2019 through 2021, and $16.2 million of alternative minimum tax carryforwards that can be carried forward indefinitely.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

Income tax expense (benefit) on income before changes in accounting principles for the years ended December 31 consisted of the following:

	2002	2001	2000
		(in thousands)	
Current:			
United States:			
Federal	$ 4,700	$ 15,739	$ (2,262)
State	21,224	7,259	2,324
Foreign	10,041	9,094	13,451
	35,965	32,092	13,513
Deferred	(6,302)	(39,202)	12,705
Income tax expense (benefit)	$29,663	$ (7,110)	$26,218

Certain tax benefits related primarily to stock option exercises and dividends paid to the ESOP totaling $2.6 million, $6.7 million, and $8.4 million in 2002, 2001, and 2000, respectively, were credited to common stock and other equity.

Eligible subsidiaries (including sold and discontinued businesses up to their respective disposition dates) are included in the consolidated federal and other applicable income tax returns of Viad.

A reconciliation of the income tax expense (benefit) on income before changes in accounting principles and the amount that would be computed using statutory federal income tax rates for the years ended December 31 is as follows:

	2002		2001		2000	
			(in thousands)			
Computed income taxes at statutory federal income tax rate of 35%	$ 43,851	35.0%	$ 13,782	35.0%	$ 58,463	35.0%
Nondeductible goodwill amortization	—	0.0%	3,443	8.7%	3,337	2.0%
State income taxes	13,126	10.5%	1,525	3.9%	3,075	1.8%
Other, net	(5,612)	(4.5%)	368	0.9%	(1,582)	(0.9%)
Provision for income taxes before the effect of tax-exempt income	51,365	41.0%	19,118	48.5%	63,293	37.9%
Tax-exempt income	(21,702)	(17.3%)	(26,228)	(66.6%)	(37,075)	(22.2%)
Income tax expense (benefit)	$ 29,663	23.7%	$ (7,110)	(18.1%)	$ 26,218	15.7%

United States and foreign income before income taxes and changes in accounting principles for the years ended December 31 was as follows:

	2002	2001	2000
		(in thousands)	
United States	$ 96,446	$15,497	$135,798
Foreign	28,842	23,881	31,239
Income before income taxes and changes in accounting principles	$125,288	$39,378	$167,037

Note 15. Pension and Other Postretirement Benefits

Pension Benefits. Viad has trusteed, noncontributory pension plans that cover certain employees. Pension benefits are supplemented, in most cases, by defined matching company stock contributions to employees' 401(k) plans as described in Note 12. In addition, Viad retained the obligations for such benefits for employees of certain sold businesses. Through December 31, 2000, the principal retirement plan was structured using a traditional defined benefit formula based primarily on final average pay and years of service. Benefits earned under this formula ceased accruing at December 31, 2000, with no change to retirement benefits earned through that date. Effective January 1, 2001, benefits

Viad Corp
Notes to Consolidated Financial Statements - (Continued)

began accruing under a cash accumulation account formula based upon a percentage of pay plus interest. Funding policies provide that payments to defined benefit pension trusts shall be at least equal to the minimum funding required by applicable regulations. Certain defined pension benefits, primarily those in excess of benefit levels permitted under qualified pension plans, are unfunded.

Net periodic pension cost for defined benefit plans for the years ended December 31 includes the following components:

	2002	2001	2000
		(in thousands)	
Service cost	$ 2,827	$ 2,592	$ 2,433
Interest cost	12,334	12,144	11,686
Expected return on plan assets	(13,245)	(13,538)	(12,816)
Amortization of prior service cost	786	955	835
Recognized net actuarial loss	462	344	629
Net periodic pension cost	$ 3,164	$ 2,497	$ 2,767

Contributions to multiemployer pension plans totaled $16.6 million, $14.6 million, and $16.5 million in 2002, 2001, and 2000, respectively. Costs of 401(k) defined contribution and other pension plans totaled $2.3 million, $2.1 million, and $2.5 million in 2002, 2001, and 2000, respectively.

The following table indicates the plans' funded status and amounts recognized in Viad's Consolidated Balance Sheets at December 31:

	Funded Plans		Unfunded Plans	
	2002	2001	2002	2001
		(in thousands)		
Change in projected benefit obligation:				
Benefit obligation at beginning of year	$129,784	$123,069	$ 46,235	$ 37,223
Service cost	1,343	1,262	1,484	1,330
Interest cost	9,079	8,983	3,255	3,161
Plan amendments	—	(5,589)	32	3,895
Actuarial adjustments	7,647	9,585	2,726	3,433
Curtailments	—	—	—	(56)
Benefits paid	(8,234)	(7,526)	(3,000)	(2,751)
Benefit obligation at end of year (1)	139,619	129,784	50,732	46,235
Change in plan assets:				
Fair value of plan assets at beginning of year	121,487	133,168	—	—
Actual return on plan assets	(6,197)	(4,183)	—	—
Company contributions	41	28	3,000	2,751
Benefits paid	(8,234)	(7,526)	(3,000)	(2,751)
Fair value of plan assets at end of year	107,097	121,487	—	—
Funded status	(32,522)	(8,297)	(50,732)	(46,235)
Unrecognized net transition asset	—	(77)	—	—
Unrecognized prior service cost (reduction)	(3,794)	(4,150)	6,529	7,718
Unrecognized actuarial loss	52,893	25,804	11,887	9,622
Net amount recognized	$ 16,577	$ 13,280	$(32,316)	$(28,895)

(1) The accumulated benefit obligation for the funded pension plans was $138.2 million and $128.2 million as of December 31, 2002 and 2001, respectively, and the accumulated benefit obligation for the unfunded pension plans was $42.2 million and $38.4 million as of December 31, 2002 and 2001, respectively.

Viad Corp
Notes to Consolidated Financial Statements - (Continued)

The total amounts recognized in Viad's Consolidated Balance Sheets at December 31 were as follows:

	Funded Plans		Unfunded Plans	
	2002	2001	2002	2001
	(in thousands)			
Net accrued pension liability	$(31,104)	$ (4,204)	$(42,450)	$(38,560)
Intangible asset	360	—	4,726	6,012
Deferred tax asset	16,562	6,119	1,893	1,279
Accumulated other comprehensive income	30,759	11,365	3,515	2,374
Net amount recognized	$ 16,577	$13,280	$(32,316)	$(28,895)

Postretirement Benefits Other Than Pensions. Viad and certain of its subsidiaries have defined benefit postretirement plans that provide medical and life insurance for certain eligible employees, retirees and dependents. The related postretirement benefit liabilities are recognized over the period that services are provided by employees. In addition, Viad retained the obligations for such benefits for retirees of certain sold businesses. While the plans have no funding requirements, Viad may fund the plans.

The net periodic postretirement benefit cost for the years ended December 31 included the following components:

	2002	2001	2000
	(in thousands)		
Service cost	$ 428	$ 332	$ 315
Interest cost	2,725	2,591	2,604
Expected return on plan assets	(148)	(383)	(372)
Amortization of prior service cost	(959)	(643)	(645)
Recognized net actuarial loss (gain)	713	(82)	(77)
Net periodic postretirement benefit cost	$2,759	$1,815	$1,825

The status of the plans as of December 31 is set forth below:

	2002	2001
	(in thousands)	
Change in accumulated benefit obligation:		
Benefit obligation at beginning of year	$ 36,573	$ 34,894
Service cost	428	332
Interest cost	2,725	2,591
Actuarial adjustments	12,808	1,657
Plan amendments	(3,636)	—
Benefits paid	(2,692)	(2,901)
Benefit obligation at end of year	46,206	36,573
Change in plan assets:		
Fair value of plan assets at beginning of year	5,583	11,719
Actual return on plan assets	33	(6,136)
Company contributions	2,692	2,901
Benefits paid	(2,692)	(2,901)
Fair value of plan assets at end of year	5,616	5,583
Funded status	(40,590)	(30,990)
Unrecognized prior service reduction	(8,865)	(6,157)
Unrecognized net actuarial loss	17,281	5,041
Accrued postretirement benefit cost	$(32,174)	$(32,106)

The assumed health care cost trend rate used in measuring the 2002 accumulated postretirement benefit obligation was 10 percent for the year 2003, gradually declining to 5 percent by the year 2008 and remaining at that level thereafter.

Viad Corp
Notes to Consolidated Financial Statements - (Continued)

The assumed health care cost trend rate used in measuring the 2001 accumulated postretirement benefit obligation was 6 percent in 2001, declining to 5 percent in 2002.

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, 2002 by approximately $4.6 million and the ongoing annual expense by approximately $410,000. 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, 2002 by approximately $4.0 million and the ongoing annual expense by approximately $349,000.

Weighted Average Assumptions. Weighted average assumptions used at December 31 were as follows:

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Discount rate	6.75%	7.25%	6.75%	7.25%
Expected return on plan assets	8.75%	10.00%	3.75%	3.75%
Rate of compensation increase	4.50%	4.50%	N/A	N/A

Note 16. Leases

Viad has entered into operating leases for the use of certain of its offices, equipment, and other facilities. These leases expire over periods ranging from one to 12 years, and some of which provide for renewal options ranging from one to 28 years. Leases which expire are generally renewed or replaced by similar leases. Some leases contain scheduled rental increases accounted for on a straight-line basis.

At December 31, 2002, Viad's future minimum rental payments and related sublease rentals receivable with respect to noncancelable operating leases with terms in excess of one year were as follows:

	Rental Payments	Receivable Under Subleases
	(in thousands)	
2003	$ 31,857	$ 5,365
2004	27,742	4,540
2005	23,791	3,978
2006	19,028	3,105
2007	17,518	2,369
Thereafter	66,901	7,283
Total	$186,837	$26,640

Net rent expense under operating leases for the years ended December 31 consisted of the following:

	2002	2001	2000
		(in thousands)	
Minimum rentals	$40,665	$40,002	$38,809
Sublease rentals	(3,086)	(2,607)	(2,613)
Total rentals, net	$37,579	$37,395	$36,196

Note 17. Litigation, Claims and Other Contingencies

Viad and certain of its subsidiaries are plaintiffs or defendants to various actions, proceedings and pending claims. Certain of these pending legal actions are or purport to be class actions. Some of the foregoing involve, or may involve, compensatory, punitive or other damages. Litigation is subject to many uncertainties and it is possible that some of the legal actions, proceedings, or claims could be decided against Viad. Although the amount of liability at December 31, 2002, with respect to certain of these matters is not ascertainable, Viad believes that any resulting liability, after taking into consideration amounts already provided for, will not have a material effect on Viad's financial statements.

Viad Corp
Notes to Consolidated Financial Statements - (Continued)

Viad is subject to various environmental laws and regulations of the United States as well as of the states and other countries in whose jurisdictions Viad has or had operations and is subject to certain international agreements. As is the case with many companies, Viad faces exposure to actual or potential claims and lawsuits involving environmental matters. Although Viad is a party to certain environmental disputes, Viad believes that any liabilities resulting therefrom, after taking into consideration amounts already provided for, exclusive of any potential insurance recoveries, will not have a material effect on Viad's financial statements.

As of December 31, 2002, Viad had certain obligations under guarantees to third parties on behalf of its subsidiaries. These guarantees are not subject to liability recognition in the consolidated financial statements and primarily relate to leased facilities and credit or loan arrangements with banks, entered into by Viad's subsidiary operations. Viad would generally be required to make payments to the respective third parties under these guarantees in the event that the related subsidiary could not meet its own payment obligations. The maximum potential amount of future payments that Viad would be required to make under all guarantees existing at December 31, 2002 would be $60.4 million. At December 31, 2002, the aggregate guarantees related to leased facilities were $34.6 million, and expire through December 2006. At December 31, 2002, the aggregate guarantees related to credit or loan arrangements with banks were $25.8 million of which, $5.8 million expire through September 2003 and $20.0 million is subject to an ongoing guarantee by a Viad subsidiary commensurate with its subsidiary's credit facility which has no expiration date. 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.

The Payment Services segment has agreements with certain investors to provide funds related to investments in collateralized private equity obligations. As of December 31, 2002, the total amount of unfunded commitments related to these agreements was $21.0 million.

Note 18. Subsequent Events

In January 2003, MoneyGram Payment Systems, Inc. ("MoneyGram"), a subsidiary of Travelers Express, acquired the 49 percent minority interest in MoneyGram International Limited ("MIL") from Travelex Group ("Travelex"). MIL, a London-based joint venture between MoneyGram and Travelex, provides international money transfer services primarily in Europe, Africa, Australia and Asia. Prior to the acquisition, MoneyGram owned a 51 percent interest in MIL. In connection with the transaction, MoneyGram paid approximately $98.0 million to Travelex. In addition, MIL paid a dividend to Travelex of approximately $8.1 million concurrent with the transaction.

Note 19. Segment Information

Viad measures profit and performance of its operations on the basis of operating income before restructuring charges and other items.

The accounting policies of the operating segments are the same as those described in Note 1, except that an adjustment is made to the Payment Services segment to present revenues and operating income on a taxable equivalent basis as though amounts were invested in taxable investments. Consolidated revenues, operating income and interest expense for 2000 also reflect the elimination of intercompany interest payments on investments in Viad commercial paper by a Payment Services subsidiary as well as intersegment sales and transfers. Corporate activities include expenses not allocated to operations. Depreciation and amortization are the only significant noncash items for the reportable segments.

Viad's two reportable segments are Payment Services and Convention and Event Services. The Payment Services segment sells money orders through agents, performs official check and negotiable instrument clearing services for banks and credit unions, and provides cash access services to gaming establishments throughout the United States. In addition, the segment provides consumer money wire transfer services throughout the world. The Convention and Event Services segment provides decorating, installation and dismantling, and electrical, transportation and management services for conventions, tradeshows, associations and other corporate events; and designs and builds convention, tradeshow, museum and other exhibits and displays throughout the world.

The remaining categories represent Travel and Recreation Services businesses below reportable segment quantitative thresholds, sold businesses not classified as discontinued operations, and corporate activities. These categories are presented to reconcile to total results. Travel and Recreation Services includes Viad's Canadian travel tour service subsidiary, which operates tours and charters in the Canadian Rockies, conducts hotel operations and snowcoach

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

tours of the Columbia Icefield and offers gondola rides of Sulphur Mountain; and Glacier Park, Inc., which operates historic lodges in and around Glacier National Park.

Disclosures regarding Viad's reportable segments with reconciliations to consolidated totals are presented in the accompanying tables:

	2002	2001	2000
		(in thousands)	
Revenues:			
Payment Services	$ 809,790	$ 753,372	$ 671,683
Convention and Event Services	786,233	884,044	1,032,115
Reportable segments	1,596,023	1,637,416	1,703,798
Travel and Recreation Services	58,253	61,453	72,508
Subtotal, ongoing operations	1,654,276	1,698,869	1,776,306
Sold travel and recreation businesses	—	—	19,023
Intercompany interest elimination	—	—	(2,297)
Less taxable equivalent adjustment (1)	(36,171)	(46,847)	(66,224)
	$1,618,105	$1,652,022	$1,726,808
Operating income before restructuring charges and other items (2):			
Payment Services	$ 161,691	$ 169,247	$ 160,055
Convention and Event Services	36,454	32,563	75,510
Reportable segments	198,145	201,810	235,565
Travel and Recreation Services	13,743	14,698	19,123
Subtotal, ongoing operations	211,888	216,508	254,688
Sold travel and recreation businesses	—	—	2,467
Corporate activities	(17,114)	(12,029)	(9,783)
Intercompany interest elimination	—	—	(2,297)
Less taxable equivalent adjustment (1)	(36,171)	(46,847)	(66,224)
	158,603	157,632	178,851
Other investment income	10,531	5,652	13,115
Interest expense	(19,268)	(25,936)	(25,303)
Restructuring charges and other items:			
Payment Services	(440)	(5,947)	—
Convention and Event Services	(18,582)	(87,045)	(8,677)
Corporate	80	(3,652)	10,768
Minority interests	(5,636)	(1,326)	(1,717)
Income before income taxes and changes in accounting principles	$ 125,288	$ 39,378	$ 167,037

(1) The taxable equivalent adjustment for Payment Services' income from tax-exempt securities is calculated based on an income tax rate of approximately 39% (revised to 35% as of July 1, 2002).

(2) Includes amortization of goodwill of $8.2 million and $8.1 million for 2001 and 2000, respectively, for the Payment Services segment; $7.8 million and $7.5 million for 2001 and 2000, respectively, for the Convention and Event Services segment; and $856,000 and $859,000 for 2001 and 2000, respectively, for the Travel and Recreation Services businesses.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

	2002	2001	2000
		(in thousands)	
Assets:			
Payment Services (1)	$8,725,497	$7,438,634	$5,618,400
Convention and Event Services	431,384	497,216	591,186
Reportable segments	9,156,881	7,935,850	6,209,586
Travel and Recreation Services	88,590	76,709	79,590
Subtotal, ongoing operations	9,245,471	8,012,559	6,289,176
Corporate and other	429,958	362,740	262,316
	$9,675,429	$8,375,299	$6,551,492
Depreciation and amortization: (2)			
Payment Services	$ 26,690	$ 31,680	$ 28,310
Convention and Event Services	18,963	30,965	32,275
Reportable segments	45,653	62,645	60,585
Travel and Recreation Services	3,570	4,219	4,176
Subtotal, ongoing operations	49,223	66,864	64,761
Sold travel and recreation businesses	—	—	1,163
Corporate and other	2,260	2,232	2,676
	$ 51,483	$ 69,096	$ 68,600
Capital expenditures:			
Payment Services	$ 26,842	$ 32,225	$ 24,810
Convention and Event Services	11,226	15,143	13,321
Reportable segments	38,068	47,368	38,131
Travel and Recreation Services	2,045	1,997	4,634
Subtotal, ongoing operations	40,113	49,365	42,765
Sold travel and recreation businesses	—	—	62
Corporate and other	114	418	2,379
	$ 40,227	$ 49,783	$ 45,206

(1) Includes investments available or restricted for payment service obligations of $8.2 billion (2002), $6.9 billion (2001), and $5.1 billion (2000).

(2) Includes amortization of goodwill of $8.2 million and $8.1 million for 2001 and 2000, respectively, for the Payment Services segment; $7.8 million and $7.5 million for 2001 and 2000, respectively, for the Convention and Event Services segment; and $856,000 and $859,000 for 2001 and 2000, respectively, for the Travel and Recreation Services businesses.

Viad Corp
Notes to Consolidated Financial Statements - (Continued)

Geographic Areas. Viad's foreign operations are located principally in Canada and Europe. Convention and Event Services revenues are designated as foreign based on the originating location of the product or service plus exports to foreign shows. Payment Services foreign revenues are defined as revenues generated from wire transfer transactions originating in a country other than the United States. Long-lived assets are attributed to domestic or foreign based principally on physical location of the assets. Long-lived assets consist of "Property and equipment" and "Other investments and assets." The table below presents the financial information by major geographic area:

	2002	2001	2000
		(in thousands)	
Revenues:			
United States	$1,424,824	$1,435,209	$1,521,161
Foreign	193,281	216,813	205,647
Total revenues	$1,618,105	$1,652,022	$1,726,808
Long-lived assets:			
United States	$ 243,298	$ 270,292	$ 322,927
Foreign	62,880	57,903	66,197
Total long-lived assets	$ 306,178	$ 328,195	$ 389,124

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

Note 20. Condensed Consolidated Quarterly Results (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2002		(in thousands, except per share data)		
Revenues: (1)(3)	$438,822	$404,401	$412,649	$362,233
Operating income: (1)				
Ongoing operations (2)(3)	$ 46,326	$ 52,461	$ 50,618	$ 26,312
Corporate activities (4)	(4,126)	(6,307)	(3,989)	(2,692)
Restructuring charges (5)	—	—	413	(19,355)
Operating income	$ 42,200	$ 46,154	$ 47,042	$ 4,265
Net income (loss) (6)	$ (9,343)	$ 29,715	$ 32,257	$ 5,257
Diluted net income (loss) per common share	(0.11)	0.34	0.37	0.06
Basic net income (loss) per common share	(0.11)	0.34	0.37	0.06
Taxable equivalent adjustment (1)	10,257	10,036	7,989	7,889

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2001		(in thousands, except per share data)		
Revenues: (1)(3)	$459,564	$443,908	$385,067	$363,483
Operating income (loss): (1)				
Ongoing operations (2)(3)	$ 44,886	$ 57,343	$ 32,157	$ 35,275
Corporate activities (4)	(4,841)	(3,953)	(1,709)	(1,526)
Restructuring charges (5)	—	—	(62,370)	—
Litigation settlement and costs (7)	—	(29,274)	—	—
Other charges (8)	—	—	(5,000)	—
Operating income (loss)	$ 40,045	$ 24,116	$ (36,922)	$ 33,749
Net income (loss) (6)	$ 24,302	$ 15,110	$ (18,928)	$ 24,120
Diluted net income (loss) per common share	0.28	0.17	(0.22)	0.28
Basic net income (loss) per common share	0.28	0.18	(0.22)	0.28
Taxable equivalent adjustment (1)	12,902	12,777	10,950	10,218

(1) Viad's Payment Services subsidiaries invest substantial amounts in tax-exempt securities. On a taxable equivalent basis using a combined tax rate of approximately 39% (declining to 35% as of July 1, 2002), revenues and operating income would be higher by the taxable equivalent adjustments shown above.

(2) Represents revenues less costs of services and costs of products sold.

(3) Includes investment impairment losses and adjustments for 2002 as follows; $6.2 million (first quarter), $4.1 million (second quarter), $5.3 million (third quarter), and $13.3 million (fourth quarter). Includes similar losses and adjustments for 2001 as follows; $658,000 (second quarter), $5.0 million (third quarter), and $1.7 million (fourth quarter).

(4) In the second quarter of 2002, Viad recorded a charge of $2.5 million for legal, investment banking and other costs incurred in connection with a contemplated initial public offering of Travelers Express. The third and fourth quarters of 2001 include a reversal of expense provisions associated with certain of Viad's incentive plans because aggressive targets were not achieved.

(5) In the fourth quarter of 2002, Viad recorded restructuring charges totaling $19.3 million associated with the closure and consolidation of certain facilities, severance and other employee benefits. Viad had recorded restructuring charges totaling $62.4 million in the third quarter of 2001, of which $413,000 was reversed in the third quarter of 2002 as certain actual costs incurred were less than original estimates.

(6) Effective in the first quarter 2002, upon adoption of SFAS No. 142, Viad recorded an impairment charge of $40.0 million ($37.7 million after-tax) related to the Exhibitgroup/Giltspur reporting unit of the Convention and Event Services segment. Effective in the second quarter 2001, upon the adoption of EITF 99-20, Viad recorded an investment impairment charge of $3.0 million ($1.9 million after-tax)

related to the Payment Services segment. These charges were recorded as changes in accounting principles.

(7) In the second quarter of 2001, Viad recorded a charge totaling $29.3 million representing primarily the write-off of net receivables and prepayments made to Key3Media.

(8) In the third quarter of 2001, Viad’s Payment Service subsidiary recorded a charge totaling $5.0 million resulting from the bankruptcy of a large money order agent.

Note 21. Restatement of Financial Statements

Viad's Payment Services float portfolio of approximately $7.4 billion at December 31, 2002 (of which $6.3 billion is included under "Investments available or restricted for payment service obligations" and $1.1 billion of cash and investments are included under "Funds, agent receivables and current maturities of investments available or restricted for payment service obligations") consists primarily of mortgage-backed and other asset-backed securities, state and municipal government obligations and corporate debt securities. Included in other asset-backed securities were certain structured investments, which the Payment Services segment began purchasing in 1999. These structured investments are designed to be "principal-protected" and generally consist of a zero coupon U.S. Treasury or government agency strip security combined with a residual interest in a collateralized debt obligation (CDO equity). In certain cases, the structured investments consist of an investment grade security and a limited partnership interest. At maturity, the amount of the zero coupon or investment grade security generally equals the purchase price of the total structured investment. The structured investments are typically held in the form of a note issued by a trust, which had purchased the two underlying securities described above.

Payment Services historically applied the accounting treatment prescribed by Emerging Issues Task Force Issue No. 96-12, "Recognition of Interest Income and Balance Sheet Classification of Structured Notes" (EITF 96-12). Furthermore, these structured notes were accounted for as single debt instruments, representing the combined characteristics of the individual securities. The accounting treatment under EITF 96-12 generally provides for a level yield over the life of the investment and requires a retrospective adjustment to interest income upon a change in projected cash flows.

Subsequent to the issuance of its financial statements for the year ended December 31, 2002, it was determined that the majority of the structured notes should have been accounted for under the provisions of Emerging Issues Task Force Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" (EITF 99-20). EITF 99-20 generally requires those applicable investments to be written down to fair value when an adverse change in actual or projected cash flows occurs.

It was also determined that certain of these structured notes should have been consolidated in the financial statements to the extent that Payment Services owned a majority of the beneficial interests in the trust which was formed to create the structured note. Consolidation of these trusts requires that the two components of the structured note be accounted for as separate securities in the financial statements in contrast to the single debt instrument approach previously taken. The effect of the consolidation is that increases in the market value of the U.S. Treasury or government agency strips cannot offset other-than-temporary impairment losses on the equity component. Also, CDO equity should have been accounted for under EITF 99-20, and the equity method of accounting should have been applied to the structured notes containing limited partnership interests. Under the equity method, a proportionate share of income or losses should be recorded as an adjustment to the original investment amount and reflected through earnings.

Based on the retroactive application of EITF 99-20, the equity method of accounting, and the consolidation of the individual securities within the structured notes for which Payment Services owns a majority of the related trust, it was determined that aggregate impairment losses and interest income adjustments of $39.2 million (pre-tax) related to the structured note investments should be recorded. Based on the timing of the changes in cash flows, and the effects of consolidating certain structured note investments, impairment losses and adjustments of $28.9 million and $10.3 million should have been recorded for the years ended December 31, 2002 and 2001, respectively. The impairment losses and interest income adjustments were recorded in the Consolidated Statements of Income under "Payment services investment income," except for $3.0 million ($1.9 million after-tax) of the 2001 adjustment which represents a cumulative effect of a change in accounting principle related to the adoption of EITF 99-20, effective April 1, 2001. The reduction in net income was $18.2 million, or $0.21 per diluted share for 2002 and $6.5 million, or $0.08 per diluted share for 2001 (including the cumulative change adjustment described above). Furthermore, the CDO equity and limited partnership interests are classified in "Other asset-backed securities" and the zero coupon treasury strips are classified as "U.S. government agencies." See Note 5, "Investments Available or Restricted for Payment Service Obligations."

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

A summary of the significant effects of the restatement on Viad's Consolidated Statements of Income and related segment data is presented below. Certain reclassifications have been made to the as previously reported amounts to conform to the current presentation. The change in accounting principle in 2002 reflects the retroactive application of SFAS No. 142.

	Year ended December 31,			
	2002		2001	
	(as previously reported)	(as restated)	(as previously reported)	(as restated)
	(in thousands)			
Total Company:				
Total revenues	$1,646,984	$1,618,105	$1,659,390	$1,652,022
Income before income taxes and changes in accounting principles	$ 154,167	$ 125,288	$ 46,746	$ 39,378
Income tax expense (benefit)	40,334	29,663	(4,388)	(7,110)
Income before changes in accounting principles	113,833	95,625	51,134	46,488
Changes in accounting principles, net of tax	(37,739)	(37,739)	—	(1,884)
Net income (loss)	$ 76,094	$ 57,886	$ 51,134	$ 44,604
Diluted income (loss) per common share:				
Income per share before changes in accounting principles	$ 1.30	$ 1.09	$ 0.58	$ 0.52
Changes in accounting principles, net of tax	(0.44)	(0.44)	—	(0.02)
Net income (loss) per common share	$ 0.86	$ 0.65	$ 0.58	$ 0.50
Basic income (loss) per common share:				
Income per share before changes in accounting principles	$ 1.31	$ 1.10	$ 0.58	$ 0.53
Changes in accounting principles, net of tax	(0.44)	(0.44)	—	(0.02)
Net income (loss) per common share	$ 0.87	$ 0.66	$ 0.58	$ 0.51
Payment Services segment:				
Revenue	$ 802,498	$ 773,619	$ 713,893	$ 706,525
Operating income (1)	$ 154,399	$ 125,520	$ 129,768	$ 122,400

(1) Segment operating income, as defined in Note 19, is before restructuring charges and other items.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

A summary of the significant effects of the restatement on Viad's Consolidated Balance Sheets is as follows:

	December 31, 2002		December 31, 2001	
	(as previously reported)	(as restated)	(as previously reported)	(as restated)
Investments available or restricted for payment service obligations	$6,304,906	$6,268,080	$5,450,850	$5,442,615
Other investments and assets	49,960	58,079	67,715	67,715
Deferred income taxes	112,286	125,894	82,764	85,807
Minority interests	10,540	18,659	5,284	5,284
Retained income	806,179	781,441	762,008	755,478
Accumulated other comprehensive income (loss):				
Unrealized gain on available-for-sale securities	90,120	91,640	29,876	31,214

A summary of the significant effects of the restatement on Viad's Quarterly Consolidated Statements of Income and related segment data for 2002 and 2001 is presented below. Certain reclassifications have been made to the as previously reported amounts to conform to the current presentation. The change in accounting principle in 2002 reflects the retroactive application of SFAS No. 142.

	2002 First Quarter		2002 Second Quarter		2002 Third Quarter		2002 Fourth Quarter	
	(as previously reported)	(as restated)	(as previously reported)	(as restated)	(as previously reported)	(as restated)	(as previously reported)	(as restated)
				(in thousands)				
Total Company:								
Revenue	$445,021	$438,822	$408,511	$404,401	$417,977	$412,649	$375,475	$362,233
Income before change in accounting principle	$ 32,344	$ 28,396	$ 32,266	$ 29,715	$ 35,617	$ 32,257	$ 13,606	$ 5,257
Change in accounting principle	(37,739)	(37,739)	—	—	—	—	—	—
Net income (loss)	$ (5,395)	$ (9,343)	$ 32,266	$ 29,715	$ 35,617	$ 32,257	$ 13,606	$ 5,257
Diluted income (loss) per common share:								
Income before change in accounting principle	$ 0.37	$ 0.33	$ 0.36	$ 0.34	$ 0.41	$ 0.37	$ 0.15	$ 0.06
Change in accounting principle	(0.44)	(0.44)	—	—	—	—	—	—
Net income (loss) per share	$ (0.07)	$ (0.11)	$ 0.36	$ 0.34	$ 0.41	$ 0.37	$ 0.15	$ 0.06
Basic income (loss) per common share:								
Income before change in accounting principle	$ 0.37	$ 0.33	$ 0.37	$ 0.34	$ 0.41	$ 0.37	$ 0.16	$ 0.06
Change in accounting principle	(0.44)	(0.44)	—	—	—	—	—	—
Net income (loss) per share	$ (0.07)	$ (0.11)	$ 0.37	$ 0.34	$ 0.41	$ 0.37	$ 0.16	$ 0.06
Payment Services:								
Revenue	$187,044	$180,845	$195,932	$191,822	$209,176	$203,848	$210,346	$197,104
Operating income (1)	$ 31,784	$ 25,585	$ 39,254	$ 35,144	$ 39,088	$ 33,760	$ 44,273	$ 31,031

(1) Segment operating income, as defined in Note 19, is before restructuring charges and other items.

Viad Corp
Notes to Consolidated Financial Statements – (Continued)

	2001 First Quarter		2001 Second Quarter		2001 Third Quarter		2001 Fourth Quarter	
	(as previously reported)	(as restated)	(as previously reported)	(as restated)	(as previously reported)	(as restated)	(as previously reported)	(as restated)
	(in thousands)							
Total Company:								
Revenue	$459,564	$459,564	$444,566	$443,908	$390,086	$385,067	$365,174	$363,483
Income before change in accounting principle	$ 24,302	$ 24,302	$ 17,409	$ 16,994	$ (15,764)	$ (18,928)	$ 25,187	$ 24,120
Change in accounting principle	—	—	—	(1,884)	—	—	—	—
Net income (loss)	$ 24,302	$ 24,302	$ 17,409	$ 15,110	$ (15,764)	$ (18,928)	$ 25,187	$ 24,120
Diluted income (loss) per common share:								
Income before change in accounting principle	$ 0.28	$ 0.28	$ 0.20	$ 0.19	$ (0.19)	$ (0.22)	$ 0.29	$ 0.28
Change in accounting principle	—	—	—	(0.02)	—	—	—	—
Net income (loss) per share	$ 0.28	$ 0.28	$ 0.20	$ 0.17	$ (0.19)	$ (0.22)	$ 0.29	$ 0.28
Basic income (loss) per common share:								
Income before change in accounting principle	$ 0.28	$ 0.28	$ 0.20	$ 0.20	$ (0.19)	$ (0.22)	$ 0.29	$ 0.28
Change in accounting principle	—	—	—	(0.02)	—	—	—	—
Net income (loss) per share	$ 0.28	$ 0.28	$ 0.20	$ 0.18	$ (0.19)	$ (0.22)	$ 0.29	$ 0.28
Payment Services:								
Revenue	$166,396	$166,396	$174,243	$173,585	$ 18,083	$176,064	$192,171	$190,480
Operating income (1)	$ 21,893	$ 21,893	$ 30,905	$ 30,247	$ 33,441	$ 28,422	$ 43,529	$ 41,838

(1) Segment operating income, as defined in Note 19, is before restructuring charges and other items.

REPORT OF MANAGEMENT

The management of Viad Corp has the responsibility for preparing and assuring the integrity and objectivity of the accompanying financial statements and other financial information in this report. The financial statements were developed using accounting principles generally accepted in the United States of America and appropriate policies, consistently applied. They reflect, where applicable, management's best estimates and judgments and include relevant disclosures and explanations.

Viad's financial statements have been audited by Deloitte & Touche LLP. Their audit was conducted in accordance with auditing standards generally accepted in the United States of America. The Independent Auditors' Report appears below.

Management has established and maintains a system of internal control that it believes provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets, and the prevention and detection of fraudulent financial reporting. The system of internal control is believed to provide for appropriate division of responsibilities and is documented by written policies and procedures that are utilized by employees involved in the financial reporting process. Viad also maintains a comprehensive internal auditing function which independently monitors compliance and assesses the effectiveness of the internal controls and recommends potential improvements thereto.

In addition, as part of their audit of Viad's financial statements, the independent auditors review and evaluate selected internal accounting and other controls to establish a basis for reliance thereon in determining the audit tests to be applied. There is close coordination of audit planning and coverage between Viad's internal auditing function and the independent auditors. Management has considered the recommendations of both internal auditing and the independent auditors concerning Viad's system of internal control and has taken actions believed to be cost-effective in the circumstances to implement appropriate recommendations and otherwise enhance controls. Management believes that Viad's system of internal control accomplishes the objectives discussed herein.

The Board of Directors oversees Viad's financial reporting through its Audit Committee. The Audit Committee regularly meets with management and, jointly and separately, with the independent auditors and internal auditing management to review interest rate swap activity, accounting, auditing, financial reporting and internal control matters and the effectiveness of Viad's Corporate Compliance Program.

/s/ ROBERT H. BOHANNON	/s/ ELLEN M. INGERSOLL	/s/ G. MICHAEL LATTA
Robert H. Bohannon Chairman, President and Chief Executive Officer	Ellen M. Ingersoll Chief Financial Officer	G. Michael Latta Vice President — Controller

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of Viad Corp:

We have audited the accompanying consolidated balance sheets of Viad Corp and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, comprehensive income, cash flows, and common stock and other equity for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142.

As discussed in Note 21, the 2002 and 2001 consolidated financial statements have been restated.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
Phoenix, Arizona
February 7, 2003
(May 30, 2003 as to the effects of the restatement discussed in Note 21)

Table of Contents

EXHIBIT INDEX

EXHIBITS. #	
3.A	Copy of Restated Certificate of Incorporation of Viad Corp, as amended through August 15, 1996, filed as Exhibit 3.A to Viad Corp's 1996 Form 10-K, is hereby incorporated by reference.
3.B	Copy of Bylaws of Viad Corp, as amended through November 19, 1998, filed as Exhibit 3.B to Viad Corp's 1998 Form 10-K, is hereby incorporated by reference.
4.A	Instruments with respect to issues of long-term debt have not been filed as exhibits to this annual report on Form 10-K if the authorized principal amount of any one of such issues does not exceed 10% of total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation agrees to furnish a copy of each such instrument to the Securities and Exchange Commission upon request.
4.B	Copy of Amended and Restated Credit Agreement (Long-Term Revolving Credit Facility) dated as of August 31, 2001, filed as Exhibit 4.A to Viad Corp's Form 10-Q for the period ended September 30, 2001, is hereby incorporated by reference.
4.B1	Copy of Credit Agreement (Short-Term Revolving Credit Facility) dated as of August 31, 2001, filed as Exhibit 4.B to Viad Corp's Form 10-Q for the period ended September 30, 2001, is hereby incorporated by reference.
4.B2	Copy of First Amendment dated October 3, 2001 to Amended and Restated Credit Agreement (Long Term Revolving Credit Facility) dated as of August 31, 2001, filed as Exhibit 4.B2 to Viad Corp's Form 10-K for the period ended December 31, 2001, is hereby incorporated by reference.
4.B3	Copy of U.S. $168,000,000 First Amendment to Credit Agreement (Short-Term Revolving Credit Facility) dated as of August 30, 2002, filed as Exhibit 4 to Viad Corp's Form 10-Q for the period ended September 30, 2002, is hereby incorporated by reference.
10.A	Copy of Viad Corp 1992 Stock Incentive Plan as amended August 15, 1996, filed as Exhibit 4.3 to Viad Corp's Registration Statement on Form S-8 (Registration No. 333-63397), is hereby incorporated by reference.+
10.B	Copy of 1997 Viad Corp Omnibus Incentive Plan, as amended through May 14, 2002, filed as Exhibit 10.A to Viad Corp's Form 10-Q for the period ended June 30, 2002,is hereby incorporated by reference.+
10.C1	Copy of Performance Driven Restricted Stock Agreement, as amended March 26, 2002, pursuant to the 1997 Viad Corp Omnibus Incentive Plan, filed as Exhibit 10.B to Viad Corp's Form 10-Q for the period ended June 30, 2002, is hereby incorporated by reference.+
10.C2	Copy of Restricted Stock Agreement (periodic vesting) pursuant to the 1997 Viad Corp Omnibus Incentive Plan, filed as Exhibit 10.C to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+
10.C3	Copy of Restricted Stock Agreement (three year cliff vesting) as amended March 26, 2002, pursuant to the 1997 Viad Corp Omnibus Incentive Plan, filed as Exhibit 10.B to Viad Corp's Form 10-Q for the period ended March 31, 2002, is hereby incorporated by reference.+
10.D	Copy of Viad Corp Management Incentive Plan, as amended November 21, 2002.+*
10.E	Copy of Viad Corp Performance Unit Incentive Plan, as amended August 15, 2001, filed as Exhibit 10.E to Viad Corp's Form 10-K for the period ended December 31, 2001, is hereby incorporated by reference.+
10.F	Copy of Viad Corp Performance-Based Stock Plan, as amended and restated effective May 1998, filed as Exhibit 10.D to Viad Corp's Second Quarter 1998 Form 10-Q, is hereby incorporated by reference.+
10.G	Copy of Viad Corp Deferred Compensation Plan, Amended and Restated as of November 21, 2002.+*
10.H1	Copy of form of Amended and Restated Executive Severance Agreement effective as of March 15, 2001, between Viad Corp and Chairman, President and Chief Executive Officer, filed as Exhibit 10.F(i) to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+
10.H2	Copy of forms of Viad Corp Amended and Restated Executive Severance Plans covering certain executive officers, filed as Exhibit 10.F(ii) to Viad Corp's Form 10-Q for the period ended March 31, 2001, is hereby incorporated by reference.+
10.I	Copy of Employment Agreement between Viad Corp and Robert H. Bohannon dated April 1, 1998, filed as Exhibit 10 to Viad Corp's First Quarter 1998 Form 10-Q, is hereby incorporated by reference.+

10.J Copy of Viad Corp Supplemental TRIM Plan, filed as Exhibit 10.M to Viad Corp's 1994 Form 10-K, is hereby incorporated by reference.+

Table of Contents

EXHIBITS. #	
10.J1	Copy of First Amendment, dated as of May 8, 2001, to the Viad Corp Supplemental TRIM Plan, filed as Exhibit 10.A to Viad Corp's Form 10-Q for the period ended June 30, 2001, is hereby incorporated by reference.+
10.K	Copy of Viad Corp Supplemental Pension Plan, as amended and restated effective January 1, 2001, filed as Exhibit 10.B to Viad Corp's Form 10-Q for the period ending June 30, 2001, is hereby incorporated by reference.+
10.L	Copy of Travelers Express Company, Inc. Supplemental Pension Plan, restated as of January 1, 2001, filed as Exhibit 10.A to Viad Corp's Form 10-Q for the period ending September 30, 2001, is hereby incorporated by reference.+
10.M	Copy of GES Exposition Services, Inc. Supplemental Executive Retirement Plan, restated as of January 1, 2001, filed as Exhibit 10.B to Viad Corp's Form 10-Q for the period ending September 30, 2001, is hereby incorporated by reference.+
10.N	Copy of Deferred Compensation Plan for Directors of Viad Corp, as Amended and Restated November 21, 2002.+*
10.O	Copy of Viad Corp Director's Charitable Award Program as amended through March 15, 1996, filed as Exhibit 10.T to Viad Corp's 1995 Form 10-K, is hereby incorporated by reference.+
10.P	Description of Viad Corp Director's Matching Gift Program, filed as Exhibit 10.Q to Viad Corp's 1999 Form 10-K, is hereby incorporated by reference.+
21	List of Subsidiaries of Viad Corp.*
23	Independent Auditors' Consent to the incorporation by reference into specified registration statements on Form S-3 or on Form S-8 of their report contained in this report.**
24	Power of Attorney signed by Directors of Viad Corp.*
99.1	Additional Exhibit of Certification of Chief Executive Officer of Viad Corp pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** A signed original of this written statement required by Section 906 has been provided to Viad Corp and will be retained by Viad Corp and furnished to the Securities and Exchange Commission or its staff upon request.
99.2	Additional Exhibit of Certification of Chief Financial Officer of Viad Corp pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** A signed original of this written statement required by Section 906 has been provided to Viad Corp and will be retained by Viad Corp and furnished to the Securities and Exchange Commission or its staff upon request.

* Filed with Viad Corp's original Form 10-K for the period ending December 31, 2002.

** Filed herewith.

\+ Management contract or compensation plan or arrangement.

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-54465, and 33-55360 on Form S-3 and Nos. 333-63397, 333-35231, and 333-99239 on Form S-8 of Viad Corp, of our report dated February 7, 2003 (May 30, 2003 as to the effect of the restatement discussed in Note 21), which expresses an unqualified opinion and includes explanatory paragraphs relating to the restatement discussed in Note 21 and the adoption of Statement of Financial Accounting Standards No. 142 discussed in Note 7 appearing in this Annual Report on Form 10-K/A of Viad Corp for the year ended December 31, 2002.

Deloitte & Touche LLP
Phoenix, Arizona
May 30, 2003

Exhibit 99.1

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

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

1. the Amendment No. 1 to the Annual Report on Form 10-K of Viad Corp for the fiscal year ended December 31, 2002 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Viad Corp.

Dated: June 2, 2003

By /s/ Robert H. Bohannon

Robert H. Bohannon
Chief Executive Officer

Exhibit 99.2

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

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

1. the Amendment No. 1 to the Annual Report on Form 10-K of Viad Corp for the fiscal year ended December 31, 2002 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Viad Corp.

Dated: June 2, 2003

By /s/ Ellen M. Ingersoll

Ellen M. Ingersoll
Chief Financial Officer