VIAD CORP
Form 10-Q
November 06, 2009

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

(Mark one)

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

For the quarterly period ended September 30, 2009

or

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

For the transition period from __________ to __________

Commission File Number: 001-11015

VIAD CORP

(Exact name of registrant as specified in its charter)

Delaware	**36-1169950**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1850 North Central Avenue, Suite 800 Phoenix, Arizona	**85004-4545**
(Address of principal executive offices)	(Zip Code)

(602) 207-4000

(Registrant s telephone number, including area code)

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

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

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

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

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

As of October 31, 2009, 20,550,691 shares of common stock ($1.50 par value) were outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

VIAD CORP
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2009	December 31, 2008
	(in thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 128,543	$ 148,040
Accounts receivable, net of allowance for doubtful accounts of $2,560 and $2,556, respectively	54,731	53,541
Inventories	44,113	52,311
Deferred income taxes	16,809	19,695
Other current assets	24,555	14,453
Total current assets	268,751	288,040
Property and equipment, net	173,495	165,415
Other investments and assets	28,552	26,560
Deferred income taxes	24,799	18,996
Goodwill	123,767	212,461
Other intangible assets, net	5,608	17,932
Total Assets	$ 624,972	$ 729,404
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 49,745	$ 57,702
Other current liabilities	87,795	109,059
Current portion of long-term debt and capital lease obligations	4,132	2,556
Total current liabilities	141,672	169,317
Long-term debt and capital lease obligations	9,504	10,087
Pension and postretirement benefits	25,473	25,121
Other deferred items and liabilities	48,750	57,790
Total liabilities	225,399	262,315
Commitments and contingencies (Note 16)		
Stockholders equity:		
Viad Corp stockholders equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 24,934,981 shares issued	37,402	37,402
Additional capital	605,523	623,781
Retained earnings (deficit)	(1,112)	91,558

Unearned employee benefits and other		(6,918)		(7,881)
Accumulated other comprehensive income (loss):				
Unrealized gain (loss) on investments		145		(62)
Cumulative foreign currency translation adjustments		28,228		6,233
Unrecognized net actuarial loss and prior service credit		(4,042)		(3,673)
Common stock in treasury, at cost, 4,380,438 and 4,655,956 shares, respectively		(266,827)		(286,803)
Total Viad Corp stockholders equity		392,399		460,555
Noncontrolling interest		7,174		6,534
Total stockholders equity		399,573		467,089
Total Liabilities and Stockholders Equity	$	624,972	$	729,404

See Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	**2008**	**2009**	**2008**
	(in thousands, except per share data)			
Revenues:				
Convention and event services	$ 104,895	$ 205,057	$ 456,512	$ 661,629
Exhibits and environments	29,761	46,791	109,565	173,196
Travel and recreation services	46,469	50,514	69,562	80,194
Total revenues	181,125	302,362	635,639	915,019
Costs and expenses:				
Costs of services	147,035	227,136	498,302	663,228
Costs of products sold	36,780	49,164	123,552	176,070
Corporate activities	2,024	2,659	4,230	7,312
Interest income	(102)	(809)	(495)	(2,562)
Interest expense	378	430	1,223	1,308
Restructuring charges (recoveries)	3,867	(124)	6,797	(124)
Goodwill impairment losses	98,304		98,304	
Intangible asset impairment losses	11,352		11,352	
Other impairment losses	1,700		1,700	
Total costs and expenses	301,338	278,456	744,965	845,232
Income (loss) from continuing operations before income taxes	(120,213)	23,906	(109,326)	69,787
Income tax expense (benefit)	(23,947)	6,235	(19,735)	22,532
Income (loss) from continuing operations	(96,266)	17,671	(89,591)	47,255
Loss from discontinued operations				(210)
Net income (loss)	(96,266)	17,671	(89,591)	47,045
Net income attributable to noncontrolling interest	(867)	(913)	(640)	(669)
Net income (loss) attributable to Viad	$ (97,133)	$ 16,758	$ (90,231)	$ 46,376
Diluted income (loss) per common share				
Income (loss) from continuing operations attributable to Viad common stockholders	$ (4.86)	$ 0.81	$ (4.52)	$ 2.25
Loss from discontinued operations attributable to Viad common stockholders				(0.01)

Net income (loss) attributable to Viad common stockholders	$	(4.86)	$	0.81	$	(4.52)	$	2.24
Weighted-average outstanding and potentially dilutive common shares		19,981		20,650		19,950		20,662
Basic income (loss) per common share								
Income (loss) from continuing operations attributable to Viad common stockholders	$	(4.86)	$	0.81	$	(4.52)	$	2.25
Loss from discontinued operations attributable to Viad common stockholders								(0.01)
Net income (loss) attributable to Viad common stockholders	$	(4.86)	$	0.81	$	(4.52)	$	2.24
Weighted-average outstanding common shares		19,981		20,294		19,950		20,253
Dividends declared per common share	$	0.04	$	0.04	$	0.12	$	0.12
Amounts attributable to Viad common stockholders								
Income (loss) from continuing operations	$	(97,133)	$	16,758	$	(90,231)	$	46,586
Loss from discontinued operations								(210)
Net income (loss)	$	(97,133)	$	16,758	$	(90,231)	$	46,376

See Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(in thousands)			
Net income (loss)	$ (96,266)	$ 17,671	$ (89,591)	$ 47,045
Other comprehensive income (loss):				
Unrealized gains (losses) on investments:				
Holding gains (losses) arising during the period, net of tax	146	(153)	207	(297)
Unrealized foreign currency translation adjustments	11,571	(11,639)	21,995	(14,581)
Pension and postretirement benefit plans:				
Amortization of net actuarial loss, net of tax	106	21	201	164
Amortization of prior service credit, net of tax	(190)	(270)	(570)	(681)
Total other comprehensive income (loss)	11,633	(12,041)	21,833	(15,395)
Comprehensive income (loss)	(84,633)	5,630	(67,758)	31,650
Comprehensive income attributable to noncontrolling interest	(867)	(913)	(640)	(669)
Comprehensive income (loss) attributable to Viad	$ (85,500)	$ 4,717	$ (68,398)	$ 30,981

See Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
	2009	2008
	(in thousands)	
Cash flows from operating activities:		
Net income (loss)	$ (89,591)	$ 47,045
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	21,380	21,388
Deferred income taxes	(6,353)	7,562
Loss from discontinued operations		210
Restructuring charges (recoveries)	6,797	(124)
Impairment charges	111,356	
Gains on dispositions of property and other assets	(22)	(88)
Share-based compensation expense	2,239	6,654
Tax benefit from share-based compensation arrangements		562
Excess tax benefit from share-based compensation arrangements		(361)
Other non-cash items, net	4,023	3,449
Change in operating assets and liabilities:		
Receivables	(2,706)	(24,781)
Inventories	8,198	1,819
Accounts payable	(6,123)	11,506
Restructuring liabilities	(5,537)	(1,646)
Accrued compensation	(16,086)	(4,753)
Customer deposits	(4,297)	(4,453)
Income taxes payable	(10,281)	2,512
Other assets and liabilities, net	(11,354)	(14,236)
Net cash provided by operating activities	1,643	52,265
Cash flows from investing activities:		
Capital expenditures	(18,727)	(32,049)
Acquisition of business, net of cash acquired		(23,334)
Proceeds from sale of short-term investments		3,980
Proceeds from dispositions of property and other assets	43	532
Net cash used in investing activities	(18,684)	(50,871)
Cash flows from financing activities:		
Payments on debt and capital lease obligations	(2,493)	(2,108)
Dividends paid on common stock	(2,470)	(2,491)
Common stock purchased for treasury	(1,167)	(11,695)
Excess tax benefit from share-based compensation arrangements		361
Proceeds from exercise of stock options		3,700

Net cash used in financing activities	(6,130)	(12,233)
Effect of exchange rate changes on cash and cash equivalents	3,674	(1,347)
Net decrease in cash and cash equivalents	(19,497)	(12,186)
Cash and cash equivalents, beginning of year	148,040	165,069
Cash and cash equivalents, end of period	$ 128,543	$ 152,883
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Income taxes	$ 8,642	$ 15,692
Interest	$ 673	$ 903
Equipment acquired under capital leases	$ 3,253	$ 633

See Notes to Condensed Consolidated Financial Statements.

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VIAD CORP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Preparation and Principles of Consolidation

The accompanying unaudited, condensed consolidated financial statements of Viad Corp (Viad or the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included (refer to Note 3 for a discussion of impairment losses). Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. Viad has performed an evaluation of subsequent events through November 5, 2009, and the financial statements were issued on November 6, 2009.

For further information, refer to the consolidated financial statements and related footnotes for the year ended December 31, 2008, included in the Company s Form 10-K (File No. 001-11015), filed with the Securities and Exchange Commission on February 27, 2009.

The condensed consolidated financial statements include the accounts of Viad and all of its subsidiaries. All significant intercompany account balances and transactions between Viad and its subsidiaries have been eliminated in consolidation. Viad s reporting segments consist of GES Exposition Services, Inc. (GES), Experiential Marketing Services and Travel & Recreation Group. The Experiential Marketing Services segment consists of Exhibitgroup/Giltspur and The Becker Group, Ltd. (Becker Group). The Travel & Recreation Group segment consists of Brewster Inc. (Brewster) and Glacier Park, Inc. (Glacier Park). Glacier Park is an 80 percent owned subsidiary of Viad. In July 2009, Viad announced a strategic reorganization to align its brands and operations into two business units: the Marketing & Events Group (which includes Viad s GES and Experiential Marketing Services segments) and the Travel & Recreation Group (which includes Brewster and Glacier Park).

Note 2. Share-Based Compensation

Viad grants share-based compensation awards to officers, directors and certain key employees pursuant to the 2007 Viad Corp Omnibus Incentive Plan (the 2007 Plan). The 2007 Plan has a ten-year life and provides for the following types of awards: (a) incentive and non-qualified stock options; (b) restricted stock and restricted stock units; (c) performance units or performance shares; (d) stock appreciation rights; (e) cash-based awards and (f) certain other stock-based awards. The number of shares of common stock available for grant under the 2007 Plan is limited to 1,700,000 shares plus shares awarded under the 1997 Viad Corp Omnibus Incentive Plan (which terminated in May 2007) that subsequently cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent the shares are exercised for, or settled in, vested and non-forfeited shares) up to an aggregate maximum of 1,500,000 shares. Viad issues shares related to its share-based compensation awards from shares held in treasury.

Total share-based compensation expense recognized in the consolidated financial statements during the three months ended September 30, 2009 and 2008 was $1.0 million and $2.8 million, respectively, and $2.2 million and $6.7 million during the nine months ended September 30, 2009 and 2008, respectively. The total tax benefits related to such costs were $381,000 and $1.1 million for the three months ended September 30, 2009 and 2008, respectively, and $788,000 and $2.5 million for the nine months ended September 30, 2009 and 2008, respectively. No share-based compensation costs were capitalized during the nine months ended September 30, 2009 or 2008.

Restricted stock and performance-based restricted stock (PBRS) awards were granted during the nine months ended September 30, 2009 and 2008. Restricted stock awards vest between three and five years from the date of grant and share-based compensation expense for all awards granted prior to 2009 is recognized using the straight-line method over the requisite service period. Shares of restricted stock granted in 2009 with a five year vesting period are subject to a graded vesting schedule whereby 40 percent of the shares vest on the third anniversary of the grant and the remaining shares vest in 30 percent increments over the subsequent two anniversary dates. Share-based compensation expense of these awards is recognized based on an accelerated multiple-award approach over the requisite service period, which is approximately five years. All other restricted stock awards granted in 2009 are recognized using the straight-line method over the requisite service period, which is approximately three years.

PBRS awards vest based on the extent to which certain incentive performance targets established in the year of grant are achieved. PBRS is subject to a graded vesting schedule whereby one third of the earned shares vest after the first year and the remaining earned shares vest in one-third increments each year over the next two years on the first business day in January.

Share-based compensation expense of restricted stock and PBRS for the three months ended September 30, 2009 and 2008 was $921,000 and $1.2 million, respectively, and $2.9 million and $3.7 million during the nine months ended September 30, 2009 and 2008. Viad expects to recognize the unamortized cost of all outstanding restricted stock and PBRS awards in the consolidated financial statements over weighted-average periods of approximately 2.2 years and less than one year, respectively. During the nine months ended September 30, 2009 and 2008, the Company repurchased 68,988 shares for $1.2 million and 50,061 shares for $1.6 million, respectively, related to tax withholding requirements on vested share-based awards.

The following table summarizes restricted stock and PBRS activity during the nine months ended September 30, 2009:

	Restricted Stock		**PBRS**	
	Shares	**Weighted-Average Grant Date Fair Value**	**Shares**	**Weighted-Average Grant Date Fair Value**
Balance at January 1, 2009	358,285	$ 34.25	94,828	$ 34.56
Granted	228,633	15.44	162,600	15.36
Vested	(176,962)	31.05	(46,701)	34.21
Forfeited	(12,346)	27.81	(35,800)	15.87
Balance at September 30, 2009	397,610	25.05	174,927	20.63

In addition to the awards in the table above, during the nine months ended September 30, 2009, Viad granted 13,700 restricted stock units and 13,900 PBRS units to key employees at certain of the Company s Canadian operations. These awards will be settled in cash based on the market price of Viad s common stock. The aggregate liability is recorded at estimated fair value and is remeasured on each balance sheet date until the time of cash settlement. As of September 30, 2009, Viad had a liability recorded of $65,000 related to these awards.

During the nine months ended September 30, 2008, Viad granted awards totaling 101,940 units to key employees under the performance unit incentive plan (PUP) pursuant to the 2007 Plan. PUP awards are earned based on the level of achievement of predefined performance goals over a three-year performance period. As of September 30, 2009 and December 31, 2008, Viad had liabilities recorded of $44,000 and $2.9 million related to the PUP awards, respectively. Share-based compensation expense attributable to PUP awards (recognized ratably over the requisite service period of approximately three years) for the nine months ended September 30, 2009 and 2008 was a credit of $1.1 million and expense of $2.1 million, respectively. The PUP awards for the 2006-2008 and 2005-2007 periods vested December 31, 2008 and 2007, respectively, and payouts of $1.8 million and $6.7 million were distributed in March 2009 and 2008, respectively. No PUP awards vested during the nine months ended September 30, 2009 or 2008 nor were there any additional cash settlements of PUP awards or any other share-based compensation awards during those periods. Viad did not grant any PUP awards during the nine months ended September 30, 2009.

The following table summarizes stock option activity during the nine months ended September 30, 2009:

	Shares	**Weighted-Average Exercise Price**	**Options Exercisable**
Options outstanding at January 1, 2009	606,660	$ 25.86	459,612

Forfeited	(48,811)	27.72	
Options outstanding at September 30, 2009	557,849	25.70	476,089

The following table summarizes information concerning stock options outstanding and exercisable as of September 30, 2009:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$18.40 to \$20.77	74,795	3.1 years	\$ 19.58	74,795	\$ 19.58
\$22.29 to \$24.05	100,677	1.2 years	23.88	100,677	23.88
\$24.22 to \$26.07	161,582	2.2 years	25.13	151,582	25.14
\$26.31 to \$26.49	147,970	2.3 years	26.34	120,260	26.35
\$30.82 to \$38.44	72,825	4.4 years	34.48	28,775	34.13
\$18.40 to \$38.44	557,849	2.5 years	25.70	476,089	24.85

In addition to the above, Viad had stock options outstanding which were granted to employees of MoneyGram International, Inc. (MoneyGram) prior to the spin-off of that company in 2004. As of September 30, 2009, there were 43,992 of such options outstanding and exercisable, both with exercise prices ranging from \$17.74 to \$26.31. The weighted-average remaining contractual life of these options outstanding was approximately 1.6 years. During the nine months ended September 30, 2009, there were no options exercised by MoneyGram employees.

The aggregate intrinsic value related to stock options outstanding as of September 30, 2009 was \$25,000. The total intrinsic value of stock option awards exercised during the nine months ended September 30, 2008 was \$1.2 million. During the nine months ended September 30, 2008, Viad received cash proceeds from the exercise of stock options of \$3.7 million. Share-based compensation expense related to stock option awards was \$92,000 and \$284,000 for the three months ended September 30, 2009 and 2008, respectively, and \$404,000 and \$830,000 for the nine months ended September 30, 2009 and 2008, respectively. No stock options were exercised during the nine months ended September 30, 2009. The fair value of stock options that vested during the nine months ended September 30, 2009 and 2008 was \$622,000 and \$597,000. The tax benefit realized for the tax deductions related to the exercise of stock options and vesting of share-based awards for the nine months ended September 30, 2008 was \$562,000.

Note 3. Impairment Losses

During the third quarter of 2009, Viad revised downward its forecast for future revenues and earnings in its Marketing & Events Group based on continued declines in trade show marketing spending by its customers and a sharper than expected decline in retail holiday décor demand. As a result, the Company has projected a more prolonged contraction in its trade show and retail marketing revenues than was previously anticipated. Due to these facts and circumstances, Viad performed a preliminary interim impairment evaluation of goodwill, other intangible assets, and certain other long-lived assets.

As a result of the preliminary evaluation, Viad recorded aggregate goodwill impairment losses of \$98.3 million related to its Marketing & Events Group, which was included in the consolidated statements of operations under the caption, Goodwill impairment losses. The aggregate goodwill impairment losses consisted of \$93.2 million at the GES reporting segment (including Melville), and \$5.1 million at Becker Group, which is included in the Experiential Marketing Services reporting segment. In addition, the Company recorded aggregate other intangible asset impairment losses of \$11.4 million, which were included in the consolidated statements of operations under the caption, Intangible asset impairment losses. Of the total amount, \$8.9 million related to a trade name, customer relationships, design libraries and proprietary technology intangible assets at Becker Group, and \$2.5 million related to a trade name at Melville. Viad also recorded impairment losses of \$1.7 million related to touring exhibit assets at Becker Group, which was included in the consolidated statements of operations under the caption, Other impairments losses. The impairment losses discussed above were based on the Company s preliminary impairment evaluation. Management intends to finalize the impairment evaluation during the fourth quarter of 2009, which could result in adjustments to the amounts initially recorded.

Viad uses a discounted expected future cash flow methodology (income approach) in order to estimate the fair value of its reporting units for purposes of goodwill impairment testing. The Company also uses an income approach to measure the estimated fair values of the intangible assets and long-lived assets for which the above impairment losses were recognized. The estimates and assumptions regarding expected future cash flows, discount rates and terminal values require considerable judgment and are based on market conditions, financial forecasts, industry trends and historical experience. These estimates, however, have inherent uncertainties and different assumptions could lead to different results. As of

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September 30, 2009, Viad had remaining goodwill of $123.8 million and other intangible assets of $5.6 million recorded in its consolidated balance sheets. Due to the substantial uncertainties in the current economic environment, further reductions in the Company s expected future revenue, operating income or cash flow forecasts and projections, or an increase in reporting unit cost of capital, could trigger additional impairment testing, which may result in additional impairment losses.

Note 4. Acquisition of Business

On January 4, 2008, Viad completed the acquisition of Becker Group. In connection with the acquisition, the Company paid $24.3 million in cash and incurred $325,000 of direct acquisition costs, which were capitalized in the purchase price. Viad s consolidated financial statements include the results of operations of Becker Group from the date of acquisition. The Company initially recorded $11.6 million of goodwill in connection with the transaction, which was included in the Experiential Marketing Services reporting segment. Due to reduced revenue, operating income and cash flow forecasts, Viad recorded a goodwill impairment loss of $6.5 million during the three months ended December 31, 2008 and wrote off the remaining goodwill balance of $5.1 million during the three months ended September 30, 2009. The amounts initially assigned to other intangible assets included $3.7 million of non-amortizable trademarks and trade names and $11.3 million of intangible assets subject to amortization. During the three months ended December 31, 2008, Viad recorded other intangible asset impairment losses of $1.1 million and recorded additional impairment losses of $8.9 million during the three months ended September 30, 2009 related to Becker Group. In 2008, Viad recorded a long-lived asset impairment loss of $1.0 million and recorded additional long-lived asset impairment losses of $1.7 million during the three months ended September 30, 2009.

Note 5. Inventories

The components of inventories were as follows:

	September 30, 2009	December 31, 2008
	(in thousands)	
Raw materials	$ 24,126	$ 30,683
Work in process	19,987	21,628
Inventories	$ 44,113	$ 52,311

During the three months ended September 30, 2009, Viad recorded an excess inventory write-down of $1.8 million related to the Marketing & Events Group, which was included under the caption Costs of services in the consolidated statements of operations.

Note 6. Property and Equipment

Property and equipment consisted of the following:

	September 30, 2009	December 31, 2008
	(in thousands)	
Land	$ 25,976	$ 23,623
Buildings and leasehold improvements	94,154	88,999
Equipment and other	287,975	267,175
	408,105	379,797
Accumulated depreciation	(234,610)	(214,382)
Property and equipment, net	$ 173,495	$ 165,415

Depreciation expense for the three months ended September 30, 2009 and 2008 was $7.3 million and $6.8 million, respectively, and for the nine months ended September 30, 2009 and 2008 was $19.9 million and $19.0 million, respectively.

As discussed in Note 3 above, Viad recorded impairment losses of $1.7 million related to touring exhibit assets at Becker Group during the three months ended September 30, 2009.

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Note 7. Goodwill and Other Intangible Assets

As discussed in Note 3 above, during the third quarter of 2009, Viad performed a preliminary interim impairment evaluation of goodwill and other intangible assets. In connection with this testing and as a result of the continued impact of the recession on its Marketing & Events Group, Viad recorded impairment losses of $98.3 million and $11.4 million related to goodwill and other intangible assets, respectively, at GES (including Melville) and Becker Group. The impairment losses discussed above were based on the Company s preliminary impairment evaluation. Management intends to finalize the impairment evaluation during the fourth quarter of 2009, which could result in adjustments to the amounts initially recorded.

The changes in the carrying amount of goodwill for the nine months ended September 30, 2009 were as follows:

	GES	Experiential Marketing	Travel and Recreation	Total
		(in thousands)		
Balance at January 1, 2009	$ 174,018	$ 5,063	$ 33,380	$ 212,461
Goodwill impairment losses	(93,241)	(5,063)		(98,304)
Foreign currency translation adjustments	4,067		5,543	9,610
Balance at September 30, 2009	$ 84,844	$	$ 38,923	$ 123,767

A summary of other intangible assets as of September 30, 2009 is presented below:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
		(in thousands)	
Amortized intangible assets:			
Customer contracts and relationships	$ 2,494	$ (343)	$ 2,151
Proprietary technology	523	(298)	225
Design libraries	175		175
Non-compete agreements	1,922	(1,809)	113
Other	495	(57)	438
	5,609	(2,507)	3,102
Unamortized intangible assets:			
Trademarks and trade names	2,476		2,476
Other	30		30
	2,506		2,506
Total	$ 8,115	$ (2,507)	$ 5,608

A summary of other intangible assets as of December 31, 2008 is presented below:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value

		(in thousands)	
Amortized intangible assets:			
Customer contracts and relationships	$ 8,634	$ (901)	$ 7,733
Design libraries	2,020	(226)	1,794
Non-compete agreements	1,933	(1,634)	299
Proprietary technology	735	(293)	442
Other	79	(35)	44
	13,401	(3,089)	10,312
Unamortized intangible assets:			
Trademarks and trade names	7,590		7,590
Other	30		30
	7,620		7,620
Total	$ 21,021	$ (3,089)	$ 17,932

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Intangible asset amortization expense for the three months ended September 30, 2009 and 2008 was $542,000 and $772,000, respectively, and $1.5 million and $2.3 million for the nine months ended September 30, 2009 and 2008, respectively. Estimated amortization expense related to amortized intangible assets for future periods is expected to be as follows:

	(in thousands)
2009	$ 293
2010	$ 1,132
2011	$ 844
2012	$ 349
2013 and thereafter	$ 484

Note 8. Accrued Liabilities and Other

Other current liabilities consisted of the following:

	September 30, 2009	December 31, 2008
	(in thousands)	
Continuing operations:		
Customer deposits	$ 38,714	$ 43,011
Accrued compensation	13,270	29,048
Self-insured liability accrual	9,072	8,258
Accrued restructuring	4,085	2,337
Accrued sales and use taxes	2,155	3,473
Accrued dividends	849	840
Accrued income taxes	250	5,199
Other	16,454	13,427
	84,849	105,593
Discontinued operations:		
Environmental remediation liabilities	1,750	2,208
Self-insured liability accrual	712	461
Other	484	797
	2,946	3,466
Total other current liabilities	$ 87,795	$ 109,059

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Other deferred items and liabilities consisted of the following:

	September 30, 2009	December 31, 2008
	(in thousands)	
Continuing operations:		
Self-insured liability accrual	$ 13,224	$ 14,387
Accrued compensation	4,886	5,194
Foreign deferred tax liability	3,704	3,340
Accrued restructuring	2,835	4,207
Deferred gain on sale of property	887	1,612
Accrued income taxes	511	5,462
Other	5,493	5,296
	31,540	39,498
Discontinued operations:		
Self-insured liability accrual	8,889	9,435
Environmental remediation liabilities	5,074	5,516
Accrued income taxes	939	909
Other	2,308	2,432
	17,210	18,292
Total other deferred items and liabilities	$ 48,750	$ 57,790

Note 9. Debt

As of September 30, 2009, Viad s total debt of $13.6 million consisted of $6.2 million of capital lease obligations and a $7.4 million borrowing under the Company s secured revolving credit agreement (the Credit Facility). The Credit Facility provides for a $150 million revolving line of credit, which may be increased up to an additional $75 million under certain circumstances. The term of the Credit Facility is five years (expiring on June 15, 2011) and borrowings are to be used for general corporate purposes (including permitted acquisitions) and to support up to $75 million of letters of credit. The lenders have a first perfected security interest in all of the personal property of Viad and GES, including 65 percent of the capital stock of top-tier foreign subsidiaries.

Borrowings under the Credit Facility (of which GES is a guarantor) are indexed to the prime rate or the London Interbank Offered Rate, plus appropriate spreads tied to Viad s leverage ratio. Commitment fees and letters of credit fees are also tied to Viad s leverage ratio. The fees on the unused portion of the Credit Facility are currently 0.15 percent annually. As of September 30, 2009, Viad had $135.4 million of capacity remaining under its Credit Facility reflecting an outstanding borrowing of $7.4 million and outstanding letters of credit of $7.2 million. Financial covenants include a fixed-charge coverage ratio of not less than 1.25 to 1, a leverage ratio of not greater than 2.75 to 1 and a minimum consolidated net worth requirement. Viad s consolidated net worth must not be less than $344.6 million plus 50 percent of positive quarterly net income attributable to Viad earned in each fiscal quarter beginning with the quarter ended June 30, 2006, plus net cash proceeds from all issuances of capital stock minus the amount of capital stock repurchased ($357.9 million as of September 30, 2009). As of September 30, 2009, the fixed-charge coverage and leverage ratios were 1.44 to 1 and 0.62 to 1, respectively, and Viad s consolidated net worth was $399.6 million. Significant other covenants include limitations on: investments, common stock dividends, stock repurchases, additional indebtedness, sales/leases of assets, acquisitions, consolidations or mergers and liens on property. The terms of the Credit Facility restrict Viad from paying more than $10 million in dividends in the aggregate in any calendar year. As of September 30, 2009, Viad was in compliance with all covenants. Viad is in negotiations with its lenders to amend the Credit Facility, including the amendment of financial and other covenants to ensure that Viad continues to meet its obligations under the Credit Facility given the current economic environment, as well as a reduction of facility levels. Given the current credit market conditions and Viad s business outlook, the lenders will be extending less favorable terms. Although the amended Credit Facility will provide greater limitations on the use of Viad s capital and borrowings under the Credit Facility, such limitations are not expected to have a significant impact on the operations or business of Viad.

The estimated fair value of total debt was $13.6 million and $12.6 million as of September 30, 2009 and December 31, 2008, respectively. The fair value of debt was estimated by discounting the future cash flows using rates currently available for debt of similar terms and maturity.

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Note 10. Stockholders Equity

The following represents a reconciliation of the carrying amounts of stockholders equity attributable to Viad and the noncontrolling interest for the nine months ended September 30, 2009:

	Total Viad Stockholders Equity	Noncontrolling Interest	Total Stockholders Equity
		(in thousands)	
Balance at January 1, 2009	$ 460,555	$ 6,534	$ 467,089
Net income (loss)	(90,231)	640	(89,591)
Dividends on common stock	(2,470)		(2,470)
Common stock purchased for treasury	(1,167)		(1,167)
Employee benefit plans	2,837		2,837
Unrealized foreign currency translation adjustment	21,995		21,995
Unrealized gain on investments	207		207
Amortization of prior service cost and net actuarial loss	(369)		(369)
ESOP allocation adjustment	1,000		1,000
Other	42		42
Balance at September 30, 2009	$ 392,399	$ 7,174	$ 399,573

The following represents a reconciliation of the carrying amounts of stockholders equity attributable to Viad and the noncontrolling interest for the nine months ended September 30, 2008:

	Total Viad Stockholders Equity	Noncontrolling Interest	Total Stockholders Equity
		(in thousands)	
Balance at January 1, 2008	$ 469,845	$ 5,984	$ 475,829
Net income	46,376	669	47,045
Dividends on common stock	(2,491)		(2,491)
Common stock purchased for treasury	(11,695)		(11,695)
Employee benefit plans	8,798		8,798
Unrealized foreign currency translation adjustment	(14,581)		(14,581)
Unrealized loss on investments	(297)		(297)
Amortization of prior service cost and net actuarial loss	(517)		(517)
ESOP allocation adjustment	750		750
Other	37		37
Balance at September 30, 2008	$ 496,225	$ 6,653	$ 502,878

Note 11. Fair Value Measurements

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

Level 1 Quoted prices in active markets for identical assets or liabilities.
Level 2 Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 Unobservable inputs to the valuation methodology that are significant to the measurement of fair value.

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Viad measures its money market mutual funds and certain other mutual fund investments at fair value on a recurring basis using Level 1 inputs. Viad s money market mutual funds are included under the caption Cash and cash equivalents in the consolidated balance sheets and its other mutual fund investments are included under the caption Other investments and assets in the consolidated balance sheets. The fair value information related to these assets is summarized in the following table:

		Fair Value Measurements at September 30, 2009 Using		
	September 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserved Inputs (Level 3)
		(in thousands)		
Assets:				
Money market funds	$ 38,381	$ 38,381	$	$
Other mutual funds	1,870	1,870		
Total	$ 40,251	$ 40,251	$	$

As of September 30, 2009 and December 31, 2008, Viad had investments in money market mutual funds of $38.4 million and $82.3 million, respectively, which were included in the consolidated balance sheets under the caption Cash and cash equivalents. These investments were classified as available-for-sale and were recorded at fair value. There have been no realized or unrealized gains or losses related to these investments and the Company has not experienced any redemption restrictions with respect to any of the money market mutual funds.

As of September 30, 2009 and December 31, 2008, Viad had investments in other mutual funds of $1.9 million and $1.7 million, respectively, which were classified in the consolidated balance sheets under the caption Other investments and assets. These investments were classified as available-for-sale and were recorded at fair value. As of September 30, 2009 and December 31, 2008, there were unrealized gains on the investments of $237,000 ($145,000 after-tax) and unrealized losses of $101,000 ($62,000 after-tax), respectively, which were included in the consolidated balance sheets under the caption Accumulated other comprehensive income (loss).

The carrying values of cash and cash equivalents, receivables and accounts payable approximate fair value due to the short-term maturities of these instruments. The estimated fair value of debt obligations is disclosed in Note 9.

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Note 12. Income Per Share

A reconciliation of the numerators and denominators of diluted and basic per share computations for net income attributable to Viad is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(in thousands, except per share data)			
Basic net income (loss) per share				
Numerator:				
Net income (loss) attributable to Viad	$ (97,133)	$ 16,758	$ (90,231)	$ 46,376
Less: Allocation to nonvested shares		(367)		(1,014)
Net income (loss) allocated to Viad common stockholders	$ (97,133)	$ 16,391	$ (90,231)	$ 45,362
Denominator:				
Weighted-average outstanding common shares	19,981	20,294	19,950	20,253
Net income (loss) attributable to Viad common stockholders	$ (4.86)	$ 0.81	$ (4.52)	$ 2.24
Diluted net income (loss) per share				
Numerator:				
Net income (loss) attributable to Viad	$ (97,133)	$ 16,758	$ (90,231)	$ 46,376
Denominator:				
Weighted-average outstanding shares	19,981	20,294	19,950	20,253
Additional dilutive shares related to share-based compensation		356		409
Weighted-average outstanding and potentially dilutive shares	19,981	20,650	19,950	20,662
Net income (loss) attributable to Viad common stockholders[1]	$ (4.86)	$ 0.81	$ (4.52)	$ 2.24

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

All outstanding options to purchase shares of common stock during the nine months ended September 30, 2009 were not included in the computation of diluted income per share because the effect would be anti-dilutive. Additionally, options to purchase 269,000 shares of common stock for the nine months ended September 30, 2009 that would normally have been considered dilutive and thus included as outstanding for purposes of computing diluted income per share were excluded due to net losses reported in the period, thereby making such shares anti-dilutive. Options to purchase 43,000 shares of common stock were outstanding during the nine months ended September 30, 2008 but were not included in the computation of diluted income per share because the effect would be anti-dilutive.

Note 13. Income Taxes

The following represents a reconciliation of income tax expense (benefit) and the amount that would be computed using the statutory federal income tax rates for the nine months ended September 30:

	2009		2008	
		(in thousands)		
Computed income tax expense (benefit) at statutory federal income tax rate of 35%	$(38,264)	35.0%	$24,425	35.0%
State income tax expense (benefit), net of federal benefit or provision	(5,473)	5.0%	2,044	2.9%
Tax resolutions, net	(3,297)	3.1%	(3,177)	(4.5%)
Nondeductible goodwill impairment	26,831	(24.5%)		0.0%
Other, net	468	(0.4%)	(760)	(1.1%)
Income tax expense (benefit)	$(19,735)	18.1%	$22,532	32.3%

Viad is subject to regular and recurring audits by the taxing authorities in the jurisdictions in which the Company conducts or had previously conducted operations. These include U.S. federal and most state jurisdictions, and certain foreign jurisdictions including Canada, the United Kingdom and Germany.

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Viad exercises judgment in determining its income tax provision due to transactions, credits and calculations where the ultimate tax determination is uncertain. As of September 30, 2009 and December 31, 2008, Viad had accrued gross liabilities associated with uncertain tax positions for continuing operations of $246,000 and $3.5 million, respectively. In addition, as of September 30, 2009 and December 31, 2008, Viad had accrued interest and penalties related to uncertain tax positions for continuing operations of $516,000 and $2.2 million, respectively. Viad classifies interest and penalties related to income tax liabilities as a component of income tax expense. During the three months ended September 30, 2009 and 2008, Viad recorded tax-related interest expense of $9,000 and $117,000, respectively. During the nine months ended September 30, 2009 and 2008, Viad recorded tax-related interest expense of $125,000 and $722,000, respectively.

During the nine months ended September 30, 2009 and 2008, Viad recorded tax benefits related to the favorable resolution of tax matters in continuing operations of $3.3 million and $3.2 million, respectively. These favorable tax resolutions represent the reversal of amounts accrued for tax and related interest and penalties in connection with uncertain tax positions which were effectively settled or for which there was a lapse of the applicable statute of limitations.

Viad also had accrued gross liabilities associated with uncertain tax positions for discontinued operations of $636,000 as of both September 30, 2009 and December 31, 2008. In addition, as of September 30, 2009 and December 31, 2008, Viad had accrued interest and penalties related to uncertain tax positions for discontinued operations of $303,000 and $273,000, respectively. Future tax resolutions or settlements that may occur related to these uncertain tax positions would be recorded through discontinued operations (net of federal tax effects, if applicable).

The following represents a reconciliation of the total amounts of liabilities associated with uncertain tax positions (excluding interest and penalties) for the nine months ended September 30, 2009:

	Continuing Operations	Discontinued Operations	Total
		(in thousands)	
Balance at January 1, 2009	$ 3,487	$ 636	$ 4,123
Reductions for tax positions taken in prior years	(2,702)		(2,702)
Reductions for tax settlements	(174)		(174)
Reductions for lapse of applicable statutes	(365)		(365)
Balance at September 30, 2009	$ 246	$ 636	$ 882