VIAD CORP
Form DEF 14A
April 04, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
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Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

VIAD CORP

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Viad Corp
1850 North Central Avenue, Suite 800
Phoenix, Arizona 85004-4545

April 4, 2007

Dear Viad Corp Fellow Shareholder:

Our 2007 Annual Meeting of Shareholders will be held on Tuesday, May 15, at 9:00 a.m., at the Royal Palms, 5200 East Camelback Road, Phoenix, Arizona (Estrella East Conference Room). The meeting will begin promptly at 9:00 a.m., Mountain Standard Time, so please plan to arrive early.

The formal notice of the meeting is on the next page. No admission tickets or other credentials will be required for attendance at the meeting. You may use the hotel s free valet parking.

Directors and officers will be available at the meeting to speak with you. There will be an opportunity during the meeting for your questions regarding the affairs of the Corporation and for a discussion of the business to be considered at the meeting as explained in the notice and proxy statement.

Your vote is important. Whether you plan to attend or not, please sign, date, and return the enclosed proxy card in the envelope provided, or you may vote your shares by the Internet or telephone as described on your proxy card. If you plan to attend the meeting, you may vote in person.

Sincerely,

Robert H. Bohannon	Paul B. Dykstra
Chairman of the Board	*President and Chief Executive Officer*

Viad Corp
1850 North Central Avenue, Suite 800
Phoenix, Arizona 85004-4545

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 4, 2007

To Viad Corp Shareholders:

We will hold the Annual Meeting of Shareholders of Viad Corp, a Delaware corporation, at the Royal Palms, 5200 East Camelback Road (Estrella East Conference Room), Phoenix, Arizona, on Tuesday, May 15, 2007, at 9:00 a.m., Mountain Standard Time. The purpose of the meeting is to:

1. Elect three directors to Viad s Board of Directors, each for a three-year term;

2. Ratify the appointment of Deloitte & Touche LLP as our independent registered public accountants (also referred to as independent auditors) for 2007;

3. Approve the 2007 Viad Corp Omnibus Incentive Plan; and

4. Consider any other matters which may properly come before the meeting and any adjournments.

The foregoing items of business are more fully described in the proxy statement accompanying this notice. Only shareholders of record of common stock at the close of business on March 23, 2007, are entitled to receive this notice and to vote at the meeting. A list of shareholders entitled to vote will be available at the meeting for examination by any shareholder for any proper purpose. The list will also be available on the same basis for ten days prior to the meeting at Viad s principal executive offices at the address listed above.

Our 2006 Annual Report, including financial statements, is included with your proxy materials.

To assure your representation at the meeting, please vote your shares by telephone, the Internet or by signing, dating and returning the enclosed proxy card at your earliest convenience. The Internet and automated telephone voting features are described on the proxy card. We have enclosed a return envelope, which requires no postage if mailed in the United States, if you choose to mail your proxy. Your proxy is being solicited by the Board of Directors.

By Order of the Board of Directors

SCOTT E. SAYRE
Vice President General Counsel and Secretary

PLEASE VOTE YOUR VOTE IS IMPORTANT

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VIAD CORP

1850 North Central Avenue, Suite 800
Phoenix, Arizona 85004-4545

PROXY STATEMENT

GENERAL INFORMATION ABOUT THE MEETING

Viad Corp 2007 Annual Meeting	Tuesday, May 15, 2007 9:00 a.m., Mountain Standard Time	Royal Palms, 5200 East Camelback Road, Estrella East Conference Room Phoenix, Arizona
Agenda	1. Elect three directors. 2. Ratify the appointment of Deloitte & Touche LLP as our independent registered public accountants (also referred to as independent auditors) for 2007. 3. Approve the 2007 Viad Corp Omnibus Incentive Plan. 4. Any other proper business.	
Proxies Solicited By	Board of Directors of Viad Corp	
First Mailing Date	We anticipate mailing the proxy statement on April 4, 2007.	
Record Date	March 23, 2007. On the record date, we had 21,074,686 shares of our common stock outstanding.	
Voting	If you were a holder of common stock on the record date, you may vote at the meeting. Each share held by you is entitled to one vote. You can vote in person at the meeting, or by the Internet or automated telephone voting, or by proxy.	
Proxies	We will vote signed returned proxies FOR the Board s director nominees, FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accountants for 2007, and FOR the approval of the 2007 Viad Corp Omnibus Incentive Plan, unless you vote differently on the proxy card. The proxy holders will use their discretion on other matters. If a nominee cannot or will not serve as a director, proxy holders will vote for a person whom they believe will carry on our present policies.	
Revoking Your Proxy	You may revoke your proxy before it is voted at the meeting. To revoke your proxy, follow the procedures listed under the Voting Procedures/Revoking Your Proxy section of this proxy statement.	
Your Comments	Your comments about any aspects of our business are welcome. Although we may not respond on an individual basis, your comments receive consideration and help us measure your satisfaction.	

Prompt return of your proxy will help reduce the costs of resolicitation.

PROPOSAL 1: ELECTION OF DIRECTORS

Board Structure

The Board of Directors of Viad consists of nine persons divided into three classes or groups. The term of one class of directors expires at each annual meeting, and persons are elected to that class for a term of three years. Three directors are to be elected at this year s annual meeting.

Adoption of Majority Vote Standard for Election of Directors

The Board approved amendments to Viad s Bylaws, effective as of December 1, 2006, to change the vote standard in uncontested elections of directors from plurality to a majority of votes cast. A majority of votes cast means that the number of shares voted for a director nominee must exceed the number of votes cast against that director nominee. In contested elections where the number of nominees exceeds the number of directors to be elected, Viad will continue to apply the plurality vote standard.

The amendments to the Bylaws further provide that if a nominee who already serves as a director is not elected by a majority vote, then the director will be obligated to tender his or her resignation to the Board. The Corporate Governance and Nominating Committee of the Board will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will be required to publicly disclose its decision and the rationale behind it within 90 days of the certification of the election results. The director who tenders his or her resignation will not participate in the Board s decision.

If a nominee, who was not already serving as a director, is not elected at the annual meeting, the nominee would not become a director. All director nominees listed below are currently serving on the Board.

Director Nominees

The Board of Directors has nominated Isabella Cunningham, Jess Hay, and Albert M. Teplin for election at the annual meeting. These nominees are currently members of the Board of Directors and, if elected, have agreed to serve another term, which will expire in 2010. Information about the director nominees is presented below.

Isabella Cunningham	Ernest A. Sharpe Centennial Professor in Communication at The University of Texas at Austin, 1983 to present. Dr. Cunningham has been the Chair of the Department of Advertising at The University of Texas at Austin since 2001 and a Professor of Advertising with the University since 1981. She also serves as a member of many university and community organizations. Age 64. Director since December 2005.
Jess Hay	Chairman of the Texas Foundation for Higher Education, a non-profit organization dedicated to promoting higher education in the State of Texas, a position that he has held since 1987. Mr. Hay was formerly the Chairman and Chief Executive Officer of Lomas Financial Group, a financial services business that provided retail and mortgage banking, real estate development, commercial loans and credit card services, from which he retired in December 1994. He is also a director of MoneyGram International, Inc. and Trinity Industries, Inc. He retired as a director of Exxon Mobil Corporation in 2001 and of SBC Communications Inc. in 2004. Age 76. Director since 1981.

Albert M. Teplin	Economist and since 2003 has served as a consultant to the Board of Governors of the Federal Reserve System, European Central Bank, the U.S. Department of Commerce and the International Monetary Fund. Dr. Teplin served as Senior Economist for the Board of Governors of the Federal Reserve System from 2001 to October 2002 and was Chief, Flow of Funds Section of the Board of Governors of the Federal Reserve System from 1989 to 2001. He is also a director of MoneyGram International, Inc. Age 61. Director since 2003.

Recommendation of the Board

The Board of Directors recommends that you vote **FOR** these director nominees.

Directors Continuing in Office

Information about the six directors continuing in office until expiration of their designated terms is presented below.

For Terms Expiring at the 2008 Annual Meeting:

Wayne G. Allcott	Vice President - Arizona of U S West Corporation from 1995 to 2000, when he retired in connection with the merger of U S West (a former local and long distance telecommunications and high-speed data transmission services company) with Qwest Corporation, which provides similar services. Mr. Allcott was appointed in 2000 by the Governor of Arizona to head the Governor s Council on Workforce Development Policy for a two-year term. He is currently active with various non-profit organizations in Arizona. Age 64. Director since 2004.
Paul B. Dykstra	President and Chief Executive Officer of Viad Corp effective April 1, 2006, and prior thereto, Chief Operating Officer since January 1, 2006. He was President and Chief Executive Officer of GES Exposition Services, Inc., a subsidiary of Viad, since 2000; prior thereto, Executive Vice President - International and Corporate Development since 1999; and prior thereto, Executive Vice President - General Manager or similar executive positions since 1994 with Travelers Express Company, Inc., a former subsidiary of Viad. Age 45. Director since January 2006.
Judith K. Hofer	Retired President and Chief Executive Officer of May Merchandising/MDSI, a May Department Stores Company, from 2000 to 2002, and thereafter a consultant to The May Department Stores Company from 2002 to 2005. Prior thereto, Ms. Hofer served as President and Chief Executive Officer of Filene s, a division of The May Department Stores Company, from 1996 to 2000. She is also a director of MoneyGram International, Inc. and Payless ShoeSource, Inc. Age 67. Director since 1984.

For Terms Expiring at the 2009 Annual Meeting:

Daniel Boggan Jr.	Chief of Staff, Office of the Mayor, Oakland, California since January 2007. He was Vice President - Business Development for Seibert Brandford Shank & Co., L.L.C., a municipal finance firm which provides investment banking, sales and trading, and financial advisory services, from October 2005 until March 2006, and was a consultant for the company from 2003 to October 2005. Mr. Boggan served as Senior Vice President of the National Collegiate Athletic Association, a voluntary organization which governs college and university athletic programs, from 1996 through his retirement in August 2003. He is the Chair of two national not-for-profit organizations, the National Writing Project and National Youth Sports Corporation. Mr. Boggan is also a trustee of The California Endowment, Albion College and Alliant International University, and a director of Payless ShoeSource, Inc. and The Clorox Company. Age 61. Director since 2005.
Robert H. Bohannon	Chairman of the Board of Viad Corp effective April 1, 2006, and Chairman, President and Chief Executive Officer since 1997, and President and Chief Operating Officer from 1996. Prior thereto he was President and Chief Operating Officer of Travelers Express Company, Inc., a former subsidiary of Viad, from 1993. Age 62. Director since 1996.
Robert E. Munzenrider	Retired President of Harmon AutoGlass, a subsidiary of Apogee Enterprises, Inc., a national chain of retail automotive services and insurance claims processor, a position he held from 2000 to 2002. In 1999, Mr. Munzenrider served as Vice President and Chief Financial Officer of the Glass Services Segment of Apogee Enterprises. He also served during part of 1999 as Executive Vice President and Chief Financial Officer of Eliance Corp., an e-commerce transaction processor. From 1997 to 1998, Mr. Munzenrider served as Vice President and Chief Financial Officer of St. Jude Medical, Inc., an international medical device manufacturing and marketing company. Mr. Munzenrider is also a director of ATS Medical, Inc. Age 62. Director since 2004.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Corporate Governance

In accordance with applicable law and the Bylaws of Viad, the business and affairs of Viad are governed under the direction of our Board of Directors. The system of governance practices followed by Viad is set forth in the Corporate Governance Guidelines and the charters of the committees of the Board of Directors. The Corporate Governance Guidelines set forth the practices the Board will follow with respect to the duties of the Board, its operations and committee matters, director qualifications and selection process, director compensation, director independence, director orientation and continuing education, chief executive officer evaluation, management succession, and annual Board evaluation.

The Corporate Governance Guidelines and committee charters, as well as the Code of Ethics applicable to Viad s directors, officers and employees, may be viewed on the Internet at *www.viad.com/governance.htm*, and are available in print upon request to the Corporate Secretary of Viad at the address listed on page 1. The Corporate Governance Guidelines and committee charters are reviewed periodically to ensure the effective and efficient governance of Viad and to timely comply with all laws and the listing standards of the New York Stock Exchange (NYSE) that are applicable to corporate governance.

Board Committees and Director Independence

The Board maintains three standing committees to assist in fulfilling its responsibilities: Audit Committee, Corporate Governance and Nominating Committee, and Human Resources Committee. Each committee meets periodically during the year, reports regularly to the full Board and annually evaluates its performance. The table below provides current membership and meeting information for each committee. In addition, the table identifies the independent directors, as determined by the Board in February 2007, within the meaning of the NYSE listing standards, applicable Securities and Exchange Commission (SEC) regulations and Viad s Corporate Governance Guidelines. The Corporate Governance Guidelines include categorical standards for independence that meet or exceed the NYSE listing standards. The director independence section of the Corporate Governance Guidelines is attached to this proxy statement as Annex A.

Name	Audit	Corporate Governance and Nominating	Human Resources	Independent Director
Mr. Allcott		Member		yes
Mr. Boggan			Member	yes
Mr. Bohannon				no
Dr. Cunningham		Member		yes
Mr. Dykstra				no
Mr. Hay	Member		Chair	yes
Ms. Hofer	Member	Chair	Member	yes
Mr. Munzenrider	Member	Member		yes
Dr. Teplin	Chair		Member	yes
Total meetings in 2006	11	3	5	

The particular areas of responsibility of each Board committee and other related information are described below. Each committee may form and delegate authority to a subcommittee of one or more members of the committee.

Audit Committee. The Audit Committee appoints our independent registered public accountants and assists the Board in monitoring the quality and integrity of the financial statements of Viad, the compliance by Viad with legal and regulatory requirements, and the independence and performance of Viad s internal auditors and external independent registered public accountants. The Committee conducts regularly scheduled executive sessions with Viad s management and with Viad s independent registered public accountants. The Committee has sole authority to appoint or replace Viad s independent registered public accountants. The independent registered public accountants report directly to the Committee.

The Board has determined that all members of the Audit Committee are financially literate, as defined by the NYSE listing standards, and that Mr. Munzenrider qualifies as an audit committee financial expert, as defined by SEC regulations.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is responsible for proposing a slate of directors for election by the shareholders at each annual meeting and for proposing candidates to fill any vacancies on the Board. The Committee also is responsible for an assessment of the Board s performance to be discussed with the full Board annually, and for review of, and from time to time for proposal of changes to, Viad s Corporate Governance Guidelines and the compensation and benefits of non-employee directors. In connection with these responsibilities, the Committee has sole authority to retain and terminate any search firm or compensation consultant to identify director candidates or to assist in the evaluation of director compensation.

Human Resources Committee. The Human Resources Committee oversees development and implementation of a compensation strategy designed to enhance profitability and shareholder value. The Committee also reviews and approves, subject to ratification by independent members of the Board, the salary and equity and incentive compensation of the Chief Executive Officer, approves salaries and compensation of executive officers, and approves incentive compensation targets and awards under various compensation plans and programs of Viad. In addition, the Committee has sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of the Chief Executive Officer or senior executive compensation. The Committee also has authority to obtain advice and assistance from internal or external legal, accounting or other advisors. While the Corporate Governance and Nominating Committee has responsibility to review and make recommendations to the Board regarding non-employee director compensation and benefits, the Human Resources Committee has sole authority to approve grants of equity compensation to non-employee directors under the 1997 Viad Corp Omnibus Incentive Plan.

Hewitt Associates (Hewitt), a nationally-known independent consulting firm, has provided the Committee and Viad s Human Resources Department with advice and counsel on executive compensation. The Committee has retained Hewitt to provide consultation services on executive compensation during 2007. Viad s Legal and Human Resources Departments, and its Corporate Secretary, support the Committee in its work and in some cases act pursuant to delegated authority to fulfill various functions in administering Viad s compensation programs. The Human Resources Department also provides the Committee with competitive compensation benchmarks. Viad s Chief Executive Officer makes a recommendation to the Committee on the compensation of other executive officers of Viad; however, the Committee has sole authority to approve, for Viad s Chief Executive Officer and other executive officers, (a) the annual base salary level, (b) the annual incentive opportunity level and granting of incentive awards, (c) the long-term incentive opportunity level, and (d) any special or supplemental benefits, with the salary, equity and incentive compensation of the Chief Executive Officer being subject to ratification by independent members of the Board.

Board Meetings and Annual Shareholder Meeting

Under Viad s Corporate Governance Guidelines, each director is expected to attend the Annual Meeting of Shareholders, Board meetings and meetings of committees on which they serve. The Board of Directors held four regular meetings during 2006. Each director attended 100% of his or her Board and committee meetings, except for one director who attended 96% of his or her Board and committee meetings in 2006. All directors were in attendance at the 2006 Annual Meeting of Shareholders.

Meetings of Non-Management Directors and Presiding Director

The Board held three executive sessions of the independent, non-management directors in 2006 and regular executive sessions of the non-management directors have been scheduled for 2007. Mr. Hay served as Presiding Director of Viad in 2006 and was designated by the Board to continue as Presiding Director for the period beginning January 1, 2007, and ending December 31, 2008, or until such other time as his successor is chosen by action of the non-management directors of Viad.

Corporate Governance and Nominating and Human Resources Committees Interlocks and Insider Participation

Viad is not aware of any interlocking relationships between any member of Viad s Human Resources Committee or Corporate Governance and Nominating Committee and any of Viad s executive officers that would require disclosure under the applicable rules promulgated under the U.S. federal securities laws.

Review and Approval of Transactions with Related Persons

In February 2007, the Board adopted a policy and procedures for review, approval and monitoring of transactions involving the company and related persons (directors and executive officers or their

immediate family members, or shareholders and their immediate family members owning five percent or greater of the company s outstanding stock). The policy applies to any transaction in which Viad or an operating company is a participant and any related person has a direct or indirect interest, excluding de minimus transactions of a commercial or other nature between a related person and Viad or one of its operating companies and any compensation arrangements with executive officers or directors of Viad that have been approved or authorized by the Board or the Human Resources Committee.

The Corporate Governance and Nominating Committee is responsible for reviewing, approving and/or ratifying any related person transaction. Management will bring the matter to the attention of the Corporate Governance and Nominating Committee and provide it with all material information with respect to related person transactions. A related person transaction must be approved in advance whenever practicable, otherwise it must be ratified as promptly as practicable; provided that if ratification is not forthcoming, management will make all reasonable efforts to cancel or annul the transaction. A related person transaction will be submitted to the Committee for consideration at its next meeting or, in those instances in which the President and Chief Executive Officer determines that it is not practicable or desirable for Viad to wait until the next Committee meeting, to the Chairman of the Committee (who has the delegated authority to act between Committee meetings with respect to this policy). The Chairman of the Committee will report to the Committee at the next Committee meeting any approval under this policy pursuant to delegated authority. The Committee will annually review with management existing related person transactions, if any, and report annually to the Board, to ensure that such transactions are being pursued in accordance with understandings and commitments made at the time they were approved, that payments are being made appropriately, and that such transactions continue to serve the interests of Viad.

Director Nominations

As provided in its charter, the Corporate Governance and Nominating Committee has established procedures for consideration of candidates for Board membership suggested by its members and other sources, including shareholders. The Committee has authority under its charter to employ a third-party search firm to assist it in identifying candidates for director. A shareholder who wishes to recommend a prospective nominee for the Board should notify Viad s Corporate Secretary in writing at the address first listed on page 1 of this proxy statement. Any such recommendation should include:

- the name and address of the candidate;
- a brief biographical description, including his or her occupation for at least the last five years, and a statement of the qualifications of the candidate, taking into account the qualification requirements set forth below; and
- the candidate s signed consent to serve as a director if elected and to be named in the proxy statement.

The Committee will review the qualifications of any person properly nominated by a shareholder in accordance with Viad s Bylaws relating to shareholder proposals as described in the Submission of Shareholder Proposals, Director Nominations and Other Information section of this proxy statement.

When the Committee reviews a potential nominee, the Committee looks specifically at the candidate s qualifications in light of the needs of the Board and Viad at that time given the then current mix of director attributes. The Committee, in accordance with Viad s Corporate Governance Guidelines, assesses director nominees based on their qualification as independent, as well as consideration of diversity, skills, and experience in the context of the current needs of the Board. In addition, director nominees should have high personal and professional ethics, integrity and values and be committed to representing the long-term interests of shareholders. The Committee also ensures that the members of the Board, as a group, maintain the requisite qualifications under the listing standards of the NYSE for populating the Audit, Human Resources and Corporate Governance and Nominating Committees.

Viad will deliver a questionnaire to a director candidate properly nominated by a shareholder addressing the candidate s independence, qualifications and other information that would assist the Corporate Governance and Nominating Committee in evaluating the candidate, as well as certain information that must be disclosed about the candidate in Viad s proxy statement, if nominated by the Committee.

Communication with Non-Management Directors and the Board of Directors

Interested parties may communicate directly with non-management directors and/or with the Board by writing to the following address: Viad Corp, 1850 North Central Avenue, Suite 800, Phoenix, Arizona 85004-4545, Attention: Corporate Secretary. All communications will be delivered to the non-management directors or the Board, as the case may be, no later than the Board s next regularly scheduled meeting.

Director Compensation Table

Each non-employee director receives compensation for service on the Board and any of its committees. Directors who are also officers or employees of Viad (only Messrs. Bohannon and Dykstra) do not receive any special or additional remuneration for service on the Board or any of its committees. The following table provides the compensation costs to Viad in 2006 for the non-employee directors.

Name ($) **(a)**	**Fees Earned Or Paid in Cash**1 ($) **(b)**	**Stock Awards**2 ($) **(c)**	**Option Awards**3 ($) **(d)**	**Non-Equity Incentive Plan Compen-sation** **($)** **(e)**	**Change in Pension Value and Nonqualified Deferred Compensation Earnings**4 ($) **(f)**	**All Other Compen-sation**5 ($) **(g)**	**Total** **($)** **(h)**
Wayne G. Allcott	40,900	47,567	3,785			5,144	97,396
Daniel Boggan Jr.	43,900	40,221	7,570			5,144	96,835
Robert H. Bohannon6							
Isabella Cunningham	40,900	47,463	4,731			5,144	98,238
Paul B. Dykstra6							
Jess Hay	65,400	72,598	3,785			24,358	166,141
Judith K. Hofer	68,400	72,598	3,785			3,072	147,855
Robert E. Munzenrider	57,400	40,221	3,785			3,144	104,550
Albert M. Teplin	70,400	40,221	3,785			144	114,550

1 Non-employee directors receive an annual retainer of $30,000. Committee chairmen receive an additional annual retainer of $5,000, except for the Audit Committee chairman who receives an additional annual retainer of $10,000. Mr. Hay, presiding director of Viad since May 2005, is not compensated for serving in that position. Non-employee directors also receive a fee of $1,600 for each Board meeting attended and a fee of $1,500 for each committee meeting attended. Directors are reimbursed for all expenses related to their service as directors.

2 The non-employee directors received a grant of 2,000 shares of restricted stock in February 2006. The amounts shown in the Stock Awards column (c) reflect the compensation cost incurred by Viad in 2006 (also referred to as the amortized amount) in connection with multi-year grants to the non-employee directors, as calculated in accordance with Statement of Financial Accounting Standard No. 123(R) (FAS 123R), including restricted stock granted in 2005 and 2006. There can be no assurances that the FAS 123R amounts provided in this column will be realized. At December 31, 2006, the following shares of restricted stock were outstanding for the non-employee directors: Mr. Allcott, 3,000; Mr. Boggan, 3,000; Dr. Cunningham, 2,000; Mr. Hay, 3,000; Ms. Hofer, 3,000; Mr. Munzenrider, 3,000; and Dr. Teplin, 3,000.

3 Stock options were not awarded in 2006 to the non-employee directors. The amounts shown represent the stock option expenses incurred by Viad in 2006 in accordance with FAS 123R for stock options granted for years 2003 through 2005. At December 31, 2006, the following stock options were outstanding for the named directors: Mr. Allcott, 10,140; Mr. Boggan, 5,000; Dr. Cunningham, 3,125; Mr. Hay, 11,325; Ms. Hofer, 11,325; Mr. Munzenrider, 10,140; and Dr. Teplin, 6,250.

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4 Viad no longer has a deferred compensation plan for directors. In connection with the spin-off of MoneyGram (discussed below), all liabilities under the Deferred Compensation Plan for directors were transferred to MoneyGram. Deferred accounts under such plan can no longer receive additional contributions, but are credited by MoneyGram quarterly with dividend equivalents in the case of stock unit accounts and interest at a long-term medium-quality bond rate in the case of cash accounts. Deferred amounts are payable after a director ceases to be a member of Viad s Board.

5 The amounts shown reflect the corporate matching of charitable contributions pursuant to the Directors Matching Gift Program, which provides for corporate matching of charitable contributions made by non-employee directors, on a dollar-for-dollar basis, up to an aggregate maximum of $5,000 per year to qualified non-profit organizations having tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The amounts shown also reflect the premium paid by Viad on behalf of each non-employee director for accidental death and dismemberment insurance benefits of $300,000 and travel accident insurance benefits of $300,000 when they are traveling on corporate business. Mr. Hay s amount further reflects perquisites and other personal benefits for personal travel on an aircraft chartered by Viad, and travel-related expenses for a guest to attend the August 2006 meeting of the Board. Those perquisites and other personal benefits were provided as a courtesy to Mr. Hay in connection with the August 2006 meeting and in recognition of his long and valuable service as a director and uncompensated presiding director of Viad. The aggregate incremental cost of perquisites is the actual cost incurred by Viad as a result of providing such items.

6 Refer to amounts presented in the Summary Compensation Table.

The restricted stock granted in 2006 to non-employee directors will vest three years from the date of grant, with pro rata vesting of shares upon expiration of the three-year period if a director leaves the Board prior to the end of such period, provided that full vesting will occur upon lapse of such period if the director has met certain age and holding period requirements. Full vesting may also occur upon expiration of the three-year period, at the discretion of the Human Resources Committee, if a director has terminated service due to unforeseen hardship or circumstances beyond the control of the director and such termination of services is at least six months after the date of grant. Although not applicable for 2006, if a non-employee director were to take office after the restricted stock grant in February of each year, the new director would receive a pro rata grant of restricted stock based on the date of election and the next regularly scheduled February grant of restricted stock.

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SECURITY OWNERSHIP OF VIAD MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

Ownership Guidelines for Directors and Officers

We believe it is important to align the financial interests of our directors and officers with those of our shareholders. Guidelines have been adopted which specify the minimum amount of stock that directors and officers are expected to own on a direct basis, meaning stock which is subject to market risk, not simply held under option. The guidelines call for each officer to own stock which has a value within a range of one and one-half to five times that individual s annual salary, depending on salary level. The guidelines also call for each non-employee director to own stock which has a value equal to five times the annual retainer payable to a director. Longer tenured directors have met their goals and the remainder are working toward meeting their goals. The majority of our executive officers have met or exceeded their goals, and the remainder are making significant annual progress.

Security Ownership of Management

The first table below provides information concerning the beneficial ownership of our common stock by directors and executive officers of Viad, individually and as a group. The second table provides more detailed information concerning director ownership of Viad common stock, options to purchase common stock and stock units. Information in the ownership tables is as of March 23, 2007.

Name	Amount and Nature of Beneficial Ownership1	Percent of Class
Executive Officers		
Paul B. Dykstra	110,106	*
Ellen M. Ingersoll	62,344	*
John F. Jastrem	16,334	*
G. Michael Latta	16,017	*
David G. Morrison	35,032	*
Suzanne Pearl	49,752	*
Kevin M. Rabbitt	27,059	*
Scott E. Sayre	65,455	*
Directors		
Wayne G. Allcott	12,306	*
Daniel Boggan Jr.	7,500	*
Robert H. Bohannon	454,973	2.2 %
Isabella Cunningham	4,625	*
Jess Hay	19,240	*
Judith K. Hofer	31,911	*
Robert E. Munzenrider	10,293	*
Albert M. Teplin	9,875	*
All Executive Officers and Directors as a Group (16 persons total)	932,822	4.4 %

* Less than one percent.

1 Includes: 91,912 shares of performance-based restricted stock granted in 2005 through 2007; 221,700 shares of restricted stock which will vest in three years from the date of grant; and 391,354 shares of common stock subject to stock options which were exercisable as of March 23, 2007, or within 60 days thereafter, by the directors and executive officers listed above. Performance-based restricted stock granted in 2005 vested one-third in 2006 and one-third in 2007 with the balance to vest on January 1, 2008 because specific performance targets were achieved at target levels (other than one executive officer who earned only a portion of the award based on achievement of performance goals at less than target levels). One-third of the performance-based restricted stock granted in 2006 vested in 2007 because specific performance targets were achieved at target levels. The payout of the remaining 2006 performance-based restricted stock will occur in one-third increments each year over the next two years on

January 1. Future vesting of restricted stock, including performance-based restricted stock, is subject generally to continued employment with the company.

Name	Year First Elected	Beneficial Ownership1	Unexercisable Options	Stock Units2	Total
Wayne G. Allcott	2004	12,306	6,084		18,390
Daniel Boggan Jr.	2005	7,500	3,000		10,500
Robert H. Bohannon	1996	454,973	8,000		462,973
Isabella Cunningham	2005	4,625	2,500		7,125
Paul B. Dykstra	2006	110,106	2,190		112,296
Jess Hay	1981	19,240	2,000	15,036	36,276
Judith K. Hofer	1984	31,911	2,000	14,625	48,536
Robert E. Munzenrider	2004	10,293	6,084		16,377
Albert M. Teplin	2003	9,875	2,000	405	12,280
Totals		660,829	33,858	30,066	724,753

1 Beneficial ownership includes common stock owned plus common stock that a director can acquire at March 23, 2007, or within 60 calendar days thereafter, through the exercise of stock options. Ownership of common stock, excluding exercisable options, is as follows: Mr. Allcott, 8,250; Mr. Boggan, 5,500; Mr. Bohannon, 227,552 (including 29,133 shares of performance-based restricted stock and 85,000 shares of restricted stock); Dr. Cunningham, 4,000; Mr. Dykstra, 80,600 (including 18,016 shares of performance-based restricted stock and 30,700 shares of restricted stock); Mr. Hay, 9,915; Ms. Hofer, 22,586; Mr. Munzenrider, 6,237; and Dr. Teplin, 5,625.

2 The term Stock Units represents stock units held under the Deferred Compensation Plan for directors which was transferred to MoneyGram at the time of the spin-off of MoneyGram. Stock units are subject to market risk in the same manner as common stock because they have a value equal to the market price of Viad common stock. Viad does not currently provide a deferred compensation plan for the deferral of fees paid to directors or compensation paid to executive officers.

Security Ownership of Certain Beneficial Owners

The table below provides certain information regarding those persons known by Viad to be the beneficial owners of more than 5% of Viad s outstanding common stock.

Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class
Marathon Asset Management LLP 5 Upper St. Martins Lane, London, UK WC2H 9EA	2,388,5301	11.04 %
Barclays Global Investors, N.A. 45 Fremont St., 17th Floor, San Francisco, CA 94105	1,915,3662	8.85 %
Viad Corp Employees Stock Ownership Plan and Trust (ESOP) 1850 N. Central Avenue, Suite 800, Phoenix, AZ 85004-4545	1,065,8673	5.01 %

1 Marathon Asset Management LLP filed on January 16, 2007 with the SEC a statement on Schedule 13G reporting that it has shared power to vote or to direct the voting of 1,769,130 shares, and shared dispositive power over all the shares.

2 Barclays Global Investors, N.A. filed on January 23, 2007 with the SEC a statement on Schedule 13G reporting that it has sole voting power over 1,825,366 shares and sole dispositive power over all the shares.

3 Viad Corp Employees Stock Ownership Plan and Trust (ESOP) filed on February 14, 2007 with the SEC a statement on Schedule 13G reporting that it (directly or indirectly) has sole dispositive power and sole voting power over all the shares.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 31, 2006, with respect to shares of Viad common stock that may be issued under existing equity compensation plans. The category Equity Compensation Plans Approved by Security Holders in the table below consists of the 1997 Viad Corp Omnibus Incentive Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price ($) of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))1 (c)
Equity compensation plans approved by security holders	965,950	24.12	2,006,927
Equity compensation plans not approved by security holders			
Total	965,950	24.12	2,006,927

1 All shares remaining available for grant as disclosed in this column are available only under the 1997 Viad Corp Omnibus Incentive Plan. No shares remaining in the 1997 Viad Corp Omnibus Incentive Plan as of its expiration on May 31, 2007 will be available for issuance thereafter. Viad does not anticipate granting any new awards under such Plan prior to its expiration (see Proposal 3: Approval of 2007 Viad Corp Omnibus Incentive Plan in this proxy statement). The Plan provides that the number of shares available for grant in each calendar year is equal to two 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 while the Plan remains in effect.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires Viad s executive officers, directors, and beneficial owners of more than 10% of Viad s common stock, to file initial reports of ownership and reports of changes in ownership of Viad s common stock with the SEC and the NYSE. Such executive officers, directors and beneficial owners are required by U.S. federal securities regulations to furnish Viad with copies of all Section 16(a) forms they file. As a matter of practice, Viad s administrative staff assists its executive officers and directors in preparing initial reports of ownership and reports of changes in ownership, and files such reports on their behalf with the SEC and the NYSE. Based solely on a review of the copies of such forms furnished to Viad and written representations from its executive officers and directors, Viad believes that all executive officers, directors and beneficial owners complied with the Section 16(a) reporting requirements in 2006, except G. Michael Latta, an executive officer, filed a Form 5 to report that he did not timely file on a Form 4 three small acquisitions (each less than one share of Viad common stock) made during 2006 pursuant to a broker-administered dividend reinvestment program.

Spin-Off of MoneyGram International, Inc.

The beneficial ownership and executive equity compensation (stock options and stock awards) presented in this proxy statement reflect the effects of the one-for-four reverse stock split of Viad common stock that occurred in connection with the tax-free spin-off of Viad s previously owned subsidiary, MoneyGram International, Inc. (MoneyGram) on June 30, 2004. Equity compensation granted to executive officers and directors prior to June 30, 2004 reflects the MoneyGram dividend that was distributed in connection with the MoneyGram spin-off.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Three members of the Viad Board are members of the Board of Directors of MoneyGram. Prior to the spin-off of MoneyGram on June 30, 2004, there were transactions in the ordinary course between Viad and Travelers Express Company, Inc., a subsidiary of MoneyGram, as well as transactions pursuant to the Separation and Distribution, Employee Benefits, Tax Sharing and Interim Services Agreements (Spin-off Agreements) that were executed by the companies in connection with the spin-off of MoneyGram. Following the spin-off, transactions occurred during 2004 through 2006 and will continue in 2007 between Viad and MoneyGram as provided in the Spin-off Agreements. In January 2005, the companies entered into an agreement whereby Viad sold a 50% interest in its corporate aircraft to MoneyGram, and in January 2006 Viad sold its remaining 50% interest in the corporate aircraft to MoneyGram.

The Audit Committee Report and the Report of the Human Resources Committee contained in this proxy statement will not be incorporated by reference into any present or future filings we make with the Securities and Exchange Commission, even if those reports incorporate all or any part of this proxy statement.

AUDIT COMMITTEE REPORT

The Committee

The Audit Committee of the Board is comprised solely of independent directors and was appointed by the Board to assist the Board in monitoring (1) the integrity of the financial statements of Viad, (2) the independent auditors qualifications and independence, (3) the performance of Viad s internal audit function and independent auditors, and (4) the compliance by Viad with legal and regulatory requirements.

Meetings and Responsibilities

The Committee met eleven times in 2006. Committee members are also available to consult with management and with the Corporation s independent auditors throughout the year. The Committee regularly meets in general and private sessions with management of Viad and with Viad s internal auditors and external independent auditors. The Committee receives and discusses their reports and encourages open and detailed discussion of all matters related to responsibilities of the Committee.

Financial Statements Recommendation

The Committee recommended that the audited financial statements of Viad for 2006 be included in Viad s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2007. A copy of that report is included with your proxy materials. In connection with its recommendation, the Committee did the following:

- Reviewed and discussed the audited financial statements of Viad with management;

- Discussed with the independent auditors of Viad matters required to be discussed by generally accepted auditing standards, including standards set forth in Statement on Auditing Standards No. 61. That statement requires that the independent auditors communicate to the Committee matters related to the conduct of the audit such as the quality of earnings; estimates, reserves and accruals; suitability of accounting principles; highly judgmental areas; and audit adjustments whether or not recorded; and

- Received written disclosures from the independent auditors regarding their independence as required by Independence Standards Board Standard No. 1, and discussed with the independent auditors the independent auditors independence.

It is not the duty of the Committee to plan or conduct audits or to determine that Viad s financial statements are complete or accurate and in accordance with generally accepted accounting principles.

Those are the responsibilities of management and Viad s independent auditors. In giving its recommendation to the Board of Directors that the audited financial statements of Viad for 2006 be included in Viad s Annual Report on Form 10-K, the Committee relied on management s representations and the report of Viad s independent auditors with respect to the financial statements. A report of Viad s management concerning management s responsibility for financial reporting, and the report and opinion of Deloitte & Touche LLP, Viad s independent auditors, are included in Viad s Annual Report on Form 10-K and should be read in conjunction with the audited financial statements of Viad.

Disclosure Controls and Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)), evaluating the effectiveness of disclosure controls and procedures and internal control over financial reporting, and evaluating any change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting. Deloitte & Touche LLP is responsible for expressing an opinion on (1) management s assessment of the effectiveness of internal control over financial reporting and (2) the effectiveness of internal control over financial reporting.

During 2006 and through the filing of Viad s 2006 Annual Report on Form 10-K, management completed the documentation, testing and evaluation of Viad s system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Committee was kept apprised of the progress of the evaluation during the process. The Committee received periodic updates provided by management and Deloitte & Touche LLP at Committee meetings. The Committee has discussed with Deloitte & Touche LLP the matters required under Auditing Standard No. 2 of the Public Company Accounting Oversight Board (PCAOB). That standard requires Viad s independent auditors to report on their audit of Viad s internal control over financial reporting performed in conjunction with their audit of Viad s consolidated financial statements. At the conclusion of the process, management provided the Committee with, and the Committee reviewed, a report on the effectiveness of Viad s internal control over financial reporting. The Committee also reviewed the report of Deloitte & Touche LLP relating to its audit of (1) management s assessment of the effectiveness of internal control over financial reporting and (2) the effectiveness of internal control over financial reporting.

AUDIT COMMITTEE
Albert M. Teplin, Chairman
Jess Hay
Judith K. Hofer
Robert E. Munzenrider

REPORT OF THE HUMAN RESOURCES COMMITTEE ON EXECUTIVE COMPENSATION

The Human Resources Committee of the Board is comprised solely of independent directors. The Committee oversees design and implementation of an executive compensation strategy intended to enhance profitability of Viad and shareholder value. The Committee has reviewed and discussed with Viad s management the Compensation Discussion and Analysis provided in this proxy statement, and based on such review and discussions, the Committee recommended to Viad s Board of Directors that such Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference in Viad s 2006 Annual Report on Form 10-K, filed March 1, 2007.

HUMAN RESOURCES COMMITTEE
Jess Hay, Chairman
Daniel Boggan Jr.
Judith K. Hofer
Albert M. Teplin

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Program Overview

Each year, the Human Resources Committee (the Committee) of the Board reviews and approves Viad s executive compensation program and the compensation levels for its executive officers. The Committee, which is comprised solely of outside, independent directors, has sole responsibility, with respect to Viad s Chief Executive Officer (CEO) and other executive officers, to approve (a) the annual base salary level, (b) the annual incentive opportunity level and payment of incentive awards, (c) the long-term incentive opportunity level, grant of awards, and achievement of performance goals, and (d) any special or supplemental benefits. The salary, equity and incentive compensation of the CEO approved by the Committee is subject to ratification by independent members of the Board. The Committee also has sole authority to retain and terminate any compensation consultant used to assist in the evaluation of the compensation of the CEO and other executive officers.

Executive Total Compensation Philosophy

Viad s Board drives a pay-for-performance philosophy through its compensation programs by aligning the financial interests of its executive officers and key management with the long-term financial interests of Viad and its shareholders. This philosophy was adopted more than a decade ago and no changes to the philosophy are planned for the 2007 executive compensation programs.

Viad s compensation philosophy is designed to:

- Promote a performance-driven culture via compensation components that properly incent executives;
- Provide a competitive compensation package, including a significant incentive-based component designed to reward individual and business performance;
- Attract, retain and engage the best available executive talent;
- Motivate executives and key employees to strive to achieve Viad s long-term and short-term operating and financial goals, thereby enhancing shareholder value;
- Encourage executives and key employees to participate in the risks and rewards of ownership through investment in Viad s common stock; and
- Foster ethics and integrity through compensation forfeiture provisions that reinforce the core values of Viad.

In 2006, as in previous years, the targeted incentive-based compensation ranged from 50% to 75% of the total compensation package targeted for each named executive officer in the Summary Compensation Table.

Benchmarking and Resources

Hewitt Associates (Hewitt), a nationally-known independent consulting firm, has provided the Committee and Viad s Human Resources Department with advice and counsel on executive compensation. The Committee has retained Hewitt to provide consultation services on executive compensation during 2007. Through a subscription to Hewitt s database, Viad obtains competitive benchmark information, including an analysis of competitive salaries, annual cash incentive amounts (actual dollars and target percentages), long-term pay levels (in dollars and as a percentage of salary), and total compensation values to assist the Committee in its decisions on executive compensation. Viad s peer group is a mix of similarly-sized, comparable organizations from across the United States in which Viad and its subsidiaries compete for executive talent and includes more than 50 comparator companies selected from Hewitt s General Industry database.

Viad s Human Resources and Legal Departments support the Committee in its work and in some cases act pursuant to delegated authority to fulfill various functions in administering Viad s compensation programs. The Human Resources Department also provides the Committee with competitive compensation benchmarks using three to five third-party survey sources. Such competitive data provides reference points for the Committee. This analysis and a number of other factors, including an assessment (in consultation with the CEO) of individual performance, Viad s operating and financial results and internal equity considerations, serve to guide the Committee in its determination of appropriate levels of compensation for each named executive officer. The Committee makes the final determination on the compensation of executive officers at the Committee s regularly scheduled meeting in February of each year. The Committee s decisions on Viad s CEO s compensation are based on market data, as well as the CEO s tenure and individual performance and the extent to which Viad s financial and operating goals were achieved in the prior year. The Committee s decision regarding the CEO s compensation must be ratified by the independent members of the Board.

Each executive is assessed annually through a 360-degree performance review process. The executive is measured against Viad s Core Abilities (defined below), pre-defined financial targets and the 360-degree performance reviews by superiors, peers and subordinates. Core Abilities include leadership, human capital management, strategic thinking, technical competence, communication and customer service orientation. Results of the performance assessment include the achievement of financial and operating objectives identified for all executives at the beginning of each performance period. These objectives can vary depending on the business function in which the executive works and on the economic environment prevailing during the evaluation period. The CEO s performance reviews are completed and returned to the Chairman of the Board for review and discussion with the Committee. At its regularly scheduled meeting in February, the Committee discusses the performance of each executive officer and determines individual executive compensation levels for the year. Elements of compensation generally are targeted at the 50th percentile of comparator company data (as discussed under Components of Compensation subsection below).

Components of Compensation

Total compensation components for the named executive officers in the Summary Compensation Table include:

- base salary;
- short-term, annual cash incentive compensation;
- long-term incentives;
- perquisites and other personal benefits;
- retirement income and savings plans; and
- post-termination compensation and benefits.

Total compensation is reviewed by the Committee at its regularly scheduled meeting in February. The Committee works with management to create what they believe is the best mix of compensation components, consistent with Viad s compensation philosophy, in delivering the executives targeted total compensation. Of targeted total compensation, base salaries represent approximately 17% to 35%, short- and long-term incentives collectively make up approximately 50% to 75%, and perquisites and other personal benefits represent 7% to 14%. Base salary merit adjustments are effective April 1 of each year. Awards under the short-term incentive plan (for the prior year) are determined at the February meeting once achievement of financial targets has been determined, and payment of awards is not made until the company s books have been officially closed for the prior fiscal year. Long-term incentive compensation awards (as discussed in more detail below) are granted at the February meeting, and targets for the incentive plans are finalized at the March meeting of the Committee.

The short- and long-term incentive plans are designed to link executive compensation to shareholder value, to encourage short-term actions consistent with the achievement of long-term growth, to reward measurable performance and to retain executives and build their stock ownership.

Each element of the total compensation package for the named executive officers in the Summary Compensation Table is discussed below.

Base Salary

The salary program helps achieve the objectives outlined above by attracting and retaining strong talent. Base salaries represent the fixed portion of the executive compensation package, and account for approximately 17% to 35% of the targeted total compensation package. Salary levels are determined using a combination of factors including competitive benchmark levels, the executive s experience and tenure, Viad s annual merit budget and the executive s individual performance. Merit increase guidelines are determined using published survey sources, and have ranged from 0% to 5%, averaging 3.5% over the past several years. An executive who has exhibited excellent performance would typically receive a merit increase of between 4% and 5%, while an executive who achieves expectations would receive a merit increase of between 3% and 3.5%. If an executive were not meeting expectations or if the executive s salary substantially exceeds competitive market levels, then no increase would be awarded.

Base salaries for Viad s named executive officers are targeted at the 50th percentile of the survey reference points, except for Mr. Bohannon, who due to his experience, tenure, and consistent performance is targeted at the 75th percentile. In the event an executive s base salary has reached a level that is substantially in excess of the relevant reference point, the salary is typically frozen until the salary no longer exceeds the benchmark range. Once a competitive market value is determined for a position, a range is developed by the Human Resources Department below and above that value. An executive whose base salary is at the reference point of the range is deemed fully qualified in his or her role; an executive whose base salary is above the midpoint has typically been in their role for several years and has been a strong performer. This range allows Viad to respond to changing business conditions and manage salaries more evenly over an executive s career. For the named executive officers, actual base salaries approved by the Committee are no more than 6% above the competitive 50th percentile of the survey reference point, except for Mr. Bohannon, whose base salary was established with reference to the 75th percentile of the survey reference point.

Annual Incentives

Viad s Management Incentive Plan is an annual, cash-based, pay-for-performance incentive program covering executive officers and other key executives. The Plan is designed to motivate and reward these individuals for their contributions to Viad s performance during the year by making a large portion of their cash compensation variable and dependent upon achievement of Viad s annual financial targets. Incentive cash payments are further designed to emphasize results and contributions through achievement of corporate and operating company performance targets established by the Committee at the beginning of each year. When determining the performance targets, the Committee considers past financial performance of Viad and its operating companies and the internal estimates of their current-year planned financial performance. Incentive cash payments reflect the extent to which targets for the following performance goals are met or exceeded:

- Corporate level executives: Income per share, operating cash flow and other specified performance measurements, including maintaining a strong balance sheet, conducting all operations according to established policies and guidelines and our credit agreement guidelines, compliance with the Sarbanes-Oxley Act of 2002, and total support and adherence to Viad s Always Honestsm compliance program.

- Operating company level executives: Operating income, operating cash flow, revenue and other specified performance measurements, including conducting all operations according to established policies and guidelines and our credit agreement guidelines, compliance with the Sarbanes-Oxley Act of 2002, total support and adherence to Viad s Always Honestsm compliance program, and achievement of various strategic objectives.

In this Plan, achievement of income per share or operating income targets are weighted at 60% of the target award, and operating cash flow is weighted at 25%. The other factors listed above account for 15% of the target award, although achievement of these other factors alone will not result in earning the award. Failure to adhere to Viad s policies, including the Always Honestsm compliance program, can result in an executive s forfeiture of a portion or all of his or her incentive compensation. Income per share for corporate level executives is a stand-alone goal and awards may be paid for achievement of the goal. Operating income for operating company level executives is a stand-alone goal and awards may be paid for achievement of the goal. Operating cash flow is a stand-alone goal and awards may be paid for achievement of the goal, provided that the income per share goal or operating income goal is met at the threshold amount. Target awards are established for each executive officer based upon competitive award values for comparable positions. Annual cash incentive levels for the named executive officer under the annual plan are targeted at the 50th percentile of the market, except for Mr. Bohannon, whose annual cash incentive level is targeted at the 75th percentile. Target awards for the named executive officers in 2006 ranged from 50% to 90% of the executive s annual base earnings, depending on the executive s level of responsibility and competitive market data. Incentive awards at the corporate and operating company levels were established to have a range from no award to a maximum of 175% of target, depending on achievement of goals and discretionary adjustment based on individual performance. This means that an individual with a 50% target level could earn a maximum award of 87.5% of base earnings (50% times 175%). The formula for determining the award is: annual base earnings times individual target level for annual cash incentive times the achievement factor. The Committee has discretion to increase or decrease the actual awards based on company and individual performance, except in the case of the named executive officers whose awards may only be reduced. Targets are set such that achievement will result in enhancement to the fundamental value of Viad, which in turn is ultimately reflected in enhanced shareholder value. Established growth trends, which are based on economic and business conditions specific to Viad and each of the operating companies, are the gauge by which meaningful targets are set and executive performance is measured.

For purposes of meeting the requirements of Internal Revenue Code Section 162(m), annual incentive awards to executive officers may not exceed a funding limit established with respect to each executive. The limit is currently expressed as a specific dollar amount, as described in the 1997 Viad Corp Omnibus Incentive Plan and the proposed 2007 Viad Corp Omnibus Incentive Plan (see Proposal 3: Approval of 2007 Viad Corp Omnibus Incentive Plan below in this proxy statement).

Long-Term Incentives

Long-term incentives for the named executive officers in 2006 were provided using performance-based restricted stock, restricted stock and performance units. Of the total long-term award granted to the executive officers, 30% was made up of performance-based restricted stock, 30% from performance units, and 40% from restricted stock, making 60% of the grant based on company and individual performance and subject to a zero payout should performance not be achieved. Long-term incentive grants are targeted between the 50th percentile and the 75th percentile of the competitive market based on the executive s performance and the market value for the position. Long-term incentive grants for Mr. Bohannon are targeted at the 75th percentile due to his experience, tenure, and performance. In 2006, targeted long-term incentive grants were made at between the 50th and 75th percentile of the competitive market, except for the 2006 grants for Mr. Bohannon and Mr. Sayre, which were slightly above the 75th percentile of the competitive market. In 2007, the overall mix of long-term incentive grants will change to 30% performance-based restricted stock, 30% restricted stock and 40% performance units. This places an even greater emphasis on performance and attainment of financial targets that are designed to provide for long-term value to Viad s shareholders. Each of the long-term incentive plans is described below.

Performance-Based Restricted Stock. Key executives who have a significant impact on Viad s short-term and long-term operational and financial goals, including the named executive officers in the Summary Compensation Table, were awarded performance-based restricted stock in 2006. The performance-based restricted stock awards were designed to focus management s attention on financial performance in 2006, and to retain the management team. One-third of the earned performance-based restricted stock granted in 2006 vested one year after the grant date and the remaining earned shares will vest in one-third increments each year on January 1 over the next two years because targets for incentive performance goals established for the 2006 grant (as described below) were achieved at target levels for the executive officers. Of the total compensation granted to executive officers in 2006, performance-based restricted stock made up 30% of the value. The Committee believes that vesting the shares over a three-year period has served as an effective retention tool. Until achievement of goals has been determined, dividends are paid and the executive may vote the shares granted; once achievement is determined, dividends and voting apply only to earned shares (unearned shares are forfeited). The dividend feature and voting rights are critical links for the company and its executives in aligning management s interests with our shareholders interests. The 2006 performance goals, which are consistent with the goals established for the 2006 annual incentive plan and are weighted the same for achievement purposes, included income per share (corporate level executives only), operating income (operating company level executives only), operating cash flow and other specified performance measurements including revenue (operating company level executives only), maintaining a strong balance sheet, conducting all operations according to established policies and guidelines and the credit agreement guidelines, compliance with the Sarbanes-Oxley Act of 2002, total support and adherence to Viad s Always Honest[sm] compliance program, and achievement of certain strategic initiatives. Executives may earn from 0% to 100% of the shares granted, dependent upon the performance of the operating company or overall corporate results.

Restricted Stock. In addition to performance-based restricted stock awarded in 2006, restricted stock, which vests in full three years from the grant date, was also awarded in 2006 to a limited number of executives, including the named executive officers in the Summary Compensation Table. The executive may vote the shares and receives dividends during the restriction period. Receipt of dividends and the executive s right to vote shares are critical links in aligning management s interests with those of Viad s shareholders. The Committee believes that due to the three-year cliff vesting feature on the shares, this compensation element has been highly effective in retaining executives and in motivating executives to make long-term decisions that will be beneficial to shareholders and the company. In addition, it has also put greater focus and emphasis for the executives on their ownership of company stock. For the executive officers, restricted stock made up 40% of their total long-term incentive compensation for 2006.

Performance Units. Participation in the Performance Unit Incentive Plan (PUP) under the 1997 Viad Corp Omnibus Incentive Plan is limited to Viad s executive officers and certain key members of senior management at the operating company level. PUP is intended to focus participants on the long-term interests of our shareholders by tying the value of units awarded to both stock price appreciation during the performance period and to achievement of financial measures that are key factors in increasing shareholder value. Performance targets are set during the first quarter of the three-year performance period, typically at the March meeting of the Committee. Goals for the corporate level executives are based on income per share, operating cash flow and revenue; goals for operating company level executives are based on operating income, operating cash flow and revenue. Income per share or operating income targets are weighted at 60% of the target award, operating cash flow is weighted at 30%, and revenue is weighted at 10%. Targets are set such that achievement will result in enhancement to the fundamental value of Viad, which in turn is ultimately reflected in enhanced shareholder value. Established growth trends, which are based on economic and business conditions specific to Viad and each of the operating companies, are the gauge by which meaningful targets are set and executive performance is measured. PUP awards are paid in cash and are earned based on the degree of achievement of the targets during the performance period and are calculated using the price of Viad s common stock at the end of the performance period. The formula for determining the payout of a PUP award is the number of units originally granted to the executive multiplied by the average stock price during the last ten days of the performance period, multiplied by the achievement factor for the company. The achievement factor can range from 0% to 200%.

Vesting of Long-Term Incentives. The vesting of restricted stock, performance-based restricted stock and performance units is subject generally to continued employment with Viad or its operating companies, except certain termination events will trigger post-termination benefits as discussed below under Post-Termination Compensation and Benefits, and in the Potential Payment Upon Employment Termination or Change of Control section of this proxy statement. Effective March 28, 2006, the Board increased the holding period from six months to two years after the date of grant before Messrs. Bohannon and Sayre could receive at retirement full vesting of restricted stock and performance-based restricted stock after lapse of the restriction period, except that the six-month holding period would continue if approved by the Committee, in its absolute discretion, where the executive officer retires due to unforeseen hardship or circumstances beyond his control. The Board only took action with respect to the 2006 grants of Messrs. Bohannon and Sayre because they are the only executive officers eligible for early retirement and affected by the increased holding period. Their restricted stock and performance-based restricted stock agreements for the 2006 grants were amended to reflect the Board s action. These holding period amendments were incorporated in February 2007 into the forms of restricted stock and performance-based restricted stock agreements to be used for future grants.

Perquisites and Other Personal Benefits

Perquisites and other personal benefits are part of the executive s total compensation package and are reviewed periodically to ensure external competitiveness. The perquisites currently offered by the company to the executive officers include financial counseling and tax preparation, annual executive physical examination, accidental death and dismemberment insurance coverage, executive medical insurance, club memberships and company-paid parking. Messrs. Bohannon and Dykstra are also eligible for executive life insurance, home Internet and security system and an automobile, plus related expenses. Operating company presidents are also eligible for an automobile allowance. A tax gross-up is provided to the named executive officers on the financial counseling benefit as part of the perquisite package. Expense related to spousal travel is offered to the executive officers for spousal attendance at one of the regularly scheduled Board meetings. Additional information on perquisites and other personal benefits provided to the named executive officers in 2006 is discussed in the Summary Compensation Table, presented below in this proxy statement.

Retirement Income and Savings Plans

All eligible employees, including the named executive officers, may participate in the Viad Corp Capital Accumulation Plan (401(k) Plan). In addition, the named executive officers are eligible to participate in the Supplemental 401(k) Plan, which provides for additional employee contributions over the annual limits set by the Internal Revenue Code for the 401(k) Plan, plus matching contributions by Viad based on the same percentage as the 401(k) Plan.

Annual retirement benefits will be paid under applicable schedules of the Viad Corp Supplemental Retirement Plan (SERP) and under the MoneyGram Pension Plan (formerly the Viad Corp Retirement Income Plan) to Messrs. Bohannon, Dykstra, and Sayre and Mmes. Ingersoll and Pearl, although accruals under the MoneyGram Pension Plan were frozen as of December 31, 2003. In connection with the MoneyGram spin-off, the sponsorship and administration of the MoneyGram Pension Plan, as well as all liabilities of the MoneyGram Pension Plan and the SERP, were assumed by MoneyGram. In general, the compensation covered by the MoneyGram Pension Plan is annual salary and annual incentive compensation (one-half of annual bonus in the case of executive officers other than Mr. Bohannon). Actual benefits will be calculated primarily on the basis of the average of a participant s last five years of covered compensation prior to retirement and on the basis of the average of a participant s highest five years of annual incentive compensation. Like all other forms of compensation, the level of retirement benefit is determined by individual performance assessments throughout a career, since individual performance determines the level of compensation, which is an integral component of savings and pension benefit formulas. The change in the value of the pension plans during 2006 is included in the Summary Compensation Table. Please refer to the Pension Benefit Table and the Potential Payment Upon Employment Termination or Change of Control sections of this proxy statement for further discussion of retirement benefits.

Post-Termination Compensation and Benefits

Certain termination events will trigger post-termination payments and benefits for the named executive officers in the Summary Compensation Table, including retirement, change of control severance, termination for cause, involuntary termination not for cause, death or disability. These are discussed below and also under the section Potential Payment Upon Employment Termination or Change of Control. Post-termination compensation provides for either short-term (termination or change in control) or long-term (retirement) security to the company s executive officers in the event their employment with the company ends. In the event of involuntary termination, post-termination compensation is designed as a bridge for the executive.

Retirement. The retirement income received by the executives is discussed under the Retirement Income and Savings Plans section and in the Pension Table section of this proxy statement. Accelerated vesting of stock options, restricted stock, performance-based restricted stock and performance units will occur upon retirement, as discussed below in the Potential Payment Upon Employment Termination or Change of Control section of this proxy statement.

Change of Control Severance. Viad s Executive Severance Plan (Tier I) provides each of the named executives (other than Mr. Bohannon, who does not have such an arrangement) with severance benefits if the executive s employment is terminated by Viad without cause or by the executive for good reason (as those terms are defined in the Executive Severance Plan) within 36 months after a change of control of Viad, or by the executive for any reason (other than for good reason, death, disability or retirement) during a 30-day window period beginning on the first anniversary of the change of control of Viad. The purpose of the Executive Severance Plan is to ensure, in the event of a possible change of control of Viad, that executives will be available (without concern for their personal financial situations) to perform their regular duties and to advise management and the Board as to whether the change of control proposal would be in the best interests of Viad and its shareholders, to assist in the change of control implementation and transition, and to perform other appropriate actions. Severance benefits also provide an economic means for executives to transition from Viad employment. Participants in the plan are designated by the CEO and approved by the Committee. Viad s annual and long-term incentive plans also provide for accelerated vesting of equity awards and immediate payment of earned performance incentives upon a change of control of Viad.

For purposes of these benefits, a change of control is deemed to occur, in general, if (a) a shareholder or group of shareholders acquires 20% or more of Viad s common stock, (b) the current directors in office cease to constitute at least a majority of the Board, (c) a reorganization, merger or consolidation, or the sale of all or substantially all of the corporate assets occurred, or (d) there is a complete liquidation and dissolution of Viad.

Involuntary Termination Not For Cause. Mr. Bohannon s employment agreement provides that he will receive post-termination payments and benefits upon Viad s termination of his employment other than for death, disability or cause, or upon termination of his employment due to death or disability. The relevant material terms of Mr. Bohannon s employment agreement with Viad are discussed in the section Potential Payment Upon Employment Termination or Change of Control of this proxy statement. For the other named executive officers, Viad has an arrangement providing payments and benefits to them for Viad s termination of their employment without cause, as discussed in the Potential Payment Upon Employment Termination or Change of Control. In addition, if terminated without cause, all restricted stock will immediately vest and all performance-based restricted stock and performance units, if earned, will be received without any proration. This is also the case for Mr. Bohannon.

Death or Disability. Mr. Bohannon s employment agreement provides for post-termination payments upon his employment termination due to death or disability. The relevant material terms of Mr. Bohannon s employment agreement with Viad are discussed in the section Potential Payment Upon Employment Termination or Change of Control of this proxy statement. For the other named executive officers, accelerated vesting of stock options, restricted stock, performance-based restricted stock and performance units will occur if their employment is terminated by reason of death or disability, as discussed in the section Potential Payment Upon Employment Termination or Change of Control of this proxy statement.

Forfeiture Provisions for Misconduct

In order to protect Viad and its operating companies and to help insure the long-term success of the business, annual incentive compensation and long-term incentive compensation (including awards of performance-based restricted stock, restricted stock and performance units) are subject to forfeiture and reimbursement provisions (i.e., a clawback provision) relating to the following types of misconduct:

- an officer or employee knowingly participated in misconduct that caused a misstatement of financial statements of Viad or any of its affiliates, or in misconduct which represented a material violation of Viad s Code of Ethics or certain other policies;

- an officer or employee was aware of and failed to report an employee who was participating in misconduct that caused or could cause a misstatement of financial statements of Viad or any of its affiliates, or in misconduct which represented a material violation of Viad s Code of Ethics or certain other policies; and

- an officer or employee acted significantly contrary to the best interests of Viad.

The forfeiture and reimbursement provisions also relate to certain competitive activities following employment termination.

Limit on Deductibility of Certain Compensation

Section 162(m) of the Internal Revenue Code disallows a corporate income tax deduction on compensation paid to an executive officer named in the Summary Compensation Table that exceeds one million dollars during the tax year, subject to certain permitted exceptions. To the extent compensation is based upon attaining performance goals set by this Committee and meets the other requirements of Section 162(m), the compensation is not included in computation of the limit. The Committee intends, to the extent possible and where it believes it is in the best interest of Viad and its shareholders, to qualify such compensation as tax deductible. However, it does not intend to permit the provisions of Section 162(m) to erode the effectiveness of Viad s overall system of compensation policies and practices. The Board submitted performance goals and certain other terms under the 1997 Viad Corp Omnibus Incentive Plan for approval at the 1997 and 2002 Annual Meetings of Shareholders, as required to allow certain of the compensation payable under such plan to be eligible for deduction.

Stock Ownership Guidelines

Stock ownership guidelines were adopted in 1993 which call for executives and directors to own a minimum amount of stock on a direct basis, meaning stock of Viad which is subject to market risk and not simply held under option. The minimum required amount is based on multiples of salary ranging from one and one-half to five times an individual s annual salary, depending on salary level.

Viad believes it is important to align the financial interests of our directors and officers with those of our shareholders. Messrs. Dykstra and Bohannon have ownership guidelines of five times their base salaries; Messrs. Rabbitt and Sayre, and Mmes. Ingersoll and Pearl have ownership guidelines of three times their base salaries. The guidelines also call for each non-employee director to own stock which has a value equal to five times the annual retainer payable to a director. Longer tenured directors have met their goals and the remainder are working toward meeting their goals. All executive officers named in the Summary Compensation Table have met or exceeded their goals, except Mr. Rabbitt, who was named President and Chief Executive Officer of GES Exposition Services, Inc. in January 2006.

Changes to Executive Compensation in 2007

In February 2007, the Board approved certain changes to the post-termination compensation of executive officers, as well as amendments to Mr. Bohannon s employment agreement relating to post-termination compensation, as discussed in the Potential Payment Upon Employment Termination or Change of Control section of this proxy statement.

Summary Compensation Table

The following table summarizes the 2006 compensation cost for the former and the current President and Chief Executive Officer, the Chief Financial Officer and each of the three other most highly compensated executive officers of Viad, including compensation costs incurred by Viad for stock and option awards granted to those named executive officers in 2006 and prior years as reflected in Viad s financial statements, and pension expenses accrued for them in 2006.

The dollar figures presented below in the Stock Awards column (e) and Option Awards column (f) of the Table represent the compensation cost recognized in Viad s 2006 financial statements, pursuant to the accounting standards of the Statement of Financial Accounting Standard No. 123(R) (FAS 123R) assuming full vesting. The dollar figures may not reflect the actual value to be realized by the executive officer. Due to the level of achievement of performance goals and economic and market risks associated with stock and option awards and with awards of performance units having a value based on the market price of the stock, the actual value realized by the named executive officer for the stock will not be determined until time of vesting, or in the case of option awards, until option exercise, or in the case of performance units, until payment is calculated using the market price of the stock at the time the units are earned.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards1 ($) (e)	Option Awards2 ($) (f)	Non-Equity Incentive Plan Compen-sation3 ($) (g)	Change in Pension Value and Non-qualified Deferred Comp. Earnings4 ($) (h)	All Other Compen-sation5 ($) (i)	Total ($) (j)
Robert H. Bohannon Chairman, and former President and CEO during fiscal year 2006	2006	637,500	6	4,695,669	146,780	1,500,000	1,457,312	158,9907	8,596,251
Paul B. Dykstra	2006	537,500	8	1,152,222					

Income Taxes	(624)	23,542	(620)		22,298
Income Tax Expense (Benefit)	(153)	4,493	(33)		4,307
Income (Loss) Before Minority Interest	(471)	19,049	(587)		17,991
Minority Interest			(332)		(332)
Income (Loss)	(471)	19,049	(919)		17,659
Equity in Net Income of Consolidated Subsidiaries	18,130	953		(19,083)	
Net Income (Loss)	$ 17,659	$ 20,002	$ (919)	$ (19,083)	$ 17,659

Condensed Consolidating Statement of Operations for the six month period ended April 28, 2006.

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net Sales	$	$ 304,295	$ 156,459	$ (7,150)	$ 453,604
Cost of Sales		205,776	111,380	(7,150)	310,006
		98,519	45,079		143,598
Expenses					
Selling, general and administrative		47,769	29,094		76,863
Research, development and engineering		10,590	12,682		23,272
Total Expenses		58,359	41,776		100,135
Other					
Other income		(380)	(82)		(462)
Total Other		(380)	(82)		(462)
Operating Earnings		40,540	3,385		43,925
Interest income	(9,157)	(2,298)	(847)	10,445	(1,857)
Interest expense	9,989	6,128	4,623	(10,445)	10,295
Loss on extinguishment of debt	2,156				2,156
Other Expense, Net	2,988	3,830	3,776		10,594
Income (Loss) Before Income Taxes	(2,988)	36,710	(391)		33,331
Income Tax Expense (Benefit)	(817)	8,538	(858)		6,863
Income (Loss) Before Minority Interest	(2,171)	28,172	467		26,468
Minority Interest			(445)		(445)
Income (Loss)	(2,171)	28,172	22		26,023
	28,194	2,509		(30,703)	

Equity in Net Income of Consolidated Subsidiaries					
Net Income (Loss)	$ 26,023	$ 30,681	$ 22	$ (30,703)	$ 26,023

Condensed Consolidating Statement of Cash Flows for the six month period ended April 28, 2006.

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows Provided (Used) by Operating Activities					
Net earnings (loss)	$ 26,023	$ 30,681	$ 22	$ (30,703)	$ 26,023
Minority interest			445		445
Depreciation & amortization		11,690	8,148		19,838
Deferred income taxes	(1,488)	95	1,978		585
Stock-based compensation		1,775	874		2,649
Gain on sale of short-term investments	(610)				(610)
Working capital changes, net of effect of acquisitions					
Accounts receivable	(397)	7,040	(5,724)		919
Inventories		(14,076)	(8,013)		(22,089)
Prepaid expenses	(16)	(619)	(1,473)		(2,108)
Accounts payable	1,309	676	4,369		6,354
Accrued liabilities	(4,895)	(2,413)	(2,384)		(9,692)
Federal & foreign income taxes	291	(825)	(4,690)		(5,224)
Other liabilities	1,115	58	(58)		1,115
Other, net	123	(563)	(295)		(735)
	21,455	33,519	(6,801)	(30,703)	17,470
Cash Flows Provided (Used) by Investing Activities					
Purchases of capital assets	(126)	(6,911)	(5,355)		(12,392)
Proceeds from sale of capital assets	5	339	114		458
Proceeds from sale of short-term investments	63,266				63,266
Acquisitions of businesses, net		(3,519)	(186,148)		(189,667)
	63,145	(10,091)	(191,389)		(138,335)

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows Provided (Used) by Financing Activities					
Proceeds provided by stock issuance under employee stock plans	2,351				2,351
Excess tax benefits from stock option exercises	359				359
Net change in credit facilities	14,000		2,188		16,188
Proceeds from issuance of long-term debt	100,000				100,000
Repayment of long-term debt	(66,037)	1	(4,520)		(70,556)
Net change in intercompany financing	(190,686)	(19,520)	179,503	30,703	
	(140,013)	(19,519)	177,171	30,703	48,342
Effect of Foreign Exchange Rates on Cash		(21)	496		475
Net Increase (Decrease) in Cash and Cash Equivalents	(55,413)	3,888	(20,523)		(72,048)
Cash and Cash Equivalents Beginning of Period	75,364	2,154	40,786		118,304
Cash and Cash Equivalents End of Period	$ 19,951	$ 6,042	$ 20,263	$	$ 46,256

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

Overview

We operate our businesses in three segments: Avionics & Controls, Sensors & Systems and Advanced Materials. The Avionics & Controls segment designs and manufactures integrated cockpit systems, technology interface systems for military and commercial aircraft and land- and sea-based military vehicles, secure communications systems, specialized medical equipment, and other industrial applications. The Sensors & Systems segment produces high-precision temperature and pressure sensors, electrical power switching, control and data communication devices, micro-motors, motion control sensors, and other related systems, principally for aerospace and defense customers. The Advanced Materials segment develops and manufactures high-performance elastomer products used in a wide range of commercial aerospace and military applications, combustible ordnance components and electronic warfare countermeasure devices for military customers, and thermally engineered components for critical aerospace applications. Sales in all segments include domestic, international, defense and commercial customers.

Our current business and strategic plan focuses on the continued development of our products principally for aerospace and defense markets. We are concentrating our efforts to expand our capabilities in these markets and anticipate the global needs of our customers and respond to such needs with comprehensive solutions. These efforts focus on continuous research and new product development, acquisitions and establishing strategic realignments of operations to expand our capabilities as a more comprehensive supplier to our customers across our entire product offering. On March 14, 2007, we acquired all of the outstanding capital stock of CMC Electronics Holdings, Inc. (CMC) for approximately $337.6 million in cash, including acquisition costs. CMC is a manufacturer of high technology avionics including global positioning systems, head-up displays, enhanced vision systems and electronic flight management systems. The acquisition significantly expands the scale of our existing Avionics & Controls business. CMC is included in the Avionics & Controls segment and the results of its operations were included from the effective date of the acquisition. We acquired Wallop Defence Systems Limited (Wallop) and FR Countermeasures on March 24, 2006 and December 23, 2005, respectively. Wallop and FR Countermeasures are manufacturers of military pyrotechnic countermeasure devices. We paid approximately $65.0 million for both companies, including acquisition costs and an adjustment based on the amount of indebtedness and net working capital as of closing. In addition, we may pay an additional purchase price of up to U.K. £10.0 million, or approximately $19.0 million, depending on the achievement of certain objectives. The acquisitions strengthen our international and U.S. position in countermeasure devices. Wallop and FR Countermeasures are included in our Advanced Materials segment. On December 16, 2005, we acquired all of the outstanding capital stock of Darchem Holdings Limited (Darchem), a manufacturer of thermally engineered components for critical aerospace applications for U.K. £68.7 million (approximately $121.7 million) including acquisition costs and an adjustment based on the amount of cash and net working capital of Darchem as of closing. Darchem holds a leading position in its niche market and fits our engineered-to-order model and is included in our Advanced Materials segment.

Net earnings for the first six month period ended April 27, 2007 was $32.6 million or $1.25 per diluted share, compared with $26.0 million or $1.01 per diluted share in the prior-year period. Avionics & Controls performance was strong compared to the prior-year period, offset by the effect of the shipment of acquired inventory of CMC which was valued at fair value. Results in Sensors & Systems were mixed, while Advanced Materials earnings reflected strong sales and earnings and a $3.5 million, net of tax, insurance recovery. Interest expense increased $3.1 million, net of tax, over the prior-year period, reflecting the cost of financing the CMC acquisition. Net earnings for the first six month period ended April 27, 2007 reflected an effective tax rate of 22.0% (before a $1.8 million tax benefit) compared to 29.3% (before a $2.9 million reduction of previously estimated tax liabilities) for the prior-year period. For the first six month period ended April 28, 2006, non-operating expense included a $1.4 million, net of tax, make-whole payment arising from the $40.0 million prepayment of our 6.77% Senior Notes.

Results of Continuing Operations

Three Month Period Ended April 27, 2007 Compared to Three Month Period Ended April 28, 2006

Sales for the second fiscal quarter increased 26.0% compared with the prior-year period. Sales by segment were as follows:

(In thousands)

	Incr./(Decr.) from prior year period	Three Months Ended April 27, 2007	Three Months Ended April 28, 2006
Avionics & Controls	50.7%	$ 108,314	$ 71,864
Sensors & Systems	18.0%	98,123	83,177
Advanced Materials	13.9%	105,843	92,898
Total Net Sales		$ 312,280	$ 247,939

The 50.7% increase in Avionics & Controls principally reflected incremental sales from the CMC acquisition. The increase also included higher sales volumes of cockpit controls and medical equipment devices from new OEM programs.

The 18.0% increase in sales of Sensors & Systems reflected higher temperature sensor sales and strong sales of electrical power switching devices from new OEM programs, as well as the effect of exchange rates. Sales in the second fiscal quarter of 2007 reflected a stronger U.K. pound and euro relative to the U.S. dollar, as the average exchange rate from the U.K. pound and euro to the U.S. dollar increased from 1.76 and 1.21, respectively, in the second fiscal quarter of 2006 to 1.97 and 1.32, respectively, in the second fiscal quarter of 2007.

The 13.9% increase in sales of Advanced Materials principally reflected strong sales across the segment reflecting increased demand from aerospace and defense customers.

Overall, for the second quarter of fiscal 2007, gross margin as a percentage of sales was 31.7% compared with 32.6% for the second quarter of fiscal 2006. Avionics & Controls segment gross margin was 31.5% and 35.1% for the second fiscal quarter of 2007 and 2006, respectively. The decrease in gross margin reflected the shipment of acquired inventory of CMC, which was valued at the fair value. Our gross margin in the third quarter of fiscal 2007 will be further impacted by the shipment of acquired inventory of CMC by approximately $3.4 million. Excluding CMC, Avionics & Controls gross margin was 35.2% and 35.1% for the second quarter of fiscal 2007 and 2006, respectively, reflecting increased after-market spares sales, price increases on certain cockpit control devices, partially offset by price decreases on certain medical equipment due to competitive pressures.

Sensors & Systems segment gross margin was 34.5% and 34.0% for the second fiscal quarter of 2007 and 2006, respectively. Gross margin reflected sales price increases on our electrical power switching devices and higher after-market sales of temperature and pressure sensors. Gross margins were impacted by the effect of a weaker U.S. dollar compared with the U.K. pound and euro on U.S. dollar-denominated sales and U.K. pound and euro-denominated cost of sales.

Advanced Materials segment gross margin was 29.2% and 29.3% for the second fiscal quarter of 2007 and 2006, respectively. Gross margin at our elastomer and Arkansas flare countermeasure devices operation increased over the second fiscal quarter of 2006 reflecting increased prices, improved operational efficiencies and a higher recovery of fixed expenses due to higher sales. Gross margin was impacted by the slow start-up of our FR Countermeasures unit in Tennessee.

Selling, general and administrative expenses (which include corporate expenses) totaled $50.4 million and $41.0 million for the second fiscal quarter of 2007 and 2006, respectively, or 16.1% of sales for the second fiscal quarter of 2007 compared with 16.5% for the second fiscal quarter of 2006. The increase in the amount of selling, general and administrative expenses primarily reflected incremental selling, general and administrative expenses from the CMC, Wallop, FR Countermeasures and Darchem acquisitions. The increase was partially offset by lower medical costs under our self-insured medical plan covering U.S. employees, reflecting a change in our medical plans from principally a co-pay arrangement to a high-deductible plan.

Research, development and engineering spending was $19.1 million, or 6.1% of sales, for the second fiscal quarter of 2007 compared with $12.9 million, or 5.2% of sales, for the second fiscal quarter of 2006. The increase in research, development and engineering principally reflected spending on new programs, including the T6-B cockpit avionics system, A400M primary power distribution assembly, TP400 engine sensors, 787 overhead panel control and 787 environmental control programs. Research, development and engineering spending is expected to be about 5% of sales for the second half of fiscal 2007.

Segment earnings (operating earnings excluding corporate expenses and other income or expense) for the second fiscal quarter of 2007 totaled $41.0 million, compared with $34.3 million for the second fiscal quarter in 2006. Avionics & Controls segment earnings were $11.7 million for the second fiscal quarter of 2007 compared with $11.3 million for the second fiscal quarter of 2006, principally reflecting strong earnings from our cockpit control and medical equipment devices operations reflecting increased sales, substantially offset by the impact of the shipment of acquired inventory of CMC as described above.

Sensors & Systems segment earnings were $8.3 million for the second quarter of fiscal 2007 compared with $7.3 million for the second quarter of fiscal 2006. The increase in Sensors & Systems earnings reflected improved results from our pressure and temperature sensors and non-U.S. electrical power switching devices operation. These increases were partially offset by higher research, engineering and development expenses on the A400M development and additional contract losses from our small unit that manufactures precision gears and data concentrators. Comparing results to the prior year, the second quarter of fiscal 2006 included a $1.0 million charge as result of a customer contract termination.

Advanced Materials segment earnings were $21.1 million for the second fiscal quarter of 2007 compared with $15.7 million for the second fiscal quarter of 2006 principally reflecting incremental earnings from the Darchem acquisition and improved earnings from our elastomer and Arkansas countermeasure flare operations. Earnings were impacted by start-up costs at our FR Countermeasures unit and low sales at our Wallop operations. Advanced Materials earnings included $2.8 million in business interruption insurance recoveries, net of reserves on certain incremental costs which may not be covered by insurance. The loss is related to an explosion that occurred at Wallop on June 26, 2006, which resulted in one fatality and several minor injuries. Although this facility is expected to be closed for about two years due to the requirements of the Health Safety Executive (HSE) to review the cause of the accident, normal operations will continue at unaffected portions of the facility. The HSE investigation will not be completed until a Coroner s Inquest is filed, possibly in 2007. Although it is not possible to determine the results of the HSE investigation or how the Coroner will rule, management does not expect to be found in breach of the Health & Safety Act related to the accident and, accordingly, no amounts have been recorded for any potential fines that may be assessed by the HSE. The HSE will also review and approve the plans and construction of the new flare facility. The operation is insured under a property, casualty and business interruption insurance policy. The damaged building and inventory is fully covered by insurance, and, accordingly, no loss as a result of the accident has been recorded related to these assets.

Interest expense for the second fiscal quarter of 2007 was $8.7 million compared with $5.8 million for the second fiscal quarter of 2006, reflecting increased borrowings to finance acquisitions and working capital requirements.

The effective income tax rate for the second fiscal quarter of 2007 was 22.0% (before an $846k tax benefit) compared with 28.3% (before a $2.0 million reduction of previously estimated tax liabilities) for the second fiscal quarter of 2006. The $846k tax benefit was primarily the result of the application of the new projected effective income tax rate to the first quarter pre-tax income. The change in the effective tax rate for the second fiscal quarter of 2007 reflects the incremental financing costs attributable to CMC s acquisition in income before income taxes and the effect of including CMC s tax credits and other tax efficiencies for the second half of fiscal 2007. The effective tax rate differed from the statutory rate in second fiscal quarters of 2007 and 2006, as both periods benefited from various tax credits and certain foreign interest expense deductions.

New orders for the second fiscal quarter of 2007 were $610.2 million compared with $335.1 million for the same period in 2006, an increase of 82.1%, principally reflecting the acquisition of CMC and its backlog.

Six Month Period Ended April 27, 2007 Compared to Six Month Period Ended April 28, 2006

Year-to-date sales increased 25.6% compared with the prior-year period. Sales by segment were as follows:

(In thousands)

	Incr./(Decr.) from prior year period	Six Months Ended April 27, 2007	Six Months Ended April 28, 2006
Avionics & Controls	36.9%	$ 183,819	$ 134,306
Sensors & Systems	17.7%	184,314	156,647
Advanced Materials	23.8%	201,391	162,651
Total Net Sales		$ 569,524	$ 453,604

The 36.9% increase in Avionics & Controls was principally due to incremental sales from the CMC acquisition and higher sales volumes of cockpit controls and medical equipment devices from new OEM programs.

The 17.7% increase in sales of Sensors & Systems reflected higher temperature sensor after-market sales and strong sales of electrical power switching devices from new OEM programs, as well as the effect of exchange rates. Sales in the first six months of fiscal 2007 reflected a stronger U.K. pound and euro relative to the U.S. dollar, as the average exchange rate from the U.K. pound and euro to the U.S. dollar increased from 1.75 and 1.20, respectively, in the first six months of fiscal 2006 to 1.95 and 1.31, respectively, in the first six months of fiscal of 2007.

The 23.8% increase in sales of Advanced Materials principally reflected strong sales across the segment and incremental sales from the acquisition of Darchem in December 2005.

Overall, gross margin as a percentage of sales was 30.5% and 31.7% for the first six months of fiscal 2007 and 2006, respectively. Avionics & Controls segment gross margin was 33.0% and 35.4% for the first six months of fiscal 2007 and 2006, respectively, reflecting the shipment of acquired inventory of CMC, which was valued at fair value. Our gross margin in the third quarter of fiscal 2007 will be further impacted by the shipment of acquired inventory of CMC by approximately $3.4 million. Excluding CMC, Avionics & Controls gross margin was 35.3% and 35.4% for the first six months of fiscal 2007 and 2006, respectively, reflecting increased after-market spares sales, price increases on certain cockpit control devices, partially offset by price decreases on certain medical equipment due to competitive pressures.

Sensors & Systems segment gross margin was 32.3% and 33.2% for the first six months of fiscal 2007 and 2006, respectively. Gross margin at our U.S. manufacturer of electrical power switching devices declined due to higher material and labor costs principally driven by quality issues on vendor supplied material. The decrease in gross margin also reflected a contract overrun at a small unit which manufactures precision gears and data concentrators. Gross margin at our pressure and temperature sensors operations improved over the prior year reflecting higher after-market sales. Additionally, in the prior-year period, Sensors & Systems absorbed the impact of the move of our sensor indicator operation to a new facility and incurred excess cost of sales due to the production ramp up on the industrial sensors for a relatively new program. Gross margins were impacted by the effect of a weaker U.S. dollar compared with the U.K. pound and euro on U.S. dollar-denominated sales and U.K. pound and euro-denominated cost of sales.

Advanced Materials segment gross margin was 26.4% and 27.0% for the first six months of fiscal 2007 and 2006, respectively. The decrease in Advanced Materials gross margin reflected the continued shut-down of our advanced flares operation at Wallop as a result of the explosion, explained above, and start-up costs at our FR Countermeasures unit acquired in December 2005. These decreases in gross margin were partially offset by improved gross margin at Darchem due to prior-year impact of the shipment of acquired inventories, which were valued at fair market value at acquisition. In addition, gross margins at our U.S. flare operations improved reflecting improved pricing and higher operating efficiencies at our Arkansas flare countermeasure operation. Additionally, gross margins at our elastomer operations improved due to an improved mix of higher margin aerospace sales and an improved recovery of fixed expenses due to higher sales.

Selling, general and administrative expenses (which include corporate expenses) totaled $92.8 million and $76.9 million for the first six months of fiscal 2007 and 2006, respectively, or 16.3% of sales, for the first six months of fiscal 2007 compared with 16.9% for the prior-year period. The increase in the amount of selling, general and administrative expenses primarily reflected incremental selling, general and administrative expenses from the CMC, Wallop, FR Countermeasures and Darchem acquisitions. The increase was partially offset by lower medical costs under our self-insured medical plan covering U.S. employees, reflecting a change in our medical plans from principally a co-pay arrangement to a high-deductible plan. The increase in corporate expense principally reflected an adjustment to rent expense and the cost of an option to buy Canadian dollars to cover a portion of the purchase price of CMC.

Research, development and engineering expenses were $32.6 million, or 5.7% of sales for the first six months of fiscal 2007 compared with $23.3 million, or 5.1% of sales, for the first six months of fiscal 2006. The increase in research, development and engineering principally reflected spending on new programs, including the T6-B, A400M primary power distribution assembly, TP400 engine sensors, 787 overhead panel control and 787 environmental control programs. Research, development and engineering spending is expected to be 5% over the second half of fiscal 2007.

Segment earnings (operating earnings excluding corporate expenses and other income or expense) for the first six months of fiscal 2007 totaled $69.3 million, compared with $57.6 million for the prior-year period. Avionics & Controls segment earnings were $23.3 million for the first six months of fiscal 2007 compared with $20.7 million in the prior-year period, principally reflecting strong earnings from our cockpit control and medical equipment devices operation, partially offset by the shipment of acquired inventory of CMC, which was valued at fair value.

Sensors & Systems segment earnings were $14.0 million for the first six months of fiscal 2007 compared with $13.1 million in the prior-year period. The increase in Sensors & Systems earnings reflected mixed results. Results included a charge for the contract overrun described above and lower earnings at our U.S. electrical power switching devices operation, which were partially offset by a reimbursement of research, development and engineering expense negotiated with a customer during the first fiscal quarter of 2007. Operating earnings at our non-U.S. electrical power switching devices operation reflected improved results from increased sales from new OEM programs, which was offset by higher research, development and engineering expenses on the A400M program. The improved results at our pressure and temperature sensors operations reflected higher after-market sales and an increased government subsidy for research and development expenses. Comparing results to the prior-year period, the first six months of fiscal 2006 included a $1.0 million charge due to a customer contract termination.

Advanced Materials segment earnings were $32.0 million for the first six months of fiscal 2007 compared with $23.8 million for the prior-year period, principally reflecting incremental earnings from the Darchem acquisition and improved earnings from our elastomer and Arkansas countermeasure flare operations. Earnings were impacted by start-up costs at our FR Countermeasures unit and low sales at our Wallop operations. Advanced Materials earnings included $4.5 million in business interruption insurance recoveries, net of reserves on certain incremental costs which may not be covered by insurance, as previously discussed.

Interest expense for the first six months of fiscal 2007 was $14.3 million compared with $10.3 million for the prior-year period, reflecting increased borrowings to finance acquisitions and working capital requirements.

The effective income tax rate for the first six months of fiscal 2007 was 22.0% (before a $1.8 million tax benefit), compared with 29.3% (before a $2.9 million reduction of previously estimated tax liabilities) for the first six months of fiscal 2006. The $1.8 million tax benefit in the first six months of 2007 was the result of the retroactive extension of the U.S. Research and Experimentation tax credit that was signed into law on December 21, 2006. The change in the effective tax rate for the first six months of fiscal 2007 reflects the incremental financing costs attributable to CMC s acquisition in income before income taxes and the effect of including CMC s tax credits and other tax efficiencies for the second half of fiscal 2007. In addition, for the first six months of 2007, the effective tax rate was favorably impacted by the extension of the U.S. Research and Experimentation tax credit through December 31, 2007. In the first six months of fiscal 2006, the $2.9 million reduction of previously estimated tax liabilities was the result of a favorable tax audit. The effective tax rate differed from the statutory rate in the first six months of 2007 and 2006, as both years benefited from various tax credits and certain foreign interest expense deductions.

New orders for the first six months of fiscal 2007 were $870.5 million compared with $604.2 million for the same period in fiscal 2006, including backlog acquired from CMC. Backlog at April 27, 2007, was $954.4 million compared with $633.4 million at April 28, 2006. Approximately $307.7 million in backlog is scheduled for delivery after fiscal 2007. Most orders in backlog are subject to cancellation until delivery.

Liquidity and Capital Resources

Cash and cash equivalents at April 27, 2007 totaled $60.7 million, an increase of $18.0 million from October 27, 2006. Net working capital increased to $286.7 million at April 27, 2007 from $267.7 million at October 27, 2006. Sources of cash flows from operating activities principally consist of cash received from the sale of products offset by cash payments for material, labor and operating expenses. Cash flows from operating activities were $56.9 million and $17.5 million in the first six months of fiscal 2007 and 2006, respectively. The increase principally reflected higher net earnings, increased cash received from the sale of our products, decreased purchases of inventory and lower payments of income taxes. These increases were partially offset by an increased pension contribution to our U.S. pension plan maintained by Leach in the first quarter of 2007.

Cash flows used by investing activities were $351.7 million and $138.3 million in the first six months of fiscal 2007 and 2006, respectively. The increase in cash used for investing activities mainly reflected cash paid for acquisitions of businesses, partially offset by the proceeds from the sale of short-term investments in the prior-year period.

Cash flows provided by financing activities were $311.6 million and $48.3 million in the first six months of fiscal 2007 and 2006, respectively. The increase in cash provided by financing activities reflected the issuance of $175.0 million Senior Notes due in 2017 and a $25.0 million net increase in credit facilities, offset by the repayment of our $30.0 million 6.4% Senior Notes in accordance with terms and the $40.0 million prepayment of our 6.77% Senior Notes in the first fiscal quarter of 2006.

Capital expenditures, consisting of machinery, equipment and computers, are anticipated to be approximately $33.0 million during fiscal 2007, compared with $26.5 million expended in fiscal 2006. Capital expenditures for the first six months of fiscal 2007 totaled $14.6 million, primarily for machinery and equipment and enhancements to information systems.

Total debt at April 27, 2007 was $617.4 million and consisted of $175.0 million of Senior Notes due in 2017, $175.4 million of Senior Subordinated Notes due in 2013, $112.5 million under our GBP Term Loan, $100.0 million under our U.S. term loan facility, and $54.5 million of various foreign currency debt agreements and other debt agreements, including capital lease obligations. The Senior Notes are due March 1, 2017 and bear an interest rate of 6.625%. The Senior

Subordinated Notes are due June 15, 2013 and bear an interest rate of 7.75%. In September 2003, we entered into an interest rate swap agreement on $75.0 million of our Senior Subordinated Notes due in 2013. The swap agreement exchanged the fixed rate for a variable interest rate on $75.0 million of the $175.0 million principal amount outstanding. On November 15, 2005, the $30.0 million 6.4% Senior Notes matured and were paid. Additionally, on November 15, 2005, we prepaid the outstanding principal amount of $40.0 million of our 6.77% Senior Notes due November 15, 2008. Under the terms of the Note Purchase Agreement, we paid an additional $2.2 million make-whole payment, which was recorded as a loss on extinguishment of debt in the first quarter of fiscal 2006. On February 10, 2006, we amended our credit agreement to provide a $100.0 million term loan facility, which may be drawn in U.S. dollars, U.K. pounds or euros. On February 10, 2006 we borrowed U.K. £57.0 million, or approximately $100.0 million, under the term loan facility. We used the proceeds from the loan as working capital for our U.K. operations and to repay a portion of our outstanding borrowings under our revolving credit facility. The principal amount of the loan is payable quarterly commencing on March 31, 2007 through the termination date of November 14, 2010 according to a payment schedule by which 1.25% of the principal amount is paid in each quarter of 2007, 2.50% in each quarter of 2008, 5.00% in each quarter of 2009 and 16.25% in each quarter of 2010. The loan accrues interest at a variable rate based on the British Bankers Association Interest Settlement Rate for deposits in U.K. pounds plus an additional margin amount that ranges from 1.13% to 0.50% depending upon our leverage ratio. At April 27, 2007, the interest rate on the term loan was 6.48%. We also entered into an interest rate swap agreement on the full principal amount of the term loan, exchanging the variable interest rate for a fixed interest rate of 4.75% plus an additional margin amount determined by reference to the Company s leverage ratio. In addition, in November 2005, we collateralized a $9.9 million letter of credit with an equivalent amount of cash and cash equivalents.

On March 14, 2007, we acquired CMC Electronics Holdings Inc. (CMC) for approximately $337.6 million in cash, including acquisition costs. The acquisition was financed in part with the proceeds of the $175 million Senior Notes due March 1, 2017. In addition, on March 13, 2007, the Company amended its credit agreement to increase the existing revolving credit facility to $200.0 million and to provide an additional $100.0 million U.S. term loan facility. On March 13, 2007 the Company borrowed $60.0 million under the revolving credit facility and $100.0 million under the U.S. term loan facility to pay a portion of the purchase price of the acquisition of CMC; the Company repaid $15.0 million during the second fiscal quarter of 2007.

We believe cash on hand and funds generated from operations are adequate to service operating cash requirements and capital expenditures through April 2008. In addition, we believe that we have adequate access to capital markets to fund future acquisitions.

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases you can identify forward-looking statements by terminology such as anticipate, believe, continue, could, estimate, expect, intend, may, might, plan, potential, pre negative of such terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risk factors set forth in Forward-Looking Statements and Risk Factors in our Annual Report on Form 10-K for the fiscal year ended October 27, 2006, that may cause our or the industry s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. You should not place undue reliance on these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance or achievements. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included or incorporated by reference into this report are made only as of the date hereof. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments.

Item 4. Controls and Procedures

Our principal executive and financial officers evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of April 27, 2007. Based upon that evaluation, they concluded as of April 27, 2007 that our disclosure controls and procedures were effective to ensure that information we are required to disclose in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within time periods specified in Securities and Exchange Commission rules and forms. In addition, our principal executive and financial officers concluded as of April 27, 2007 that our disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including to our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

During the time period covered by this report, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we are involved in legal proceedings arising in the ordinary course of business. We believe that adequate reserves for these liabilities have been made and that there is no litigation pending that could have a material adverse effect on our results of operations and financial condition.

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

At our annual meeting of shareholders held on March 7, 2007, the shareholders acted on the following proposals:

The election of the following directors for three-year terms expiring at the 2010 annual meeting:

	Votes Cast	
Name	For	Withheld
John F. Clearman	21,042,259	617,629
Charles R. Larson	20,884,296	775,592
Jerry D. Leitman	21,140,415	519,473

The election of the following director for a two-year term expiring at the 2009 annual meeting:

	Votes Cast	
Name	For	Withheld
Paul V. Haack	20,976,720	683,168

Current directors whose terms are continuing after the 2007 annual meeting are Lewis E. Burns, Robert S. Cline, Robert W. Cremin, Anthony P. Franceschini, and James L. Pierce.

Item 6. Exhibits

11	Schedule setting forth computation of basic and diluted earnings per common share for the three and six month periods ended April 27, 2007 and April 28, 2006.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification (of Robert W. Cremin) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification (of Robert D. George) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

ESTERLINE TECHNOLOGIES CORPORATION
(Registrant)

Dated: June 5, 2007

By: /s/ Robert D. George
Robert D. George
Vice President, Chief Financial Officer,
Secretary and Treasurer
(Principal Financial Officer)

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