

Visa Inc.
Form S-1/A
February 25, 2008
Table of Contents

As filed with the Securities and Exchange Commission on February 25, 2008

Registration No. 333-147296

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

VISA INC.

(Exact name of Registrant as specified in its charter)

Edgar Filing: Visa Inc. - Form S-1/A

Delaware (State or other jurisdiction of incorporation or organization)	7389 (Primary Standard Industrial Classification Code Number) P.O. Box 8999	26-0267673 (I.R.S. Employer Identification Number)
--	--	---

San Francisco, California 94128-8999

(415) 932-2100

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Joseph W. Saunders

Chief Executive Officer and Chairman of the Board of Directors

Visa Inc.

P.O. Box 8999

San Francisco, California 94128-8999

Telephone: (415) 932-2100

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Mark L. Mandel

S. Ward Atterbury

Colin J. Diamond

White & Case LLP

1155 Avenue of the Americas

New York, New York 10036

Telephone: (212) 819-8200

Facsimile: (212) 354-8113

Richard J. Sandler

Joseph A. Hall

Davis Polk & Wardwell

450 Lexington Avenue

New York, New York 10017

Telephone: (212) 450-4000

Facsimile: (212) 450-3800

Edgar Filing: Visa Inc. - Form S-1/A

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered ⁽¹⁾	Proposed Maximum	Proposed Maximum	Amount of Registration Fee ⁽³⁾
		Offering Price Per Share	Aggregate Offering Price ⁽¹⁾⁽²⁾	
Class A common stock, par value \$0.0001 per share	446,600,000 shares	\$42.00	\$18,757,200,000	\$651,158

(1) Includes 40,600,000 shares subject to underwriters' option to purchase additional shares.

(2) Estimated solely for the purpose of determining the registration fee pursuant to Rule 457(a) promulgated under the Securities Act.

(3) Includes a \$307,000 registration fee previously paid with the initial filing of this Form S-1 on November 9, 2007.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus dated February 25, 2008

406,000,000 Shares

VISA INC.

Class A Common Stock

This is Visa Inc.'s initial public offering. We are offering 406,000,000 shares of our class A common stock. We expect the initial public offering price to be between \$37.00 and \$42.00 per share.

Currently, no public market exists for our class A common stock. We have applied to list our class A common stock on the New York Stock Exchange under the symbol "V". Our shares of class B and class C common stock are held by our financial institution customers, generally carry no voting rights, will not be listed and are subject to transfer restrictions. See *Description of Capital Stock*.

Investing in our class A common stock involves risks that are described in the Risk Factors section beginning on page 18 of this prospectus.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to Visa	\$	\$

To the extent that the underwriters sell more than 406,000,000 shares of class A common stock, the underwriters have the option to purchase up to an additional 40,600,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about _____, 2008.

JPMorgan
Banc of America Securities LLC **Citi** **HSBC** **Merrill Lynch & Co.** **Goldman, Sachs & Co.**
UBS Investment Bank **Wachovia Securities**

CIBC World Markets Corp. **Daiwa Securities America Inc.** **Mitsubishi UFJ Securities International plc**

Piper Jaffray **RBC Capital Markets** **SunTrust Robinson Humphrey** **Wells Fargo Securities**

The date of this prospectus is _____, 2008.

Table of Contents

Table of Contents

Table of Contents

Table of Contents**TABLE OF CONTENTS**

	Page
<u>PROSPECTUS SUMMARY</u>	1
<u>THE OFFERING</u>	7
<u>SUMMARY FINANCIAL AND OTHER DATA OF VISA INC.</u>	13
<u>RISK FACTORS</u>	18
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	40
<u>USE OF PROCEEDS</u>	41
<u>DIVIDEND POLICY</u>	41
<u>CAPITALIZATION</u>	42
<u>UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS</u>	44
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF HISTORICAL AND PRO FORMA FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF VISA INC.</u>	59
<u>SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA OF VISA U.S.A.</u>	100
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF VISA U.S.A.</u>	102
<u>THE GLOBAL PAYMENTS INDUSTRY</u>	127
<u>BUSINESS</u>	131
<u>MANAGEMENT</u>	172
<u>PRINCIPAL STOCKHOLDERS</u>	209
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	211
<u>SHARES ELIGIBLE FOR FUTURE SALE</u>	213
<u>MATERIAL CONTRACTS</u>	215
<u>DESCRIPTION OF CAPITAL STOCK</u>	219
<u>MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS FOR NON-UNITED STATES HOLDERS OF OUR CLASS A COMMON STOCK</u>	231
<u>UNDERWRITING</u>	235
<u>SELLING RESTRICTIONS</u>	241
<u>LEGAL MATTERS</u>	256
<u>EXPERTS</u>	256
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	256
<u>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1

You should rely only on the information contained in this prospectus and any free writing prospectus prepared by us or on our behalf. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

Through and including (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This obligation is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

For investors outside the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

Table of Contents

Unless the context requires otherwise, reference to Company, Visa, we, us or our refers to Visa Inc. and its subsidiaries.

The registered trademarks of Visa Inc. and its subsidiaries include: All It Takes; Bands Design Blue, White & Gold; Dove Design; Interlink; Takes Visa; PLUS; Verified by Visa; Visa; Visa Classic; Visa Corporate; Porque La Vida es Ahora; The World's Best Way to Pay; Electron; Visa Europe; Visa Fleet; Visa Infinite; Visa Mobile; VisaNet; Visa Platinum; Visa Purchasing; Visa Resolve OnLine; Visa Signature; Visa Signature Business; Visa Vale; and Winged V Design. Other trademarks used in this prospectus are the property of their respective owners.

All shares of class A common stock acquired by a Visa member, an affiliate of a Visa member or any person that is an operator, member or licensee of any general purpose payment card system that competes with us, or any affiliate of such a person, in each case to the extent acting as a principal investor, will be converted automatically into class C common stock. Under the terms of our amended and restated certificate of incorporation, class C common stock is not transferable until the third anniversary of the closing of this offering (subject to limited exceptions, including transfers to other class C shareholders) unless our board makes an exception to this transfer restriction. After this date, the class C common stock will be convertible into class A common stock only if transferred to a person that was not, immediately after our October 2007 reorganization, a Visa member, an affiliate of a Visa member or any person that is an operator, member or licensee of any general purpose payment card system that competes with us, or any affiliate of such a person. Upon such transfer, each share of class C common stock will convert into one share of class A common stock.

Table of Contents

PROSPECTUS SUMMARY

You should read the following summary together with the rest of this prospectus, including the more detailed information in the financial statements and the unaudited pro forma condensed combined statement of operations and related notes, and the section entitled Risk Factors, before you decide to invest.

The Company

Visa operates the world's largest retail electronic payments network and manages the world's most recognized global financial services brand. We have more branded credit and debit cards in circulation, more transactions and greater total volume than any of our competitors. We facilitate global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses and government entities. We provide financial institutions, our primary customers, with product platforms encompassing consumer credit, debit, prepaid and commercial payments. VisaNet, our secure, centralized, global processing platform, enables us to provide financial institutions and merchants with a wide range of product platforms, transaction processing and related value-added services. Based on the size of our network, the strength of the Visa brand and the breadth and depth of our products and services, we believe we are the leading electronic payments company in the world.

Our business primarily consists of the following:

we own a family of well known, widely accepted payment brands, including Visa, Visa Electron, PLUS and Interlink, which we license to our customers for use in their payment programs;

we manage and promote our brands for the benefit of our customers through advertising, promotional and sponsorship initiatives and by encouraging card usage and merchant acceptance;

we offer a wide range of branded payments product platforms, which our customers use to develop and offer credit, debit, prepaid and cash access programs for cardholders (individuals, businesses and government entities);

we provide transaction processing services (primarily authorization, clearing and settlement) to our customers through VisaNet, our secure, centralized, global processing platform;

we provide various other value-added services to our customers, including risk management, debit issuer processing, loyalty services, dispute management and value-added information services;

we develop new products and services to enable our customers to offer efficient and effective payment methods to their cardholders and merchants; and

we adopt and enforce a common set of rules adhered to by our customers to ensure the efficient and secure functioning of our payments network and the maintenance and promotion of our brands.

Table of Contents

The following charts show a comparison of total volume and total transactions relative to our major competitors for the 2006 calendar year:

Source: The Nilson Report, issue 874 (February 2007) and issue 877 (April 2007).

Note: Excludes Visa Europe based on internal Visa data. Total volume is the sum of payments volume and cash volume. Payments volume is the total monetary value of transactions for goods and services that are purchased. Cash volume generally consists of cash access transactions, balance access transactions, balance transfers and convenience checks. Total transactions for Visa represent transactions involving our cards as reported by our customers and includes transactions that are not processed on our VisaNet processing system.

We derive revenues primarily from card service fees, data processing fees and international transaction fees. We do not issue cards, set fees or determine interest rates that cardholders are charged for use of their cards. Our unaudited operating revenues were \$1.5 billion for the three months ended December 31, 2007 and our unaudited pro forma operating revenues were \$1.2 billion for the three months ended December 31, 2006. Our unaudited net income was \$424 million for the three months ended December 31, 2007 and our unaudited pro forma net income was \$249 million for the three months ended December 31, 2006. Our unaudited non-U.S. operating revenues, based on the location of our financial institution customers, were \$568 million for the three months ended December 31, 2007, representing 38% of our total operating revenues for that period. Our non-U.S. pro forma operating revenues were \$373 million for the three months ended December 31, 2006, representing 32% of our total pro forma operating revenues for that period.

Our unaudited pro forma operating revenues were \$5.2 billion and \$3.9 billion for the fiscal years ended September 30, 2007 and 2006, respectively. Our unaudited pro forma net loss was \$861 million in fiscal 2007 (which included the effect of a \$1.9 billion litigation provision related to settlement of outstanding litigation with American Express and a \$650 million litigation provision related to the Discover litigation) and our unaudited pro forma net income was \$453 million in fiscal 2006. Our pro forma non-U.S. operating revenues, based on the location of our financial institution customers, were \$1.8 billion and \$1.1 billion for fiscal 2007 and 2006, respectively, representing 34% and 29% of our total pro forma operating revenues for those periods.

Table of Contents

Our Market Opportunity

Visa operates in the global payments industry, which is undergoing a major shift from paper-based payments, such as cash and checks, to card-based and other electronic payments. This shift has driven significant growth in card-based payments globally. According to The Nilson Report, global card purchase transactions grew at a compound annual growth rate, or CAGR, of 14% over the period from 2000 to 2006. The Nilson Report forecasts global card purchase transactions to increase at a CAGR of 11% from 2006 to 2012, with particularly strong growth in Asia/Pacific, Latin America and Middle East/Africa:

Total Transactions (billions)

Source: The Nilson Report, issue 866 (October 2006) and issue 885 (August 2007).

We believe that consumers are increasingly attracted to the convenience, security, enhanced services and rewards associated with electronic payments. We also believe that corporations and governments are shifting to electronic payments to improve efficiency, control and security, and that a growing number of merchants are accepting electronic payments to improve sales and customer convenience. Recent innovations such as contactless cards and mobile payments are also increasing the attractiveness of electronic payments. We believe this shift to electronic payment forms is a worldwide phenomenon; however, in many developing countries, it is at an early stage and will be accelerated by rising incomes, globalization of commerce and increased travel. We believe these trends represent a substantial growth opportunity for the global payments industry.

Table of Contents

Our Competitive Strengths

We believe our competitive strengths include the following:

World's Largest Payments Network. We operate the world's largest retail electronic payments network. Visa-branded cards are accepted in more than 170 countries around the world. We have more branded credit and debit cards in circulation, more transactions and greater total volume than any of our competitors. We believe that merchants, cardholders and our financial institution customers benefit from the Visa cardholder base, which is the largest in the world, and our merchant acceptance network, which is unsurpassed globally.

Leading Global Brand. Visa is the world's most recognized global financial services brand. We believe merchants, consumers and our financial institution customers associate our brand with trust, security, reliability, efficiency, convenience and empowerment. Our deep base of local market knowledge enables us to tailor our product and marketing programs to the particular needs of specific geographies. We believe that the strength of our brand enables us to increase card usage in existing and new market segments, develop and offer innovative payment products and services and enhance the utility of our payments network for all participants.

Scalable and Unique Global Payments Processing Platform. We own and operate VisaNet, our secure, centralized, global processing platform. Unlike the processing platforms of some of our primary competitors, VisaNet is built on a centralized architecture rather than a distributed architecture, which enables us to provide real-time, value-added information to our customers. In addition, our centralized processing platform provides us the flexibility to develop, modify and enhance our products and services efficiently. VisaNet is highly reliable and processed more than 81 billion authorization, clearing and settlement requests in the 12 months ended December 31, 2007. We believe that the operating efficiencies that result from the scale of our processing network provide us with a significant cost advantage over our competitors.

Comprehensive Payment Products and Services. We provide our financial institution customers with a comprehensive suite of electronic payment products and services. Our product platforms encompass credit, debit, cash access and prepaid products for consumers, businesses and governments. These product platforms enable our customers to develop and customize their own payment programs to meet the needs of their cardholders and merchants. We also offer our customers issuer processing to support our debit and prepaid platforms, and we are the largest issuer processor of Visa debit transactions in the world. Additionally, we offer a broad range of value-added services such as risk management, loyalty services, dispute management and value-added information services, which are enabled by our secure, centralized, global processing platform.

Established and Long-Standing Customer Relationships. We have long-standing relationships with the majority of our customers and long-term contracts with many of our major customers, which provide us with a significant level of business stability. More than two-thirds of our financial institution customers have been our customers for longer than 10 years. We believe that our many years of close cooperation with our customers in developing new products, processing capabilities and value-added services have enabled us to establish strong relationships. By virtue of these relationships, we believe we are well-positioned to continue developing new products and services that anticipate the evolving needs of our customers.

Table of Contents

Our Strategy

We seek revenue and profit growth by expanding our core payments business in new and established geographies and market segments, as well as by broadening our processing capabilities and value-added service offerings for payments and related opportunities. The key components of our strategy include:

Expand Our Network. We will continue to use an integrated product strategy to increase our share of business with our existing financial institution customers and to build relationships with new customers. Merchants are important to the growth of our business, and we seek to increase the value we bring to them in order to increase merchant acceptance and preference for Visa. We also seek to grow our network by encouraging active cardholder preference for Visa through continual improvement of the convenience, value and security of our products. By focusing on expanding the number of merchants and cardholders in our network, we increase the value we provide to our financial institution customers.

Expand into New and High Growth Geographies and Market Segments. We will continue to globalize our product and service offerings and to expand acceptance of our core products in new and high growth geographies and market segments, including new consumer and merchant segments in our established markets. We believe there is a significant opportunity to expand the usage of our products and services in high growth geographies in which we currently have a presence, such as the Asia Pacific, Latin America and Caribbean, and Central and Eastern Europe, Middle East and Africa regions. We have introduced a full suite of product platforms and value-added processing services that enable our customers to drive Visa products to a wide range of consumers and businesses. We will also continue to expand Visa acceptance in merchant segments that have traditionally not accepted electronic payments, such as quick-service restaurants and bill payment merchants.

Develop and Offer Innovative Products and Services. We will continue to provide new products and services and increase the functionality, utility and cost-effectiveness of our existing products and services. VisaNet provides flexibility to quickly customize current offerings and rapidly develop, deploy and drive adoption of new products and services. We will continue to upgrade or modify existing products to take advantage of market opportunities and generate growth. We also intend to continue making significant investments in new technologies to strengthen our position in emerging forms of payment, including contactless and mobile devices. In addition, we will continue to introduce value-added processing services, which we believe increase network utility.

Strengthen and Grow Visa's Brand Leadership. We will continue to invest in order to maintain Visa's position as the world's most recognized global financial services brand. We will focus on a combination of integrated global and local investments to increase consumer and business brand awareness. We will seek to maximize return on our investment by optimizing the mix of spending across our media channels, sponsorships, co-brand relationships and other marketing properties.

The Recent Reorganization

We completed a reorganization in October 2007. Prior to our reorganization, Visa operated as five corporate entities related by ownership and membership: Visa U.S.A., Visa International (comprising the operating regions of Asia Pacific (AP), Latin America and Caribbean (LAC), and Central and Eastern Europe, Middle East and Africa (CEMEA)), Visa Canada, Visa Europe and Inovant, which operated the VisaNet transaction processing system and other related processing systems. Each of Visa U.S.A., Visa Canada, Visa Europe, Visa AP, Visa LAC and Visa CEMEA operated as a separate geographic region, serving its member financial institutions and administering Visa programs in its respective region.

Table of Contents

In order to respond to industry dynamics and enhance Visa's ability to compete, Visa undertook a reorganization in which Visa U.S.A., Visa International, Visa Canada and Inovant became direct or indirect subsidiaries of Visa Inc., a Delaware stock corporation. Visa Europe did not become a subsidiary of Visa Inc., but rather remained owned by its member financial institutions and entered into a set of contractual arrangements with Visa Inc. in connection with the reorganization. In the reorganization, we issued different classes and series of shares reflecting the different rights and obligations of Visa financial institution members and Visa Europe based on the geographic region in which they are located.

We believe that the reorganization provides us with several significant strategic benefits. It allows us to increase our operational efficiency and enhances our ability to deliver more innovative products and services to financial institutions, merchants and cardholders on a global basis. The reorganization allows us to centralize and streamline our strategy and decision making. We also believe that the reorganization and this offering will enable us to facilitate a common, global approach, where appropriate, to the legal, regulatory and competitive issues arising in today's marketplace. At the same time, we believe that the reorganization preserves and reinforces the advantages that have made Visa the largest retail electronic payments network in the world.

Recent Developments

On February 21, 2008, pursuant to our retrospective responsibility plan described under *Business Retrospective Responsibility Plan*, the litigation committee determined that the escrow amount should be established at \$3.0 billion. This amount will be deposited in an escrow account promptly following, and contingent upon, the completion of this offering. In accordance with the terms of the retrospective responsibility plan, settlements of, or judgments in, covered litigation will be payable from this account. See *Note 5 Retrospective Responsibility Plan* to our consolidated financial statements as of and for the three months ended December 31, 2007. For the quarter ended March 31, 2008, we currently expect to record an additional litigation provision of approximately \$285 million related to the covered litigation, which will be recorded as a charge against income. The determination to record this additional provision is based on management's present understanding of its litigation profile and the specifics of each case, and takes into account the determination of the litigation committee. See *Management's Discussion and Analysis of Historical and Pro Forma Financial Condition and Results of Operations of Visa Inc. Liquidity and Capital Resources Uses of Liquidity Litigation*.

Risks Affecting Us

Our business is subject to numerous risks and uncertainties, including, but not limited to, those arising from regulatory scrutiny, legal proceedings seeking substantial damages, competitive and economic factors, and operational breakdowns. You should carefully consider all of the information set forth in this prospectus and, in particular, the information under the heading *Risk Factors*, prior to making an investment in our common stock.

Corporate Information

The address for our principal executive office is P.O. Box 8999, San Francisco, California 94128-8999, and our telephone number is (415) 932-2100. Our web site address is www.visa.com. This is a textual reference only. The information on, or accessible through, our website is not part of this prospectus.

Table of Contents**THE OFFERING**

Common stock offered 406,000,000 shares of class A common stock

Option to purchase additional shares 40,600,000 shares of class A common stock

Common stock outstanding after this offering In connection with our October 2007 reorganization and in order to implement our retrospective responsibility plan, we issued different classes and series of shares reflecting the different rights and obligations of Visa financial institution members and Visa Europe based on the geographic region in which they are located.

Class A common stock is being offered to the public pursuant to this prospectus. Class B common stock is held by financial institution customers that are members of Visa U.S.A. Class C (series I) common stock is held by financial institution customers that are associated with Visa Canada and our AP, LAC and CEMEA regions. Class C (series II, III and IV) common stock is held by Visa Europe.

We created a multi-class structure in order to: (i) allow stockholder decisions generally to be made by, and a majority of our board of directors to consist of independent directors elected by, our class A stockholders and not by our financial institution customers that hold our class B and class C common stock; and (ii) implement a key principle of the retrospective responsibility plan, which is that liability for certain litigation, which we refer to as the covered litigation, would remain with the members of Visa U.S.A., as holders of our class B common stock through adjustments to the conversion rate for such stock.

A portion of our class B and class C common stock is subject to mandatory redemption pursuant to our amended and restated certificate of incorporation. We intend to redeem 123,216,659 shares of class B common stock and 143,037,934 shares of class C (series I) common stock following the completion of this offering, assuming no exercise of the underwriters' option to purchase additional shares. See *Use of Proceeds*.

Giving effect to these redemptions, the number of shares outstanding and the number of shares of class A common stock issuable upon conversion of the class B and class C common stock immediately following this offering would be:

Common Stock	Immediately Following this Offering	
	Shares Outstanding	Class A Common Stock Outstanding or Issuable Upon Conversion of Class B and Class C Common Stock
Class A	406,000,000	406,000,000
Class B	277,035,213	198,777,235
Class C (series I, III and IV) ⁽¹⁾	203,885,689	203,885,689
Class C (series II) ⁽²⁾	79,748,846	

Total	966,669,748	808,662,924
-------	-------------	-------------

Table of Contents

- (1) Includes 31,592,881 shares of class C (series III) common stock that will be redeemed in October 2008 as described below.
- (2) Class C (series II) common stock is not convertible into class A common stock upon completion of this offering.

In the table above, the number of shares of class A common stock issuable upon the conversion of class B and class C common stock gives effect to the adjustment to the conversion rate of the class B common stock in connection with the establishment of the escrow fund as contemplated by our retrospective responsibility plan. See *Use of Proceeds* and *Business Retrospective Responsibility Plan*. Following the redemptions described above, the holders of our class A common stock will own an approximate 50.2% economic interest in our outstanding capital stock. The redemptions will not generally affect voting power due to the limited voting rights of our class B and class C common stock.

We intend to redeem in October 2008 all class C (series II) common stock and 31,592,881 shares of class C (series III) common stock, after which all remaining class C (series III) and class C (series IV) common stock will automatically convert into class C (series I) common stock on a one-to-one basis. Following these redemptions, the holders of our class A common stock will own an approximate 52.2% economic interest in our outstanding capital stock. These redemptions will also not generally affect voting power due to the limited voting rights of our class B and class C common stock. Giving pro forma effect to the transactions described above and the October 2008 redemption and subsequent conversion as if each occurred promptly following the closing of this offering, the number of shares outstanding and the number of shares of class A common stock issuable upon the conversion of the class B and class C common stock would be:

Common Stock	Pro Forma October 2008	
	Shares Outstanding	Class A Common Stock Outstanding or Issuable Upon Conversion of Class B and C Common Stock
Class A	406,000,000	406,000,000
Class B	277,035,213	198,777,235
Class C	172,292,807	172,292,807
Total	855,328,020	777,070,042

The October 2008 pro forma amounts in the table above and the percentage economic interest of our class A common stock do not give effect to any issuance of shares of class A common stock or other securities, including issuances under our equity compensation plan, or any repurchases of common stock that we may effect, after this offering.

Use of proceeds

We estimate that the net proceeds to us from this offering will be approximately \$15.6 billion, or \$17.1 billion if the underwriters exercise their option to purchase additional shares in full, assuming an

Table of Contents

initial public offering price of \$39.50 per share (the midpoint of the range set forth on the cover of this prospectus), after deducting the underwriting discounts and commissions and estimated offering expenses.

We intend to deposit \$3.0 billion into an escrow account from which settlements of, or judgments in, the covered litigation described under *Business Retrospective Responsibility Plan* will be payable.

Following the completion of this offering, we intend to use \$10.2 billion of the net proceeds to redeem 123,216,659 shares of class B common stock and 143,037,934 shares of class C (series I) common stock, assuming no exercise of the underwriters' option to purchase additional shares.

We will use the balance of the net proceeds for general corporate purposes, which may include funding the \$1.146 billion aggregate redemption price for all of the class C (series II) common stock, which we intend to redeem in 2008, and the \$1.2 billion aggregate redemption price for 31,592,881 shares of class C (series III) common stock, which we will be required to redeem in October 2008 in accordance with our amended and restated certificate of incorporation.

In the event the underwriters exercise all or a portion of their option to purchase an additional 40,600,000 shares of class A common stock, we intend to redeem additional shares of class B common stock and class C (series I) common stock following such exercise, in which case we would also redeem additional shares of class C (series III) common stock in October 2008. The number of shares of class B common stock, class C (series I) common stock and class C (series III) common stock that would be redeemed would depend upon the number of additional shares of class A common stock issued pursuant to any such exercise, and would be proportional to the number of shares of the applicable class being redeemed in the absence of any such exercise.

Sale and transfer restrictions on class B and class C common stock

The class B common stock is not transferable until the later of the third anniversary of the closing of this offering and the date on which all of the covered litigation has been finally resolved, which we refer to as the escrow termination date, although our board of directors may make exceptions to this transfer restriction after resolution of all covered litigation.

The class C common stock is not transferable until the third anniversary of the closing of this offering, although our board of directors may make exceptions to this transfer restriction.

These transfer restrictions are subject to limited exceptions, including transfers to another holder of the same class of each respective security.

Table of Contents

<p>Conversion of class B and class C common stock</p>	<p>After termination of the restrictions on transfer described above, the class B or class C common stock will be convertible into class A common stock if transferred to a person that was not, immediately after the reorganization, a Visa member. Upon such transfer, each share will automatically convert into a number of shares of class A common stock based upon the applicable conversion rate in effect at the time of such transfer. In the event that class B or class C common stock is transferred and converts into class A common stock, it will have the effect of diluting the voting power of our existing holders of class A common stock.</p> <p>After giving effect to the application of the proceeds of this offering, the conversion rate applicable to each share of class B common stock will be 0.72 shares of class A common stock per share of class B common stock (based on the midpoint of the range set forth on the cover of this prospectus less underwriting discounts and commissions) and the conversion rate applicable to each share of class C common stock will be one-to-one, in each case subject to adjustments for stock splits, stock dividends, recapitalizations and similar transactions. In the event the underwriters exercise in full their option to purchase additional shares of class A common stock, the applicable conversion rate for each share of class B common stock would adjust to 0.69 shares of class A common stock per share of class B common stock (based on the midpoint of the range set forth on the cover of this prospectus less underwriting discounts and commissions). In connection with our retrospective responsibility plan, the conversion rate applicable to our class B common stock may be subject to further dilutive adjustments to the extent of any future issuances of class A common stock to increase the size of the escrow account, which we refer to as loss shares. If, following the escrow termination date, any funds remain in the escrow account, such funds will be released back to us and the conversion rate of the class B common stock will be adjusted so that each share of class B common stock then outstanding becomes convertible into an increased number of shares of class A common stock, which in turn will result in dilution of the interest in Visa Inc. held by the holders of class A common stock. The amount of such dilution will depend on the amount, if any, of the funds released from the escrow account and the market price of our class A common stock at the time such funds are released. See <i>Description of Capital Stock Conversion</i>.</p>
<p>Retrospective responsibility plan; adjustment of conversion rate of class B common stock</p>	<p>Our retrospective responsibility plan is designed to address potential liabilities arising from the covered litigation. We developed our capital structure to implement a key principle of the retrospective responsibility plan, which is that liability for the covered litigation would remain with the members of Visa U.S.A. Pursuant to the retrospective responsibility plan, following the closing of this offering</p>

Table of Contents

we will establish the escrow account referred to above from which settlements of, or judgments in, the covered litigation will be payable. The class B common stock that is retained by Visa U.S.A. members and not redeemed out of the net proceeds of this offering will be diluted to the extent of the initial amount of the escrow account through an adjustment to the conversion rate. As a result, after giving effect to the application of the proceeds of this offering the conversion rate applicable to each share of class B common stock will be 0.72 shares of class A common stock per share of class B common stock (based on the midpoint of the range set forth on the cover of this prospectus). After the closing of this offering, we may conduct additional sales of loss shares in the form of class A common stock in order to increase the size of the escrow account under certain circumstances, in which case the conversion rate of the class B common stock will be subject to additional dilutive adjustments to the extent of the proceeds from those sales. See *Business Retrospective Responsibility Plan* and *Description of Capital Stock Conversion*.

Underwriter lock-up agreements

We, and our officers and directors, have agreed that we and they will not, without the prior written consent of J.P. Morgan Securities Inc. and Goldman, Sachs & Co., subject to certain exceptions, offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any of our common stock or securities convertible into or exchangeable for our common stock for a period of 180 days after the date of this prospectus.

In addition, we have agreed that our board of directors will not waive any of the transfer restrictions described under *Sale and transfer restrictions on class B and class C common stock* during such 180-day period.

Voting rights

Each share of class A common stock will entitle its holder to one vote.

Holders of class B and class C common stock will not have voting rights, except in the case of certain extraordinary transactions and as may be required under Delaware law. In those cases, each share will entitle its holder to vote on an as-converted basis, which means that each holder will be entitled to a number of votes equal to the number of shares of class B or class C common stock held multiplied by the applicable conversion rate.

Dividend rights

Holders of class A, class B and class C common stock are entitled to share ratably in dividends or distributions paid on the common stock, on an as-converted basis in the case of class B and class C common stock.

Dividend policy

Following this offering and subject to legally available funds, we currently intend to pay a quarterly dividend, in cash, at an annual rate

Table of Contents

initially equal to \$0.42 per share of class A common stock (representing a quarterly rate initially equal to \$0.105 per share) commencing with the quarter ended June 30, 2008. Our class B and class C common stock will share ratably on an as-converted basis in such dividends. The declaration and payment of any dividends will be at the sole discretion of our board of directors after taking into account various factors, including our financial condition, operating results, capital requirements, covenants in our debt instruments and other factors that our board deems relevant.

Risk factors See *Risk Factors* beginning on page 18 of this prospectus for a discussion of risks you should carefully consider before deciding to invest in the class A common stock.

Proposed New York Stock Exchange Symbol V

The class A common stock outstanding after this offering excludes 59,000,000 shares reserved for issuance under our 2007 Equity Incentive Plan. This amount includes the following securities that we intend to grant to our directors and employees immediately following the pricing of this offering: (1) options to purchase 10,560,870 shares with an exercise price equal to the initial public offering price, (2) 670,799 restricted stock units, and (3) 1,373,998 shares of restricted stock. The shares of restricted stock will be issued and outstanding immediately following the pricing of this offering. Of these grants, our directors and officers will receive options to purchase 2,501,890 shares, 24,606 restricted stock units and 100,425 shares of restricted stock.

The estimated number of options, restricted stock and restricted stock units to be granted is calculated using the midpoint of the range set forth on the cover of this prospectus and, in the case of option grants, the Black-Scholes valuation model. These amounts are subject to adjustment based on the final public offering price and in the case of option grants adjustments for other assumptions used in the Black-Scholes valuation model. See *Management Compensation Discussion and Analysis Executive Compensation Components Long-Term Incentive Compensation Visa Inc. 2007 Equity Incentive Compensation Plan*.

Except as otherwise indicated, all information contained in this prospectus:

assumes an initial public offering price of \$39.50 per share of class A common stock (the midpoint of the range set forth on the cover of this prospectus); and

assumes no exercise by the underwriters of their right to purchase up to an additional 40,600,000 shares.

Table of Contents**SUMMARY****FINANCIAL AND OTHER DATA OF VISA INC.**

In October 2007, we completed a reorganization in which Visa U.S.A., Visa International, Visa Canada and Inovant became direct or indirect subsidiaries of Visa Inc. Prior to the three months ended December 31, 2007, there was no historical combined statement of operations of Visa Inc. because Visa Inc. did not have any operations prior to the reorganization. The pro forma statements of operations data set forth below for fiscal 2007 and for the three months ended December 31, 2006 give effect to the reorganization as if it had occurred on October 1, 2006. The pro forma statements of operations data set forth below for fiscal 2006 give effect to the reorganization as if it had occurred on October 1, 2005. These pro forma statements of operations data have been prepared in accordance with Statement of Financial Accounting Standards, or SFAS, No. 141, *Business Combinations*. See *Note 3 The Reorganization* to the audited consolidated balance sheet of Visa Inc. at October 1, 2007 and *Note 3* to the consolidated financial statements of Visa Inc. at and for the three months ended December 31, 2007 and 2006 included elsewhere in this prospectus.

The pro forma and other data set forth below should be read in conjunction with the information under *Management's Discussion and Analysis of Historical and Pro Forma Financial Condition and Results of Operations of Visa Inc.*, the consolidated financial statements of Visa Inc., Visa U.S.A. and Visa International, and *Unaudited Pro Forma Condensed Combined Statement of Operations*, included elsewhere in this prospectus.

	Actual Visa Inc.		Pro Forma Visa Inc.	
	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Fiscal Year 2007	Fiscal Year 2006
			(unaudited)	
	(in millions, except percentages)			
Statements of Operations Data:				
Operating revenues:				
Service fees ⁽¹⁾	\$ 732	\$ 577	\$ 2,582	\$ 2,060
Data processing fees	492	377	1,659	1,411
Volume and support incentives	(250)	(136)	(714)	(890)
International transaction fees	381	247	1,193	911
Other revenues	133	108	473	410
Total operating revenues	\$ 1,488	\$ 1,173	\$ 5,193	\$ 3,902
Operating expenses:				
Personnel	283	273	1,159	1,009
Network, EDP and communications	133	118	517	475
Advertising, marketing, and promotion	210	205	1,075	864
Professional and consulting fees	98	101	552	418
Administrative and other	78	81	353	410
Litigation provision ⁽²⁾		2	2,653	23
Total operating expenses	\$ 802	\$ 780	\$ 6,309	\$ 3,199
Operating income (loss)	686	393	(1,116)	703
Other (expense) income:				
Interest expense	(45)	(23)	(97)	(104)
Investment income, net	41	40	197	136
Other, net	1		8	
Total other (expense) income	(3)	17	108	32
Income (loss) before income taxes	683	410	(1,008)	735
Income tax (benefit) expense ⁽³⁾	259	161	(147)	282

Edgar Filing: Visa Inc. - Form S-1/A

Net (loss) income	\$ 424	\$ 249	\$ (861)	\$ 453
Other Financial Data:				
Depreciation and amortization	\$ 62	\$ 55	\$ 228	\$ 228

Table of Contents

- (1) Service fees in a given quarter are assessed based on payments volume in the prior quarter. Payments volume data for the 12-month period ending June 30 is used as the basis for recording service fees for the fiscal year ending September 30. See *Statistical Data* in the table below.
- (2) In November 2007, Visa U.S.A. settled the American Express litigation matter for total maximum payments of approximately \$2.1 billion, as described in *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements included elsewhere in this prospectus. The present value of this obligation of \$1.9 billion was recorded in fiscal 2007.
- (3) The pro forma statements of operations data presented above do not reflect our loss of eligibility for a California special deduction. The State of California, where Visa U.S.A. and Visa International are headquartered, historically has not taxed a substantial portion of the reported income of these companies on the basis that both operate on a cooperative or mutual basis and therefore are eligible for a special deduction. As taxpayers eligible for the special deduction, Visa U.S.A. and Visa International were generally only subject to California taxation on interest and investment income. Therefore, the majority of each company's income has not historically been taxed in California. As a result of this offering and consequent ownership by parties other than our financial institution customers, we will no longer be eligible to claim the special deduction. Had ineligibility for the special deduction been reflected at the beginning of each period presented in our actual and pro forma condensed combined statements of operations, our income tax benefit would decrease and net loss would increase by approximately \$31 million in fiscal 2007 and our income tax expense would increase and net income would decrease by approximately \$10 million for the three months ended December 31, 2007. Income tax expense would increase and net income would decrease by approximately \$16 million in fiscal 2006 and approximately \$9 million for the three months ended December 31, 2006.

	Pro Forma Visa Inc.			
	Three Months Ended September 30, 2007	2006 (unaudited)	Twelve Months Ended June 30, 2007	2006
(in millions, except percentages)				
Statistical Data: ⁽¹⁾				
Payments volume ⁽²⁾				
Credit	346,948	301,154	\$ 1,257,948	\$ 1,122,905
<i>Year-over-year change</i>	15%	12%	12%	13%
Debit	198,725	170,851	730,070	643,450
<i>Year-over-year change</i>	16%	15%	13%	24%
Commercial and other	77,380	66,025	277,919	231,095
<i>Year-over-year change</i>	17%	22%	20%	23%
Total payments volume	623,053	538,030	2,265,937	1,997,450
<i>Year-over-year change</i>	16%	14%	13%	18%
Cash volume ⁽³⁾	349,082	283,112	1,216,257	1,000,520
<i>Year-over-year change</i>	23%	20%	22%	20%
Total volume ⁽⁴⁾	972,136	821,142	3,482,194	2,997,970
<i>Year-over-year change</i>	18%	16%	16%	18%

	Actual Visa Inc.	Pro Forma Visa Inc.		
	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006 (unaudited)	2007	Fiscal Year 2006
(in millions, except percentages)				
Transactions processed ⁽⁵⁾	9,094	8,018	32,720	29,202
<i>Year-over-year change</i>	13%	NA	12%	NA

- (1) The statistical data in this table, which we consider to be important measures of the scale of our business, are based on quarterly operating certificates from Visa's customers and are unaudited.
- (2) Payments volume is the total monetary value of transactions for goods and services purchased with cards bearing our brands.
- (3) Cash volume generally consists of cash access transactions, balance access transactions, balance transfers and convenience checks.
- (4) Total volume is the sum of payments volume and cash volume.
- (5) Transactions processed represent transactions involving Visa-branded cards processed on our VisaNet processing system.

Table of Contents

The balance sheet data set forth below is derived from our unaudited consolidated balance sheet at December 31, 2007 and our audited consolidated balance sheet at October 1, 2007, each included elsewhere in this prospectus. Amounts in the as adjusted column give effect to this offering, including the application of the net proceeds of the offering, as if it occurred on December 31, 2007.

	At October 1, 2007	Visa Inc.	
		Actual	At December 31, 2007 As Adjusted
		Actual (unaudited) (in millions)	
Balance Sheet Data:			
Cash and cash equivalents	\$ 1,278	\$ 1,698	4,055
Restricted cash			3,000
Total investment securities, available-for-sale.	1,585	1,109	1,109
Intangible assets and goodwill	20,022	19,938	19,938
Total assets	27,069	27,742	33,099
Total debt	124	115	115
Total accrued litigation obligation	3,682	3,720	3,720
Total liabilities	10,784	11,026	12,237 ⁽¹⁾
Temporary equity			1,115 ⁽²⁾
Total stockholders' equity	16,286	16,716	19,747

(1) Includes our obligation to redeem 31,592,881 shares of class C (series III) common stock in October 2008 and is based on the midpoint of the range set forth on the cover of this prospectus.

(2) Includes the fair value of the shares of class C (series II) common stock that we intend to redeem in October 2008 for an aggregate redemption price of \$1.146 billion (subject to reduction for dividends and other adjustments).

Presentation of Earnings Per Share Subsequent to this Offering

For periods subsequent to the completion of this offering, we will present earnings per share using the two-class method under the guidelines of Statement of Financial Accounting Standards, or SFAS No. 128 *Earnings Per Share* to reflect the different rights of our outstanding shares. In order to assist in understanding this presentation, we have provided an illustrative example under *Illustrative Example of the Calculation of Earnings Per Share* below.

The following table sets forth, on a pro forma basis, (i) the number of shares of common stock that would be used in the calculation of earnings per share under the guidelines of SFAS No. 128 following the reorganization and this offering and (ii) the number of shares of class A common stock issuable upon conversion of the class B common stock and class C common stock:

Class of Common Stock	Pro Forma Shares Outstanding Upon Reorganization and Offering ⁽⁴⁾	Pro Forma Class A Common Stock Outstanding or Issuable Upon Conversion of the Class B and Class C Common Stock ⁽⁵⁾
Class A ⁽¹⁾	406,000,000	406,000,000
Class B	277,035,213	198,777,235
Class C (series I, III and IV) ⁽²⁾	172,292,807	172,292,807
Class C (series II) ⁽³⁾	79,748,847	
Total	935,076,867	777,070,042

Table of Contents

- (1) Amount excludes 1,373,998 shares of restricted stock and 670,799 restricted stock units that we intend to grant upon the pricing of this offering to certain of our directors and employees.
- (2) This amount does not include 31,592,881 shares of class C (series III) common stock reclassified as a liability upon the closing of this offering. This amount is not included in the weighted-average of shares outstanding used in the calculation of earnings per share under the guidelines of SFAS No. 128. These shares of class C (series III) common stock are not convertible into class A common stock upon completion of this offering. See *Note 3 Visa Europe Transaction to the Unaudited Pro Forma Condensed Combined Statement of Operations*.
- (3) Class C (series II) common stock is not convertible into class A common stock upon completion of this offering.
- (4) These amounts reflect the application of \$10.2 billion of the proceeds of this offering to redeem 123,216,659 shares of class B common stock and 143,037,934 shares of class C common stock, at an assumed price of \$38.33 per share (the midpoint of the range set forth on the cover of this prospectus less underwriting discounts and commissions).
- (5) The conversion rate applicable to any conversion of our class C common stock into class A common stock will be one-to-one, subject to adjustment for stock splits, recapitalizations and similar transactions. Assuming the deposit of \$3.0 billion into the escrow account, the conversion rate applicable to the class B common stock into class A common stock immediately following this offering will be 0.72 shares of class A common stock per share of class B common stock, assuming an initial public offering price of \$38.33 per share (the midpoint of the range set forth on the cover of this prospectus less underwriting discounts and commissions). See *Business Retrospective Responsibility Plan*.

Calculation of Earnings Per Share

Under the guidelines of SFAS No. 128, the total weighted average number of shares outstanding for the period is used in the calculation of basic earnings per share presented for each class and series of common stock. The total weighted average number of shares for the period used in the calculation of fully diluted earnings per share also includes all potentially dilutive shares applicable to each class and series of common stock. In the calculation of diluted earnings per share applicable to class A common stock, potentially dilutive shares will include the number of shares of class A common stock issuable upon conversion of the class B and class C common stock based on the conversion rate in effect for the period.

For periods subsequent to the completion of this offering, net income available to each class and series of common stock in the calculation of earnings per share will be as follows:

Class A and class C (series I, III and IV) Income available to these shares is reduced by the amount of accretion recorded on the class C (series II) common stock (as described below) and the income attributable to the class C (series III) shares held by Visa Europe that are subject to redemption (the class C series III redemption shares) in the period presented.

Class B Income available to these shares is reduced by the amount of accretion recorded on the class C (series II) common stock (as described below) and the income attributable to the class C (series III) redemption shares in the period presented. The class B common stock participates in the remaining income available to common stockholders on an as-converted basis.

Class C (series II) common stock Income available to these shares is limited to the accretion recorded through retained earnings on this common stock in the period presented.

For the class A common stock diluted earnings per share calculation, net income available to class A common stock will include the allocated class C (series I, III and IV) common stock and class B common stock earnings described above.

Table of Contents**Illustrative Example of the Calculation of Earnings Per Share**

Based on the pro forma and pro forma as converted number of shares of common stock, as detailed in the table above, and our actual unaudited results of operations for the quarter ended December 31, 2007, pro forma earnings per share for the quarter ended December 31, 2007, assuming that the reorganization and this offering had occurred at the beginning of the period, is calculated as follows:

	(in millions except per share data)
Net income for the quarter ended December 31, 2007	\$ 424
Less: Accretion of class C (series II) common stock ⁽¹⁾	(11)
Less: Amount allocated to participating class C (series III) redemption shares held by Visa Europe ⁽²⁾	(16)
Total pro forma net income available to common stockholders	397
Pro forma net income available to common stockholders:	
Class A and class C (series I, III and IV) common stock . .	295
Class B common stock . .	102
Class C (series II) common stock ⁽³⁾ . .	
Pro forma basic earnings per share two-class method:	
Class A and class C (series I, III and IV) common stock	0.51
Class B common stock	0.37
Class C (series II) common stock ⁽³⁾	0.13
Pro forma diluted earnings per share two-class method ⁽⁴⁾ :	
Class A common stock ⁽⁵⁾	0.51
Class B common stock	0.37
Class C (series I, III and IV) common stock	0.51
Class C (series II) common stock	0.13

- (1) Upon the closing of this offering, we intend to classify all class C (series II) common stock at its then fair value as temporary or mezzanine level equity in our consolidated balance sheet. Additionally, over the period from the closing of this offering to on or about October 10, 2008, we will accrete this stock to its redemption price through our retained earnings. We estimate that the total amount of accretion will be approximately \$42 million, which represents the difference between its initial fair value and its redemption price assuming no dividends or other applicable adjustments. The amount reflected above represents one quarter of the total anticipated accretion expected to be recognized.
- (2) Upon the closing of this offering, we intend to classify the class C (series III) redemption shares as a liability, at their redemption value, on our consolidated balance sheet. From the date of reclassification, these shares will be excluded from the weighted average number of shares outstanding in the calculation of basic and diluted earnings per share. However, until redeemed, the class C (series III) redemption shares will continue to share ratably in any dividends or distributions paid on our common stock. Therefore, in the calculation of basic and diluted earnings per share, the class C (series III) redemption shares will be treated as participating in the allocation of net income and will proportionately reduce net income available to all remaining common stockholders.
- (3) The aggregate redemption price of the class C (series II) common stock is reduced by the aggregate amount of any dividends and other distributions declared and paid. Therefore, for the purposes of calculating pro forma earnings per share, under SFAS No. 128, class C (series II) common stockholders are deemed not to participate in any distribution of pro forma net income available to other common stockholders.

Edgar Filing: Visa Inc. - Form S-1/A

(4) Amount excludes 1,373,998 shares of restricted stock and 670,799 restricted stock units that we intend to grant upon the pricing of this offering to certain of our directors and employees.

(5) Pro forma diluted earnings per share applicable to class A common stock is calculated by dividing total pro forma net income available to common stockholders by 777,070,042, the total number of class A common stock outstanding upon conversion of the class B and C common stock based on the conversion ratio in effect for the period.

Had all outstanding class C (series II) common stock and class C (series III) redemption shares been redeemed on October 1, 2007, the beginning of the period, pro forma earnings per share would have been \$0.55 per share of class A and class C (series I, III and IV) common stock and \$0.39 per share of class B common stock for the quarter ended December 31, 2007.

Table of Contents

RISK FACTORS

An investment in our class A common stock involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this prospectus before investing in our class A common stock. Any of the following risks, if realized, could materially and adversely affect our revenues, operating results, profitability, financial condition, prospects for future growth and overall business. In that case, the trading price of our class A common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business

Legal and Regulatory Risks

Interchange fees are subject to significant legal and regulatory scrutiny worldwide, which may have a material adverse impact on our revenues, our prospects for future growth and our overall business.

Interchange represents a transfer of value between the financial institutions participating in an open-loop payments network such as ours. On purchase transactions, interchange fees are typically paid to issuers, which are the financial institutions that issue Visa cards to cardholders, by acquirers, which are the financial institutions that offer Visa network connectivity and payments acceptance services to merchants, in connection with transactions initiated with cards in our payments system. We set default interchange rates in the United States and other regions. In certain jurisdictions, interchange rates are subject to government regulation. Although we administer the collection and remittance of interchange fees through the settlement process, we generally do not receive any portion of the interchange fees. Interchange fees are often the largest component of the costs that acquirers charge merchants in connection with the acceptance of payment cards. We believe that interchange fees are an important driver of system volume.

As the volume of card-based payments has increased in recent years, interchange fees, including our default interchange rates, have become subject to increased regulatory scrutiny worldwide. We believe that regulators are increasingly adopting a similar approach to interchange fees, and, as a result, developments in any one jurisdiction may influence regulatory approaches in other jurisdictions.

Interchange fees have been the topic of recent committee hearings in the U.S. House of Representatives and the U.S. Senate, as well as conferences held by a number of U.S. Federal Reserve Banks. In addition, the U.S. House of Representatives has passed a bill that would commission a study by the Federal Trade Commission of the role of interchange fees in alleged price gouging at gas stations. Individual state legislatures in the United States are also reviewing interchange fees, and legislators in a number of states have proposed bills that purport to limit interchange fees or merchant discount rates or to prohibit their application to portions of a transaction. In addition, the Merchants Payments Coalition, a coalition of trade associations representing businesses that accept credit and debit cards, is mounting a challenge to interchange fees in the United States by seeking legislative and regulatory intervention.

Interchange fees and related practices also have been or are being reviewed by regulatory authorities and/or central banks in a number of other jurisdictions, including the European Union, Australia, Brazil, Colombia, Germany, Honduras, Hungary, Mexico, New Zealand, Norway, Poland, Portugal, Romania, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom. For example:

The Reserve Bank of Australia has made regulations under legislation enacted to give it powers over payments systems. A regulation controls the costs that can be considered in setting interchange fees for Visa credit and debit cards, but does not regulate the merchant discount charged by any payment system, including competing closed-loop payments systems.

New Zealand's competition regulator, the Commerce Commission, filed a civil claim alleging that, among other things, the fixing of default interchange rates by Cards NZ Limited, Visa International, MasterCard and certain Visa International member financial institutions contravenes the New Zealand

Table of Contents

Commerce Act. A group of New Zealand retailers filed a nearly identical claim against the same parties before the same tribunal. Both the Commerce Commission and the retailers seek declaratory, injunctive and monetary relief.

In March 2006, Banco de México, the central bank of Mexico, reached an agreement with the Mexican Banks Association to implement a new, value-based interchange methodology. As part of Banco de México's transparency policies, details of the new interchange rates have been publicly disclosed and are available on Banco de México's web site.

In December 2007, the European Commission adopted a decision that MasterCard's multilateral interchange fees for cross-border payment transactions within the European Economic Area violated European Community Treaty rules on restrictive business practices and must be withdrawn within six months.

Regulatory actions such as these, even if not directed at us or if affecting a geographic region in which we do not operate, may nonetheless increase regulatory scrutiny of interchange fees. If we cannot successfully defend our ability to set default interchange rates to maximize system volume, our payments system may become unattractive to issuers and/or acquirers. This result could reduce the number of financial institutions willing to participate in our open-loop multi-party payments system, lower overall transaction volumes and/or make closed-loop payments systems or other forms of payment more attractive. Issuers could also begin to charge higher fees to consumers, thereby making our card programs less desirable and reducing our transaction volumes and profitability. Acquirers could elect to charge higher merchant discount rates to merchants, regardless of the level of Visa interchange, leading merchants not to accept cards for payment or to steer Visa cardholders to alternate payment systems. In addition, issuers or acquirers could attempt to decrease the expense of their card programs by seeking incentives from us or a reduction in the fees that we charge. Any of the foregoing could have a material adverse impact on our revenues, operating results, prospects for future growth and overall business.

A finding of liability in the interchange litigation may result in substantial damages.

Since 2005, approximately 50 class action and individual complaints have been filed on behalf of merchants against Visa U.S.A., Visa International, MasterCard and other defendants, including certain Visa U.S.A. member financial institutions, which we refer to as the interchange litigation. Among other antitrust allegations, the plaintiffs allege that Visa U.S.A.'s and Visa International's setting of default interchange rates violated federal and state antitrust laws. The lawsuits have been transferred to a multidistrict litigation in the U.S. District Court for the Eastern District of New York. The class action complaints have been consolidated into a single amended class action complaint and the individual complaints are also being consolidated in the same multidistrict litigation. A similar case, filed in 2004, is on appeal by plaintiffs after having been dismissed with prejudice, and has not been transferred to the multidistrict litigation.

The plaintiffs in the interchange litigation seek damages for alleged overcharges in merchant discount fees, as well as injunctive and other relief. The plaintiffs have not yet quantified the damages they seek, although several of the complaints allege that the plaintiffs expect that damages will range in the tens of billions of dollars. Because these lawsuits were brought under the U.S. federal antitrust laws, any actual damages will be trebled and Visa U.S.A. and/or Visa International may be subject to joint and several liability among the defendants if liability is established, which could significantly magnify the effect of any adverse judgment. The interchange litigation is part of the covered litigation, which our retrospective responsibility plan is intended to address; however, the retrospective responsibility plan may not adequately insulate us from the impact of settlements of, or judgments in, the interchange litigation. Failure to successfully defend or settle the interchange litigation would result in liability that to the extent not covered by our retrospective responsibility plan could have a material adverse effect on our results of operations, financial condition and cash flows, or, in certain circumstances, even cause us to become insolvent. In addition, even if our direct financial exposure were covered by our retrospective responsibility plan, settlements or judgments involving the multidistrict litigation could include restrictions on our ability to conduct business, which could increase our cost of doing business and limit our prospects for future growth. See *Business Retrospective Responsibility Plan Covered Litigation The Interchange Litigation*.

Table of Contents

A finding of liability in the Discover litigation may result in substantial damages.

In 1998, the U.S. Department of Justice filed suit against Visa U.S.A., Visa International and MasterCard International in the U.S. District Court for the Southern District of New York. The suit alleged, among other things, that Visa U.S.A. restrained competition by prohibiting its member financial institutions from issuing certain payment cards that compete with Visa-branded cards (such as American Express or Discover), which we refer to as competing payment cards. The district court held that the prohibition constituted an unlawful restraint of trade under the U.S. federal antitrust laws, and this decision was affirmed by the Second Circuit Court of Appeals. In 2004, the U.S. Supreme Court denied our petition for certiorari, thereby exhausting all avenues for further appeal in this case. As a result of this judgment, the Visa U.S.A. bylaw that provided for the prohibition became unenforceable in October 2004 and was subsequently repealed.

Discover filed suit against Visa U.S.A., Visa International and MasterCard International, alleging that prohibiting member financial institutions from issuing competing payment cards caused it injury under the U.S. federal antitrust laws. Discover has requested that the district court give collateral estoppel effect to the court's findings in the judgment of the 1998 Department of Justice litigation. Although the district court denied that request when made at the outset of the litigation, the district court indicated it would entertain a motion by Discover for collateral estoppel at a later time. If the court were to give collateral estoppel effect to one or more issues, significant elements of Discover's claims would be established, making it more likely that Visa U.S.A. and Visa International could be found liable and that Discover would be awarded damages. Even if the court declines to give collateral estoppel effect to any of these issues, Discover may nevertheless be successful in establishing these issues in subsequent proceedings. On July 24, 2007, Discover served an expert report purporting to demonstrate that it had incurred substantial damages. Because this lawsuit was brought under the U.S. federal antitrust laws, any actual damages will be trebled and Visa U.S.A. and Visa International may be subject to joint and several liability among the defendants if liability is established, which could significantly magnify the effect of any adverse judgment.

American Express filed a suit similar to the Discover litigation against Visa U.S.A., Visa International and certain Visa U.S.A. member financial institutions. The American Express lawsuit is part of the covered litigation, which our retrospective responsibility plan is intended to address. We, Visa U.S.A. and Visa International entered into a settlement agreement with American Express that became effective on November 9, 2007. The settlement agreement in the American Express litigation will be funded through our retrospective responsibility plan.

The Discover lawsuit is also part of the covered litigation. The retrospective responsibility plan may not adequately insulate us from the impacts of settlements of, or judgments in, the Discover lawsuit. Failure to successfully defend against or settle these lawsuits would result in liability that to the extent not covered by our retrospective responsibility plan could have a material adverse effect on our results of operations, financial condition and cash flows, or, in certain circumstances, even cause us to become insolvent. See *Business Retrospective Responsibility Plan Covered Litigation*.

Our retrospective responsibility plan may not adequately insulate us from the impact of settlements and judgments in the covered litigation and will not insulate us from other pending or future litigation.

Our retrospective responsibility plan is intended to address monetary liabilities from settlements of, or final judgments in, the litigation described under the heading *Business Retrospective Responsibility Plan Covered Litigation*. The retrospective responsibility plan consists of several related mechanisms to fund settlements of, or judgments in, the covered litigation, including an escrow account funded with a portion of the net proceeds of our initial public offering and potential follow-on offerings of our common stock, a loss sharing agreement, a judgment sharing agreement and the indemnification obligation of Visa U.S.A. members pursuant to Visa U.S.A.'s certificate of incorporation and bylaws and in accordance with their membership agreements. These mechanisms are unique and complex. If we are prevented from using one or more of these mechanisms under our retrospective responsibility plan, we could have difficulty funding the payment of a settlement or final judgment

Table of Contents

against us in a covered litigation, which could have a material adverse effect on our results of operations, financial condition and cash flows, or, in certain circumstances, even cause us to become insolvent.

The retrospective responsibility plan does not address litigation other than the covered litigation that we currently face, including state court litigation relating to interchange, and will not cover litigation that we may face in the future, except for cases that include claims for damages relating to the period prior to our initial public offering that are transferred for pre-trial proceedings or otherwise included in the interchange litigation. In addition, our retrospective responsibility plan is designed to cover only the potential monetary liability from settlements of, or judgments in, the covered litigation. Settlements and judgments in covered litigation may require us to modify the way we do business in the future, which could adversely affect our revenues, increase our expenses and/or limit our prospects for growth. Therefore, even if our retrospective responsibility plan adequately safeguards us from the monetary impact of settlements of, or judgments in, the covered litigation, it may not be sufficient to insulate us from all potential adverse consequences of settlements of, or judgments in, the covered litigation.

If the settlements of Visa U.S.A. s and Visa International s currency conversion cases are not ultimately approved and we are unsuccessful in any of the various lawsuits relating to Visa U.S.A. s and Visa International s currency conversion practices, our business may be materially and adversely affected.

Visa U.S.A. and Visa International are defendants in several state and federal lawsuits alleging that their currency conversion practices are or were deceptive, anti-competitive or otherwise unlawful. In particular, a trial judge in California found that the former currency conversion practices of Visa U.S.A. and Visa International were deceptive under California state law, and ordered Visa U.S.A. and Visa International to require their members to disclose the currency conversion process to cardholders in cardholder agreements, applications, solicitations and monthly billing statements. The judge also ordered unspecified restitution to credit card holders. The decision was reversed on appeal on the ground that the plaintiff lacked standing to pursue his claims. After the trial court s decision, several putative class actions were filed in California state courts challenging Visa U.S.A. s and Visa International s currency conversion practices for credit and debit cards. A number of putative class actions relating to Visa U.S.A. s and Visa International s former currency conversion practices were also filed in federal court. The federal actions have been coordinated or consolidated in the U.S. District Court for the Southern District of New York. The consolidated complaint alleges that the former currency conversion practices of Visa U.S.A. and Visa International violated federal antitrust laws.

On July 20, 2006 and September 14, 2006, Visa U.S.A. and Visa International entered into agreements settling or otherwise disposing of the federal and state actions and related matters. Pursuant to the settlement agreements, Visa U.S.A. paid approximately \$100 million as part of the defendants settlement fund for the federal actions and will pay approximately \$20 million to fund settlement of the California cases. The federal court has granted preliminary approval of the settlement agreements, but the settlement is subject to final approval by the court and resolution of all appeals. If final approval of the settlement agreements is not granted, all of the agreements resolving the federal and state actions will terminate. If that occurs, and we are unsuccessful in defending against some or all of these lawsuits, we may have to pay restitution and/or damages, and may be required to modify our currency conversion practices. The potential amount of damages and/or restitution could be substantial. In addition, although Visa U.S.A. and Visa International have substantially changed the practices that were at issue in these litigations, if the courts require further changes to our currency conversion and cross-border transaction practices, it could materially and adversely affect our business. See *Business Other Legal and Regulatory Proceedings Currency Conversion Litigation*.

If Visa U.S.A. or Visa International is found liable in certain other lawsuits that have been brought against them or if we are found liable in other litigation to which we may become subject in the future, we may be forced to pay substantial damages and/or change our business practices or pricing structure, any of which could have a material adverse effect on our financial condition, revenues and profitability.

In recent years, numerous civil actions and investigations have been filed or initiated against Visa U.S.A. and Visa International alleging or seeking information as to violations of various competition, antitrust, consumer

Table of Contents

protection and other laws. These actions and investigations have been filed or initiated by a variety of different parties, including the U.S. Department of Justice, state attorneys general, merchants, consumers, competing card-issuing companies and other plaintiffs. Examples of such claims, which are described more fully under *Business Other Legal and Regulatory Proceedings*, include the following:

various state court actions based on a federal merchant class action lawsuit that Visa U.S.A. settled in 2003, alleging unlawful tying of credit and debit card services, attempted monopolization and other state law competition claims;

a claim of patent infringement, misrepresentation, breach of contract and antitrust violations against Visa International relating to a license agreement for smart card technology;

two state unfair competition law claims, one against Visa U.S.A. and Visa International based in part on Visa U.S.A.'s past practice of prohibiting member financial institutions from issuing certain competing payment cards, and another against Visa U.S.A. and Visa International alleging failure to inform cardholders of a security breach in a timely manner;

a promissory estoppel and misrepresentation claim against Visa U.S.A. and Visa International regarding deferment of a deadline for laboratory certification of ATM devices meeting heightened data encryption standards;

a trademark infringement claim against Visa International in Venezuela in connection with the Visa Vale product;

a civil investigative demand to Visa U.S.A. from the Office of the Attorney General for the District of Columbia, in coordination with the Attorneys General of New York and Ohio, seeking information regarding practices related to PIN debit cards;

a patent infringement claim against Visa U.S.A. regarding prepaid card products;

two civil investigative demands issued by the Antitrust Division of the U.S. Department of Justice to Visa U.S.A., one concerning PIN debit and Visa U.S.A.'s No Signature Required Program, and the other regarding Visa U.S.A.'s agreements with financial institutions that issue Visa debit cards, respectively; and

a putative class action against Visa U.S.A. claiming unjust enrichment and/or intentional misrepresentation in connection with alleged fees assessed on the state tax portion of a sales transaction.

Private plaintiffs often seek class action certification in cases against us, particularly in cases involving merchants and consumers, due to the size and scope of our business and the large number of parties that are involved in our payment system. Although our retrospective responsibility plan is intended to address potential monetary liabilities arising from the specific litigation described under *Business Retrospective Responsibility Plan Covered Litigation*, the plan does not cover other litigation that we currently face, and will not cover litigation, including state court litigation, that we may face in the future, except for cases that include claims for damages relating to the period prior to our initial public offering that are transferred for pre-trial proceedings or otherwise included in the interchange litigation. We cannot predict whether or to what extent we will be subject to litigation liability that is not covered by our retrospective responsibility plan. If we are unsuccessful in our defense against any of the proceedings described above or in any future proceedings, we may be forced to pay substantial damages and/or change our business practices or our pricing structure, any of which could have a material adverse effect on our revenues, operating results, prospects for future growth and overall business.

We have received, and we may in the future receive, notices or inquiries from other companies suggesting that we may be infringing a pre-existing patent or that we need to license use of their patents to avoid infringement. Such notices may, among other things, threaten litigation against us. Holders of patents may pursue

Table of Contents

claims against us in the future if they believe their patents are being infringed by our product or service offerings. Based on our experience with such claims to date, we do not believe that any such claims would prevent us from continuing to operate our payments system or market any of our significant core products and services in substantially the same or equivalent manner as we have to date.

Limitations on our business and other penalties resulting from litigation or litigation settlements may materially and adversely affect our revenues and profitability.

Certain limitations have been placed on our business in recent years as a result of litigation and litigation settlements. For example, as a result of the June 2003 settlement of a U.S. merchant lawsuit against Visa U.S.A., merchants are able to reject Visa consumer debit cards in the United States while still accepting other Visa-branded cards, and vice versa. In addition, following the final judgment entered in the litigation the U.S. Department of Justice, or DOJ, brought against Visa U.S.A. and Visa International in 1998, as of October 2004, members of Visa U.S.A. may issue certain competing payment cards. Since this final judgment, several members of Visa U.S.A. have begun to issue, or have announced that they will issue, American Express or Discover-branded cards. See *Business Other Legal and Regulatory Proceedings Department of Justice Antitrust Case and Related Litigation*.

In addition, pursuant to a court order, certain Visa U.S.A. debit issuers may be able to terminate some parts of their agreements with us. Visa U.S.A.'s bylaws provided that a settlement service fee was to be paid by certain Visa U.S.A. members that shifted a substantial portion of their offline debit card volume to another debit brand unless that shift was to the American Express or Discover brands. In June 2007, a federal court ruled that the settlement service fee violated the final judgment entered in the case the DOJ brought against Visa U.S.A., Visa International and MasterCard in 1998. See *Business Other Legal and Regulatory Proceedings Department of Justice Antitrust Case and Related Litigation*. As a remedy, the court ordered Visa U.S.A. to repeal the settlement service fee bylaw. Further, any Visa U.S.A. debit issuer subject to the settlement service fee prior to its repeal that entered into an agreement with Visa U.S.A. that includes offline debit issuance on or after June 20, 2003 is now permitted to terminate that agreement, provided that the issuer has entered into an agreement to issue MasterCard-branded debit cards and has repaid to Visa U.S.A. any unearned benefits or financial incentives under its Visa U.S.A. agreement. The settlement service fee bylaw was rescinded as of the effective date of the order, but Visa U.S.A. has appealed other aspects of the court's decision, including the contract termination portion of the court's remedy. See *Business Other Legal and Regulatory Proceedings Department of Justice Antitrust Case and Related Litigation*.

The developments discussed above and any future limitations on our business resulting from settlements of, or judgments in, pending or potential litigation could limit the fees we charge and reduce our payments volume, which could materially and adversely affect our revenues, operating results, prospects for future growth and overall business.

If we are partially or wholly unable to realize the benefit of our deferred tax assets related to our litigation expenses incurred in connection with the covered litigation, our financial results and cash flows may be materially and adversely affected.

Our December 31, 2007 balance sheet reflects accrued litigation of \$3.7 billion, including the settlement of the American Express litigation and management's liability estimate under the guidelines of SFAS No. 5 related to the Discover litigation and other matters. For tax purposes, the deduction related to these matters is deferred until the payments are made and thus the company established a deferred tax asset of \$787 million related to these payments, which is net of a reserve to reflect our best estimate of the amount of the benefit to be realized. Although we believe that the estimates and judgments we made in establishing our deferred tax asset and related reserves are reasonable, some or all of these judgments are subject to review by the taxing authorities. If one or more of the taxing authorities were to successfully challenge our right to realize some or all of the tax benefit we have recorded and we were unable to realize this benefit, it could have a material and adverse effect on our financial results and cash flows.

Table of Contents

The payments industry is the subject of increasing global regulatory focus, which may result in costly new compliance burdens being imposed on us and our customers and lead to increased costs and decreased payments volume and revenues.

We and our customers are subject to regulations that affect the payments industry in many countries in which our cards are used. Regulation of the payments industry has increased significantly in recent years. Examples of such regulation include:

Anti-money laundering regulation. Most jurisdictions in which we and our customers operate have implemented, amended or have pending anti-money laundering regulations, such as the U.S.A. PATRIOT Act, which requires the creation and implementation of comprehensive anti-money laundering programs.

U.S. Treasury Office of Foreign Assets Control regulation. Visa U.S.A. and Visa International are subject to regulations imposed by the U.S. Treasury Office of Foreign Assets Control, or OFAC. OFAC restricts financial dealings with Cuba, Iran, Myanmar and Sudan, as well as financial dealings with certain restricted parties, such as identified money laundering fronts for terrorists or narcotics traffickers. While we prohibit financial institutions that are domiciled in those countries or are restricted parties from being Visa members, many Visa International members are non-U.S. financial institutions, and thus are not subject to OFAC restrictions. Accordingly, our payments system may be used for transactions in or involving countries or parties subject to OFAC-administered sanctions.

Regulation of the Price of Credit. In recent years, legislation, regulations or other legal requirements affecting credit cards have been adopted in a number of the jurisdictions in which our cards are used. For example, in the United States, Congress and the federal banking agencies have increased their scrutiny of the disclosure and billing practices of credit card issuers. The Federal Reserve Board has proposed significant changes to Regulation Z, under the Federal Truth in Lending Act, which, if implemented, could have a significant affect on the advertising, disclosure and billing practices of card issuers. Proposed or other changes to the laws and or regulations affecting credit card operations and pricing could increase the costs of card issuance and/or decrease the flexibility of card issuers to charge interest rates and fees on credit card accounts. Any such unfavorable regulation of the practices of card issuers could result in a decrease in our payments volume and revenues.

Regulation of Internet transactions. Many jurisdictions in which our customers and we operate are considering, or are expected to consider, legislation concerning Internet transactions, and in particular with regard to choice of law, the legality of certain e-commerce transactions, the collection of applicable taxes and copyright and trademark infringement. Such legislation may make it less desirable or more costly to complete Internet transactions using our cards.

Safety and soundness regulation. In recent years, federal banking regulators in the United States have adopted a series of regulatory measures intended to require more conservative accounting, greater risk management and higher capital requirements for bank credit card activities, which may make becoming an issuer of our cards less attractive.

Increased regulatory focus in connection with the matters discussed above may increase our costs, which could materially and adversely affect our financial performance. Similarly, increased regulatory focus on our customers may cause a reduction in payments volume, which could materially adversely affect our revenues, operating results, prospects for future growth and overall business.

Existing and proposed regulation in the areas of consumer privacy and data use and security could decrease the number of payment cards issued, our payments volume and revenues.

We and our customers are subject to regulations related to privacy and data use and security in the jurisdictions in which we do business, and we could be adversely affected by these regulations. For example, in the United States, we and our customers are subject to the banking regulators information safeguard rules and the Federal Trade Commission's rules under the Gramm-Leach-Bliley Act. The rules require that we and our

Table of Contents

customers develop, implement and maintain written, comprehensive information security programs containing safeguards that are appropriate to our size and complexity, the nature and scope of our activities, and the sensitivity of any customer information at issue.

In recent years, there has been heightened legislative and regulatory focus on data security, including requiring consumer notification in the event of a data breach. In the United States, a number of bills have been introduced in Congress and there have been several Congressional hearings to address these issues. Congress will likely consider data security/data breach legislation in 2008 that, if implemented, could affect our customers and us. In addition, a number of U.S. states have enacted security breach legislation requiring varying levels of consumer notification in the event of a security breach, and several other states are considering similar legislation.

Regulation of privacy, data use and security may materially increase our costs and our customers' costs and may decrease the number of our cards that our customers issue, which could materially and adversely affect our profitability. Our failure, or the failure of our customers, to comply with the privacy and data use and security laws and regulations to which we are subject could result in fines, sanctions and damage to our global reputation and our brand.

Government actions may prevent us from competing effectively against providers of domestic payments services in certain countries, which could adversely affect our ability to maintain or increase our revenues.

Governments in certain countries have acted, or could act, to provide resources or protection to selected national payment card providers or national payment processing providers to support domestic competitors or to displace us from, prevent us from entering into, or substantially restrict us from participating in, particular geographies. For example, our members in China are not permitted to issue our cards for domestic use in China. Governments in certain other countries have considered similar restrictions from time to time. Our efforts to effect change in countries where our access to the domestic payments segment is limited may not be successful, which could adversely affect our ability to maintain or increase our revenues and extend our global brand.

If government regulators determine that we are a systemically important payments system, we may have to change our settlement procedures or other operations, which could make it more costly to operate our business and reduce our operational flexibility.

A number of international initiatives are underway to maintain financial stability by strengthening financial infrastructure. The Committee on Payment and Settlement Systems of the central banks of the Group of Ten countries has developed a set of core principles for systemically important payment systems. Government regulators in the United States or elsewhere may determine that we are a systemically important payments system and impose settlement risk management requirements on us, including new settlement procedures or other operational rules to address credit and operational risks or new criteria for member participation and merchant access to our payments system. Any of these developments could make it more costly to operate our business.

Our framework agreement with Visa Europe includes indemnity obligations that could expose us to significant liabilities.

Under our framework agreement with Visa Europe, we are required to indemnify Visa Europe for losses resulting from any claims in the United States or anywhere else outside of Visa Europe's region arising from our or their activities that relate to our payments business or the payments business of Visa Europe. This obligation applies whether or not we or any of our related parties or agents participated in the actions that gave rise to such claims. Such an obligation could expose us to significant liabilities for activities over which we have little or no control. These liabilities would not be covered by our retrospective responsibility plan.

Table of Contents

Business Risks

We face intense competitive pressure on customer pricing, which may materially and adversely affect our revenues and profitability.

We generate revenues from fees we charge our customers that are based on payments volume, transaction messages processed and various other services we provide. In order to increase payments volume, enter new market segments and expand our card base, we offer incentives to customers, such as up-front cash payments, fee discounts, credits, performance-based growth incentives, marketing support payments and other support, such as marketing consulting and market research studies. Over the past several years, we have increased our use of incentives such as up-front cash payments and fee discounts in many countries, including the United States. In order to stay competitive, we may have to continue to increase our use of incentives. Such pricing pressure may make the provision of certain products and services less profitable or unprofitable and materially and adversely affect our operating revenues and profitability. To the extent that we continue to increase incentives to our customers, we will need to further increase payments volume or the amount of services we provide in order to benefit incrementally from such arrangements and to increase revenues and profit, and we may not be successful in doing so. In addition, we enter into long-term contracts with certain customers, and continued pressure on fees could prevent us from entering into such agreements in the future on terms that we consider favorable or may require us to modify existing agreements in order to maintain relationships. Increased pricing pressure also enhances the importance of cost containment and productivity initiatives in areas other than those relating to customer incentives, and we may not succeed in these efforts.

Our operating results may suffer because of intense competition in the global payments industry.

The global payments industry is intensely competitive. Our payment programs compete against all forms of payment, including cash, checks and electronic transactions such as wire transfers and automated clearing house payments. In addition, our payment programs compete against the card-based payments systems of our competitors, such as MasterCard, American Express, Discover and private-label cards issued by merchants.

Some of our competitors may develop substantially greater financial and other resources than we have, may offer a wider range of programs and services than we offer, may use more effective advertising and marketing strategies to achieve broader brand recognition or merchant acceptance than we have or may develop better security solutions or more favorable pricing arrangements. Our competitors may also introduce more innovative programs and services than ours.

Certain of our competitors, including American Express, Discover, private-label card networks and certain alternative payments systems, operate closed-loop payments systems with direct connections to both merchants and consumers, without involving intermediaries. These competitors seek to derive competitive advantages from their business models. For example, operators of closed-loop payments systems tend to have greater control over consumer and merchant customer service than operators of open-loop multi-party payments systems such as ours, in which we must rely on our issuing and acquiring financial institution customers. In addition, these competitors have not attracted the same level of legal or regulatory scrutiny of their pricing and business practices as have operators of open-loop multi-party payments systems such as ours.

We also expect that there may be changes in the competitive landscape in the future, including:

Competitors, customers and other industry participants may develop products that compete with or replace value-added services we currently provide to support our transaction processing. For example, in recent years some of our competitors and members have begun to compete with our currency conversion services by providing dynamic currency conversion services. Dynamic currency conversion is a service offered or facilitated by a merchant or processor that allows a cardholder to choose to have a transaction converted from the merchant's currency into the cardholder's billing currency at the point of sale in real-time, thereby bypassing our currency conversion processes. Dynamic currency

Table of Contents

conversion services could, if significant numbers of cardholders choose to use them, replace our own currency conversion processing services or could force us to change our pricing or practices for these services. If we process fewer transactions or are forced to change our pricing or practices for our currency conversion processing because of competing dynamic currency conversion services or otherwise, our revenues may be materially and adversely affected.

Parties that process our transactions in certain countries may try to eliminate our position in the payments value chain. For example, merchants could process transactions directly with issuers, or processors could process transactions directly between issuers and acquirers.

Participants in the payments industry may merge, create joint ventures or form other business combinations that may strengthen their existing business propositions or create new payment services that compete with our services.

Competition from alternative types of payment services, such as online payment services and services that permit direct debit of consumer checking accounts or automatic clearing house, or ACH, payments, may increase.

Our failure to compete effectively against any of the foregoing competitive threats, could materially and adversely affect our revenues, operating results, prospects for future growth and overall business.

Our operating revenues would decline significantly if we lost one or more of our largest customers, which could have a material adverse impact on our business.

A significant portion of our operating revenues are concentrated among our largest customers. Our five largest customers represented approximately \$324 million, or 22%, of our operating revenues for the three months ended December 31, 2007. In addition, operating revenues from our largest customer, JPMorgan Chase, accounted for \$106 million, or 7%, of our operating revenues for the three months ended December 31, 2007. Our pro forma operating revenues from our five largest customers represented approximately \$1.2 billion, or 23%, and \$938 million, or 24%, of our total pro forma operating revenues for fiscal 2007 and 2006, respectively. In addition, pro forma operating revenues from our largest customer, JPMorgan Chase, accounted for \$454 million, or 9%, and \$408 million, or 10%, of our pro forma operating revenues for fiscal 2007 and 2006, respectively. Most of our larger customer relationships (including our customer relationships with JPMorgan Chase and Bank of America) are not exclusive and in certain circumstances (including, in some cases, on relatively short notice) may be terminated by our customers. Our customers can reassess their commitments to us at any time in the future and/or develop their own competitive services. Loss of business from any of our largest customers could have a material adverse effect on our business.

Consolidation of the banking industry could result in our losing business and may create pressure on the fees we charge our customers, which may materially and adversely affect our revenues and profitability.

Over the last several years, the banking industry has undergone substantial consolidation, and we expect this trend to continue in the future. Significant ongoing consolidation in the banking industry may result in one of our largest customers being acquired by an institution that has a strong relationship with a competitor, resulting in a substantial loss of business. In addition, one or more of our customers could seek to merge with or acquire one of our competitors, and any such transaction could have a material adverse effect on our business and prospects.

Continued consolidation in the banking industry would also reduce the overall number of our customers and potential customers and could increase the bargaining power of our remaining customers and potential customers. This consolidation could lead financial institutions to seek greater pricing discounts or other incentives with us. In addition, consolidation could prompt our existing customers to seek to renegotiate their pricing agreements with us to obtain more favorable terms. Pressure on the fees we charge our customers caused by such consolidation could materially and adversely affect our revenues, operating results, prospects for future growth and overall business.

Table of Contents

Merchants are pursuing litigation and supporting regulatory proceedings relating to the costs associated with payment card acceptance and are negotiating incentive arrangements, including pricing discounts, all of which may increase our costs and materially and adversely affect our profitability.

We rely in part on merchants and their relationships with our customers to maintain and expand the acceptance of our payment cards. We believe that consolidation in the retail industry is producing a set of larger merchants that are having a significant impact on all participants in the global payments industry. For instance, some large merchants are bringing lawsuits against us with regard to, or advocating regulation of, interchange fees, which may represent a significant cost that merchants pay to accept payment cards. The emphasis merchants are placing on the costs associated with payment card acceptance may lead to additional regulation and litigation, which would not be covered by our retrospective responsibility plan and which could impair our revenues, operating results, prospects for future growth and overall business.

We, along with our customers, negotiate pricing discounts and other incentive arrangements with certain large merchants to increase acceptance of our payment cards. If merchants continue to consolidate, we and our customers may have to increase the incentives provided to certain larger merchants, which could materially and adversely affect our revenues, operating results, prospects for future growth and overall business.

Certain financial institutions have exclusive, or near exclusive, relationships with our competitors to issue payment cards, and these relationships may adversely affect our ability to maintain or increase our revenues.

Certain financial institutions have long-standing exclusive, or near exclusive, relationships with our competitors to issue payment cards, and these relationships may make it difficult or cost-prohibitive for us to do material amounts of business with them in order to increase our revenues. In addition, these financial institutions may be more successful and may grow faster than the financial institutions that primarily issue our cards, which could put us at a competitive disadvantage.

We depend significantly on our relationships with our customers and other third parties to deliver services and manage our payments system. As a result, our success and reputation are significantly dependent on the success of our customers and the quality of the services they provide. If we are unable to maintain those relationships, or if third parties on which we depend fail to deliver services on our behalf, our business may be materially and adversely affected.

We are, and will continue to be, significantly dependent on relationships with our customers and their relationships with cardholders and merchants to support our programs and services. We do not issue cards, extend credit to cardholders or determine the interest rates (if applicable) or other fees charged to cardholders using cards that carry our brands. Each issuer determines these and most other competitive card features. In addition, we do not generally solicit merchants to accept our cards and we do not establish the discount rates that merchants are charged for card acceptance, which are responsibilities of acquirers. As a result, the success of our business significantly depends on the continued success and competitiveness of our customers and the strength of our relationships with them.

Outside of the United States and certain other countries, most domestic (as opposed to cross-border) transactions conducted using our payment cards are authorized, cleared and settled by our customers or other processors without involving our processing systems. Because we do not provide domestic transaction processing services in these countries, do not generally have direct relationships with merchants and never have direct relationships with cardholders, we depend on our close working relationships with our customers to effectively manage the processing of transactions involving our cards. Our inability to control the end-to-end processing on cards carrying our brands in many countries may put us at a competitive disadvantage by limiting our ability to ensure the quality of the services supporting our brand.

In addition, we depend on third parties to provide various services on our behalf and to the extent that any third party vendors fail to deliver services, our business and reputation could be impaired.

Table of Contents

Our brands and reputation are key assets of our business and may be affected by how we are perceived in the marketplace.

Our brands and their attributes are key assets of our business. The ability to attract and retain consumer cardholders and corporate clients to Visa-branded products is highly dependent upon the external perceptions of our company and our industry. Our business may be affected by actions taken by our customers that impact the perception of our brands. From time to time, our customers may take actions that we do not believe to be in the best interests of our brands, such as creditor practices that may be viewed as predatory, which may materially and adversely impact our business. Adverse developments with respect to our industry may also, by association, impair our reputation, or result in greater regulatory or legislative scrutiny.

Global economic, political and other conditions may adversely affect trends in consumer spending and cross-border travel, which may materially and adversely impact our revenues, operating results, prospects for future growth and overall business.

The global payments industry depends heavily upon the overall level of consumer, business and government spending. For example, a sustained deterioration in general economic conditions, particularly in the United States and the Asia-Pacific region, where approximately 66% and 14%, respectively, of our pro forma revenues were generated for fiscal 2007 and, 71% and 12%, respectively, of our pro forma revenues were generated for fiscal 2006, or increases in interest rates in key countries in which we operate, may adversely affect our financial performance by reducing the number or average purchase amount of transactions involving payment cards carrying our brands. A significant portion of the revenues we earn outside the United States results from cross-border business and leisure travel, which may be adversely affected by world geopolitical, economic and other conditions, including the threat of terrorism and outbreak of diseases, such as SARS and avian flu. In particular, revenues from processing foreign currency transactions for our customers fluctuate with cross-border travel and our customers need for transactions to be converted into their base currency. In addition, as we are principally domiciled in the United States, a negative perception of the United States could impact the perception of our company, which could materially and adversely affect our revenues, operating results, prospects for future growth and overall business.

As a guarantor of certain obligations of Visa members, we are exposed to risk of loss or insolvency if any member fails to fund its settlement obligations.

We indemnify Visa members for any settlement loss suffered due to the failure of a member to fund its daily settlement obligations. In certain instances, we indemnify members even in situations in which a transaction is not processed by our system. This indemnification creates settlement risk for us due to the difference in timing between the date of a payment transaction and the date of subsequent settlement. The term and amount of the indemnification are unlimited.

While we believe that we have sufficient liquidity to cover a settlement failure by any of the largest Visa members, concurrent settlement failures of more than one of our largest members or several of the smaller Visa members, or systemic operational failures that last for more than a single day, may exceed our available resources and could materially and adversely affect our business and financial condition. In addition, even if we have sufficient liquidity to cover a settlement failure, we may not be able to recover the amount of such payment and may therefore be exposed to significant losses, which could materially and adversely affect our results of operations, cash flow and financial condition. Settlement at risk (or exposure) is estimated using the average daily volumes during the quarter multiplied by the estimated number of days to settle, and the total balance for outstanding travelers cheques. Our estimated settlement exposure, after consideration of collateral that we require certain financial institutions to post, amounted to approximately \$29.3 billion at December 31, 2007.

Some Visa members are composed of groups of financial institutions. Some of these members have elected to limit their responsibility for settlement losses arising from the failure of their constituent financial institutions in exchange for managing their constituent financial institutions in accordance with our credit risk policy. To the

Table of Contents

extent that any settlement failure resulting from a constituent financial institution exceeds the limits established by our credit risk policy, we would have to absorb the cost of such settlement failure, which could materially and adversely affect our cash flow.

If our transaction processing systems are disrupted or we are unable to process transactions efficiently, our revenues or operating results and the perception of our brands could be materially and adversely affected.

Our transaction processing systems may experience service interruptions or degradation as a result of processing or other technology malfunction, fire, natural disasters, power loss, disruptions in long distance or local telecommunications access, fraud, terrorism or accident. Our visibility in the global payments industry may attract terrorists and hackers to conduct physical or computer-based attacks, leading to an interruption in service, increased costs or the compromise of data security. Additionally, we rely on service providers for the timely transmission of information across our global data network. If a service provider fails to provide the communications capacity or services we require, as a result of natural disaster, operational disruption, terrorism or any other reason, the failure could interrupt our services, adversely affect the perception of our brands' reliability and materially reduce our revenues or profitability.

If we are not able to keep pace with the rapid technological developments in the payments industry to provide customers, merchants and cardholders with new and innovative payment programs and services, the use of our cards could decline, which could reduce our revenues and income.

The payments industry is subject to rapid and significant technological changes, including continuing developments of technologies in the areas of smart cards, radio frequency and proximity payment devices (such as contactless cards), e-commerce and mobile commerce, among others. We cannot predict the effect of technological changes on our business. We rely in part on third parties, including some of our competitors and potential competitors, for the development of and access to new technologies. We expect that new services and technologies applicable to the payments industry will continue to emerge, and these new services and technologies may be superior to, or render obsolete, the technologies we currently use in our card products and services. In addition, our ability to adopt new services and technologies that we develop may be inhibited by a need for industry-wide standards, by resistance from customers or merchants to such changes or by intellectual property rights of third parties. Our future success will depend, in part, on our ability to develop new technologies and adapt to technological changes and evolving industry standards.

Account data breaches involving card data stored by us or third parties could adversely affect our reputation and revenues.

We and our customers, merchants and other third parties store cardholder account information in connection with our payment cards. In addition, our customers may use third-party processors to process transactions generated by cards carrying our brands. Breach of the systems on which sensitive cardholder data and account information are stored could lead to fraudulent activity involving our cards, reputational damage and lead to claims against us. For example, in January 2007, TJX Companies, Inc., a large retailer with stores in the United States, Canada and the United Kingdom, disclosed a significant security breach in connection with card and account information, which exposed tens of millions of payment cards issued under our brands and our competitors' brands to fraudulent use. If we are sued in connection with any data security breach, we could be involved in protracted litigation. If unsuccessful in defending such lawsuits, we may be forced to pay damages and/or change our business practices or pricing structure, any of which could have a material adverse effect on our revenues and profitability. In addition, any reputational damage resulting from an account data breach at one of our customers, merchants or other third parties could decrease the use and acceptance of our cards, which could have a material adverse impact on our payments volume, revenues and future growth prospects. Finally, any data security breach could result in additional regulation, which could materially increase our costs.

Table of Contents

An increase in fraudulent and other illegal activity involving our cards could lead to reputational damage to our brands and could reduce the use and acceptance of our cards.

Criminals are using increasingly sophisticated methods to capture cardholder account information to engage in illegal activities such as fraud and identity theft. As outsourcing and specialization become a more acceptable way of doing business in the payments industry, there are more third parties involved in processing transactions using our cards. If fraud levels involving our cards were to rise, it could lead to reputational damage to our brands, which could reduce the use and acceptance of our cards, or to greater regulation, which could increase our compliance costs.

Visa Europe's payments system operations are becoming increasingly independent from ours, and if we are unable to maintain seamless interaction of our respective systems, our business and the global perception of the Visa brand could be impaired.

Visa Europe currently has a regionally controlled processing platform. In June 2006, Visa Europe began operating an authorization system that is separate from ours and Visa Europe plans to begin operating a transaction clearing and settlement system that is separate from ours. Because we and Visa Europe have independent processing platforms, interoperability must be maintained. Visa Europe's authorization system has experienced interruptions in service, and it could experience further interruptions in the future. To the extent that system disruptions occur, it may affect our cardholders who are traveling in Visa Europe's region and impair our reputation. The increasingly independent payments system operations of Visa Europe could present certain challenges to our business because differences between the two processing systems may make it more difficult to maintain the interoperability of our respective systems. In addition, under the framework agreement, we are restricted from requiring Visa Europe to implement certain changes that we may deem important unless we agree to pay for the implementation costs. Any of the foregoing could result in a loss of payments volume or of customers or could materially increase our costs.

Adverse currency fluctuations could decrease revenues and increase expenses.

We conduct business globally in many foreign currencies, but report our financial results in U.S. dollars. We are therefore exposed to adverse movements in foreign currency exchange rates because depreciation of non-U.S. currencies against the U.S. dollar reduces the U.S. dollar value of the non-U.S. dollar denominated revenues that we recognize and appreciation of non-U.S. currencies against the U.S. dollar increases the U.S. dollar value of expenses that we incur that are denominated in those foreign currencies. We enter into foreign currency hedging contracts to reduce the effect of adverse changes in the value of a limited number of foreign currencies and for a limited period of time (typically up to one year).

Some of our financial incentives to customers are recorded using estimates of our customers' performance. Material changes in our customers' performance compared to our estimates could have a material adverse impact on our results of operations.

In certain instances, we offer our customers financial incentives, which are typically tied to their payments volume or transaction messages processed, often under particular programs. These financial incentives are typically recorded as a reduction of revenues. We typically make estimates of our customers' performance under these programs (sometimes over several years) in order to derive our estimates of the financial incentives that we will pay them. The reduction of revenues that we record each quarter under volume and support agreements is based on these estimates. Material changes in our customers' performance compared to estimates could have a material adverse impact on our results of operations. For example, if a customer performs better than expected, we may be required to reduce future period revenues to account for the fact that we did not reduce revenues enough in prior periods. On the other hand, if a customer performs worse than expected, we may conclude that we reduced revenues by too much in previous periods.

Table of Contents

We have significant contingent liabilities for settlement payment of all issued and outstanding travelers cheques.

At December 31, 2007, we had over \$1 billion in contingent liabilities for settlement payment of all issued and outstanding travelers cheques. Approximately 32% of these travelers cheques were issued outside of the United States by a single issuer. While these obligations are supported in part by a bank guarantee, if the issuer were to fail to pay, we would be obligated to fund partial settlement of presented travelers cheques.

Risks Related to our Structure and Organization

The recent change to our governance structure could have a material adverse effect on our business relationships with our customers.

Prior to our recent reorganization, a number of Visa's key members had officers who also served on the boards of directors of Visa U.S.A., Visa International, Visa Canada or the regional boards of directors of the unincorporated regions of Visa AP, Visa LAC and Visa CEMEA. As a result of our reorganization, the regional boards of directors of the unincorporated regions have been eliminated, and the boards of directors of Visa U.S.A. and Visa Canada are now comprised of management and are largely administrative in nature. In addition, although our regions are represented on our board by six of our 17 directors, the holders of our class B and class C common stock are not otherwise entitled to vote in the election of directors. As a result, the role of member-nominated and member-elected directors in our corporate governance has been reduced as a result of the reorganization. These changes could have a detrimental effect on our business relationships with members associated with a particular region. In addition, if a member that had an officer who also served on one of the regional boards of directors does not have an officer who currently serves on our board of directors, our business relationship with that member could suffer. A significant loss of revenues or payments volume attributable to such members could have a material adverse effect on our business.

Our relationship with Visa Europe is governed by our framework agreement, which gives Visa Europe very broad rights to operate the Visa business in Visa Europe's region. We have limited ability to control their operations and limited recourse in the event of a breach by Visa Europe.

Historically, Visa Europe had been subject to the same global operating rules as Visa U.S.A., Visa International and Visa Canada. These global operating rules regulate, among other things, interoperability of payment processing, brand maintenance and investment, standards for products and services, risk management, disputes between members and acceptance standards for merchants. After the reorganization, Visa Europe, unlike Visa U.S.A., Visa International and Visa Canada, did not become our subsidiary. As a result, Visa Europe is no longer subject to the same global operating rules as our subsidiaries and customers.

Our relationship with Visa Europe is now governed by a framework agreement and a subset of operating rules that we have agreed to with Visa Europe and that we have limited ability to change in the future. Although the agreement seeks to ensure that Visa Europe operates in a manner that is acceptable to us, the contractual arrangement is untested and may not be effective in achieving this result. Visa Europe is responsible for designing its own plans to ensure that it is in compliance with the global rules, interoperability, integrity of the system and trademark usage. While we have the right to request changes to these plans, we have no right to audit their compliance with these requirements or examine their books and records in connection with the framework agreement or the put option. The agreement provides Visa Europe with very broad latitude to operate the Visa business and use our brands and technology within Visa Europe's region and provides us limited controls over the operation of the Visa business in their region. Visa Europe is not required to spend any minimum amount promoting and building the Visa brand in its region, and the strength of the Visa global brand is contingent, in part, on the efforts of Visa Europe to maintain product and service recognition and quality in Europe. Visa Europe may develop, among other things, new brands, payment processing characteristics, products, services, risk management standards, processes for resolving disputes among its members or merchant acceptance profiles that are inconsistent with the operating rules that we apply in the rest of the world.

If we want to change a global rule or require Visa Europe to implement certain changes that would not have a positive return for Visa Europe and its members, then Visa Europe is not required to implement such rule or

Table of Contents

change unless we agree to pay for the implementation costs and expenses that Visa Europe and its members will incur as a consequence of the implementation to the extent necessary to return Visa Europe and its members to a neutral financial condition. We cannot terminate the framework agreement even in the event of Visa Europe's material uncured breach, and we can only exercise our call right to purchase Visa Europe under extremely limited circumstances. Our remedies under this agreement, if Visa Europe fails to meet its obligations, are limited. Our inability to terminate and other features of the licenses granted under the agreement may also raise issues concerning the characterization of the licenses for purposes of determining our tax treatment with respect to entering into the licenses and receiving payments thereunder. Any inconsistency in the payment processing services and products that we are able to provide could negatively affect cardholders from Visa Europe using cards in our regions or our cardholders using cards in Visa Europe's region.

We have granted to Visa Europe the right to require us to purchase all of the outstanding shares of Visa Europe's capital stock. If Visa Europe exercises this option, we will incur a substantial financial obligation. In addition, we are required to record any change in the fair value of the put option on a quarterly basis, which will impact our net income.

We have granted Visa Europe a put option, which, if exercised, will require us to purchase all of the outstanding shares of capital stock of Visa Europe from its members. Visa Europe may exercise the put option at any time after the first anniversary of this offering. The purchase price of the Visa Europe shares under the put option is based upon a formula that, subject to certain adjustments, applies the 12-month forward price-to-earnings multiple applicable to our common stock at the time the option is exercised to Visa Europe's projected sustainable adjusted net operating income for the same 12-month period. Upon exercise of the put option, we will be obligated, subject only to regulatory approvals and other limited conditions, to pay the purchase price within 285 days in cash or, at our option, with a combination of cash and shares of our publicly tradable common stock. The portion of the purchase price we will be able to pay in stock will initially be limited to 49.7% (assuming the redemption of 143,037,934 shares of class C (series I) common stock with the proceeds of this offering) and will be reduced to the extent of any further redemptions of, or exceptions made by the directors to the transfer restrictions applicable to, the class C (series I) common stock. We must pay the purchase price in cash, however, if the settlement of the put option occurs more than three years after the completion of this offering.

We will incur a substantial financial obligation if Visa Europe exercises the put option. The amount of that potential obligation could vary dramatically based on, among other things, the 12 month projected sustainable net operating income of Visa Europe, the allocation of cost synergies, the trading price of our class A common stock, and our 12-month forward price-to-earnings multiple, in each case, as determined at the time the put option is exercised. We are not currently able to estimate the amount of this obligation due to the nature and number of factors involved and the range of important assumptions that would be required. However, depending upon Visa Europe's level of sustainable profitability and/or our 12-month forward price-to-earnings multiple at the time of any exercise of the option, the amount of this obligation could be several billion dollars or more. We may need to obtain third-party financing, either by borrowing funds or undertaking a subsequent equity offering, in order to meet our obligation. This financing may not be available to us in a sufficient amount within the required 285-day period or on terms that we deem to be reasonable. The payment of part of the exercise price in stock would dilute the ownership interests of our stockholders. Moreover, the acquisition of Visa Europe following an exercise of the put option would require us to integrate the operations of Visa Europe into our business, which could divert the time and attention of senior management.

We recorded the put option at its fair value in our consolidated balance sheet on October 1, 2007 as part of the reorganization. In the future, we will be required to record any change in the fair value of the put option on a quarterly basis. These adjustments will be recorded through our consolidated statement of operations, which will therefore impact our reported net income and earnings per share. Such quarterly adjustments and their resulting impact on our reported statement of operations could be significant. The existence of these charges could adversely affect our ability to raise capital and/or the price at which we can raise capital.

See *Material Contracts The Put-Call Option Agreement*.

Table of Contents

The terms of our reorganization created financial incentives that reward net revenue growth in the four quarters ended December 31, 2007.

One of the terms of our reorganization plan was a true up mechanism designed to reallocate the shares initially distributed to the members of Visa U.S.A. and Visa International, and the former members of Visa Canada, among themselves, based on each participating region's relative under- or over-achievement of its net revenue targets during a measurement period consisting of the four-quarter period ending with (and including) the latest quarter for which financial statements are included in this registration statement on the date it is declared effective by the SEC. We expect that the measurement period will consist of the four quarters ended December 31, 2007. This mechanism creates financial incentives that reward net revenue growth in the measurement period. Because comparable incentives did not exist in prior periods and will not exist in future periods, it is possible that the rate of revenue growth in the measurement period will not be representative of rates that may be expected in future periods.

Our management team is new and does not have a history of working together.

We designated Joseph W. Saunders as our Chief Executive Officer and Chairman of our board in May 2007 and have since assembled a new management team, including John C. (Hans) Morris, our President, and Byron H. Pollitt, our Chief Financial Officer. Our success will largely depend on the ability of the new management team to work together to integrate the operations and business of Visa U.S.A., Visa International and Visa Canada, and to continue to execute our business strategy. Because our management team does not have a significant history of working together and includes individuals recruited from outside our company, they may not be able to work together effectively, which could disrupt our operations and harm our business.

Our recent reorganization will require us to make significant changes to our culture and business operations. If we fail to make this transition successfully, our business could be materially and adversely affected.

Our recent reorganization will require broad and significant changes to our culture and operations. Historically, the primary goal of Visa U.S.A., Visa International and Visa Canada has not been to maximize profit for these entities, but rather to deliver benefits to their members and enhance member opportunity and revenue. As a result of the reorganization, we now must operate our business in a way that maximizes long-term stockholder value. Many of our employees have limited experience operating in a profit-maximizing business environment.

In addition, the Visa enterprise historically has been operated under a decentralized regional structure, and each region has had substantial autonomy in its own business strategies and decisions. Our recent reorganization has resulted in a more centralized corporate governance structure in which our board of directors exerts centralized management control. We face significant challenges integrating the operations of the different regions. We may also be unable to retain and attract key employees, and we may not realize the cost savings and operational efficiencies that we currently expect. This transition will be subject to risks, expenses and difficulties that we cannot predict and may not be capable of handling in an efficient and timely manner.

Any acquisitions that we make could disrupt our business and harm our financial condition.

We may make strategic acquisitions of complementary businesses, products or technologies. If so, we may not be able to successfully finance or integrate any such businesses, products or technologies. Furthermore, the integration of any acquisition may divert management's time and resources from our core business and disrupt our operations. We may spend time and money on projects that do not increase our revenues. To the extent we pay the purchase price of any acquisition in cash, it would reduce our cash reserves, and to the extent the purchase price is paid with our stock, it could be dilutive to our stockholders. While we from time to time evaluate potential acquisitions of businesses, products and technologies, and anticipate continuing to make these evaluations, we have no present understandings, commitments or agreements with respect to any material acquisitions.

Table of Contents

Risks Related to Our Class A Common Stock and this Offering

An active trading market for our class A common stock may not develop, which may cause our class A common stock to trade at a discount from the initial offering price and make it difficult to sell the shares you purchase.

Prior to this offering, there has been no public trading market for our class A common stock. Although we have filed an application to have our class A common stock listed on the New York Stock Exchange, an active public market for our class A common stock may not develop or continue. The initial public offering price per share of our class A common stock has been determined by agreement among us and the underwriters and may not be indicative of the price at which our class A common stock will trade in the public market after this offering.

Future sales of our class A common stock could depress the market price of our class A common stock.

The market price of our class A common stock could decline as a result of sales of a large number of shares in the public market after this offering or the perception that such sales could occur. These sales, or the perception that such sales may occur, could depress the market price of our class A common stock and might make it more difficult for us or you to sell equity securities in the future.

Upon completion of this offering, we will have 406,000,000 outstanding shares of class A common stock (or 446,600,000 shares if the underwriters exercise their option to purchase additional shares in full), not including 1,373,998 shares of restricted stock that we intend to grant upon the pricing of this offering to certain of our directors and employees. Except for any shares acquired by our affiliates, as that term is defined in Rule 144 under the Securities Act, any of these shares may be resold immediately in the public market.

After the completion of this offering and if the litigation committee so requests in order to increase the size of the escrow account, we will conduct follow-on offerings of our class A common stock, which we refer to as loss shares. All of the loss shares will be freely tradable without restriction or registration under the Securities Act by persons other than our affiliates.

In addition, following the completion of this offering and the redemption of certain shares of class B and class C common stock as described under *Use of Proceeds*, our existing stockholders will hold 277,035,213 shares of class B common stock and 203,885,689 shares of class C common stock (other than class C (series II) common stock). Subject to limited exceptions, the class B common stock is not transferable until the later of the third anniversary of this offering and the date on which all of the covered litigation has been finally resolved. Subject to limited exceptions, the class C common stock is not transferable until the third anniversary of this offering. After the termination of these transfer restrictions, the class B and class C common stock will only be convertible into class A common stock upon transfer to a person that was not, immediately after the reorganization, a Visa member. Upon such transfer, each share of class B or class C common stock will automatically convert into class A common stock based on the applicable conversion rate in effect at the time of such transfer. All of the class A common stock issuable upon such conversion will be freely tradable without restriction or registration under the Securities Act by persons other than our affiliates.

If funds are released from escrow after the resolution of the litigation covered by our retrospective responsibility plan, holders of our class A common stock will suffer dilution as a result of a favorable adjustment to the conversion rate of our class B common stock.

Our retrospective responsibility plan provides that any amounts remaining in the escrow account after the date on which all of the covered litigation is resolved will be released back to us and the conversion rate of the class B common stock then outstanding will be adjusted in favor of the holders of the class B common stock through a formula based on the released escrow amount and the market price of our class A common stock. If any funds remain in the escrow account and are released back to us, the resulting adjustment in the conversion rate of the class B common stock will result in each share of class B common stock then outstanding becoming

Table of Contents

convertible into an increased number of shares of class A common stock, which in turn will result in dilution of the interest in Visa Inc. held by the holders of class A common stock. The amount of such dilution will depend on the amount, if any, of the funds released from the escrow account and the market price of our class A common stock at the time such funds are released. See *Description of Capital Stock Conversion*.

The market price of our common stock may be volatile, which could cause the value of your investment to decline.

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as the factors listed below, could affect the market price of our class A common stock:

quarterly variations in our results of operations or the results of operations of our competitors or those of Visa Europe;

changes in earning estimates, investors' perceptions, recommendations by securities analysts or our failure to achieve analysts' earning estimates;

the announcement of new products or service enhancements by us or our competitors;

announcements related to litigation;

potential acquisitions by us of other companies, including the exercise of the put option requiring us to purchase all of the outstanding shares of capital stock of Visa Europe from its members;

developments in our industry; and

general economic, market and political conditions and other factors unrelated to our operating performance or the operating performance of our competitors.

Certain adjustments to the conversion rate of class B common stock in connection with the creation, or additional funding, of the escrow account from which settlements of, or judgments in, the covered litigation will be payable may give rise to taxable deemed dividends for holders of class A common stock.

In connection with this offering and the creation of the escrow account from which settlements of, or judgments in, the covered litigation will be payable, there will be an adjustment, which we refer to as the first adjustment, to the conversion rate of the class B common stock, which will result in a reduction in the total number of shares of class A common stock into which the class B common stock may be converted. At the request of the litigation committee, we will consummate one or more follow-on offerings of class A common stock, the net proceeds from which will be added to the escrow account. In that case, there will be one or more subsequent adjustments, which we refer to as the potential subsequent adjustments, to the conversion rate of the class B common stock, which will result in a further reduction in the total number of shares of class A common stock into which the class B common stock may be converted (when compared to the number of shares of class A common stock into which the class B common stock was convertible after the first adjustment or after any prior potential subsequent adjustment, as the case may be).

Neither the first adjustment nor the potential subsequent adjustments should give rise to deemed distributions under Section 305 of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, to holders of our class A common stock on the grounds that such adjustments are not within the purview of Section 305 of the Code, because, for example, they are adjustments of the price paid by us to acquire property in our reorganization and, thus, are not, and do not have the effect of, distributions with respect to our class A common stock. There can be no assurance, however, that the IRS will not assert that any of the first adjustment and the potential subsequent adjustments has the result of an increase in the proportionate interest in our earnings and profits or assets to holders of our class A common stock and, accordingly, should be treated as giving rise to deemed distributions under Section 305 of the Code with respect to such class A common stock. If such a position were

successfully asserted, a holder of our class A common stock would, for U.S. federal income tax

Table of Contents

purposes, be deemed to receive a distribution from us in an amount equal to the value of the increase in such holder's proportionate interest in our earnings and profits or assets reflected in such holder's class A common stock that would result from the decrease in the total number of shares of class A common stock into which the class B common stock may be converted after the first adjustment or after any potential subsequent adjustments, as the case may be. Such a deemed distribution would be characterized as a dividend to such holder, for U.S. federal income tax purposes, to the extent the deemed distribution is treated as paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Any remaining portion of such a deemed distribution will be treated first as a tax-free return of such holder's adjusted tax basis in our class A common stock and thereafter as gain. We will take the position that none of the first adjustment and the potential subsequent adjustments gives rise to deemed distributions under Section 305 of the Code to holders of our class A common stock.

We urge you to consult with your own tax advisor regarding the tax consequences under Section 305 of the Code (as well as other Code sections) of any adjustment to the conversion rate of the class B common stock in connection with the creation, or additional funding, of the escrow account from which settlements of, or judgments in, the covered litigation will be payable.

The trading market for our class A common stock could be adversely affected because provisions of our amended and restated certificate of incorporation may limit the market-making ability of broker-dealers that are affiliated with Visa members.

Following this offering, our amended and restated certificate of incorporation will provide that no person that is a Visa member or affiliated with a Visa member will be permitted to beneficially own more than 5% of the aggregate outstanding class A common stock or certain other voting stock (or securities convertible or exchangeable into such stock) at any time, subject to a limited number of exceptions. This restriction may limit the ability of a broker-dealer that is affiliated with a Visa member to act as a market-maker in our class A common stock, although this restriction will not prevent such a broker-dealer from executing trades on an agency basis on behalf of third parties. This restriction could adversely affect the trading market for the class A common stock.

All shares of class A common stock acquired by a Visa member, an affiliate of a Visa member or a similar person will be converted automatically into class C common stock and, as a result, will generally not be transferable until the third anniversary of this offering and will lose substantially all its voting rights.

All shares of common stock acquired by a Visa member, an affiliate of a Visa member or any person that is an operator, member or licensee of any general purpose payment card system that competes with us, or any affiliate of such a person, in each case to the extent, acting as a principal investor, will be converted automatically into class C common stock. Under the terms of our amended and restated certificate of incorporation, class C common stock is not transferable (subject to exceptions, including transfers to other class C stockholders) until the third anniversary of the closing of this offering unless our board makes an exception to this transfer restriction. After this date has passed, the class C common stock will be convertible into class A common stock only if transferred to a person that was not, immediately after our October 2007 reorganization, a Visa member, an affiliate of a Visa member or any person that is an operator, member or licensee of any general purpose payment card system that competes with the Company, or any affiliate of such a person. Upon such transfer, each share of class C common stock will convert into one share of class A common stock. As a result of these restrictions, if you are a Visa member, an affiliate of a Visa member or any person that is an operator, member or licensee of any general purpose payment card system that competes with us, or any affiliate of such a person, you should consider carefully the consequences to your investment of acquiring any shares of class A common stock.

Table of Contents

Until the third anniversary of the completion of this offering, six of our 17 directors will be individuals elected or nominated by our regions. In addition, holders of our class B common stock and class C common stock have voting rights concerning certain significant corporate transactions, and their interests in our business may be different than yours.

Our amended and restated certificate of incorporation provides that, until the third anniversary of the completion of this offering, six of our 17 directors will be individuals elected or nominated by our regions. Although holders of class B and class C common stock do not have any right to vote on those matters on which stockholders generally are entitled to vote, such holders have the right to cast a number of votes equal to the number of shares of class B common stock or class C common stock (other than the class C (series II) common stock), as applicable multiplied by the applicable conversion rate on certain significant transactions enumerated in the amended and restated certificate of incorporation, such as a proposed consolidation or merger, a decision to exit our core payments business or any other vote required by law. The holders of the class B common stock and class C common stock may not have the same incentive to approve a corporate action that may be favorable to the holders of class A common stock or their interests may otherwise conflict with those of the holders of class A common stock. See *Description of Capital Stock Voting Rights*.

Anti-takeover provisions in our governing documents and Delaware law could delay or prevent entirely a takeover attempt or a change in control.

Provisions contained in our amended and restated certificate of incorporation, bylaws and Delaware law could delay or prevent a merger or acquisition that our stockholders consider favorable. Except for limited exceptions, no person may own more than 15% of our total outstanding shares on an as-converted basis or more than 15% of any class or series of our common stock, unless our board of directors approves the acquisition of such shares. In addition, except for common stock issued to a member in connection with the reorganization, or shares issuable on conversion of such common stock, shares held by a member, a competitor, an affiliate or member of a competitor may not exceed 5% of any class of common stock. In addition:

our board of directors will be divided into three classes, with approximately one-third of our directors elected each year;

following the closing of this offering until the third anniversary of this offering, six directors will be individuals elected or nominated by our regions;

our independent directors may be removed only upon the affirmative vote of at least 80% of the outstanding shares of class A common stock;

our stockholders are not entitled to the right to cumulate votes in the election of directors;

holders of our class A common stock are not entitled to act by written consent;

our stockholders must provide timely notice for any stockholder proposals and director nominations;

we have adopted provisions that eliminate the personal liability of directors for monetary damages for actions taken as a director, with certain exceptions;

in addition to certain class votes, a vote of 66²/₃% or more of all of the outstanding shares of our common stock then entitled to vote is required to amend certain sections of our amended and restated certificate of incorporation; and

Edgar Filing: Visa Inc. - Form S-1/A

we will be governed by Section 203 of the General Corporation Law of the State of Delaware, or DGCL, as amended from time to time, which provides that a corporation shall not engage in any business combination with any interested stockholder for a period of three years following the time that such stockholder became an interested stockholder, except under certain circumstances including upon receipt of prior board approval.

See *Description of Capital Stock* *Limitations on a Change of Control* *Amendment of Certificate of Incorporation* and *Delaware Anti-Takeover Statute*.

Table of Contents

Our ability to pay regular dividends to holders of our class A, class B and class C common stock in the future is subject to the discretion of our board of directors and will be limited by our ability to generate sufficient earnings and cash flows.

We have not paid any cash dividends on our common stock. After the consummation of this offering, we intend to pay cash dividends on a quarterly basis on our class A, class B and class C common stock. Any future payment of dividends will be dependent upon our ability to generate earnings and cash flows. However, sufficient cash may not be available to pay such dividends. Payment of future dividends, if any, would be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, capital requirements, covenants in our debt instruments and other factors that our board of directors deems relevant. Furthermore, no dividend may be declared or paid on any class or series of common stock unless an equivalent dividend is contemporaneously declared and paid on each other class and series of common stock. If, as a consequence of these various factors, we are unable to generate sufficient earnings and cash flows from our business, we may not be able to make payments of dividends on our common stock, including our class A common stock.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may include statements regarding the period following the completion of this offering. These statements include, but are not limited to:

statements regarding the expected growth of the electronic payments industry;

expectations as to the benefits of the recent reorganization;

projections as to the future trends in the electronic payments industry, as well as our corresponding business strategies and the expected benefits derived from such strategies;

statements regarding our relationships with customers and expectations as to the future development of these relationships;

statements regarding the capabilities and advantages of our processing platform, VisaNet;

statements as to the market opportunities for certain product segments and in certain geographies, as well as our ability to take advantage of these opportunities;

statements as to future foreign and domestic regulatory changes and their impact on our business;

statements as to the impact of litigation and the operation of our retrospective responsibility plan;

expectations as to the payment of dividends; and

statements regarding the capacity of our facilities.

In addition, statements that contain the terms anticipate, believe, continue, could, estimate, expect, intend, may, plan, potential, should, will and similar expressions are intended to identify forward-looking statements. In addition, any underlying assumptions are forward-looking statements. By their nature, forward-looking statements are not guarantees of future performance or results and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Assumptions were made by us in light of our experience and our perceptions of historical trends, current conditions and expected future developments and other factors that we believe are appropriate under the circumstance. In addition to the assumptions specifically identified in the prospectus, assumptions have been made regarding other things, including:

the continued migration of paper-based payments to card-based and other electronic payments;

the impact of globalization on the electronic payments industry in developing countries;

the impact of potential foreign and domestic regulatory changes; and

the impact of potential capital market and currency market fluctuations.

Actual results could differ materially and adversely from these forward-looking statements as a result of a variety of factors, including all the risks discussed in *Risk Factors* and elsewhere in this prospectus. You are cautioned not to place undue reliance on such statements, which speak only as of the date of this prospectus. Unless we are required to do so under U.S. federal securities laws or other applicable laws, we do not intend to update or revise any forward-looking statements.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of class A common stock in this offering will be approximately \$15.6 billion, or \$17.1 billion if the underwriters exercise their option to purchase additional shares in full, assuming an initial public offering price of \$39.50 per share (the midpoint of the range set forth on the cover of this prospectus), after deducting the underwriting discounts and commissions and estimated offering expenses.

We intend to deposit \$3.0 billion into an escrow account from which settlements of, or judgments in, the covered litigation described under *Business Retrospective Responsibility Plan* will be payable.

Following the completion of this offering, we intend to use \$10.2 billion of the net proceeds to redeem 123,216,659 shares of class B common stock and 143,037,934 shares of class C common stock, assuming no exercise of the underwriters' option to purchase additional shares.

We will use the balance of net proceeds for general corporate purposes. These purposes may include funding the \$1.146 billion aggregate redemption price for all of the class C (series II) common stock, which we intend to redeem in October 2008, and the \$1.2 billion redemption price for 31,592,881 shares of class C (series III) common stock, which we will be required to redeem in October 2008 pursuant to our amended and restated certificate of incorporation. See *Unaudited Pro Forma Condensed Combined Statement of Operations*.

In the event the underwriters exercise all or a portion of their option to purchase an additional 40,600,000 shares of class A common stock, we intend to redeem additional shares of class B common stock and class C (series I) common stock following such exercise, in which case we would also redeem additional shares of class C (series III) common stock in October 2008. The number of shares of class B common stock, class C (series I) common stock and class C (series III) common stock that would be redeemed would depend upon the number of additional shares of class A common stock issued pursuant to any such exercise, and would be proportional to the number of shares of the applicable class being redeemed in the absence of any such exercise.

DIVIDEND POLICY

Following this offering and subject to legally available funds, we currently intend to pay a quarterly dividend, in cash, at an annual rate initially equal to \$0.42 per share of class A common stock (representing a quarterly rate initially equal to \$0.105 per share) commencing with the quarter ended June 30, 2008. Our class B and class C common stock will share ratably on an as-converted basis in such dividends. The declaration and payment of any dividends will be at the sole discretion of our board of directors after taking into account various factors, including our financial condition, operating results, capital requirements, covenants in our debt instruments and other factors that our board of directors deems relevant.

Table of Contents

CAPITALIZATION

Prior to the closing of this offering, each of the regional classes of common stock will convert into class C common stock except in the case of common stock held by Visa U.S.A. and its members, which will convert into class B common stock. The following table sets forth our capitalization at December 31, 2007:

on an actual basis as adjusted to reflect the conversion of regional shares into class B and class C common stock; and

on a pro forma basis to give effect to:

the receipt by us of estimated net proceeds of \$15.6 billion from the sale of 406,000,000 shares of class A common stock in this offering at an assumed initial public offering price of \$38.33 per share (the midpoint of the range on the cover of this prospectus less underwriting discounts and commissions);

the application of the net proceeds of this offering as described under *Use of Proceeds*, including the redemption of 123,216,659 shares of class B common stock and 143,037,934 shares of class C (series I) common stock, at an assumed price of \$38.33 per share (the midpoint of the range set forth on the cover of this prospectus less underwriting discounts and commissions), as well as the deposit of \$3.0 billion into an escrow account from which settlements of, or judgments in, the covered litigation will be payable;

the reclassification of all of the shares of class C (series II) common stock to temporary equity reflecting the ability of Visa Europe, upon completion of this offering, to force redemption of the class C (series II) common stock at any time after December 4, 2008, and our intention to redeem the class C (series II) common stock in October 2008 at an aggregate price of \$1.146 billion, subject to reduction to the extent of dividends paid by us prior to that time and other adjustments; and

the reclassification of 31,592,881 shares of class C (series III) common stock as a liability on our balance sheet reflecting the fact that these shares, held by Visa Europe, will be called for redemption promptly following this offering at a price equal to the price per share of our class A common stock in this offering, net of underwriting discounts and commissions, but that payment for such shares will not be made until October 2008.

Table of Contents

	December 31, 2007	
	Actual, As Adjusted (unaudited)	Pro Forma (unaudited)
	(in millions)	
Cash and cash equivalents	\$ 1,698	\$ 4,055
Restricted cash		3,000
Total cash, cash equivalents and restricted cash	\$ 1,698	\$ 7,055
Liabilities:		
Redeemable class C (series III) common stock, 31,592,881 shares issued pro forma ⁽¹⁾	\$	\$ 1,211
Total debt	115	115
Temporary Equity:		
Class C (series II) common stock, 79,748,847 shares authorized and issued pro forma ⁽¹⁾⁽²⁾		1,115
Stockholders Equity:		
Preferred stock, \$0.0001 par value, 25,000,000 shares authorized, actual and pro forma; zero shares issued and outstanding, actual and pro forma		
Class A common stock, \$0.0001 par value, 2,001,622,245,209 shares authorized, actual, as adjusted, and pro forma; zero shares issued and outstanding, actual, as adjusted, and 406,000,000 shares issued and outstanding, pro forma ⁽³⁾		
Class B common stock, \$0.0001 par value, 622,245,209 shares authorized, actual, as adjusted, and pro forma; and 400,251,872 issued and outstanding, actual, as adjusted, and 277,035,213 shares issued and outstanding, pro forma		
Class C (series I, III and IV) common stock, \$0.0001 par value, 878,582,801 shares authorized, actual, as adjusted and pro forma; 346,923,623 shares issued and outstanding, actual, as adjusted, and 203,885,689 shares issued and outstanding, pro forma ⁽¹⁾		
Class C (series II) common stock, \$0.0001 par value, 218,582,801 shares authorized, actual, as adjusted; 27,904,464 shares issued and outstanding, actual, as adjusted; and zero shares issued and outstanding, pro forma ⁽¹⁾⁽²⁾		
Additional paid-in capital	16,785	19,816
Accumulated deficit	(69)	(69)
Accumulated other comprehensive loss, net		
Total stockholders equity	16,716	19,747
Total capitalization	\$ 16,831	\$ 22,188

- (1) We intend to redeem all class C (series II) common stock, which is classified as temporary equity in our pro forma presentation, and we are required to redeem 31,592,881 shares of class C (series III) common stock, which is classified as a liability in our pro forma presentation, in October 2008 for an aggregate redemption price of \$1.2 billion, after which all remaining class C (series III) and class C (series IV) common stock will automatically convert into class C (series I) common stock on a one-to-one basis.
- (2) Immediately prior to the offering, we will issue 51,844,383 additional shares of class C (series II) common stock pursuant to provisions of our amended and restated certificate of incorporation that require that Visa Europe's ownership of our common stock on an as-converted basis represent no less than 10% of our total outstanding share capital at all times prior to October 5, 2008. The issuance of these shares will have no cash impact and will not affect our financial results, including earnings per share, as the shares will be classified as temporary equity and all class C (series II) common stock is intended to be redeemed in October 2008 for an aggregate price of \$1.146 billion (subject to reduction to the extent of dividends paid by us prior to that time and other adjustments).
- (3) Amount excludes 1,373,998 shares of restricted stock and 670,799 restricted stock units that we intend to grant upon the pricing of this offering to certain of our directors and employees.

The foregoing table should be read in conjunction with *Management's Discussion and Analysis of Historical and Pro Forma Financial Condition and Results of Operations of Visa Inc.*, *Unaudited Pro Forma Condensed Combined Statement of Operations* and the consolidated balance sheet of Visa Inc. at December 31, 2007, and related notes included elsewhere in this prospectus.

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

The following unaudited pro forma condensed combined statement of operations has been prepared by applying pro forma adjustments to the historical audited consolidated statement of operations for fiscal 2007 of Visa U.S.A., Visa International and Visa Canada to give pro forma effect to the reorganization and this offering under U.S. GAAP.

The unaudited pro forma condensed combined statement of operations gives effect to the reorganization and this offering, including the use of proceeds, as if they had occurred on October 1, 2006, except for the purposes of calculating our liability under the framework agreement with Visa Europe. See *Note 3 Visa Europe Transaction* to this unaudited pro forma condensed combined statement of operations.

We have applied pro forma adjustments to reflect the reorganization as follows:

The reorganization was accounted for as a purchase under the guidelines of Statement of Financial Accounting Standards, or SFAS, No. 141 *Business Combinations* with Visa U.S.A. deemed to be the accounting acquirer of Visa International and Visa Canada, including their respective minority interest in Inovant.

Visa Europe remains owned and governed by its European member financial institutions. Visa Europe holds an 11.7% equity ownership interest in our common stock, of which 8.1% is represented by class EU (series I) and class EU (series III) common stock and 3.6% is represented by class EU (series II) common stock. Visa Europe received these shares in the reorganization in exchange for both its membership interest in Visa International and its ownership interest in Inovant. The class EU (series I) and (series III) common stock will be converted on a one-to-one basis into class C (series III) and class C (series IV) common stock, respectively, and the class EU (series II) common stock will be converted on a one-to-one basis into class C (series II) common stock, prior to the completion of this offering. Further, we entered into a framework agreement with Visa Europe, which provides for trademark and technology licenses and bilateral services. See *Note 3 Visa Europe Transaction* to this unaudited pro forma condensed combined statement of operations.

We have applied pro forma adjustments to reflect the offering as follows:

Historically, Visa U.S.A. and Visa International were both eligible for a special state tax deduction pursuant to which they were not taxed on a substantial portion of their reported income on the basis that they both operated on a cooperative or mutual basis. As a result of this offering and consequent ownership by parties other than our financial institution customers, we will no longer be eligible to claim a special deduction pursuant to California Revenue and Taxation Code §24405.

The application of the estimated net proceeds of this offering, as described under *Use of Proceeds*, which includes the redemption of 123,216,659 shares of class B common stock and 143,037,934 shares of class C common stock at an assumed price of \$38.33 per share (the midpoint of the range set forth on the cover of this prospectus less underwriting discounts and commissions), and the deposit of \$3.0 billion into an escrow account from which settlements of, or judgments in, the covered litigation will be payable.

Reclassification of the class C (series II) common stock to temporary or mezzanine level equity, the issuance of additional class C (series II) common stock pursuant to the terms of these securities and accretion of approximately \$42 million on the class C (series II) common stock from its initial fair value of \$1.104 billion to its redemption value of \$1.146 billion.

Reclassification of 31,592,881 shares of class C (series III) common stock as a liability reflecting the fact that these shares, held by Visa Europe, have been called for redemption at a price of \$38.33 per share (the midpoint of the range set forth on the cover of the prospectus less underwriting discounts and commissions), but that payment for such shares will not be made until October 2008.

Table of Contents

Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined statement of operations. The unaudited pro forma condensed combined statement of operations is provided for illustrative purposes only and is not necessarily indicative of the results of operations that would have actually been reported had the reorganization and this offering occurred on the assumed date indicated, nor is it necessarily indicative of our results of operations for any future periods. The pro forma information presented is based on available information and assumptions that we believe are reasonable under the circumstances.

The unaudited pro forma condensed combined statement of operations should be read in conjunction with the following:

the Visa Inc. consolidated balance sheet at October 1, 2007;

the Visa Inc. consolidated financial statements at and for the three months ended December 31, 2007;

the Visa U.S.A. consolidated financial statements at September 30, 2007 and 2006 and for the years ended September 30, 2007, 2006 and 2005; and

the Visa International consolidated financial statements at September 30, 2007 and 2006 and for the years ended September 30, 2007, 2006 and 2005.

The above referenced financial statements are included elsewhere in the prospectus. The unaudited pro forma condensed combined statement of operations should also be read in conjunction with the information contained in *Risk Factors*, *Capitalization*, *Summary Financial and Other Data of Visa Inc.*, *Selected Consolidated Financial and Other Data of Visa U.S.A.*, *Management's Discussion and Analysis of Historical and Pro Forma Financial Condition and Results of Operations of Visa Inc.* and *Management's Discussion and Analysis of Financial Condition and Results of Operations of Visa U.S.A.*

Table of Contents**VISA INC.****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****FOR THE YEAR ENDED SEPTEMBER 30, 2007****(in thousands, except share and per share data)**

	Historical		Note 2		Pro Forma Reorganization Adjustments		Note 5 Pro Forma Unaudited Offering Pro Forma	Visa Inc.
	Visa U.S.A.	Visa International	Visa Canada	Combination Adjustments	Combined Subtotal	Subtotal	Subtotal	Adjustments
Operating revenues								
Service fees	\$ 1,944,537	\$ 963,008	\$ 92,170	\$ (188,985) B (141,540) A	\$ 2,669,190	\$ (87,166) E	\$ 2,582,024	\$ 2,582,024
Data processing fees	1,416,075	325,761	32,792	(86,235) B	1,688,393	(29,034) F	1,659,359	1,659,359
Volume and support incentives	(504,780)	(209,822)			(714,602)		(714,602)	(714,602)
International transaction fees	454,168		12,570	777,552 A	1,244,290	(50,984) G	1,193,306	1,193,306
International service revenues		636,012		(636,012) A				
Other revenues	279,796	187,537	11,694	(194,710) B 46,226 C	330,543	142,500 H	473,043	473,043
Total operating revenues	\$ 3,589,796	\$ 1,902,496	\$ 149,226	\$ (423,704)	\$ 5,217,814	\$ (24,684)	\$ 5,193,130	\$ 5,193,130
Operating expenses								
Personnel	\$ 721,381	\$ 410,019	\$ 16,980	\$ 10,646 C	\$ 1,159,026		\$ 1,159,026	\$ 1,159,026
Affiliates services		211,808	21,505	(211,808) A (21,505) B				
Premises, equipment and software		108,147		(108,147) A				
Communications		36,533		(36,533) A				
Network, EDP and communications	366,231		1,722	95,323 A (2,839) B 2,020 C	462,457	59,355 D (5,064) D	516,748	516,748
Advertising, marketing and promotion	580,883	457,261	36,376	24 C	1,074,544		1,074,544	1,074,544
Travel and meetings		57,412		(57,412) A				
Visa International fees	172,728		18,256	(190,984) B				
Professional and consulting fees	334,290	204,266	10,473	(2,895) B 6,239 C	552,373		552,373	552,373
Administrative and other	210,948	56,201	9,076	318,541 A (266,811) B 23,771 C	351,726	1,227 D	352,953	352,953
Settlement risk guarantee		(57)		57 A				
Litigation provision	2,652,830			272 A	2,653,102		2,653,102	2,653,102
Total operating expenses	\$ 5,039,291	\$ 1,541,590	\$ 114,388	\$ (442,041)	\$ 6,253,228	\$ 55,518	\$ 6,308,746	\$ 6,308,746

See notes to unaudited pro forma condensed combined statement of operations.

Table of Contents**VISA INC.****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****FOR THE YEAR ENDED SEPTEMBER 30, 2007 (Continued)****(in thousands, except share and per share data)**

	Historical				Note 2	Pro Forma Reorganization		Note 5		Unaudited Pro Forma Visa Inc.
	Visa U.S.A.	Visa International	Visa Canada	Combination Adjustments		Combined Subtotal	Adjustments	Subtotal	Pro Forma Offering Adjustments	
Operating (loss) income	\$ (1,449,495)	\$ 360,906	\$ 34,838	\$ 18,337	\$ (1,035,414)	\$ (80,202)	\$ (1,115,616)		\$ (1,115,616)	
Non-operating income, net		105,663		(90,724) A						
				(14,939) B						
Other income (expense)										
Equity in earnings of unconsolidated affiliates	40,276		753	2,521 A						
				(43,550) B						
Interest income (expense)	(80,658)		1,214	(13,689) A	(96,886)		(96,886)		(96,886)	
				(3,753) C						
Investment income, net	102,459			93,686 A	196,604		196,604		196,604	
				459 C						
Other income				8,499 A	8,499		8,499		8,499	
Total other income	\$ 62,077		\$ 1,967	\$ 44,173	\$ 108,217		\$ 108,217		\$ 108,217	
(Loss) income before income taxes and minority interest	(1,387,418)	466,569	36,805	(43,153)	(927,197)	(80,202)	(1,007,399)		(1,007,399)	
Income tax expense (benefit)										
See Note 5 <i>Pro Forma Offering Adjustment.</i>	(315,993)	196,332	298	16 C	(119,347)	(23,443) K	(146,564)	30,701	(115,863)	
						(3,774) J				
(Loss) income before minority interest	(1,071,425)	270,237	36,507	(43,169)	(807,850)	(52,985)	(860,835)	(30,701)	(891,536)	
Minority interest (expense)	(4,670)			3,163 B	(1,507)	1,507 I				
Net (loss) income	\$ (1,076,095)	\$ 270,237	\$ 36,507	\$ (40,006)	\$ (809,357)	\$ (51,478)	\$ (860,835)	(30,701)	\$ (891,536)	
Pro forma basic and diluted earnings per share:										
Class A and C (series I, III and IV) common stock									\$ (1.15)	
Class B common stock									\$ (0.83)	
Class C (series II) common stock									\$ 0.53	
Pro forma number of shares outstanding, basic and diluted:										
Class A and C (series I, III and IV) common stock									578,292,807	
Class B common stock									277,035,213	
Class C (series II) common stock									79,748,847	
See Note 6 <i>Pro Forma Earnings per Share</i>										

Edgar Filing: Visa Inc. - Form S-1/A

See notes to unaudited pro forma condensed combined statement of operations.

Table of Contents

**Notes to Visa Inc. Unaudited Pro Forma
Condensed Combined Statement of Operations
(in thousands, except as noted)**

1. Basis of Presentation

The reorganization was accounted for as a purchase under the guidelines of SFAS No. 141 *Business Combinations* with Visa U.S.A. deemed to be the accounting acquirer of Visa International (comprising the operating regions of Visa AP, Visa LAC and Visa CEMEA), and Visa Canada (collectively the acquired regions). As a result of the exchange of ownership interests, Visa U.S.A. acquired the remaining ownership interest in Visa International and Inovant not previously held. This transaction was accounted for as a step acquisition with the net assets underlying the interests acquired recorded at fair value. Visa U.S.A. further acquired 100% of Visa Canada and recorded the acquisition of the underlying net assets at fair value. See *Note 3 The Reorganization* to the consolidated balance sheet of Visa Inc. at October 1, 2007.

2. Visa Canada Statement of Operations

The Visa Canada statement of operations has been adjusted for reclassifications to conform to the historical statement of operations presentation of Visa U.S.A. In addition, adjustments were applied to reflect the elimination of transactions and cross-ownership among and between Visa U.S.A., Visa International and Visa Canada. The historical statement of operations for Visa Canada was prepared in accordance with accounting principles generally accepted in Canada and reconciled to U.S. GAAP. The currency exchange rate between Canadian dollars and U.S. dollars at September 30, 2007 was used to translate all Visa Canada financial information in this pro forma presentation.

3. Visa Europe Transaction

As part of the reorganization, we entered into a set of contractual arrangements with Visa Europe, which we account for as a multi-element arrangement. Under these arrangements, for financial accounting reporting purposes, in exchange for its ownership interest in Visa International and Inovant, Visa Europe received the consideration described below. See *Note 3 The Reorganization* to the consolidated balance sheet of Visa Inc. at October 1, 2007 for further details regarding total consideration received by Visa Europe.

Class EU (Series I) and (Series III) Common Stock (Convertible into Class C (Series I), (Series III) and (Series IV) Common Stock)

At the date of reorganization, Visa Europe received an 8.1% ownership interest in our common stock in the form of class EU (series I) and class EU (series III) common stock. We classified the class EU (series I) and (series III) common stock as permanent equity after the date of the reorganization. The class EU (series I) and (series III) common stock will be converted on a one-to-one basis into class C (series III) and class C (series IV) common stock, respectively, prior to the completion of this offering. Following the redemption described in the following paragraph, the remaining class C (series III) and class C (series IV) common stock will convert on a one-to-one basis into class C (series I) common stock.

The class C (series III) common stock is subject to mandatory redemption in the manner provided by our amended and restated certificate of incorporation. We intend to redeem 31,592,881 shares of class C (series III) common stock, or the class C (series III) redemption shares, on or about October 6, 2008 for a price per share equal to the price per share of our class A common stock in this offering, less underwriting discounts and commissions. Upon the closing of this offering, for financial accounting purposes, we intend to classify this stock at its redemption value as a liability in our consolidated balance sheet.

Table of Contents

The class EU (series I) and (series III) common stock participates equally and has the same rights as the class AP, class LAC, class CEMEA and class Canada common stock, except that it does not participate in the true-up. Therefore, we determined the fair value of Visa Europe's 8.1% ownership interest in the form class EU (series I) and (series III) common stock to be approximately \$3.1 billion at the date of the reorganization based on the value of the common stock issued to the acquired regions in exchange for their historical membership interests in Visa International and Visa Canada. See *Note 3 The Reorganization* to the consolidated balance sheet of Visa Inc. at October 1, 2007.

Class EU (Series II) Common Stock (Convertible into Class C (Series II) Common Stock)

At the date of reorganization, Visa Europe received a 3.6% ownership interest in our common stock in the form of class EU (series II) common stock. We classified the class EU (series II) common stock in permanent equity, as it provides equity rights similar to that of the other regional classes of shares. The class EU (series II) common stock will be converted on a one-to-one basis into class C (series II) common stock prior to the completion of this offering.

The class C (series II) common stock is subject to redemption by us. We are entitled to redeem all, but not less than all, of these shares held by Visa Europe any time after October 10, 2008. In addition, Visa Europe is entitled, through delivery of written notice, to require us to redeem all, but not less than all, of these shares at any time after December 4, 2008; however, we intend to redeem all of these shares held by Visa Europe on or about October 10, 2008. Upon the closing of this offering, for financial accounting purposes, we intend to classify this stock at its then fair value as temporary equity in our consolidated balance sheet. Additionally, over the period from the initial public offering date to October 10, 2008, which we refer to as the accretion period, this stock will be accreted to its redemption price through our retained earnings.

To reflect the impact of this accretion on the net income available to common stockholders, we report pro forma earnings per share using the two-class method. See *Note 6 Pro Forma Earnings per Share* to this unaudited pro forma condensed combined statement of operations. The redemption price of the class C (series II) common stock is \$1.146 billion adjusted for dividends and certain other adjustments. See *Description of Capital Stock Redemption*.

We determined the initial fair value of the class C (series II) common stock to be approximately \$1.104 billion at the date of reorganization. We determined fair value by discounting the redemption price using a risk-free rate of 4.90% and a 95% probability of the successful completion of this offering on or prior to October 10, 2008. Completion of this offering would cause the class C (series II) common stock to become redeemable at the estimated redemption price on or after October 10, 2008. We estimate that the total amount of accretion will be approximately \$42 million, which represents the difference between its initial fair value and its redemption price assuming no payment of dividends or other applicable adjustments.

The terms of the class C (series II) common stock require Visa Europe's ownership of our common stock, on an as-converted basis, to represent no less than 10% of our total outstanding share capital at all times prior to October 10, 2008. As the shares sold in this offering will be issued shortly prior to the redemption of certain shares of class B and class C common stock, as described under *Use of Proceeds*, additional class C (series II) common stock will be issued to maintain Visa Europe's required ownership interest in Visa Inc. during such time. This issuance will not have a cash impact or affect our financial results, including earnings per share, as the shares will be classified as temporary equity and will be redeemed together with all other outstanding class C (series II) common stock for a net aggregate price of \$1.146 billion (subject to adjustment as described above) on or about October 10, 2008.

The Framework Agreement

After the reorganization, the relationship between Visa Inc. and Visa Europe is governed by a framework agreement, which provides for bilateral services and trademark and technology licenses.

Table of Contents

Trademark and Technology Licenses. We granted Visa Europe exclusive, irrevocable and perpetual licenses to use the Visa trademarks and technology-related intellectual property owned by us within the Visa Europe region for use in the field of financial services, payments, related information technology and information processing services and participation in the Visa system. Visa Europe's region consists of the European Union, Iceland, Israel, Liechtenstein, Monaco, Norway, San Marino, Switzerland, Turkey and Vatican City, along with other countries specified in our agreement with Visa Europe, and any other jurisdiction that becomes a full member state of the European Union in the future. Visa Europe may sublicense the Visa trademarks and technology intellectual property to its members and other sublicensees, such as processors, for use within Visa Europe's region and, in certain limited circumstances, outside the Visa Europe region.

Pricing under the licenses is governed by a formula that depends in part on the dates when certain events occur, including the closing of the Inovant U.S. holdco merger (which occurred on October 2, 2007), the final closing of the reorganization (which occurred on October 3, 2007), our initial filing of the registration statement for this offering (which occurred on November 9, 2007) and the closing of this offering. For purposes of the unaudited pro forma condensed combined statement of operations, we assumed that the closing of this offering will occur on March 31, 2008.

On this basis, from October 1, 2007 through November 8, 2007, the fee for the licenses was payable at a rate of \$6 million per quarter. Thereafter, from November 9, 2007, the base license fee will be payable quarterly at an annual rate of \$143 million (approximately \$36 million per quarter), and beginning November 9, 2010, this base license fee will increase annually based on the growth of the gross domestic product of the European Union.

The base license fee will be reduced by two components during the period ending October 5, 2008. First, during the period from November 9, 2007 until October 5, 2008, the annual rate of the base license fee will be reduced by an amount equal to \$1.146 billion multiplied by the three-month LIBOR rate plus 100 to 200 basis points (the LIBOR rate). Second, during the period from the closing date of this offering until October 5, 2008, the annual rate of the base license fee will be further reduced by an amount equal to the product of the following variables: (i) the net price per share of our class A common stock in this offering; (ii) the number of shares of our class C (series III) common stock that would have been redeemed promptly out of the net proceeds of this offering, but for provisions in our amended and restated certificate of incorporation that permit Visa Europe to delay the redemption until October 6, 2008; and (iii) the LIBOR rate.

We determined that the base license fee, as adjusted in future periods based on the growth of the European Union gross domestic product, approximated fair value. We made this determination through an analysis of the fee rates implied by the economics of the licenses. However, due to the first and second fee reduction components, for financial accounting purposes, the trademark and technology licenses represented a contract that was below fair value.

We calculated our liability to provide these licenses at below fair value to be approximately \$132 million, based on the November 9, 2007 registration statement filing date, the assumed March 31, 2008 offering closing date and the applicable three-month LIBOR rate at September 30, 2007 of 5.23%. The first fee reduction component will reduce the fee payable by \$81 million, which is comprised of approximately \$12 million for the period from October 1, 2007 through November 8, 2007 and approximately \$69 million for the period from November 9, 2007 through October 5, 2008. The second fee reduction component will further reduce the fee payable in the period March 31, 2008 through October 5, 2008 by approximately \$51 million. The assumptions used represent our best estimate of the future impact of these terms of the framework agreement.

The application of the LIBOR rate in determining the first and second fee reduction components represent a variable interest element embedded within the framework agreement, which we will treat as an embedded derivative with changes in fair value reflected in our statement of operations under the guidelines of SFAS No. 133. This embedded derivative does not impact the unaudited pro forma condensed combined statement of operations.

Table of Contents

4. Combination and Pro Forma Reorganization Adjustments

The following describes the combination and pro forma adjustments we applied to the unaudited pro forma condensed combined statement of operations for fiscal 2007 of Visa U.S.A. and Visa International, derived from their historical financial statements included elsewhere in this prospectus, and Visa Canada, to reflect the reorganization and this offering as if they had occurred on October 1, 2006.

Combination Adjustments

A Represents reclassification adjustments made to the historical statements of operations presentation of Visa U.S.A., Visa International and Visa Canada to consistently conform the presentation of like revenues and expenses. Historically, Visa U.S.A., Visa International and Visa Canada as separate entities have applied different captions to describe similar revenues and expenses. These adjustments were applied to group similar accounts using the captions of Visa U.S.A., the accounting acquirer. These adjustments have no impact on net (loss) income of these entities as reported in their historical consolidated financial statements.

Table of Contents

The following table reconciles the individual combination adjustments applied for reclassification purposes to the unaudited pro forma condensed combined statement of operations for fiscal 2007:

	Visa International Adjustments	Total Adjustments - Tickmark A
	(in thousands)	
Operating revenues		
Service fees	\$ (141,540) AA	\$ (141,540)
International transaction fees	777,552 AA	777,552
International service revenues	(636,012) AA	(636,012)
Operating expenses		
Affiliates services	\$ (211,808) AB	\$ (211,808)
Premises, equipment and software	(49,357) AF	(108,147)
	(58,790) AC	
Communication	(36,533) AD	(36,533)
Network, EDP and communications	58,790 AC	95,323
	36,533 AD	
Travel and meetings	(57,412) AE	(57,412)
Administrative and other	211,808 AB	318,541
	57,412 AE	
	(272)	
	49,357 AF	
	(57)	
	293	
Settlement risk guarantee	57	57
Litigation provision	272	272
Non-operating income, net	\$ 293	\$ (90,724)
	(98,168) AH	
	13,689 AG	
	1,961	
	(8,499) AI	
Other income (expense)		
Equity in earnings of unconsolidated affiliates	\$ (1,961)	\$ 2,521
	4,482	
Interest income (expense)	(13,689) AG	(13,689)
Investment income, net	98,168 AH	93,686
	(4,482)	
Other income	8,499 AI	8,499

AA Represents reclassifications of Visa International's service fees and international service revenues to international transaction fees to conform them to the presentation of Visa U.S.A.

AB Represents reclassifications of Visa International's affiliate services expenses to administrative and other expenses to conform them to the presentation of Visa U.S.A.

AC Represents reclassifications of Visa International's equipment expenses to network, EDP and communications expenses to conform them to the presentation of Visa U.S.A.

AD Represents reclassifications of Visa International's communications expenses to network, EDP and communications expenses to conform them to the presentation of Visa U.S.A.

AE Represents reclassifications of Visa International's travel and meetings expenses to administrative and other expense to conform them to the presentation of Visa U.S.A.

Table of Contents

AF Represents reclassifications of Visa International's premises expenses to administration and other expenses to conform them to the presentation of Visa U.S.A.

AG Represents reclassifications of Visa International's interest expense to its own line item to conform it to the presentation of Visa U.S.A.

AH Represents reclassifications of Visa International's interest and dividend income and expense to investment income, net, to conform them to the presentation of Visa U.S.A.

AI Represents reclassifications of Visa International's miscellaneous non-operating income to other income to conform them to the presentation of Visa U.S.A.

Table of Contents

B Represents the adjustments required to eliminate the effects of transactions and cross-ownership among and between Visa U.S.A., Visa International and Visa Canada.

The following table reconciles the individual combination adjustments applied for elimination purposes to the unaudited pro forma condensed combined statement of operations for fiscal 2007:

	Visa U.S.A. Adjustments	Visa International Adjustments	Visa Canada Adjustments (in thousands)	Real Estate Joint Ventures Adjustments	Total Adjustments - Tickmark B
Operating Revenues					
Service fees	\$	\$ (188,985) BB	\$	\$	\$ (188,985)
Data processing fees	(83,175) BA	(3,060) BB			(86,235)
Other revenues	(148,576) BA			(62,574) BC	(194,710)
				1,501 BD	
				14,939 BD	
Total adjustments operating revenues					\$ (469,930)
Operating expenses					
Affiliates services	\$	\$	\$ (21,505) BA	\$	\$ (21,505)
Network, EDP and communications	(2,839) BB				(2,839)
Visa International fees	(172,728) BB		(18,256) BB		(190,984)
Professional and consulting fees		(2,895) BA			(2,895)
Administrative and other		(209,148) BA	1,980 BB		(266,811)
		1,501 BD	1,797 BA		
		(202) BB			
	(52,242) BC	(10,332) BC			
		(165) BH			
Total adjustments operating expenses					\$ (485,034)
Non-operating income, net	\$	\$ (14,939) BD	\$	\$	\$ (14,939)
Other income (expense)					
Equity in earnings of unconsolidated affiliates	\$ (40,171) BE	\$ (2,410) BG	\$ (753) BG	\$	\$ (43,550)
	(108) BF	(108) BF			
Minority interest (expense)	3,163 BG				3,163
Total adjustments other income (expense)					\$ (40,387)

BA Represents eliminations of Visa U.S.A.'s revenues from Visa International and Visa Canada for data processing and development services and various license and usage rights primarily related to the VisaNet proprietary network.

BB Represents eliminations of Visa International's revenues from Visa U.S.A. and Visa Canada for services primarily related to global brand management, global product enhancements and global electronic payment systems.

BC Represents eliminations of the real estate joint ventures' rental income from Visa U.S.A. and Visa International.

BD Represents eliminations of the real estate joint ventures' rental expense to Visa International.

Table of Contents

BE Represents eliminations of Visa U.S.A.'s investment in Visa International and related equity in earnings of unconsolidated affiliates.

BF Represents eliminations of Visa International's and Visa U.S.A.'s equity in earnings of unconsolidated affiliates related to the real estate joint ventures.

BG Represents eliminations of minority interest expense and equity in earnings of affiliates for Visa International's and Visa Canada's investment in Inovant.

BH Represents elimination of administration and other related to foreign exchange for Visa Canada's investment in Inovant.

C Represents the adjustments necessary to record the gross revenues and expense balances related to the real estate joint ventures for fiscal 2007. Visa U.S.A. and Visa International previously each owned 50% of these real estate joint ventures and accounted for their investments under the equity method. See *Note 8 Investments in Joint Ventures* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

Pro Forma Reorganization Adjustments

D The adjustment to the statement of operations represents the following pro forma adjustments to record additional non-cash amortization and depreciation expense related to the new basis of intangible and tangible definite lived assets, which were recorded on a pro forma basis at their estimated fair value.

	Visa U.S.A. Historical Expense for Fiscal 2007	Visa Int'l, Visa Canada, Real Estate Joint Ventures Historical Expense for Fiscal 2007 (in thousands)	Pro Forma Reorganization Adjustment	Total Expense for Fiscal 2007
Depreciation	\$ 74,456	\$ 30,541	\$ (3,837)	\$ 101,160
Amortization	51,049	16,337	59,355	126,741
Total	\$ 125,505	\$ 46,878	\$ 55,518	\$ 227,901

The following table represents the estimated remaining useful lives we assumed for each asset class to record the adjustment to historical depreciation and amortization:

	Estimated Remaining Useful Lives
Tradename	Not depreciated
Customer relationships	Not depreciated
Visa Europe franchise right	Not depreciated
Facilities	
Land	Not depreciated
Buildings and building improvements	26 to 32 years
Leasehold improvements	2 to 6 years
Furniture and fixtures	4 to 6 years
Equipment	1 to 7 years
Technology	2 to 4 years

Visa Europe and Other Pro Forma Reorganization Adjustments

E Represents the adjustment to historical service fees to reflect the newly negotiated fee structure for on-going service fee commitments pursuant to the bilateral services agreement. For the purposes of our unaudited pro forma condensed combined statement of operations, the adjustment reduces historical service fees to the

Table of Contents

amount of services Visa Europe is obligated to purchase from us at fixed prices in the 12 months following the reorganization. This adjustment does not reflect additional optional card services for which Visa Europe is entitled at its discretion at fixed prices under the bilateral services agreement.

F Represents the adjustment to historical data processing fees to reflect the newly negotiated fee structure for on-going data processing services pursuant to the bilateral services agreement. For the purposes of our unaudited pro forma condensed combined statement of operations presentation, the adjustment reduces historical data processing fees to the amount we would have earned under the newly negotiated fee structure based on actual transaction volume experienced in fiscal 2007. This adjustment does not reflect optional fixed fee services for which Visa Europe is entitled at its discretion under the bilateral services agreement.

G Represents the adjustment to historical international transaction fees to reflect the impact of the new foreign exchange revenue sharing agreement with Visa Europe, pursuant to the bilateral services agreement.

H Represents the adjustment to historical other revenues to record the fee that Visa Europe will pay us pursuant to the framework agreement. The adjustment reflect the first and second fee reduction components and accretion to revenue of the obligation under the framework agreement recorded in purchase accounting which we have calculated based on our assumptions as detailed in Note 3 *Visa Europe Transaction Trademark and Technology Licenses* to this unaudited pro forma condensed combined statement of operations.

I Represents the adjustment to eliminate the minority interest and minority interest expense attributable to the 10% ownership interest in Inovant held by Visa Europe.

Income Tax Pro Forma Adjustments

J Represents the adjustment to the historical income tax expense for fiscal 2007, result of consolidating Visa U.S.A., Visa International and Visa Canada, including:

Adjustments to the tax provision of Visa U.S.A. related to Visa U.S.A.'s interest in Visa International;

Adjustments to the current state tax provision of Visa U.S.A., Visa International and Inovant to account for consolidated apportioned statutory state rates; and

Adjustments to Visa Canada related to the entity's change in status from a not-for-profit corporation to a for-profit corporation.

K Represents the adjustment to reflect the tax provision impact related to purchase accounting adjustments applied to the historical consolidated statements of operations for fiscal 2007.

5. Pro Forma Offering Adjustments
Loss of California Special Deduction

The State of California, where Visa U.S.A. and Visa International are headquartered, historically has not taxed a substantial portion of the reported income of these companies on the basis that both operate on a cooperative or mutual basis and are therefore eligible for a special deduction. As taxpayers eligible for the special deduction, Visa U.S.A. and Visa International are generally only subject to California taxation on interest and investment income. Therefore, the majority of each company's income has not historically been taxed in California.

As a result of this offering and consequent ownership by parties other than our financial institution customers, we will no longer be eligible to claim the special deduction. We will be subject to California taxation as a traditional, for-profit business enterprise. Accordingly, pro forma adjustments were applied to reflect the loss of the benefit of the special deduction and the resulting estimated increase in our state tax expense. Had ineligibility for the special deduction been reflected at the beginning of the fiscal year presented in the unaudited pro forma condensed combined statement of operations, our income tax benefit would decrease and net loss would increase by approximately \$31 million in fiscal

2007.

56

Table of Contents**6. Pro Forma Earnings per Share**
Pro Forma Shares Outstanding

Based on the assumptions detailed below, the following table sets forth, on a pro forma basis, (i) the number of shares of common stock outstanding following the reorganization and this offering, reflecting the application of \$10.2 billion of the proceeds of this offering to redeem 123,216,659 shares of class B common stock and 143,037,934 shares of class C common stock, assuming an initial public offering price of \$38.33 per share (the midpoint of the range set forth on the cover of this prospectus less underwriting discounts and commissions), and (ii) the number of shares of class A common stock issuable upon conversion of the class B common stock and class C common stock:

Class of Common Stock	Shares Outstanding Upon Reorganization and Offering ⁽³⁾	Class A Common Stock Outstanding or Issuable Upon Conversion of the Class B and Class C Common Stock ⁽³⁾
Class A ⁽¹⁾	406,000,000	406,000,000
Class B	277,035,213	198,777,235
Class C (series I, III and IV) ⁽²⁾	172,292,807	172,292,807
Class C (series II) ⁽³⁾	79,748,847	
Total	935,076,867	777,070,042

(1) Amount excludes 1,373,998 shares of restricted stock and 670,799 restricted stock units that we intend to grant upon the pricing of this offering to certain of our directors and employees.

(2) This amount does not include 31,592,881 shares of class C (series III) common stock reclassified as a liability upon closing of this offering. See *Note 3 Visa Europe Transaction*.

(3) Class C (series II) common stock is not convertible into class A common stock upon completion of this offering.

Prior to this offering, each of the regional classes of common stock will be converted into class C common stock or, in the case of regional common stock held by members of Visa U.S.A., class B common stock.

The conversion rate applicable to any conversion of our class C common stock into class A common stock will be one-to-one, subject to adjustment for stock splits, recapitalizations and similar transactions. Assuming the deposit of \$3.0 billion into the escrow account, the conversion rate applicable to the class B common stock into class A common stock immediately following this offering will be 0.72 shares of class A common stock per share of class B common stock. See *Business Retrospective Responsibility Plan*.

Immediately prior to this offering, we will issue additional shares of class C (series II) common stock pursuant to the provisions of our amended and restated certificate of incorporation that require Visa Europe's ownership of our common stock on an as-converted basis to represent no less than 10% of our total outstanding share capital at all times prior to October 5, 2008. The issuance of these shares will have no cash impact and will not affect our financial results, including earnings per share, as the shares will be classified as temporary equity and all class C (series II) common stock is intended to be redeemed in October 2008 for an aggregate price of \$1.146 billion (subject to reduction to the extent of dividends paid by us prior to that time and other adjustments).

Calculation of Earnings per Share

Upon the closing of this offering, for financial accounting purposes, we intend to classify all class C (series II) common stock at its then fair value as temporary or mezzanine level equity in our consolidated balance sheet. Additionally, over the period from the closing of this offering to on or about October 10, 2008 (the date on which we intend to redeem all of these shares held by Visa Europe) we will accrete this stock to its redemption price through our retained earnings. We estimate that the total amount of accretion will be approximately \$42 million, which represents the difference between its initial fair value and its redemption price assuming no dividends or other applicable adjustments.

Table of Contents

Upon the closing of this offering, for financial accounting purposes, we intend to classify the class C (series III) redemption shares as a liability, at their redemption value, in our consolidated balance sheet. From the date of reclassification, these shares shall be excluded from the weighted average number of shares outstanding in the calculation of basic and diluted earnings per share. However, until redeemed, the class C (series III) redemption shares will continue to share ratably (on an as-converted basis) in any dividends or distributions paid on our common stock. Such participation has no impact on the redemption value of this common stock. Therefore, in the calculation of basic and diluted earnings per share, the class C (series III) redemption shares shall be treated as participating in the allocation of net income and will proportionately reduce net income available to all remaining common stockholders.

The total amount of accretion of the class C (series II) common stock and the allocation of net income to the class C (series III) redemption shares reduces the amount of net income available to common stockholders for the purposes of calculating pro forma basic and diluted earnings per share during the period from the closing of this offering until the redemption of the class C (series II) and class C (series III) common stock. We expect to redeem the class C (series II) and the class C (series III) common stock on or about October 10, 2008. For the purposes of presenting pro forma earnings per share, we have assumed a reorganization and an initial public offering date of October 1, 2006. Under these assumptions, the class C (series II) common stock and class C (series III) redemption shares would be redeemed approximately one year after the reorganization, on or about October 10, 2007. We have therefore reported pro forma earnings per share under the two-class method for fiscal 2007 to reflect the accretion of the class C (series II) common stock to its redemption value and the allocation of net income to the class C (series III) redemption shares.

The holders of class A, class B and class C common stock are entitled to share ratably (on an as-converted basis) in dividends or distributions paid on the common stock, regardless of class or series. Therefore under the guidelines of SFAS No. 128 *Earnings Per Share*, on a pro forma basis we have presented earnings per share using the two-class method with separate disclosure of pro forma earnings per share attributable to: (i) class A common stock and class C (series I, III and IV) common stock; (ii), class B common stock; and (iii) class C (series II) common stock. Pro forma net income available to common stockholders for fiscal 2007 is calculated as follows:

	(in thousands except per share data)
Pro forma net loss	\$ (891,536)
Less: Accretion of class C (series II) common stock	(42,000)
Plus: Loss allocated to participating class C (series III) redemption shares held by Visa Europe	36,471
Total pro forma net income available to common stockholders	(897,065)
Pro forma net income available to common stockholders:	
Class A and class C (series I, III and IV) common stock	(1.15)
Class B common stock	(0.83)
Class C (series II) common stock ⁽¹⁾	
Pro forma earnings per share two-class method:	
Class A and class C (series I, III and IV) common stock	(1.15)
Class B common stock	(0.83)
Class C (series II) common stock ⁽¹⁾	0.53

(1) The aggregate redemption price of the class C (series II) common stock is reduced by the aggregate amount of any dividends and other distributions declared and paid. Therefore, for the purposes of calculating pro forma earnings per share, under SFAS No. 128, class C (series II) common stockholders are deemed not to participate in any distribution of pro forma net income available to other common stockholders.

Had the class C (series II) common stock and class C (series III) redemption shares been redeemed on October 1, 2006, the beginning of the period, pro forma earnings per share would have been \$(1.15) per share of class A and class C (series I, III and IV) common stock and \$(0.82) per share of class B common stock for fiscal 2007.

Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF HISTORICAL AND
PRO FORMA FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF VISA INC.**

This management's discussion and analysis provides a review of the results of operations, financial condition and the liquidity and capital resources of Visa Inc. and its subsidiaries on a historical and pro forma basis and outlines the factors that have affected recent earnings, as well as those factors that may affect future earnings. The following discussion and analysis should be read in conjunction with Visa Inc.'s unaudited consolidated financial statements and related notes at and for the three months ended December 31, 2007, the consolidated balance sheet and related notes at October 1, 2007, and with the information under Unaudited Pro Forma Condensed Combined Statement of Operations included elsewhere in this prospectus.

Overview

Visa operates the world's largest retail electronic payments network and manages the world's most recognized global financial services brand. We provide financial institutions with platforms that encompass consumer credit, debit, prepaid and commercial payments. We facilitate global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses and government entities. Each of these constituencies has played a key role in the ongoing worldwide migration from paper-based to electronic forms of payment, and we believe that this transformation will continue to yield significant growth opportunities in the electronic payments industry. We will continue to explore additional opportunities to enhance our competitive position by expanding the scope of payment solutions to benefit our existing customers and to position Visa to serve more and different constituencies.

In order to respond to industry dynamics and enhance Visa's ability to compete, Visa consummated a reorganization in October 2007 in which Visa U.S.A., Visa International, Visa Canada and Inovant became direct or indirect subsidiaries of Visa Inc., a Delaware stock corporation. Visa Europe did not become a subsidiary of Visa Inc., but rather remained owned by its member financial institutions and entered into a set of contractual arrangements with Visa Inc. in connection with the reorganization. In the reorganization, we issued different classes and series of shares reflecting the different rights and obligations of Visa financial institution members and Visa Europe based on the geographic region in which they are located.

There is no historical combined statement of operations of Visa Inc. prior to October 1, 2007 because Visa Inc. did not have any operations prior to the reorganization. In order to provide insight into our operating results and trends affecting our business, this management's discussion and analysis of our operating results includes a comparison of the results of operations for three months ended December 31, 2007 to the pro forma results of operations for the three months ended December 31, 2006 and a comparison of the pro forma results of operations for fiscal 2007 to the pro forma results of operations for fiscal 2006, as if the reorganization had occurred on October 1 of each of fiscal 2007 and 2006. This pro forma information is derived from our unaudited consolidated financial statements for the three months ended December 31, 2007 and our audited balance sheet at October 1, 2007 and presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*. See Note 3 *The Reorganization* to the unaudited financial statements for the three months ended December 31, 2007 and Note 3 *The Reorganization* to the audited consolidated balance sheet of Visa Inc. at October 1, 2007. In addition, this management's discussion and analysis includes a comparison of our operating results for the three months ended December 31, 2007 to the operating results of Visa Inc.'s accounting acquirer, Visa U.S.A., for the three months ended December 31, 2006.

Table of Contents

The following table sets forth our actual and pro forma operating revenues for the periods indicated:

	Three Months Ended December 31, 2007	Pro Forma Three Months Ended December 31, 2006	\$ /% Change from 2007 to 2006 (in millions, except percentages)	Pro Forma Fiscal Year		\$ /% Change from 2007 to 2006
				2007	2006	
U.S. operating revenues	\$ 920	\$ 800	\$ 120/15%	\$ 3,404	\$ 2,761	\$ 643/23%
Non-U.S. operating revenues	568	373	195/52%	1,789	1,141	648/57%
Total operating revenues	\$ 1,488	\$ 1,173	\$ 315/27%	\$ 5,193	\$ 3,902	\$ 1,291/33%

Our non-U.S. operating revenues for the three months ended December 31, 2007 represented 38% of total operating revenues. In fiscal 2007 and 2006, our pro forma non-U.S. operating revenues represented 34% and 29%, respectively, of our total pro forma operating revenues for those periods. Growth in operating revenues outside of the United States accounted for 62% of the increase in total operating revenues for the three months ended December 31, 2007 compared to the same period in 2006 and 56% of the increase in total operating revenues in fiscal 2007 compared to fiscal 2006. In fiscal 2007, the increase in revenues outside the United States was due primarily to a \$0.3 billion increase in revenues in our Asia Pacific region and a \$0.3 billion increase in revenues in our Latin America and Caribbean region. In addition a significant portion of the revenues we earn outside the United States results from cross-border business and leisure travel. Revenues from processing foreign currency transactions for our customers fluctuate with cross-border travel and our customers' need for transactions to be converted into their base currency.

The following tables set forth product payments volumes and transactions for the periods presented:

	U.S.A.			Rest of World ⁽³⁾			Visa Inc.		
	3 months ended September 30, 2007	3 months ended September 30, 2006	% Change	3 months ended September 30, 2007	3 months ended September 30, 2006	% Change	3 months ended September 30, 2007	3 months ended September 30, 2006	% Change
Payments Volume	(in billions, except percentages)								
Consumer credit	\$ 165	\$ 154	7%	\$ 182	\$ 147	24%	\$ 347	\$ 301	15%
Consumer debit ⁽¹⁾	171	151	13%	28	20	40%	199	171	16%
Commercial and other	52	45	16%	25	21	19%	77	66	17%
Total Payments Volume	\$ 388	\$ 350	11%	\$ 235	\$ 188	25%	\$ 623	\$ 538	16%
Cash volume	101	96	5%	248	187	33%	349	283	23%
Total Volume ⁽²⁾	\$ 489	\$ 446	10%	\$ 483	\$ 375	29%	\$ 972	\$ 821	18%

	U.S.A.			Rest of World ⁽³⁾			Visa Inc.		
	12 months ended June 30, 2007	12 months ended June 30, 2006	% Change	12 months ended June 30, 2007	12 months ended June 30, 2006	% Change	12 months ended June 30, 2007	12 months ended June 30, 2006	% Change
Payments Volume	(in billions, except percentages)								
Consumer credit	\$ 624	\$ 589	6%	\$ 634	\$ 534	19%	\$ 1,258	\$ 1,123	12%
Consumer debit ⁽¹⁾	637	575	11%	93	69	35%	730	644	13%
Commercial and other	188	159	18%	90	72	25%	278	231	20%

Edgar Filing: Visa Inc. - Form S-1/A

Total Payments Volume	\$ 1,449	\$ 1,323	10%	\$ 817	\$ 675	21%	\$ 2,266	\$ 1,998	13%
Cash volume	382	348	10%	834	652	28%	1,216	1,000	22%
Total Volume ⁽²⁾	\$ 1,831	\$ 1,671	10%	\$ 1,651	\$ 1,327	24%	\$ 3,482	\$ 2,998	16%

Table of Contents

	U.S.A.			Rest of World			Visa Inc.		
	3 months ended December 31, 2007	3 months ended December 31, 2006	% Change	3 months ended December 31, 2007	3 months ended December 31, 2006	% Change	3 months ended December 31, 2007	3 months ended December 31, 2006	% Change
Total Transactions ⁽⁴⁾	7,611	6,745	13%	1,483	1,274	16%	9,094	8,019	13%

	U.S.A.			Rest of World			Visa Inc.		
	12 months ended September 30, 2007	12 months ended September 30, 2006	% Change	12 months ended September 30, 2007	12 months ended September 30, 2006	% Change	12 months ended September 30, 2007	12 months ended September 30, 2006	% Change
Total Transactions ⁽⁴⁾	27,546	24,808	11%	5,174	4,394	18%	32,720	29,202	12%

(1) Includes prepaid volume

(2) Total volume is the sum of total payments volume and cash volume. Total payments volume is the total monetary value of transactions for goods and services that are purchased. Cash volume generally consists of cash access transactions, balance access transactions, balance transfers and convenience checks.

Payments volume on Visa branded goods and services for the preceding quarter is the basis for service fees.

(3) Includes Bulgaria and Romania through March 31, 2007, after which time they became part of Visa Europe

(4) Represents transactions processed by our Visanet system during the periods presented. Transactions processed are the basis for data processing fees.

We believe that payments volume, which is the basis for card service fees revenue, and transactions, which drive data processing revenue, are key drivers of our business. We estimate that approximately 80% of Visa Inc. pro forma fiscal 2007 global payments volume was generated under multi-year arrangements with our customers. Payments volume and revenues are impacted by changes in currency rates. Payments volumes and revenues increased, reflecting in part the impact of the weaker U.S. dollar during the three months ended December 31, 2007 and fiscal 2007. Payments volume, increased 16% to \$623 billion during the three months ended September 30, 2007, with double-digit growth across all product categories. Growth outside the United States was 25%, driven primarily by increased volumes in the Asia Pacific and Latin America and Caribbean geographies, accounting for 57% of our overall payments volume growth, versus the prior year comparable period. Payments volume increased 13% to \$2.3 trillion during the twelve months ended June 30, 2007, with double-digit growth across all product categories. Payments growth outside the United States was 21%, again driven primarily by increased volumes in the Asia Pacific and Latin America and Caribbean geographies, accounting for 53% of our overall payments volume growth for this period. Transactions processed increased by 1.1 billion, or 13%, to 9.1 billion during the three months ended December 31, 2007 from 8.0 billion in the prior year comparable period. Growth in transactions processed in the United States accounted for 0.9 billion, or 81%, of the growth in transactions processed. Transactions processed increased by 3.5 billion, or 12%, in fiscal 2007 to 32.7 billion from 29.2 billion in fiscal 2006. Growth in transactions processed in the United States accounted for 2.7 billion, or 78%, of the growth in transactions processed.

Growth in operating revenues exceeded growth in payments and transactions volumes reflecting the continued impact of new service fees and changes in pricing for various services in regions outside the United States as those regions transition to a business model seeking to increase profitability. While we believe that these pricing changes will generate ongoing benefits, we do not believe that the rate of growth in operating revenues during the three months ended December 31, 2007 and during fiscal 2007 is representative of sustainable future revenue growth because it includes the impacts of the new service fees introduced in the second half of fiscal 2007. We expect future price increases to correlate more closely with innovations in our product line and improvements in our service model. In addition, new and renewed volume and support incentive agreements executed late in the first quarter of fiscal 2008 are expected to increase volume and support incentives significantly during the second fiscal quarter.

Our business is affected by overall economic conditions and consumer spending patterns. We expect that the impacts of the softening housing market, declining mortgage credit quality, and recent economic trends in the United States will moderate our rate of growth during the remainder of fiscal 2008.

Table of Contents

Operating income as a percentage of operating revenue, or operating margin, was 46% for the three months ended December 31, 2007 compared with pro forma operating margin of 34% for the prior year comparable period, reflecting the combined impacts of strong revenue growth discussed above and modest 3% growth in operating expenses. We do not believe that this operating margin is representative of sustainable future performance due to the factors discussed above.

Our pro forma operating loss of \$1.1 billion in fiscal 2007 included a litigation provision of \$2.7 billion under SFAS No. 5 associated with amounts required to settle the American Express litigation and management's liability estimate related to the Discover litigation and other matters. See *Note 21 Legal Matters* to the consolidated balance sheet of Visa Inc. at October 1, 2007. In the absence of these litigation charges, our pro forma operating margin would have increased substantially over the prior fiscal year as our growth in revenue exceeded our growth in expenses other than litigation.

On November 1, 2007, we, Visa U.S.A. and Visa International entered into an agreement with American Express to resolve all current litigation between American Express and Visa U.S.A. and Visa International, and the related litigation between American Express and five other co-defendant banks. Under the settlement agreement, an initial payment of \$1.13 billion will be made on or before March 31, 2008, including \$945 million from us and \$185 million from the five co-defendant banks. Beginning March 31, 2008, we will pay American Express an additional amount of up to \$70 million per quarter for 16 quarters, for a maximum total of \$1.12 billion. Total future payments discounted at 4.72% over the payment term, or \$1.9 billion, are reflected in the litigation provision on Visa U.S.A.'s consolidated statement of operations for fiscal 2007 and in current and long-term accrued litigation on its consolidated balance sheet at September 30, 2007 and on our consolidated balance sheet at October 1, 2007.

In addition, in accordance with SFAS No. 5, Visa U.S.A. recorded a litigation provision of \$650 million at September 30, 2007 related to its ongoing litigation with Discover. This provision is reflected in the litigation provision on Visa U.S.A.'s consolidated statement of operations for fiscal 2007 and in current accrued litigation on its balance sheet at September 30, 2007 and on our consolidated balance sheet at October 1, 2007.

The American Express and Discover litigations are covered by our retrospective responsibility plan and we intend to fund any payment obligations with respect to these matters under that plan. Our retrospective responsibility plan is a central component of the reorganization and is designed to address potential liabilities arising from certain litigation that we refer to as the covered litigation. Our capital structure was designed to implement a key principle of the retrospective responsibility plan, which is that liability for the covered litigation would remain with the holders of our class B common stock, all of which are members of Visa U.S.A. As part of the plan, we intend to deposit \$3.0 billion in an escrow account from which settlements of, or judgments in, the covered litigation will be payable. After giving effect to the application of the proceeds of this offering, the conversion rate applicable to each share of class B common stock will be 0.72 shares of class A common stock per share of class B common stock (based on the midpoint of the range set forth on the cover of this prospectus less underwriting discounts and commissions). After the closing of this offering, we may be directed by the litigation committee (a committee established pursuant to a litigation management agreement among Visa Inc., Visa International, Visa U.S.A. and the members of the committee, all of whom are affiliated with, or acting for, certain Visa U.S.A. members) to sell class A common stock to raise additional funds to be used for such purpose, in which case the conversion rate will further adjust so that each share of class B common stock converts into fewer shares of class A common stock. See *Business Retrospective Responsibility Plan*.

Table of Contents**The Reorganization**

The reorganization will impact our business, results of operations and financial condition in future periods in a number of significant ways:

Charges. Certain charges directly connected to the reorganization will affect our results of operations in future periods. These charges will include charges during fiscal 2008 related to workforce consolidation due to elimination of overlapping functions and to certain professional fees related to enhancing our systems and infrastructure to support the global organization. We incurred charges related to severance and other termination benefits of \$27 million during the three months ended December 31, 2007. We are evaluating various alternatives for achieving synergies in the global organization and expect to incur additional charges, which may be significant, during the remainder of fiscal 2008 and in early fiscal 2009. During the remainder of fiscal 2008 we also expect to incur charges related to equity compensation to be granted in connection with this offering.

Commercial relationship with Visa Europe. We will not directly operate in the Visa Europe region, which covers the European Union, Iceland, Israel, Liechtenstein, Monaco, Norway, San Marino, Switzerland, Turkey and Vatican City, along with other countries specified in our agreement with Visa Europe, and any other jurisdiction that becomes a full member state of the European Union in the future. Our relationship with Visa Europe is governed by a framework agreement providing for exclusive, perpetual, non-transferable trademark and technology licenses within Visa Europe's field of use and the provision of certain bilateral services. This agreement is designed to ensure that Visa's business and processing infrastructures will be both efficient and interoperable on a global basis. This agreement also gives Visa Europe broad rights to operate the Visa business in its region. We will have limited ability to control Visa Europe's operations and will have limited recourse in the event of a breach of the framework agreement by Visa Europe.

Visa Europe put option. We have granted Visa Europe the option to cause the sale of Visa Europe to us. See *Material Contracts The Put-Call Option Agreement*. We will record any changes in the fair value of this option in our statements of operations. Changes in the value of the put option will result in fluctuations in our reported net income. The exercise of the Visa Europe put option would also result in a significant liquidity event.

Income taxes. The State of California, where Visa U.S.A. and Visa International are headquartered, historically has not taxed a substantial portion of the reported income of these companies on the basis that both operate on a cooperative or mutual basis and are therefore eligible for a special deduction. As taxpayers eligible for the special deduction, Visa U.S.A. and Visa International are generally only subject to California taxation on interest and investment income. Therefore, the majority of each company's income has not historically been taxed in California. As a result of this offering and consequent ownership by parties other than our financial institution customers, we will no longer be eligible to claim the special deduction. Had ineligibility for the special deduction been reflected at the beginning of the three months ended December 31, 2007, our income tax expense reflected on our consolidated statements of operations would have increased and net income would have decreased by approximately \$10 million, increasing our effective tax rate to 39% from 38%. Had ineligibility been reflected at the beginning of each fiscal 2007 and 2006, our income tax benefit would have decreased and net loss would have increased by approximately \$31 million in fiscal 2007, and our income tax expense would have increased and net income would have decreased by approximately \$16 million in fiscal 2006, increasing our effective tax rate to 41% from 38%. We are evaluating our overall global corporate tax structure as a newly formed global company and are considering various tax alternatives and strategies to assist in managing our overall effective tax rates in the future.

One time tax benefit. Following the completion of this offering, our earnings for the second fiscal quarter of 2008 are expected to increase by approximately \$100 million as a result of a one-time tax benefit due to a change in our state tax apportionment methodology.

Table of Contents**Results of Operations*****Operating Revenues and Expenses******Operating Revenues***

Our operating revenues consist of gross operating revenues reduced by payments made to customers and merchants under volume and support incentive arrangements. Gross operating revenues consist of service fees, data processing fees, international transaction fees and other revenues. Our operating revenues are based upon aggregate payments volume reported by our customers or transactional information accumulated by our transaction processing systems. Our operating revenues are primarily generated from fees calculated on the payments volume of activity on Visa-branded cards, which we refer to as service fees, and from the fees charged for providing transaction processing, which we refer to as data processing fees. Historically, pricing has varied among our different geographies because geographies outside the United States had operated under an association business model and managed operations to a predetermined level of operating margin. In 2007, geographies outside the United States began the transition to a business model seeking to increase profitability and made competitive increases in their pricing structure. Competitive pricing changes were made in this regard during fiscal 2007 and we will continue to assess opportunities for competitive adjustments in pricing outside the United States as transition of the business model continues in fiscal 2008 and 2009. Pricing may be modified on a customer-by-customer basis through volume and support incentive arrangements. Service fees and data processing fees together represented 70% of our gross operating revenues for the three months ended December 31, 2007 and 73% of our pro forma gross operating revenues for the three months ended December 31, 2006. Service fees and data processing fees together represented 72% of our pro forma gross operating revenues in each of fiscal 2007 and 2006. We do not earn revenues from, or bear credit risk with respect to, interest and fees paid by cardholders on Visa-branded cards. Our issuing customers have the responsibility for issuing cards and determining interest rates and fees paid by cardholders, and most other competitive card features. Nor do we earn revenues from the fees that merchants are charged for card acceptance, including the merchant discount rate. Our acquiring customers, which are generally responsible for soliciting merchants, establish and earn these fees.

A significant portion of our operating revenues is concentrated among our largest customers. Our five largest customers represented approximately \$324 million, or 22%, of our operating revenues for the three months ended December 31, 2007. In addition, our operating revenues from our largest customer, JPMorgan Chase, accounted for \$106 million, or 7%, of our operating revenues for the three months ended December 31, 2007. In fiscal 2007, our pro forma operating revenues from our five largest customers represented approximately \$1.2 billion, or 23%. In fiscal 2006, our pro forma operating revenues from our five largest customers represented \$938 million, or 24%. In addition, our pro forma operating revenues from our largest customer, JPMorgan Chase, accounted for \$454 million, or 9%, and \$408 million, or 10%, of our pro forma operating revenue for fiscal 2007 and 2006, respectively.

The following sets forth the components of our operating revenues:

Service fees

Service fees reflect payments by customers for their participation in card programs carrying our brands. Service fees are primarily calculated on the payments volume of products carrying the Visa brand. We rely on our customers to report payments volume to us. Service fees in a given quarter are assessed based on payments volume in the prior quarter, excluding PIN-based debit volume. Therefore, service fees reported with respect to the three months ended December 31, 2007 were based on payments volume reported by our customers for the three months ended September 30, 2007, and pro forma service fees for the three months ended December 31, 2006 were based on payments volume reported by our customers for the 3 months ended September 30, 2006. Furthermore, pro forma service fees reported with respect to fiscal 2007 and 2006 were based on pro forma payments volume reported by our customers for the 12 months ended June 30, 2007 and June 30, 2006, respectively. These actual and pro forma payments volumes also do not include cash disbursements obtained with Visa-branded cards, balance transfers or convenience checks, which we refer to as cash volume.

Table of Contents

Also included in service fees are acceptance fees, which are used to support merchant acceptance and ongoing volume growth initiatives. Two new acceptance fees were introduced in April 2007, which apply to U.S. consumer debit payments volume and U.S. consumer credit and commercial payments volume. These fees supersede previously existing issuer programs. In addition, we introduced a new brand development fee during fiscal 2007.

Data processing fees

Data processing fees consist of fees charged to customers for providing transaction processing and other payment services, including processing services provided under our bilateral services agreement with Visa Europe. Data processing fees are based on information we accumulate from VisaNet, our proprietary, secure, centralized, global processing platform, which provides transaction processing services linking issuers and acquirers. Data processing fees are recognized as revenues in the same period the related transaction occurs or services are rendered.

Data processing fees are primarily driven by the number, size and type of transactions processed and represent fees for processing transactions that facilitate the following services:

Authorization. Fees to route authorization requests to the issuer when a merchant, through its acquirer, requests approval of a cardholder's transaction.

Clearing and settlement. Fees for determining and transferring transaction amounts due between acquirers and issuers.

Single Message System, or SMS, switching. Fees for use of the SMS for determining and transferring debit transaction amounts due between acquirers and issuers.

Member processing. Fees for use of the debit processing service, which provides processing and support for Visa debit products and services.

Processing guarantee. Fees charged for network operations and maintenance necessary for ongoing system availability.

Other products and services. Fees for miscellaneous services that facilitate transaction and information management among Visa members.

Volume and support incentives

Volume and support incentives are contracts with financial institution customers, merchants and other business partners for various programs designed to build payments volume, increase card issuance and product acceptance and increase Visa-branded transactions. These contracts, which range in term from one to 13 years, provide incentives based on payments volume growth or card issuance, or provide marketing and program support based on specific performance requirements. We provide cash and other incentives to certain customers in exchange for their commitment to generate certain payments volume using Visa-branded products for an agreed period of time.

Pricing varies among our different geographies and may be modified on a customer-by-customer basis through volume and support incentive arrangements. In this regard, volume and support incentives represent a form of price reduction to these customers. Accordingly, we record these arrangements as a reduction to operating revenues. Certain incentives are estimated based on projected performance criteria and may change when actual performance varies from projections, resulting in adjustments to volume and support incentives. Management regularly reviews volume and support incentives and estimates of performance. Estimated costs associated with these contracts are adjusted as appropriate to reflect payments volume performance and projections that are higher or lower than management's original expectation or to reflect contract amendments.

International transaction fees

Edgar Filing: Visa Inc. - Form S-1/A

International transaction fees are assessed to customers on transactions where an issuer is domiciled in one country and a merchant is located in another country. International transaction fees are generally driven by cross-

Table of Contents

border payments volume, which include the settlement of single currency transactions and currency exchange activities in connection with the settlement of multi-currency transactions. International transaction fees are influenced in large part by levels of travel and the extent to which Visa-branded products are utilized for travel purposes. These fees are recognized as revenues in the same period the related transactions occur or services are performed.

Other revenues

Other revenues consist primarily of optional service or product enhancements, such as extended cardholder protection and concierge services, cardholder services and fees for licensing and certification. Other revenues also include licensing and other service related fees from Visa Europe under the framework agreement entered into as part of the reorganization. Other revenues are recognized in the same period the related transactions occur or services are rendered.

Operating Expenses

Our operating expenses consist of: personnel; network, electronic data processing (EDP) and communications; advertising, marketing and promotion; professional and consulting fees; administrative and other; and litigation provision.

Personnel

Personnel expense consists of salaries, incentives and various fringe benefits.

Network, EDP and communications

Network, EDP and communications represent expenses for the operation of our electronic payments network, including maintenance, depreciation and fees for other data processing services.

Advertising, marketing and promotion

Advertising, marketing and promotion include expenses associated with advertising and marketing programs, sponsorships, promotions and other related incentives to promote the Visa brand. In connection with certain sponsorship agreements, we have an obligation to spend certain minimum amounts for advertising and marketing promotion over the terms of the agreements.

Professional and consulting fees

Professional and consulting fees consist of fees for consulting, contractors, legal and other professional services. Legal costs for third party services provided in connection with ongoing legal matters are expensed as incurred.

Administrative and other

Administrative and other primarily consist of facilities costs and other corporate and overhead expenses in support of our business, such as travel expenses.

Litigation provision

Litigation provision is an estimate of litigation expense and is based on management's understanding of our litigation profile, the specifics of the case, advice of counsel to the extent appropriate, and management's best estimate of incurred loss at the balance sheet dates. In accordance with SFAS No. 5, *Accounting for Contingencies*, management records a charge to income for an estimated loss if such loss is probable and reasonably estimable. We will continue to review the litigation accrual and, if necessary, future adjustments to the accrual will be made.

Table of Contents*Other Income (Expense)*

Other income (expense) primarily consists of interest expense, investment income, net and other non-operating income.

Interest expense

Interest expense primarily includes accretion associated with litigation settlements to be paid over periods longer than one year and interest incurred on outstanding debt.

Investment income, net

Investment income, net represents returns on our fixed-income securities and other investments.

Visa Inc. Three Months Ended December 31, 2007 compared to Visa Inc. Pro Forma Results for the Three Months Ended December 31, 2006*Operating Revenues*

Operating revenues were \$1,488 million for the three months ended December 31, 2007 and pro forma operating revenues were \$1,173 million for the three months ended December 31, 2006, reflecting an increase of \$315 million, or 27%. The increase in operating revenues reflects increases in global payments volume, which increased 16% in the three months ended September 30, 2007, compared to the prior year comparable period. Transactions processed increased by 13% during the first quarter of fiscal 2008 compared to the prior year comparable period. Revenue growth was also impacted by increases in the monetary value and the number of cross-border transactions in the three months ended December 31, 2007 compared to the prior year comparable period. Growth in our operating revenues exceeded growth in payments and transactions volumes due to newly introduced service fees in April 2007 and changes in pricing for various services outside the United States since December 31, 2006 as the regions outside the United States transitioned to a business model seeking to increase profitability. The new service fees and pricing modifications collectively increased our operating revenues by 15% during the three months ended December 31, 2007 and are discussed further under relevant revenue categories below. Of the overall increase in operating revenue outside the United States, our Asia Pacific and Latin American and Caribbean geographies accounted for 39% and 30% of the total, respectively. While we believe that these pricing changes will generate ongoing benefits, we do not believe that this rate of growth is representative of sustainable future revenue growth because it includes the new service fees introduced in the second half of fiscal 2007. We expect future price increases to correlate more closely with innovations in our product line and improvements in our service model.

The following table presents our operating revenues for the three months ended December 31, 2007 compared to the pro forma three months ended December 31, 2006.

	Three Months Ended December 31,		2007 vs. 2006	
	2007	Pro forma 2006 (in millions, except percentages)	\$ Change	% Change
Service fees	\$ 732	\$ 577	\$ 155	27%
Data processing fees	492	377	115	31
Volume and support incentives	(250)	(136)	(114)	84
International transaction fees	381	247	134	54
Other revenues	133	108	25	23
Total Operating Revenues	\$ 1,488	\$ 1,173	\$ 315	27%

Table of Contents*Service fees*

Payments volume on Visa-branded cards for goods and services in the preceding quarter, exclusive of PIN-based debit volume, is the basis for service fees. Payments volume increased \$85 billion, or 16%, to \$623 billion for the three months ended September 30, 2007 compared to the prior year comparable period. The growth in service fees outpaced the growth in underlying payments volume during the three months ended December 31, 2007 due primarily to two new acceptance fees introduced in April 2007 to support merchant acceptance and volume growth initiatives, which superseded previously existing arrangements with issuers. The new acceptance fees increased service fee revenue by \$50 million or 9% compared to the prior year comparable period. In addition, competitive pricing increases outside the United States, accounted for \$20 million or 3% of the growth in service fees compared to the prior year comparable period as our businesses outside the United States transitioned to a business model seeking to increase profitability. Of the overall increase in service fees outside the United States, our Asia Pacific and Latin America and Caribbean geographies accounted for 47% and 48% of the total, respectively. While we believe these changes will generate ongoing benefits, we do not believe that the rate of growth in service fees during the three months ended December 31, 2007 is representative of sustainable future revenue growth because it includes the impacts of these new fees and changes in pricing.

Data processing fees

The increase in data processing fees reflects 13% growth in the number of transactions processed during the three months ended December 31, 2007 compared to the aggregate number of transactions for the three months ended December 31, 2006. Transactions processed were 9.1 billion during the three months ended December 31, 2007 compared to 8.0 billion in prior year comparable period. Data processing fees outpaced the growth in underlying transaction volumes due to various pricing modifications both inside and outside the United States which collectively increased data processing revenues by \$55 million, or 15%. In the United States, data processing fees increased \$23 million or 6% due to competitive price increases related to the Interlink network. The pricing increases outside the United States took place after the first quarter of fiscal 2006 as our businesses outside the United States transitioned to a business model seeking to increase profitability. Pricing increases outside the United States accounted for \$20 million or 5% of the growth in data processing fees. Of the overall increase in data processing fees outside the United States, our Asia Pacific and Latin America and Caribbean geographies accounted for 73% and 15% of the total, respectively. While we believe these pricing changes will generate ongoing benefits, we do not believe that the rate of growth in data processing fees during the three months ended December 31, 2007 is representative of sustainable future revenue growth because it includes the impacts of these changes in pricing. The remainder of the increase primarily reflects increases in revenues from a new fraud product offering in the United States.

Volume and support incentives

Volume and support incentives increased significantly in the first quarter of fiscal 2008 compared to the prior year comparable period due to incremental new agreements assumed since the prior year comparable quarter, the absence of significant performance adjustments which reduced volume and support agreements in the prior year, and increases in volume and support incentives due to higher payments and transaction volumes:

Incremental new contracts entered into primarily in the United States since December 31, 2006 increased volume and support incentives by \$29 million or 21%. We expect this trend to continue in the second fiscal quarter. Volume and support incentives are expected to increase significantly in the second quarter due to new and renewed agreements entered into late in the quarter ended December 31, 2007 and due to a charge related to a specific provision of a customer agreement which was triggered in January 2008.

As anticipated, volume and support incentives increased due to obligations assumed upon retirement of certain issuer programs in 2007. This increase represented \$46 million or 34% of the growth in volume and support incentives.

Table of Contents

We recorded significant downward adjustments in the United States of \$38 million to volume and support incentives in the first quarter of the prior fiscal year, reflecting the impact of lower revised estimates of performance under these agreements as the rate of payments volume growth softened and due to a customer's lack of performance on a bonus target. As reflected below, performance adjustments recorded in the quarter ended December 31, 2007 were \$10 million. The year-to-year difference in performance adjustments recorded during the three months ended December 31, 2007 compared to the prior year comparable period resulted in an increase in volume and support incentives of \$28 million or 21%.

The remainder of the increase primarily reflects growth in volume and support incentives due to higher payments and transaction volume.

The actual amount of volume and support incentives will vary based on modifications to performance expectations for these contracts, amendments to contracts, or new contracts.

The net liability of volume and support incentives changed as follows:

	Fiscal 2008 (in millions)
Beginning balance at October 1, 2007, net liability ⁽¹⁾	\$ (87)
Provision	
Current year provision	(261)
Performance adjustments ⁽²⁾	10
Contractual amendments ⁽³⁾	1
Subtotal volume and support incentives	(250)
Payments	269
Ending balance at December 31, 2007, net liability ⁽⁴⁾	\$ (68)

(1) Balance represents the net of the current and long term asset and current liability portions of volume and support incentives of Visa Inc. at October 1, 2007.

(2) Amount represents adjustments resulting from management's refinement of its estimate of projected sales performance as new information becomes available.

(3) Amount represents adjustments resulting from amendments to existing contractual terms.

(4) Balance represents the net of the current and long term asset and current liability portions of volume and support incentives as presented in the consolidated balance sheet of Visa Inc. at December 31, 2007.

International transaction fees

The increase in international transaction fees was primarily driven by single currency and multi-currency payments volume, which increased \$14 billion, or 27%, during the three months ended December 31, 2007 compared to the pro forma amounts for the three months ended December 31, 2006 reflecting more cross-border transactions and the continued expansion in the use of electronic payments for travel purposes as overall global travel has increased. The increase in international transaction fees outpaced the increase in single currency and multi-currency payments volume primarily due to modifications to pricing structures for these transactions outside the United States, which increased international transaction fees by \$40 million, or 16%, during the three months ended December 31, 2007 compared to the pro forma amounts for the three months ended December 31, 2006. The pricing increases outside the United States took place in all geographies after the first quarter of fiscal 2006 as our businesses outside the United States transitioned to a business model seeking to increase profitability. While we believe these pricing changes will generate ongoing benefits, we do not believe that the rate of growth in international transaction fees during the three months ended December 31, 2007 is representative of sustainable future revenue growth because it includes the impacts of these changes in pricing. The remainder of the increase is attributable to the growth in foreign exchange trading revenues as multi-currency volumes increased and to increases in the amount of differential between foreign and domestic interchange rates.

Table of Contents*Other revenues*

The increase in other revenues was primarily driven by an increase of \$13 million, or 12%, in fees related to the Visa Extras loyalty platform in which enrolled Visa cardholders earn reward points toward qualifying purchases. Revenues associated with Visa Extras would be expected to increase over time as payment volumes associated with enrolled payments products increase. Visa earns revenues from its financial service institution customers for administrative and rewards fulfillment services performed in support of the Visa Extras platform. The remainder of the increase in other revenues primarily reflects additional revenues related to fees for bulletins issued to financial institution customers identifying unusual card usage and various other services.

Operating Expenses

Operating expenses increased by \$22 million, or 3%, during the three months ended December 31, 2007 compared to pro forma operating expenses for the three months ended December 31, 2006. The change primarily reflects increases in personnel and network, EDP and communications expense during the period.

The following table sets forth the components of our operating expenses for the three months ended December 31, 2007 compared to our operating expenses on a pro forma basis for the three months ended December 31, 2006.

	Three Months Ended December 31,		2007 vs. 2006	
	2007	Pro Forma 2006 (in millions, except percentages)	\$ Change	% Change
Personnel	\$ 283	\$ 273	10	4%
Network, EDP and communications	133	118	15	13%
Advertising, marketing and promotion	210	205	5	2%
Professional and consulting fees	98	101	(3)	(3)%
Administrative and other	78	81	(3)	(4)%
Litigation provision		2	(2)	NM
Total Operating Expenses	\$ 802	\$ 780	\$ 22	3%

Personnel

The modest growth in personnel expense of 4% or \$10 million reflects the offsetting impacts of severance and other charges incurred during the quarter related to workforce consolidation and elimination of overlapping functions and reductions of expense due to changes to our defined pension benefit plan effective in fiscal 2008 and reduced headcount compared to the prior year comparable period. During the first quarter of fiscal 2008 we incurred \$27 million in severance and other charges related to workforce consolidation. We are evaluating various alternatives for achieving synergies in the global organization and expect to incur additional charges, which may be significant, during the remainder of fiscal 2008 and in early fiscal 2009. Charges incurred related to workforce consolidation were offset by a reduction of \$10 million in pension expense due to conversion of our defined benefit pension plan to a cash-balance plan in fiscal 2008. Personnel costs were further reduced by a 3% reduction in headcount since December 31, 2006 primarily due to the out-sourcing of certain data processing and development support functions during fiscal 2007. During the remainder of fiscal 2008 we expect to incur charges related to equity compensation to be granted in connection with this offering.

Network, EDP and communications

The increase in network, EDP and communications expense during the three months ended December 31, 2007 compared to pro forma network, EDP and communications expense during the three months ended December 31, 2006 was primarily due to the following:

a \$7 million increase in fees paid for debit processing services for charges related to processing transactions through non-Visa networks; and

a \$6 million increase in maintenance, equipment rental and other costs.

Table of Contents

Fees for data processing services related to processing transactions through non-Visa networks would be expected to grow over time as the worldwide migration from paper-based to electronic payments continues. Maintenance and equipment rental costs may continue to increase over time as we continue to evaluate out-sourcing alternatives for certain support functions.

Other Income (Expense)

The following table sets forth the components of our other income (expense) for the three months ended December 31, 2007 compared to our other income (expense) on a pro forma basis for the three months ended December 31, 2006.

	Three Months Ended December 31,		2007 vs. 2006	
	2007	Pro Forma 2006 (in millions, except percentages)	\$ Change	% Change
Interest expense	\$ (45)	\$ (23)	\$ (22)	96%
Investment income, net	41	40	1	3%
Other	1		1	NM
Total Other Income(Expense)	\$ (3)	\$ 17	\$ (20)	(118)%

Interest expense

The increase in interest expense during the three months ended December 31, 2007 compared to pro forma interest expense during the three months ended December 31, 2006 was primarily due to interest accretion attributed to the American Express Settlement. See *Note 23 Legal Matters* to the Visa Inc. consolidated financial statements for the three months ended December 31, 2007.

Income Taxes

Visa Inc.'s effective tax rate is a combination of federal and state statutory rates and certain required adjustments to taxable income. The effective tax rate decreased to 38% during the three months ended December 31, 2007 from the pro forma 39% in the comparable period ended December 31, 2006. The decrease in the effective tax rate in the first quarter of fiscal 2008 is due to a decrease in non-deductible expenditures incurred in connection with various strategic organizational matters.

The components impacting the effective tax rate are:

	For the Three Months Ended December 31,			
	2007		Pro Forma 2006	
	Dollars	Percent	Dollars	Percent
	(in millions, except percentages)			
Income before income taxes	\$ 683		\$ 410	
U.S. federal statutory tax	239	35%	142	35%
State tax effect, net of federal benefit	11	2%	7	1%
Non-U.S.	3	%	3	1%
Other	6	1%	9	2%
Income Tax Expense	\$ 259	38%	\$ 161	39%

California Special Deduction

Edgar Filing: Visa Inc. - Form S-1/A

The statement of operations for the three months ended December 31, 2007 and the pro forma statement of operations for the three months ended December 31, 2006 reflect our continuing eligibility to claim the special deduction afforded to companies that operate on a cooperative or mutual basis under California Revenue and

Table of Contents

Taxation Code §24405, or the special deduction. The State of California, where Visa U.S.A. and Visa International are headquartered, historically has not taxed a substantial portion of the reported income of these companies on the basis that both operate on a cooperative or mutual basis and are therefore eligible for a special deduction. As taxpayers eligible for the special deduction, Visa U.S.A. and Visa International are generally only subject to California taxation on interest and investment income. Therefore, the majority of each company's income has not historically been taxed in California. As a result of this offering and the consequent ownership by parties other than our financial institution customers, we will no longer be eligible to claim the special deduction. Had ineligibility for the special deduction been reflected at the beginning of the three months ended December 31, 2007 our income tax expense would increase and net income would decrease by \$10 million for the three months ended December 31, 2007. Had ineligibility for the special deduction been reflected at the beginning of the three months ended December 31, 2006, our pro forma income tax expense would increase and pro forma net income would decrease by approximately \$9 million for the three months ended December 31, 2006.

Franchise Tax Board (FTB) Examination

We are currently negotiating a resolution of certain state audit issues raised by the FTB with their settlement division. These audit issues are in an advanced stage in the settlement process, the most significant of which include the eligibility to claim certain items as special deductions, apportionment computation and research and development credits taken. We believe that it is reasonably possible that the unrecognized tax benefits related to these significant state audit issues could decrease (whether by settlement, release or a combination of both) in the next 12 months by as much as \$62 million.

Visa Inc. Pro Forma Fiscal 2007 compared to Visa Inc. Pro Forma Fiscal 2006**Operating Revenues**

Pro forma operating revenues were \$5.2 billion and \$3.9 billion in fiscal 2007 and 2006, respectively, reflecting an increase of \$1.3 billion, or 33%. The increase in pro forma operating revenues reflects increases in global payments volume, exclusive of PIN-based debit volume, which increased 13% in the 12 months ended June 30, 2007, and growth in transactions, the monetary value of cross-border transactions and the number of cross border transactions in fiscal 2007. Growth in our pro forma operating revenues exceeded growth in payments and transactions volumes due to newly introduced service fees and changes in pricing for various services outside the United States as the regions outside the United States transitioned to a business model seeking to increase profitability. The new service fees and pricing modifications collectively increased our pro forma operating revenues by 11% during fiscal 2007 and are discussed further in relevant revenue categories below. Of the overall increase in operating revenues outside the United States, our Asia Pacific and Latin America and Caribbean geographies accounted for 42% and 39% of the total, respectively. While we believe that these pricing changes will generate ongoing benefits, we do not believe that this rate of growth is representative of sustainable future revenue growth because it includes the new service fees introduced in the second half of fiscal 2007. We expect future price increases to correlate more closely with innovations in our product line and improvements in our service model.

	Pro Forma Visa Inc.			
	Fiscal 2007	Fiscal 2006	2007 vs. 2006	
			\$ Change	% Change
	(in millions, except percentages)			
Service fees	\$ 2,582	\$ 2,060	\$ 522	25%
Data processing fees	1,659	1,411	248	18
Volume and support incentives	(714)	(890)	176	(20)
International transaction fees	1,193	911	282	31
Other revenues	473	410	63	15
Total Pro Forma Operating Revenues	\$ 5,193	\$ 3,902	\$ 1,291	33%

Table of Contents*Service fees*

Pro forma payments volume on Visa-branded cards for goods and services in the preceding quarter, exclusive of PIN-based debit volume, is the basis for pro forma service fees. Pro forma payments volume, exclusive of PIN-based debit volume, increased \$247 billion, or 13%, to \$2.1 trillion for the twelve months ended June 30, 2007 compared to the twelve months ended June 30, 2006. Pro forma service fees outpaced the growth in underlying payments volume during fiscal 2007 due primarily to two new acceptance fees introduced in April 2007 to support merchant acceptance and volume growth initiatives, which superseded three previously existing arrangements with issuers, and the introduction of a new brand development fee in January 2007. The new acceptance fees in the United States increased pro forma service fees by \$190 million, or 9%, and the new brand development fees increased pro forma service fees by \$49 million, or 2%, compared with the prior fiscal year.

Data processing fees

The increase in pro forma data processing fees is primarily due to the number of pro forma transactions processed, which increased 12% in fiscal 2007 compared to fiscal 2006. Pro forma data processing fees outpaced the growth in underlying pro forma transaction volume due to various competitive pricing modifications outside the United States for authorization, clearing and settlement and SMS debit processing which increased pro forma data processing revenues by \$44 million, or 3%. Of the overall increase in data processing fees outside the United States, our Asia Pacific and Latin America and Caribbean geographies accounted for 58% and 15% of the total, respectively. The pricing increases outside the United States took place in substantially all geographies during fiscal 2007 as our businesses outside the United States transitioned to a business model seeking to increase profitability. While we believe these pricing changes will generate ongoing benefits, we do not believe that the rate of growth in data processing fees during fiscal 2007 is representative of sustainable future revenue growth because it includes the impacts of these changes in pricing.

Volume and support incentives

The decrease in pro forma volume and support incentives was primarily due to the impact of lower revised estimates of performance under these agreements during management's regular quarterly review and various terminations of volume and support incentive programs outside the United States that did not continue into fiscal 2007, particularly in the Asia Pacific and Latin America and Caribbean geographies. Performance adjustments reduced pro forma volume and support incentives costs by a total of \$81 million in fiscal 2007, decreasing pro forma volume and support incentives by 9%. As the rate of payments volume growth has softened compared to the prior year, estimates of performance under volume and support incentives have been adjusted accordingly. The termination of various volume and support incentive programs outside the United States during fiscal 2007 further reduced pro forma volume and support incentives by \$93 million, or 10%. These programs were comprised of annual incentives during fiscal 2006 for all eligible financial institution customers who met certain performance requirements. We currently expect volume and support incentives to increase substantially during fiscal 2008 due to obligations assumed upon retirement of certain issuer programs during 2007. See *Note 13 Restricted Assets and Liabilities* and *Note 19 Commitments and Contingencies* to the Visa U.S.A. fiscal 2007 consolidated financial statements. The actual amount of volume and support incentives will vary based on modifications to performance expectations for these contracts, amendments to contracts, or new contracts entered into during 2008.

Table of Contents

The net liability of volume and support incentives changed as follows:

	2007 (in millions)
Beginning balance at October 1, 2006, net liability ⁽¹⁾	\$ (274)
Provision	
Current year provision	(805)
Performance adjustments ⁽²⁾	81
Contractual amendments ⁽³⁾	10
Subtotal volume and support incentives	(714)
Payments	901
Ending balance at October 1, 2007, net liability ⁽⁴⁾	\$ (87)

- (1) Balance represents the net of the current and long term asset and current liability portions of volume and support incentives of Visa Inc. at October 1, 2006.
(2) Amount represents adjustments resulting from management's refinement of its estimate of projected sales performance as new information becomes available.
(3) Amount represents adjustments resulting from amendments to existing contractual terms.
(4) Balance represents the net of the current and long term asset and current liability portions of volume and support incentives as presented in the consolidated balance sheet of Visa Inc. at October 1, 2007.

International transaction fees

The increase in pro forma international transaction fees was primarily driven by pro forma single currency and multi-currency payments volume, which increased \$31 billion, or 18%, during fiscal 2007 compared to 2006 reflecting more cross-border transactions and the continued expansion in the use of electronic payments for travel purposes as overall global travel has increased. The increase in pro forma international transaction fees outpaced the increase in pro forma single currency and multi-currency payments volume primarily due to modifications to pricing structures for these transactions outside the United States, which increased pro forma international transaction fees by \$122 million or 13% during fiscal 2007. The pricing increases outside the United States took place in all geographies during fiscal 2007 as our businesses outside the United States transitioned to a business model seeking to increase profitability. While we believe these pricing changes will generate ongoing benefits, we do not believe that the rate of growth in international transaction fees during fiscal 2007 is representative of sustainable future revenue growth because it includes the impacts of these changes in pricing.

Other revenues

The increase in pro forma other revenues was primarily driven by an increase of \$25 million, or 6%, in fees related to various targeted development and advertising programs outside the United States, including development and advertising programs for the upcoming 2008 summer Olympic games in Beijing, China. Fees for targeted development and advertising programs may be discontinued when objectives of the program have been achieved. The increase in pro forma other revenues is also attributable to higher fees earned in connection with product enhancements and premium cardholder services, which increased \$13 million or 3% during fiscal 2007. The remainder of the increase in other revenues is primarily due to higher revenues outside the United States related to licensing and card manufacturer certifications and for bulletins identifying unusual card usage.

Operating Expenses

Pro forma operating expenses increased \$3.1 billion, or 97%, in fiscal 2007 compared to fiscal 2006. The increase primarily reflects a \$2.7 billion litigation provision, which represented 85% of the total increase in operating expenses. Excluding the litigation provision, operating expenses increased \$480 million, or 15%.

Table of Contents

The following table sets forth the components of our operating expenses on a pro forma basis for fiscal 2007 and 2006.

	Pro Forma Visa Inc. 2007 vs. 2006			
	Fiscal 2007	2006	\$ Change (in millions)	% Change
Personnel	\$ 1,159	\$ 1,009	150	15%
Network, EDP and communications	517	475	42	9%
Advertising, marketing and promotion	1,075	864	211	24%
Professional and consulting fees	552	418	134	32%
Administrative and other	353	410	(57)	(14)%
Litigation provision	2,653	23	2,630	NM
Total Pro Forma Operating Expenses	\$ 6,309	\$ 3,199	\$ 3,110	97%

Personnel

The increase in pro forma personnel expense in fiscal 2007 includes a \$53 million, or 5%, increase representing the first installment of a one-time special bonus program of \$107 million associated with the establishment of Visa Inc. Half of the \$107 million special bonus program vested during fiscal 2007 and the other half is payable in stock or cash one year after the completion of this offering if certain vesting requirements are met. The remaining increase of 10% primarily reflects the following which occurred during fiscal 2007:

an increase in severance and related expenses of \$41 million due to the attrition of several senior executives from Visa U.S.A. and Visa International during fiscal 2007 prior to the reorganization and due to a workforce reduction initiative in conjunction with outsourcing certain data processing functions; and

annual salary adjustments which were broadly in line with economic price increases.

Network, EDP and communications

The increase in pro forma network, EDP and communications expense during fiscal 2007 was primarily due to the following:

a \$29 million increase in fees paid for debit processing services for charges related to processing transactions through non-Visa networks; and

a \$12 million increase in maintenance and equipment rental costs.

Fees for data processing services related to processing transactions through non-Visa networks are expected to grow over time as the worldwide migration from paper-based to electronic payments continues. Maintenance and equipment rental costs may continue to increase over time as we continue to evaluate out-sourcing alternatives for certain support functions

Advertising, marketing and promotion

Pro forma advertising, marketing and promotion expense increased in fiscal 2007 primarily due to the following:

a \$104 million increase in expenditures for certain joint promotional campaigns with financial institution customers;

a \$38 million increase in expenditures associated with the upcoming 2008 summer Olympic games in Beijing, China; and

a \$23 million increase in expenditures associated with Visa Extras, Visa U.S.A.'s point-based rewards program that enables enrolled cardholders to earn reward points on qualifying purchases.

Table of Contents

We assess the effectiveness of all promotional activity and may continue joint promotional campaigns with our financial institution customers in the future. Expenses associated with Visa Extras would be expected to increase over time as payments volumes associated with enrolled payments products increase.

The increase is also attributable to additional promotions related to Visa Signature, Visa Small Business, and Consumer Debit products, and to sporting and entertainment sponsorships and events. These increases were offset by the absence of initial launch expenditures for Visa's new brand mark and card design that were incurred during fiscal 2006.

Management will continue to evaluate the impact of joint promotional campaigns with financial institutions and may continue them in the future. We expect that significant expenditures related to the 2008 Beijing Olympics will continue in fiscal 2008.

Professional and consulting fees

Pro forma professional and consulting fees increased in fiscal 2007 primarily due to the following:

a \$77 million increase in consulting and legal fees incurred to support the corporate reorganization;

a \$23 million increase in legal fees incurred to support ongoing litigation matters. See *Note 21 Legal Matters* to the consolidated balance sheet of Visa Inc. at October 1, 2007; and

a \$23 million increase in contractors and outsourcing expense in connection with the outsourcing of certain data processing and development functions and additional contractors in connection with the support of other development and maintenance projects. Higher professional fees are expected to continue in fiscal 2008 in connection with this offering. We continue to evaluate out-sourcing alternatives for certain technology and support functions. Contractor and outsourcing expense could increase in the future should additional support functions be transitioned to an external provider.

Administrative and other

Pro forma administrative and other expense decreased in fiscal 2007, primarily reflecting the absence of the following expenses incurred in fiscal 2006:

a \$24 million charge to reimburse members for production and issuance costs related to discontinued use of Visa-branded cards with the holographic magnetic stripe design;

a \$13 million impairment charge for the net carrying value of an intangible asset associated with the patent and rights to market and distribute Mini Cards in the United States; and

a \$11 million charge to reflect expenses for business objectives related to a litigation settlement in fiscal 2006. The settlement required Visa U.S.A. to either meet certain joint business objectives or make cash payments in lieu of the business objectives over five years. Because Visa U.S.A. expects to make these related cash payments without receiving future benefits, Visa U.S.A. charged the present value of the total payments to its consolidated statements of operations in fiscal 2006.

In addition, after a review of claims submitted, we reduced the accrual for reimbursement to members for production costs related to the discontinued use of Visa-branded cards with the holographic magnetic stripe design by \$11 million in fiscal 2007.

Litigation provision

Pro forma litigation provision increased by \$2.6 billion in fiscal 2007 reflecting a \$1.9 billion provision related to settlement of outstanding litigation with American Express. Future payments under the settlement agreement were discounted at 4.72% over the payment term to determine the amount of the provision. The

Table of Contents

litigation provision also reflects a \$650 million liability estimate under the guidelines of SFAS No. 5, *Accounting for Contingencies*, related to the Discover litigation. The American Express and Discover litigations are covered by our retrospective responsibility plan and we intend to fund any payment obligations with amounts in the escrow account, in accordance with our retrospective responsibility plan. The remainder of the increase in litigation provision includes various litigation provisions for both settled and unsettled matters. See *Liquidity and Capital Resources* and *Note 21 Legal Matters* to the consolidated balance sheet of Visa Inc. at October 1, 2007.

Other Income (Expense)

The following table sets forth the components of our other income (expense) on a pro forma basis for fiscal 2007 and 2006.

	Pro Forma Visa Inc.			
	Fiscal 2007	2006	2007 vs. 2006	
			\$ Change	% Change
	(in millions)			
Interest expense	\$ (97)	\$ (104)	\$ 7	(7)%
Investment income, net	197	136	61	45%
Other	8		8	NM
Total Pro Forma Other Income	\$ 108	\$ 32	\$ 76	238%

Interest expense

The decrease in pro forma interest expense in fiscal 2007 primarily reflects lower accretion expense on the declining balance of litigation settlements during fiscal 2007. Interest expense will increase in fiscal 2008 as a result of the American Express settlement.

Investment income, net

The increase in pro forma investment income, net primarily reflects an increase in dividend and interest income of \$41 million due to a shift in our investment strategy from tax-exempt municipal bonds to higher yield fixed-income investment securities and to higher average investment balances during the year.

Other Non-Operating Income

The increase in pro forma other non-operating income was primarily due to a gain from the sale of Visa International assets to Visa Europe in connection with the transfer of member banks in Romania and Bulgaria to Visa Europe in April 2007. The member banks in these two countries migrated from Visa International's CEMEA region to Visa Europe following the admittance of the two countries into the European Union. In connection with the transfer of these members to Visa Europe, Visa International entered into an asset transfer agreement with Visa Europe, and assets related to Visa International's operations in the two countries were sold to Visa Europe for a purchase price of \$8 million.

Income Taxes*California Special Deduction*

The pro forma statements of operations reflect our continuing eligibility to claim the special deduction afforded to companies that operate on a cooperative or mutual basis under California Revenue and Taxation Code §24405, or the special deduction. The State of California, where Visa U.S.A. and Visa International are headquartered, historically has not taxed a substantial portion of the reported income of these companies on the basis that both operate on a cooperative or mutual basis and are therefore eligible for a special deduction. As

Table of Contents

taxpayers eligible for the special deduction, Visa U.S.A. and Visa International are generally only subject to California taxation on interest and investment income. Therefore, the majority of each company's income has not historically been taxed in California. As a result of this offering and the consequent ownership by parties other than our financial institution customers, we will no longer be eligible to claim the special deduction. Had ineligibility for the special deduction been reflected at the beginning of each fiscal year presented in the pro forma condensed combined statements of operations, our income tax benefit would decrease and net loss would increase by approximately \$31 million in fiscal 2007, and our income tax expense would increase and net income would decrease by approximately \$16 million in fiscal 2006.

Franchise Tax Board (FTB) Examination

We are currently negotiating a resolution of the state audit issues raised by the FTB with their settlement division. These audit issues are in an advanced stage in the settlement process, the most significant of which include the eligibility to claim certain items as special deductions, apportionment computation and research and development credits taken. We believe that it is reasonably possible that the unrecognized tax benefits related to these significant state audit issues could decrease (whether by settlement, release or a combination of both) in the next 12 months by as much as \$62 million.

Deferred Tax Assets

Our fiscal 2007 pro forma statement of operations reflects a litigation provision of \$2.7 billion associated with our outstanding and settled litigation. This provision primarily reflects the amount required to settle the American Express litigation and management's liability estimate under the guidelines of SFAS No. 5 related to the Discover litigation and other matters. For tax purposes, the deduction related to these matters is deferred until the payments are made and thus we established a deferred tax asset of \$787 million related to these payments, which is net of a reserve to reflect our best estimate of the amount of the benefit to be realized.

Visa Inc. Three Months Ended December 31, 2007 compared to Visa U.S.A. Three Months Ended December 31, 2006

The following discussion of results of operations compares Visa Inc. consolidated results for the three months ended December 31, 2007 to Visa U.S.A. results for the three months ended December 31, 2006. Visa U.S.A. was deemed the accounting acquirer in the reorganization that took place on October 1, 2007 and therefore Visa U.S.A. results are the historical predecessor for Visa Inc. In order to understand factors that may affect the comparability of the financial data presented below, the following section should be read in conjunction with *Results of Operations Operating Revenues and Expenses Visa Inc. Three Months Ended December 31, 2007 compared to Visa Inc. Pro Forma Results for the Three Months Ended December 31, 2006*, as well as Visa Inc.'s unaudited consolidated financial statements and related notes at and for the three months ended December 31, 2007, and the information under *Unaudited Pro Forma Condensed Combined Statement of Operations*.

Operating Revenues

Operating revenues were \$1,488 million for the three months ended December 31, 2007 compared to \$845 million for the three months ended December 31, 2006, reflecting an increase of \$643 million, or 76%. The increase in operating revenues primarily reflects the inclusion of \$565 million of operating revenues from other regions upon the reorganization on October 1, 2007 offset by the absence of data processing and other revenues previously earned from Visa International and Visa Canada.

Table of Contents

The following table compares our operating revenues for the three months ended December 31, 2007 with those of Visa U.S.A. for the three months ended December 31, 2006.

	Three Months Ended December 31,		2007 vs. 2006	
	2007	2006	\$ Change	% Change
	(in millions, except percentages)			
Service fees	\$ 732	\$ 451	\$ 281	62%
Data processing fees	492	331	161	49
Volume and support incentives	(250)	(97)	(153)	158
International transaction fees	381	106	275	259
Other revenues	133	54	79	146
Total Operating Revenues	\$ 1,488	\$ 845	\$ 643	76%

Service fees

The increase in service fees is primarily driven by the inclusion of service fees from acquired regions upon the reorganization on October 1, 2007, which represent \$195 million, or 43% of the increase. An additional increase of \$50 million, or 11%, is attributable to new acceptance fees introduced in April 2007. The remainder of the increase primarily reflects U.S. payments volume growth of 11%.

Data processing fees

The increase in data processing fees is primarily due to the inclusion of data processing fees from acquired regions upon the reorganization on October 1, 2007, which represent \$108 million of the increase, or 33%. Growth in data processing fees in the United States increased \$73 million, or 22% primarily reflecting the combined impacts of 13% growth in transaction counts, competitive pricing increases related to the Interlink Network of \$23 million, or 7%, and new data processing fees related to new fraud product offerings, of \$8 million or 2%. These increases are offset by the absence of \$21 million data processing revenues previously earned from Visa International regions and Visa Canada. Upon the reorganization, Visa U.S.A., Visa International, and Visa Canada became direct or indirect subsidiaries of Visa Inc.

Volume and support incentives

Volume and support incentives increased \$56 million or 58% due to inclusion of volume and support incentives from the acquired regions upon the reorganization on October 1, 2007. As anticipated, volume and support incentives increased due to obligations assumed upon retirement of certain issuer programs in 2007. This increase represented \$46 million or 47% of the growth in volume and support incentives. New contracts entered into after December 31, 2006 increased volume and support incentives by \$29 million or 30%. Finally, during the first quarter of fiscal 2007, volume and support incentives were reduced by \$38 million in performance adjustments due to the impact of lower revised estimates of performance under these agreements as the rate of payments volume growth softened in the United States and due to a customer's lack of performance on a bonus target. The year-to-year difference in performance adjustments recorded during the three months ended December 31, 2007 compared with the three months ended December 31, 2006 resulted in an increase in volume and support incentives of \$28 million or 29%. The remainder of the increase primarily reflects growth in volume and support incentives due to higher payments and transaction volume.

The actual amount of volume and support incentives will vary based on modifications to performance expectations for these contracts, amendments to contracts, or new contracts. The second quarter of fiscal 2008 will also include a charge in volume and support incentives related to a specific provision of a customer agreement which was triggered in January 2008.

Table of Contents*International transaction fees*

International transaction fees increased \$248 million or 234% due to inclusion of international transaction fees of acquired regions upon the reorganization on October 1, 2007. The remainder of the increase is attributable to growth in multi-currency payments volume in the United States which increased by 23% reflecting more cross-border transactions and continued expansion in the use of electronic payments for travel purposes as overall global travel has increased.

Other revenues

The increase in other revenues reflects inclusion of other revenues from acquired regions upon the reorganization on October 1, 2007, representing \$52 million of the increase, or 96%. License fees earned under the framework agreement with Visa Europe, which became effective at the time of the reorganization, represented \$44 million, or 81% of the increase. These increases were offset by the absence of \$30 million in project revenues previously earned for services provided to Visa International regions and Visa Canada. The remainder of the increase in other revenues is primarily due to an increase of \$13 million in fees related to the Visa Extras loyalty platform in which enrolled Visa cardholders earn reward points toward qualifying purchases. Revenues associated with Visa Extras would be expected to increase over time as payment volumes associated with enrolled payments products increase. Visa earns revenues from its financial service institution customers for administrative and rewards fulfillment services performed in support of the Visa Extras platform.

Operating Expenses

Operating expenses increased \$266 million, or 50%, during the three months ended December 31, 2007 compared to the three months ended December 31, 2006. The change in operating expense is primarily due to operating expenses from the acquired regions.

The following table sets forth the components of our operating expenses for the three months ended December 31, 2007 compared to the three months ended December 31, 2006.

	Three Months Ended December 31,		2007 vs. 2006	
	2007	2006	\$ Change	% Change
	(in millions, except percentages)			
Personnel	\$ 283	\$ 171	112	65%
Network, EDP and communications	133	81	52	64%
Advertising, marketing and promotion	210	114	96	84%
Visa International fees		43	(43)	NM
Professional and consulting fees	98	71	27	38%
Administrative and other	78	54	24	44%
Litigation provision		2	(2)	NM
Total Operating Expenses	\$ 802	\$ 536	\$ 266	50%

Personnel

The increase in personnel expense was primarily due to:

\$105 million in personnel expense attributed to the acquired regions; and

\$27 million in severance charges related to workforce consolidation due to the elimination of overlapping functions directly connected to the reorganization.

These increases were offset by reductions in personnel expense due to changes in our defined benefit pension plan and reductions in employee base since the prior year comparable period.

Table of Contents*Network, EDP and communications*

The increase in network, EDP and communications expense was primarily due to \$39 million in network, EDP and communications expense attributed to the acquired regions. The remainder of the increase reflects higher fees paid for debit processing services for charges related to processing transactions through non-Visa networks and higher software maintenance and hardware rental expense. Fees for data processing services related to processing transactions through non-Visa networks would be expected to grow over time as the worldwide migration from paper-based to electronic payments continues. Maintenance and equipment rental costs may continue to increase over time as we continue to evaluate out-sourcing alternatives for certain support functions.

Advertising, marketing and promotion

The increase in advertising, marketing and promotion primarily reflects \$87 million in advertising, marketing and promotion expense attributed to the acquired regions and \$9 million of additional promotional expenses related to the Visa-Extras rewards program.

Visa International Fees

Visa International fees ceased as a result of the reorganization, as Visa U.S.A. and Visa International are both direct subsidiaries of Visa Inc.

Professional and Consulting Fees

The increase in professional and consulting fees primarily reflects \$22 million in professional and consulting expense attributed to the acquired regions.

Administrative and Other

The increase in administrative and other expense primarily reflects \$53 million of expense attributed to the acquired entities, offset by the absence of \$15 million in facilities expense paid to the real estate joint ventures owned by Visa U.S.A. and Visa International which were consolidated following the reorganization.

Other Income (Expense)

The following table sets forth the components of our other income (expense) for the three months ended December 31, 2007 compared to Visa U.S.A.'s other income (expense) for the three months ended December 31, 2006.

	Three Months Ended December 31,		2007 vs. 2006	
	2007	2006	\$ Change	% Change
	(in millions, except percentages)			
Interest expense	\$ (45)	\$ (20)	\$ (25)	125%
Investment income, net	41	22	19	86%
Other	1	12	(11)	(92%)
Total Other Income(Expense)	\$ (3)	\$ 14	\$ (17)	(121)%

Interest expense

The increase in interest expense was primarily due to interest accretion attributed to the American Express Settlement. See *Note 23 Legal Matters* to the Visa Inc. consolidated financial statements for the three months ended December 31, 2007.

Table of Contents*Investment income, net*

The increase in investment income, net was primarily driven by investment income of \$16 million from the acquired regions. The remaining increase is due to a shift in strategy in our investment portfolio from tax exempt municipal securities to money market investments that currently yield a higher rate of return.

Other Non-Operating Income

The decrease in other non-operating income is primarily due to the absence of equity in earnings of Visa International which was acquired in the reorganization.

Income Taxes

Visa Inc.'s effective tax rate is a combination of federal and state statutory rates and certain required adjustments to taxable income.

The components impacting the effective tax rate are:

	For the Three Months Ended December 31,			
	2007		2006	
	Dollars	Percent	Dollars	Percent
	(in millions, except percentages)			
Income before income taxes	\$ 683		\$ 323	
U.S. federal statutory tax	239	35%	113	35%
State tax effect, net of federal benefit	11	2%	5	2%
Non U.S.	3	0%		%
Other	6	1%	1	%
Income Tax Expense	\$ 259	38%	\$ 119	37%

Liquidity and Capital Resources*Our Management of Our Liquidity*

Prior to our reorganization, Visa U.S.A., Visa International and Visa Canada each managed their own short-term and long-term liquidity needs. With the completion of the reorganization we are now able to manage our corporate finance and treasury functions on an integrated basis.

Our treasury policies provide management with the guidelines and authority to manage liquidity risk in a manner consistent with corporate objectives. The objectives of these treasury policies are to service the payments of principal and interest on outstanding debt, to provide adequate liquidity to cover operating expenditures and liquidity contingency scenarios, to ensure timely completion of payments settlement activities, to ensure payment of required litigation settlement payments and to optimize income earned within acceptable risk parameters.

Based on our cash flow budgets and forecasts of our short-term and long-term liquidity needs, management believes that our projected sources of liquidity will be sufficient to meet our projected liquidity needs for the next 12 months. However, our ability to maintain liquidity could be adversely affected by several factors described under *Risk Factors*. Management will continue to assess our liquidity position and potential sources of supplemental liquidity in view of our operating performance and other relevant circumstances.

Table of Contents

The following table sets forth summarized data for the consolidated balance sheet of Visa Inc. at December 31, 2007 reflecting its financial condition:

	December 31, 2007 (in millions, unaudited)
Consolidated Balance Sheet Data	
Cash and cash equivalents	\$ 1,698
Short-term investments securities, available-for-sale	729
Total current assets	5,813
Long-term investments securities, available-for-sale	380
Total current liabilities	5,179
Current portion of long-term debt	75
Long-term debt	40
Current portion of accrued litigation obligation	2,325
Long-term portion of accrued litigation obligation	1,395
Total stockholders' equity	16,716
Working capital	634

Cash Flow Data

The following table summarizes our cash flows from operating, investing and financing activities for the three months ended December 31, 2007:

	For the three months ended December 31, 2007 (in millions)
Total cash provided by (used in):	
Operating activities	\$ 182
Investing activities	1,251
Financing activities	(10)
Increase in cash and cash equivalents	\$ 1,423
<i>Operating Activities</i>	

Cash provided by operating activities for the three months ended December 31, 2007 was \$182 million. This amount was lower than income provided by operations primarily due to:

Use of cash of \$199 million reflecting seasonally high multi-currency settlement transactions which require additional time to settle compared to domestic transactions. As is typical during the holiday season and given the proximity of the calendar year end to a weekend, the company carried a higher level of multi-currency transactions in its net settlement balances. This use of cash represents the net of the increases in settlement receivable and increases in settlement payable during the three months ended December 31, 2007 and

Use of cash reflecting annual compensation benefit payments reflected as a reduction of \$166 million in accrued compensation. These uses of cash were offset by taxes payable on income provided by operations, depreciation, amortization, accretion of litigation obligation and other non-cash items.

Edgar Filing: Visa Inc. - Form S-1/A

Cash provided by investing activities was \$1,251 million for the three months ended December 31, 2007. Cash flows from investing activities primarily reflect \$1,002 million of cash acquired through the reorganization and net cash proceeds from the sales and maturities of investment securities of \$475 million due to a shift in investments from debt securities to shorter-term cash equivalents, which offer more favorable yields. In addition,

Table of Contents

we purchased property, equipment and technology of \$71 million primarily related to the new data center under construction on the east coast. In addition, cash provided by investing activities reflects a reduction of cash of \$160 million related to temporary classification under prepaid and other current assets of our pro-rata share of underlying securities in a money market fund that is being closed by its financial institution. When we take custody of the securities during the second fiscal quarter, the securities will be classified as investments available-for-sale on our consolidated balance sheets. See *Note 7 Prepaid and Other Current Assets*.

Cash used in financing activities was \$10 million for the three months ended December 31, 2007 reflecting routine debt payments during the quarter.

Sources of Liquidity

In addition to the net proceeds from this offering, which we intend to use as described under *Use of Proceeds*, our primary sources of liquidity are cash on hand, a fixed income investment portfolio comprised of highly rated debt instruments, cash flow from operating activities and access to various borrowing arrangements. Funds from operations are maintained in cash and cash equivalents, short-term available-for-sale investment securities, or long-term available-for-sale investment securities based on our estimates of when those funds will be required. At December 31, 2007, our total liquid assets, consisting of cash, cash equivalents, and short- and long-term available-for-sale investment securities were \$2.8 billion.

Revolving credit facilities. Prior to the February 15, 2008 facility referred to below, we maintained certain unsecured revolving credit facilities providing for borrowings of up to \$2.25 billion in order to provide liquidity in the event of settlement failures by our customers, to back up the commercial paper program discussed below and for general corporate purposes. The participating lenders in these revolving credit facilities included certain customers or affiliates. There were no borrowings under these revolving credit facilities during the three months ended December 31, 2007 or during fiscal 2007 or 2006. These facilities contained certain financial covenant requirements associated with maintaining minimum levels of accumulated net income and a maximum level of debt and events of default customary for financings of this type. We were in compliance with all covenants with respect to these facilities at December 31, 2007.

Of the \$2.25 billion of credit facilities referenced above, a \$300 million facility was scheduled to expire on October 7, 2007 and the remaining two facilities, totaling \$1.95 billion, were scheduled to expire on November 19, 2007. On November 15, 2007, Visa International entered into a new, single \$2.25 billion 364-day revolving credit facility which replaced the three previously-mentioned credit facilities. The November 2007 facility, which was to mature in November 2008, allowed Visa International to substitute Visa Inc. as the borrower under this facility and contained covenants and events of default customary for facilities of this type.

On February 15, 2008, we entered into a \$3.0 billion five-year revolving credit facility with a syndicate of banks including affiliates of certain class B and class C stockholders. This five-year facility replaces Visa International's \$2.25 billion credit facility. Loans under the five-year facility may be in the form of base rate loans, which will bear interest at a rate equal to the higher of the federal funds rate plus 0.5% or the Bank of America prime rate, at a rate equal to the federal funds rate plus an applicable margin of 0.11% to 0.30% based on the borrower's credit rating, or in the form of eurocurrency loans, which will bear interest at a rate equal to LIBOR (as adjusted for applicable reserve requirements) plus the same applicable margin. This facility contains certain covenants, including a covenant that limits the use of the proceeds of any loan to (a) refinancing indebtedness, (b) ensuring the integrity of the settlement process in the event of member failure, (c) use as a backup for our commercial paper program and (d) for general corporate purposes. This facility also contains financial covenant requirements relating to a maximum level of debt to EBITDA and events of default customary for financings of this type. Our new facility expires on February 15, 2013.

U.S. commercial paper programs. We maintain a \$500 million U.S. commercial paper program, which provides for the issuance of unsecured debt with maturities up to 270 days from the date of issuance at interest rates generally extended to companies with comparable credit ratings. The commercial paper program is our primary source of short-term borrowed funds, and commercial paper is issued to cover short-term cash needs

Table of Contents

during peak settlement periods. At December 31, 2007, we had no obligations outstanding under this program. There are no financial covenants related to this program.

Medium-term note program. We have established a medium-term note program authorizing the issuance of a maximum \$250 million of unsecured, private placement notes. The notes may be issued with maturities from nine months to 30 years at fixed or floating interest rates. At December 31, 2007, we had notes outstanding in an aggregate amount of \$40 million, which mature in August 2009 and have a fixed interest rate of 7.53%. Interest expense on the outstanding notes during the three months ended December 31, 2007 was less than \$1 million. During both fiscal 2007 and 2006 interest expense on the outstanding notes was \$3 million. There are no financial covenants related to this program.

Uses of Liquidity

Payments settlement requirements. Payments settlement due from and due to issuing and acquiring customers represents our most consistent liquidity requirement, arising primarily from the payments settlement of certain credit and debit transactions and the timing of payments settlement between financial institution customers with settlement currencies other than the U.S. dollar. These settlement receivables and payables generally remain outstanding for one to two business days, consistent with standard market conventions for domestic transactions and foreign currency transactions. We maintain a liquidity position sufficient to enable uninterrupted daily net settlement. Typically, the highest seasonal liquidity demand is experienced in December and early January during the holiday shopping season. During the three months ended December 31, 2007, we funded average daily net settlement receivable balances of \$158 million, with the highest daily balance being \$244 million. During fiscal 2007, on a pro forma basis, we funded average daily net settlement receivable balances of \$72 million, with the highest daily balance being \$164 million. During fiscal 2006, on a pro forma basis, we funded average daily net settlement receivable balances of \$48 million, with the highest daily balance being \$77 million.

Litigation. Visa U.S.A. and Visa International are parties to legal and regulatory proceedings with respect to a variety of matters, including certain litigation that we refer to as the covered litigation. We have a retrospective responsibility plan to address settlements and judgments arising from the covered litigation. As part of the plan, we intend to deposit \$3.0 billion into an escrow account from which settlements of, or judgments in, the covered litigation will be payable. The amount deposited in the escrow account will cause the class B conversion rate to adjust to 0.72 shares of class A common stock per share of class B common stock (based on the midpoint of the range set forth on the cover of this prospectus and assuming the escrow amount set forth above). After the closing of this offering, we may be directed by the litigation committee to conduct additional sales of class A common stock in order to increase the escrow amount, in which case the conversion rate of the class B common stock will be subject to an additional dilutive adjustment to the extent of the net proceeds from those sales. See *Business Retrospective Responsibility Plan*.

Together with Visa U.S.A. and Visa International, we entered into an agreement with American Express that became effective on November 9, 2007 to settle litigation, *American Express Travel Related Services Co., Inc. v. Visa U.S.A. Inc. et al*, that had been pending since 2004. The settlement ended all current litigation between American Express and Visa U.S.A. and Visa International, as well as the related litigation between American Express and five co-defendant banks. Under the settlement agreement, American Express will receive maximum payments of \$2.25 billion, including up to \$2.07 billion from us and \$185 million from the five co-defendant banks. An initial payment of \$1.13 billion will be made on or before March 31, 2008, including \$945 million from us and \$185 million from the five co-defendant banks. Beginning March 31, 2008, we will pay American Express an additional amount of up to \$70 million each quarter for 16 quarters, for a maximum total of \$1.12 billion.

SFAS No. 5, *Accounting for Contingencies*, requires an accrual by a charge to income for an estimated loss if such a loss is probable and reasonably estimable. Management's determination of the appropriate loss accrual is made in light of all relevant factors.

Table of Contents

Visa U.S.A. recorded litigation expense in its fiscal 2007 financial statements, and Visa Inc. recorded a liability in its October 1, 2007 balance sheet equal to the present value of the estimated total payments it will be required to make to American Express, discounted at 4.72%, of \$1.9 billion. We expect to record interest expense to the extent of the remaining obligation of \$139 million from October 1, 2007 through December 31, 2011. We intend to use the escrow account to fund payments in connection with the settlement agreement. During the three months ended December 31, 2007, we recorded \$23 million of interest expense related to this settlement.

Judgments and settlements in litigation other than covered litigation could give rise to future liquidity needs. For example, in connection with our retailers' litigation settlement in fiscal 2003, we are required to make annual settlement payments of \$200 million through fiscal 2012.

On February 21, 2008, pursuant to our retrospective responsibility plan, the litigation committee determined that the escrow amount should be established at \$3.0 billion. This amount will be deposited in an escrow account promptly following, and contingent upon, the completion of this offering. In accordance with the terms of the retrospective responsibility plan, settlements of, or judgments in, covered litigation will be payable from this account. See *Note 5 Retrospective Responsibility Plan* to our consolidated financial statements as of and for the three months ended December 31, 2007. For the quarter ended March 31, 2008, we currently expect to record an additional litigation provision of approximately \$285 million related to the covered litigation, which will be recorded as a charge against income. The determination to record this additional provision is based on management's present understanding of its litigation profile and the specifics of each case, and takes into account the determination of the litigation committee.

Redemption of class B and class C common stock. We intend to use \$10.2 billion of the net proceeds of this offering to redeem 123,216,659 shares of class B common stock and 143,037,934 shares of class C (series I) common stock following the completion of this offering, assuming no exercise of the underwriters' option to purchase additional shares. In October 2008, we intend to redeem (1) all of the class C (series II) common stock at an aggregate redemption price of \$1.146 billion as adjusted for dividends and other adjustments, and (2) 31,592,881 shares of class C (series III) common stock at an aggregate redemption price of \$1.2 billion (based on the midpoint of the range set forth on the cover of this prospectus), equivalent on a per share basis to the price per share of class A common stock in this offering less underwriting discounts and commissions. In the event the underwriters exercise all or a portion of their option to purchase additional shares of class A common stock, we intend to redeem additional shares of class B common stock and class C (series I) common stock following such exercise, in which case we would also redeem additional shares of class C (series III) common stock in October 2008. See *Use of Proceeds*.

Visa Europe put-call option agreement. We have granted Visa Europe a put option which, if exercised, will require us to purchase all of the outstanding shares of capital stock of Visa Europe from its members. Visa Europe may exercise the put option at any time after the first anniversary of this offering. The purchase price of the Visa Europe shares under the put option is based upon a formula that, subject to certain adjustments, applies the 12-month forward price-to-earnings multiple applicable to our common stock at the time the option is exercised to Visa Europe's projected sustainable adjusted net operating income for the same 12-month period. Upon exercise of the put option, we will be obligated, subject only to regulatory approvals and other limited conditions, to pay the purchase price within 285 days in cash or, at our option, with a combination of cash and shares of our publicly tradable common stock. The portion of the purchase price we will be able to pay in stock will initially be limited to 49.7% (assuming the redemption of 143,037,934 shares of class C (series I) common stock with the proceeds of this offering) and will be reduced to the extent of any further redemptions of, or exceptions made by the directors to the transfer restrictions applicable to, the class C (series I) common stock. See *Description of Capital Stock Transfer Restrictions*. We must pay the purchase price in cash if the settlement of the put option occurs more than three years after the completion of this offering.

We will incur a substantial financial obligation if Visa Europe exercises the put option, and we may need to obtain third-party financing, either by borrowing funds or undertaking a subsequent equity offering in order to fund this payment, which would be due 285 days after exercise. At December 31, 2007, the fair value of the put

Table of Contents

option liability was \$346 million. While this amount represents the fair value of the put option at December 31, 2007, it does not represent the actual purchase price that we may be required to pay if the option is exercised. The amount of that potential obligation could vary dramatically based on, among other things, the 12 month projected sustainable net operating income of Visa Europe, the allocation of cost synergies, the trading price of our class A common stock, and our 12-month forward price-to-earnings multiple, in each case, as determined at the time the put option is exercised. We are not currently able to estimate the amount of this obligation due to the nature and number of factors involved and the range of important assumptions that would be required. However, depending upon Visa Europe's level of sustainable profitability and/or our 12-month forward price-to-earnings multiple at the time of any exercise of the option, the amount of this obligation could be several billion dollars or more. See *Material Contracts The Put-Call Option Agreement*.

Capital expenditures. We are building a new data center on the east coast of the United States at an estimated cost of \$397 million. In fiscal 2007, we completed the purchase of a parcel of land and commenced construction, which is expected to continue through fiscal 2010. Upon completion, we will migrate our current east coast data center to this new facility. The new data center is intended to support our technology objectives related to reliability, scalability, security and innovation. At December 31, 2007, we had incurred total costs of \$96 million related to the new data center. We have remaining committed obligations of \$158 million, of which \$143 million is expected to be paid in fiscal 2008. The remaining \$143 million of uncommitted estimated costs is expected to be paid in fiscal 2009 and 2010. We will continue to make ongoing investments in technology and our payments system infrastructure, some of which we treat as capital expenditures. We also expect to complete the purchase of transportation assets totaling \$56 million in fiscal 2008.

Other uses of liquidity. In addition to the principal uses of liquidity described above, we are also required to make interest and principal payments under our outstanding indebtedness. Our total outstanding principal balance of debt at December 31, 2007, net of unamortized issuance costs, was \$115 million.

Certain charges directly connected to the reorganization will affect our results of operations in future periods. These charges, which may be significant, will include charges during fiscal 2008 related to workforce consolidation due to elimination of overlapping functions, and professional fees related to enhancing our systems and infrastructure to support the global organization. We expect to fund these activities with existing liquid assets and projected operating cash flows.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements are comprised of guarantees. Visa Inc. has no off-balance sheet debt, other than operating leases and purchase order commitments entered into in the ordinary course of business as discussed below and reflected in our contractual obligations table.

Guarantees

Under the bylaws of Visa U.S.A. and Visa International, and through separate membership agreements with the individual financial institution customers, these entities indemnify issuing and acquiring customers for settlement losses suffered by reason of the failure of any other issuing and acquiring customer to honor drafts, travelers cheques, or other instruments processed in accordance with their operating regulations. This indemnification is unlimited and is the result of the difference in timing between the date of a payment transaction and the date of subsequent settlement. To manage the settlement risk under this indemnification and the resulting risk to all financial institution customers, a formalized set of credit standards is used to review financial institution customers. To reduce potential losses related to settlement risk, Visa Inc. requires certain financial institution customers to post collateral that may include cash equivalents, securities, letters of credit or guarantees in order to ensure their performance of settlement obligations. Our estimated settlement exposure, after consideration of customer collateral obtained, amounted to approximately \$29.3 billion at December 31, 2007. The exposure to settlement losses not covered by customer collateral is accounted for as a settlement risk

Table of Contents

guarantee. The fair value of the settlement risk guarantee is estimated and recorded in our consolidated balance sheet. See *Note 13 Settlement Guarantee Management* to the unaudited consolidated financial statements of Visa Inc. for the three months ended December 31, 2007. The fair value of the settlement risk guarantee was under \$1 million at December 31, 2007.

Upon the closing of this offering, our financial institution customers will no longer indemnify Visa for settlement obligations other than their own settlement obligations and those of certain other participants in the system sponsored by the financial institution customer.

In October 2001, Visa International entered into a 20-year lease agreement for premises to be occupied by the EU region and Visa CEMEA. On July 1, 2004, upon the incorporation of the EU region as VESI, a wholly owned subsidiary of Visa Europe, the entire lease was assigned to VESI with Visa International acting as a guarantor to the landlord as required by United Kingdom property law under the existing lease. In the event of a default by VESI, Visa International is obligated to make lease payments. The base rent commitment is £7.5 million each year or \$15.0 million in U.S. dollars (based on the December 31, 2007 exchange rate). VESI has agreed to reimburse Visa International for any liabilities that may arise under Visa International's guarantee to the landlord. Since the inception of this arrangement, Visa International has not made any payments under this guarantee. The estimated fair value of this guarantee was under \$1 million at December 31, 2007.

Contractual Obligations

Our contractual commitments will have an impact on our future liquidity. The contractual obligations identified in the table below include both on-and off-balance sheet transactions that represent a material expected or contractually committed future obligations at October 1, 2007. We believe that we will be able to fund these obligations through cash generated from operations and from our existing cash balances, proceeds from this offering, and available credit facilities.

	Payments Due by Period				Total
	Less than 1 Year	1-3 Years	3-5 Years (millions)	More than 5 Years	
Purchase orders ⁽¹⁾	\$ 592	\$ 15	\$ 9	\$	\$ 616
Operating leases ⁽²⁾	30	44	24	39	137
Equipment, software and other ⁽²⁾	23	26	1		50
Capital leases ⁽³⁾	4				4
Volume and support incentives ⁽⁴⁾	995	1,681	1,114	626	4,416
Marketing and sponsorships ⁽⁵⁾	154	177	107	53	491
Litigation payments ⁽⁶⁾	1,566	980	750		3,296
Redemption of class C (series II) common stock ⁽⁷⁾		1,146			1,146
Redemption of class C (series III) common stock ⁽⁷⁾		1,211			1,211
Debt ⁽⁸⁾	86	40			126
Interest on debt ⁽⁸⁾	8	3			11
Total	\$ 3,458	\$ 5,323	\$ 2,005	\$ 718	\$ 11,504

(1) Purchase obligations include agreements to purchase goods and services that are enforceable and legally binding and that specify significant terms, including: fixed or minimum quantities to be purchased and fixed, minimum or variable price provisions, and the approximate timing of the transaction.

(2) Visa Inc. leases certain premises such as its data centers, certain regional offices, equipment and software under non-cancelable operating leases with varying expiration dates.

(3) Visa Inc. entered into a capital lease for certain computer equipment in fiscal 2005. Visa Inc. is financing the acquisition of the underlying assets through the leases and accordingly they are recorded on the consolidated balance sheet of Visa Inc.

(4) Visa Inc. generally has non-cancelable agreements with financial institutions and merchants for various programs designed to build sales volume and increase payment product acceptance. These agreements, which range in term from one to 13 years, provide card issuance, marketing and program support based on specific performance requirements. Payments under these agreements will be offset by

Table of Contents

revenues earned from higher payments and transaction volumes in connection with these agreements. These amounts are estimates and could change based on customer performance.

- (5) Visa Inc. is a party to contractual sponsorship agreements ranging from less than one year to 8 years. These contracts are designed to help us increase Visa-branded cards and volumes. Over the life of these contracts, Visa is required to make payments in exchange for certain advertising and promotional rights. In connection with these contractual commitments, Visa has an obligation to spend certain minimum amounts for advertising and marketing promotion over the contract terms.
- (6) Represents amounts due in accordance with settlement agreements in the Retailers Litigation, American Express, and other litigation settlements.
- (7) In October 2008, we intend to redeem all of the class C (series II) common stock for an aggregate redemption price of \$1.146 billion (subject to reduction for dividends and other adjustments) and we are required to redeem 31,592,881 shares of class C (series III) common stock for an aggregate redemption price of \$1.2 billion (based on the midpoint of the range set forth on the cover of this prospectus less underwriting discounts and commissions) equivalent on a per share basis to the price per share of class A common stock in this offering, less underwriting discounts and commissions.
- (8) Represents payments on medium-term notes, series B senior secured notes, and series B secured notes. See *Note 11 Debt*.

As of December 31, 2007, there had been no material change in our contractual obligations other than our expectation that we will be required to pay the redemption amounts set forth in footnote (7) above within a period of less than one year.

See *Note 11 Debt*, *Note 21 Commitments and Contingencies*, and *Note 23 Legal Matters* to the consolidated balance sheet of Visa Inc. at December 31, 2007.

Visa Inc. also has obligations with respect to its pension and postretirement benefit plans, and other incentive plans. See *Note 12 Pension, Postretirement, and Other Benefits* to the consolidated balance sheet of Visa Inc. at October 1, 2007.

Related Parties

During the three months ended December 31, 2007 and during fiscal 2007 and 2006, a significant portion of Visa Inc.'s pro forma operating revenues were generated from one customer. Operating revenues from this customer were approximately \$106 million, or 7%, of our operating revenues for the three months ended December 31, 2007. Operating revenues from this customer were approximately \$454 million, or 9%, and \$408 million, or 10%, of our pro forma operating revenue for fiscal 2007 and 2006, respectively. No other customer accounted for 10% or more of Visa Inc.'s total operating revenues during the three months ended December 31, 2007 and total pro forma operating revenues in fiscal 2007 or 2006. The loss of this customer could adversely impact Visa Inc.'s operating revenues and operating income going forward. This customer also has an officer who serves on the board of directors, and has an ownership interest of greater than 10% of our voting common stock. See *Note 22 Related Parties* to the Visa Inc. unaudited consolidated financial statements for the three months ended December 31, 2007, *Note 18 Related Parties* to the Visa U.S.A. fiscal 2007 consolidated financial statements and *Note 20 Related Parties* to the Visa International fiscal 2007 consolidated financial statements.

On February 15, 2008, we entered into a \$3.0 billion five year revolving credit facility with a syndicate of banks including affiliates of certain class B and class C stockholders. As discussed in *Certain Relationships and Related Party Transactions*, JPMorgan Chase Bank and Bank of America, N.A. are parties to this credit facility. There are currently no amounts outstanding under this facility. See *Liquidity and Capital Resources*.

Table of Contents

Critical Accounting Estimates

Visa Inc.'s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make judgments, assumptions, and estimates that affect the amounts reported. *Note 2 Summary of Significant Accounting Policies* to the audited balance sheet of Visa Inc. at October 1, 2007 and to the unaudited consolidated financial statements of Visa Inc. at December 31, 2007 describes the significant accounting policies and methods used in the preparation of our unaudited consolidated financial statements. We have established policies and control procedures to seek to ensure that estimates and assumptions are appropriately governed and applied consistently from period to period. The following is a brief description of our current accounting policies involving significant management judgment.

We believe that the following accounting estimates are the most critical to fully understand and evaluate our reported financial results, as they require our most subjective or complex management judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain.

Critical Estimates	Assumptions and Judgment	Impact if Actual Results Differ from Assumptions
<p>Revenue Recognition Volume and Support Incentives</p> <p>We enter into incentive agreements with financial institution customers, merchants and other business partners to build payments volume and increase product acceptance. Certain volume and support incentives are based on performance targets and are accrued based upon estimates of future performance. Other incentives are fixed payments and are deferred and amortized over the period of benefit.</p>	<p>Volume and support incentives require significant management estimates. Estimation of volume and support incentives relies on forecasts of payments volume, estimates of card issuance and conversion. Performance is estimated using financial institution customer reported information, transactional information accumulated from our systems, historical information and discussions with our customers.</p>	<p>If our customers' actual performance or recoverable cash flows are not consistent with our estimates, volume and support incentives may be materially different than initially recorded. The cumulative impact of a revision in estimates is recorded in the period such revisions become probable and estimable and is recorded as a reduction of revenue. For the three months ended December 31, 2007 performance adjustments to volume and support agreements were approximately 0.7% of our operating revenues. In fiscal 2007 and 2006 performance adjustments to volume and support accruals increased pro forma operating revenues by 1.6% and 1.0%, respectively.</p>
<p>Fair Value EU Put Option</p> <p>We have granted Visa Europe a put option under which Visa Inc. is required to purchase all of the share capital of Visa Europe from its members at any time after the first anniversary of this offering. The purchase price of the Visa Europe shares under the put option is based upon a formula that, subject to</p>	<p>The determination of the fair value of the put option requires significant estimates and assumptions. The most significant of these estimates are the assumed probability that Visa Europe will elect to exercise its option and the estimated differential between the 12-month forward price-to-</p>	<p>In the determination of the fair value of the put option at December 31, 2007, we have assumed a 40% probability of exercise by Visa Europe at some point in the future and a P/E differential, at the time of exercise, of approximately 5.3x. The use of a probability of exercise 5% higher</p>

Table of Contents

	Impact if Actual Results
<p>Critical Estimates certain adjustments, applies the 12-month forward price-to-earnings multiple applicable to our common stock at the time the option is exercised to Visa Europe's projected sustainable adjusted net operating income for the same 12-month period. We determined the fair value of the put option using probability weighted models designed to estimate our liability assuming various possible exercise decisions that Visa Europe could make, including the possibility it will never exercise its option, under different economic conditions in the future. Using this approach, the estimated fair value is approximately \$346 million at December 31, 2007 and is included in Other Liabilities on the Visa Inc. consolidated balance sheet at December 31, 2007.</p> <p>While this amount represents the fair value of the put option at December 31, 2007, it does not represent the actual purchase price that we may be required to pay if the option was exercised, which would likely be significantly in excess of this amount.</p> <p>Settlement Risk Guarantee Subject to our bylaws and operating regulations, we indemnify issuing and acquiring financial institution customers for settlement losses suffered by reason of the failure of any other financial institution customers to honor credit and debit drafts, travelers cheques or other instruments processed in accordance with our operating regulations. The fair value of the associated settlement risk guarantee is based on estimates.</p>	<p style="text-align: center;">Assumptions and Judgment</p> <p>earnings multiple applicable to our common stock and that applicable to Visa Europe on a stand alone basis at the time of exercise, which we refer to as the P/E differential.</p> <p style="text-align: center;">Differ from Assumptions</p> <p>than our estimate would have resulted in an increase of approximately \$44 million in the value of the put option. An increase of one in the assumed P/E differential would have resulted in an increase of approximately \$71 million in the value of the put option.</p> <p>Our estimate on a quarterly basis the value of the guarantee by applying the following formula:</p> <p style="text-align: center;">Settlement Risk Guarantee = Total Exposure (both covered and uncovered) multiplied by Weighted Average Failure Probability multiplied by Loss upon Failure</p> <p>Total exposure represents the average number of days to settle multiplied by the average daily transaction volume plus a safety margin of two days. Failure probability represents the probability of failure by individual</p> <p>Our estimate of total exposure changes period to period as a result of movement in overall volume of settlement transactions. Estimates of the weighted average failure probability change as a result of changes in the assessment of the creditworthiness of our financial institution customers. Estimates of loss upon failure change based on our actual loss history in the preceding ten year period. A 25% increase in any of the assumptions used in the calculation of the settlement risk guarantee will have an immaterial impact on the liability recorded. However if</p>

Table of Contents

Critical Estimates	Assumptions and Judgment	Impact if Actual Results
	<p>financial institution customers based on assessed credit ratings. Loss upon failure represents the actual loss expected to be incurred in the event that a financial institution customer fails.</p> <p>For the three months ended December 31, 2007, our internal estimates used in the above calculation were as follows:</p> <p>Total Exposure =</p> <p>\$30.4 billion</p> <p>Weighted Average Failure Probability = 0.58%</p> <p>Loss upon Failure = 0.41%</p> <p>The most critical assumption in estimating the settlement risk guarantee liability is loss upon</p> <p>failure. We establish this estimate using actual loss history for the previous ten-year period.</p>	<p>Differ from Assumptions</p> <p>significant losses occur in the future under this guarantee the impact to the estimated loss upon failure assumption could result in an increase to the obligation under the settlement risk guarantee that could be material to the consolidated financial statements.</p>

Fair Value Goodwill and

Intangibles

<p>The purchase method of accounting for business combinations and associated impairment accounting requires the use of significant estimates and assumptions. We are required to estimate the fair value and useful lives of assets acquired and liabilities assumed. We are required to assess assets acquired and goodwill for impairment subsequently.</p>	<p>Valuation of assets and liabilities assumed in business combinations, including goodwill and intangible assets require the use of management's judgment. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future reflecting pricing, volume, and expense levels, the appropriate weighted average cost of capital and an appropriate discount rate determined by our management. We believe that the assumptions made in this regard are comparable to those a market participant would use in making similar estimates of fair value. In arriving at this assertion, pricing levels applied were substantiated</p>	<p>If actual results are not consistent with our assumptions and estimates, we may be exposed to impairment charges. The carrying value of the goodwill and intangible assets was \$20.0 billion, including \$10.9 billion of indefinite lived intangible assets at December 31, 2007.</p>
--	--	--

Edgar Filing: Visa Inc. - Form S-1/A

through the examination of rates prevalent in the marketplace. Projected volumes obtainable by a market participant were assumed to be substantially the same as that

Table of Contents

Critical Estimates	Assumptions and Judgment	Impact if Actual Results Differ from Assumptions
	<p>achievable by the Company as those market participants would benefit from the same customer relationships and economic environment. Expense levels were analyzed based on existing cost structures and anticipated synergies upon combination. It was determined that a market participant with the capability to purchase the acquired businesses would also have the resources and expertise to centralize and manage operations to achieve comparable anticipated cost savings. Therefore, all identified synergies were deemed to be available to a market participant. Our estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. Management's assumptions do not reflect unanticipated events or circumstances that may occur.</p>	
	<p>Determining the expected life of an intangible asset requires considerable management judgment and is based on the evaluation of a number of factors, including the competitive environment, market share, customer history and macroeconomic factors. We determined that brand and customer relationships intangible assets have indefinite lives, based on our significant market share history of strong revenue and cash flow performance, and historical retention rates which we expect to continue for the foreseeable future.</p>	
	<p>Impairment testing for assets, other than goodwill, requires the allocation of cash flows to those assets or group of assets and if required, an estimate of fair value for the assets or group of assets. Impairment testing for goodwill</p>	

Table of Contents

		Impact if Actual Results
Critical Estimates	Assumptions and Judgment	Differ from Assumptions
	requires the company to assign assets and liabilities to reporting units along with estimating future cash flows for those reporting units based on assumptions of future events.	
<i>Legal and Regulatory Matters</i>		
We are currently involved in various claims and legal proceedings, the outcomes of which are not within our complete control or may not be known for prolonged periods of time.	We evaluate the likelihood of a potential loss from any claim or legal proceeding to which we or any of our subsidiaries is a party in accordance with SFAS No. 5, <i>Accounting for Contingencies</i> (SFAS 5). We record a liability for claims and legal proceedings when a loss is considered probable and the amount can be reasonably estimated. In most cases, significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Our judgments are subjective based on the status of the legal or regulatory proceedings, the merits of our defenses and consultation with in-house and outside legal counsel. In determining our liability under SFAS 5 for covered litigation under the retrospective responsibility plan, we also evaluate the actions taken by the litigation committee including its decisions regarding the establishment and funding of the escrow account. As additional information becomes available, we reassess the potential liability related to pending claims and litigation and may revise our estimates.	Due to the inherent uncertainties of the legal and regulatory process in the multiple jurisdictions in which we operate, our judgments may be materially different than the actual outcomes, which could have material adverse effects on our business, financial condition and results of operations.
Management is required to assess the probability of loss and amount of such loss, if any, in preparing our financial statements.		

Table of Contents

		Impact if Actual Results
Critical Estimates <i>Income Taxes</i>	Assumptions and Judgment	Differ from Assumptions
In calculating its effective tax rate Visa Inc. makes judgments regarding certain tax positions, including the timing and amount of deductions and allocations of income among various tax jurisdictions.	<p>Visa Inc. has various tax filing positions, including with regard to the timing and amount of deductions and credits, the establishment of reserves for audit matters and the allocation of income among various tax jurisdictions.</p> <p>The adoption of FASB interpretation, or FIN, No. 48, <i>Accounting for Uncertainty in Income Taxes</i> an interpretation of FASB <i>Statement No. 109</i>, required us to inventory, evaluate and measure all uncertain tax positions taken or to be taken on tax returns, and to record liabilities for the amount of such positions that may not be sustained, or may only partially be sustained, upon examination by the relevant taxing authorities.</p>	Although Visa Inc. believes that its estimates and judgments are reasonable, actual results may differ from these estimates. Some or all of these judgments are subject to review by the taxing authorities, including our tax benefit of \$787 million associated with the settlement of the American Express litigation and the recognition of a liability under the guidelines of SFAS No. 5 related to the Discover litigation and other matters. See <i>Note 22 Legal Matters</i> to the unaudited consolidated financial statements for the three months ended December 31, 2007. If one or more of the taxing authorities were to successfully challenge our right to realize some or all of the tax benefit we have recorded and we were unable to realize this benefit, it could have a material and adverse effect on our financial results and cash flows.

Seasonality

We do not expect to experience any pronounced seasonality in our business. No individual quarter of fiscal 2007 or fiscal 2006 accounted for more than 30% of annual pro forma revenues.

Impact of Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157 (SFAS 157), *Fair Value Measurements* which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure requirements about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact, if any, of adopting SFAS 157 on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment to SFAS 115*. SFAS No. 159 allows the measurement of many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis under a fair value option. In addition, SFAS 159 includes an amendment of SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and applies to all entities with available-for-sale and trading securities. SFAS 159 is effective for fiscal years that begin after November 15, 2007. We are currently evaluating the impact, if any, of adopting SFAS 159 on our consolidated financial statements.

Table of Contents

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51*. SFAS 160 is intended to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require; the ownership interests in subsidiaries held by parties other than the parent and the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value, and entities to provide sufficient disclosures to clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 affects those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is prohibited. The adoption of this statement is not expected to have an effect on our financial statements.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential economic loss arising from changes in market factors such as foreign currency exchange rates, credit, interest rates and equity prices. We believe we are exposed to three significant market risks that could affect our business including: changes in foreign currency rates, interest rates and equity prices. We do not hold or enter into derivatives or other financial instruments for trading or speculative purposes. Aggregate risk exposures are monitored on an ongoing basis, and cash and cash equivalents are not considered to be subject to significant interest rate risk due to the short period of time to maturity.

Foreign Currency Exchange Rate Risk

Our business is conducted globally. Although most of our activities are transacted in U.S. dollars, we are exposed to adverse movements in foreign currency exchange rates. Risks from foreign currency exchange rate fluctuations are related primarily to adverse changes in the dollar value of revenues that are derived from foreign currency-denominated transactions, and to adverse changes in the dollar value of payments in foreign currencies, primarily for costs and expenses at our non-U.S. locations.

These risks are managed by utilizing derivative foreign currency forward and option contracts, which we refer to as foreign currency contracts. Foreign currency contracts are primarily designated as hedges of operational cash flow exposures which result from changes in foreign currency exchange rates. At December 31, 2007, the currencies underlying the foreign currency contracts consisted of the British pound, the Mexican Peso, the Australian Dollar, the Japanese Yen, the Thai Baht and various other currencies. Our foreign currency exchange rate risk management program reduces, but does not entirely eliminate, the impact of foreign currency exchange rate movements.

At December 31, 2007, foreign currency contract positions consisted of agreements to purchase foreign currencies in exchange for U.S. dollars, at notional amounts totaling \$346 million. Based on these December 31, 2007 foreign currency contract positions, the effect of a hypothetical 10% strengthening of the U.S. dollar is estimated to create an additional fair value gain of \$16 million, while a hypothetical 10% weakening of the U.S. dollar is estimated to create an additional fair value loss of \$12 million.

We are also subject to foreign currency exchange risk in daily settlement activities. This risk arises from the timing of rate setting for settlement with customers relative to the timing of market trades for balancing currency positions. The foreign currency exchange risk in settlement activities is limited through daily operating procedures, including the utilization of Visa settlement systems and Visa Inc.'s interaction with foreign exchange trading counterparties.

Table of Contents**Interest Rate Risk**

A significant portion of our investment portfolio assets are held in fixed-income securities. These assets are reflected as cash equivalents, short-term available-for-sale investments, and long-term available-for-sale investments. We do not consider our cash and cash equivalents to be subject to significant market risks from a fair value perspective, as amounts consist of liquid investments with original maturities or re-pricing characteristics of three months or less. Investments in fixed rate instruments carry a degree of interest rate risk. The fair value of fixed rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling rate environment creates reinvestment risk because as securities mature the proceeds are reinvested at a lower rate, generating less interest income. Because we have historically had the ability to hold short-term investments until maturity and the majority of our investments mature within one year of purchase, operating results or cash flows have not been, and are not expected to be, materially impacted by a sudden change in market interest rates.

The fair value balances of interest rate sensitive assets at December 31, 2007 include:

	December 31, 2007 (in millions, except percentages)
Government-sponsored entities	890
Tax-exempt municipal bonds	8
Total	\$ 898

Percentage of total assets 3%

We manage our exposure to interest rate risk by investing primarily in rate-adjustable, government-sponsored securities. Notwithstanding the efforts to manage interest rate risks, there can be no assurances that there will be adequate protection against the risks associated with interest rate fluctuations.

A hypothetical 100 basis point increase or decrease in interest rates would impact the fair value of the investment portfolio by approximately (\$11) million or \$8 million, respectively, at December 31, 2007.

We have various credit facilities to provide liquidity in the event of customer settlement failures and other operational needs. These credit facilities have variable rates which are applied to borrowings based on terms and conditions set forth in each agreement. There were no amounts outstanding at December 31, 2007 under these credit facilities.

We have fixed rate medium-term notes which are subject to interest rate risk. A hypothetical 100 basis point increase or decrease in rates would impact the fair value of these notes by \$3 million at December 31, 2007.

We have a liability related to the Framework Agreement with Visa Europe which is recorded at fair market value at December 31, 2007. See *Material Contracts The Framework Agreement*. In the future, we will be required to record any change in the fair value of the liability on a quarterly basis. The effect of a hypothetical 10% change in market value would have increased or decreased the liability by approximately \$10 million at December 31, 2007.

Equity Price Risk

We own equity securities which are selected to offset obligations in connection with our long-term incentive and deferred compensation plans. Equity securities primarily consist of mutual fund investments related to various employee compensation plans. For these plans, employees bear the risk of market fluctuations. Gains and losses experienced on these equity investments are recorded in net investment income on our consolidated

Table of Contents

statements of operations, and are offset by increases or reductions in personnel expense, respectively. The effect of a hypothetical 10% change in market value would have increased or decreased unrealized losses and personnel expense, respectively, by \$16 million at December 31, 2007.

We have a liability related to the Put-Call Option with Visa Europe which is recorded at fair market value at December 31, 2007. See *Material Contracts The Put-Call Option Agreement*. In the future, we will be required to record any change in the fair value of the put option on a quarterly basis. In the determination of the fair value of the put option at December 31, 2007, we have assumed a 40% probability of exercise by Visa Europe at some point in the future and a P/E differential, at the time of exercise, of approximately 5.3x. The use of a probability of exercise 5% higher than our estimate would have resulted in an increase of approximately \$44 million in the value of the put option. An increase of one in the assumed P/E differential would have resulted in an increase of approximately \$71 million in the value of the put option.

Pension Plan Assets Risk

Our total defined benefit pension plan assets were \$673 million at September 30, 2007 (the last plan measurement date). Although these assets are not included in our financial statements, a material adverse decline in the value of pension plan assets could result in an increase to liability and a reduction to stockholders' equity due to an increase in the unfunded status of a plan, an increase in pension expense due to a decline in the expected rate of return on plan assets, and an increase in required plan funding.

Table of Contents**Unaudited Quarterly Pro Forma Financial Information**

The quarterly pro forma statements of operations data set forth below for fiscal 2007 give effect to the reorganization as if it had occurred on October 1, 2006. These pro forma statements of operations have been prepared in accordance with SFAS No. 141, *Business Combinations*. See *Note 3 The Reorganization* to the audited consolidated balance sheet of Visa Inc. at October 1, 2007 and *Note 3* to the consolidated financial statements of Visa Inc. as of and for the three months ended December 31, 2007 and 2006 included elsewhere in this prospectus.

	December 31, 2006	Fiscal 2007 Quarter Ended March 31, 2007 June 30, 2007 (unaudited)		September 30, 2007
Operating Revenues				
Service fees	\$ 577,055	\$ 614,117	\$ 661,395	\$ 729,457
Data processing fees	376,854	370,410	448,808	463,287
Volume and support incentives	(136,202)	(187,464)	(175,268)	(215,668)
International transaction fees	247,473	281,478	311,451	352,904
Other revenues	108,063	112,643	119,170	133,167
Total operating revenues	1,173,243	1,191,184	1,365,556	1,463,147
Operating Expenses				
Personnel	272,744	269,211	292,794	324,277
Network, EDP, and communications	118,115	117,236	136,985	144,412
Advertising, marketing, and promotion	204,891	182,083	244,500	443,070
Professional and consulting fees	100,741	136,039	158,977	156,616
Administrative and other	81,286	79,604	88,100	103,963
Litigation provision	2,150	12,845	(1)	2,638,108
Total operating expenses	779,927	797,018	921,355	3,810,446
Operating income (loss)	393,316	394,166	444,201	(2,347,299)
Other Income (Expense)				
Interest expense	(23,316)	(24,393)	(24,752)	(24,425)
Investment income, net	40,008	35,791	55,857	64,948
Other			8,000	499
Total other income (expense)	16,692	11,398	39,105	41,022
Income (loss) before income taxes	410,008	405,564	483,306	(2,306,277)
Income tax expense/(benefit)	161,016	159,931	184,495	(652,006)
Net income (loss)	\$ 248,992	\$ 245,633	\$ 298,811	\$ (1,654,271)

Table of Contents

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA OF VISA U.S.A.

The following tables present selected consolidated statements of operations data for the years ended September 30, 2007, 2006 and 2005 and consolidated balance sheet data at September 30, 2007 and 2006 for Visa U.S.A. that were derived from the audited consolidated financial statements of Visa U.S.A. included elsewhere in this prospectus. The selected Visa U.S.A. consolidated statements of operations data for the years ended September 30, 2004 and 2003 and the consolidated balance sheet data at September 30, 2005, 2004 and 2003 for Visa U.S.A. were derived from audited consolidated financial statements of Visa U.S.A. not included in this prospectus.

In October 2007, we consummated a reorganization in which Visa U.S.A., Visa International, Visa Canada and Visa U.S.A.'s majority-owned subsidiary, Inovant, which operated the VisaNet transaction processing system and other related processing systems, became direct or indirect subsidiaries of Visa Inc. The reorganization was accounted for as a purchase under the guidelines of SFAS No. 141, *Business Combinations*, occurring on October 1, 2007, with Visa U.S.A. deemed to be the accounting acquirer of the ownership interest in Visa Canada, Visa International and Inovant not previously held (including Visa Europe's interest in Visa International and Inovant). The operating results of the acquired interests in Visa International and Visa Canada will be included in the consolidated statements of operations of Visa Inc. from October 1, 2007.

The data set forth below should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations of Visa U.S.A.* and the consolidated financial statements and the notes thereto included elsewhere in this prospectus.

Table of Contents

	2007	2006	2005	2004	2003 ⁽¹⁾
Statement of Operations Data:					
Total operating revenues	\$ 3,590	\$ 2,948	\$ 2,665	\$ 2,429	\$ 1,980
Operating expenses	5,039	2,218	2,212	1,999	3,398
Litigation provision	2,653	23	132	37	1,500
Operating income (loss)	(1,449)	730	453	430	(1,418)
Operating income (loss) as a percent of operating revenues	(40.4)%	24.8%	17.0%	17.7%	(71.6)%
Other income (expense)	\$ 62	\$ (8)	\$ 3	\$ (75)	\$ (38)
Income (loss) before cumulative effect of change in accounting principle ⁽²⁾	(1,076)	455	265	216	(885)
Net income (loss) ⁽²⁾	(1,076)	455	360	210	(885)
Balance Sheet Data (at end of period):					
Cash and cash equivalents	\$ 275	\$ 270	\$ 135	\$ 174	\$ 86
Short-term investment securities, available-for-sale	747	660	681	156	253
Total current assets	2,507	1,594	1,478	920	867
Long-term investment securities, available-for-sale	737	515	319	378	85
Total assets	4,390	2,964	2,745	2,294	1,905
Current portion of long-term debt ⁽³⁾	41	32	32	32	174
Current portion of accrued litigation ⁽⁴⁾	2,236	216	197	244	201
Total current liabilities	3,282	1,393	1,325	1,070	988
Long-term debt ⁽³⁾		41	74	106	
Long-term accrued litigation ⁽⁴⁾	1,446	784	1,010	1,019	1,127
Total equity (deficit)	(501)	583	126	(230)	(440)
Statistical Data:⁽⁵⁾					
Payments Volume					
	2007	2006	2005	2004	2003
(in millions, except percentages)					
Payments volume ⁽⁶⁾	\$ 1,449,226	\$ 1,322,837	\$ 1,130,896	\$ 956,439	\$ 818,558
Year-over-year change	9.6%	17.0%	18.2%	16.8%	10.6%
Total Transactions					
	2007	2006	2005	2004	2003
(in millions, except percentages)					
Total transactions ⁽⁷⁾	25,942	23,410	20,009	16,653	14,099
Year-over-year change	10.8%	17.0%	20.2%	18.1%	12.4%

- (1) On January 1, 2003, Visa U.S.A. purchased Inovant, Inc. and subsequently formed Inovant, which affect the comparability of the financial data of Visa U.S.A. The operating results of Inovant were included in the consolidated statements of operations of Visa U.S.A. from January 1, 2003.
- (2) Visa U.S.A. recorded a cumulative effect of accounting change in fiscal 2005 related to its membership interest in Visa International and in fiscal 2004 related to Visa U.S.A. changing its method of amortizing volume and support agreements. These accounting changes resulted in additional net income of \$96 million in fiscal 2005 and an additional net expense of \$6 million in fiscal 2004. For further information regarding these accounting changes. See *Note 3 Cumulative Effect of Change in Adoption of Accounting Principle* to the Visa U.S.A. fiscal 2007 consolidated financial statements.
- (3) The long term portion of Visa U.S.A. debt was classified as being due within one year at September 30, 2007 and 2003, because Visa U.S.A. was in default of certain financial performance covenants as a result of the settlement of the American Express and Retailers litigation in fiscal 2007 and 2003, respectively, as described in *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements included elsewhere in this prospectus.
- (4) In fiscal 2007, Visa U.S.A. settled the American Express litigation matter for approximately \$2.1 billion and in fiscal 2003 Visa U.S.A. settled the Retailers litigation for approximately \$2.0 billion, as described in *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements included elsewhere in this prospectus. The present value of these obligations of \$1.9 billion and \$1.4 billion, respectively, was recorded in fiscal 2007 and 2003, respectively.
- (5) The statistical data in this table are based on quarterly operating certificates from Visa's customers and are unaudited. Year-over-year change for fiscal 2003 represents change compared to fiscal 2002.
- (6) Payments volume is the total monetary value of transactions for goods and services that are purchased with cards bearing our brands.
- (7)

Edgar Filing: Visa Inc. - Form S-1/A

Total transactions represents transactions involving Visa-branded cards as reported by our customers and includes transactions that are not processed on our VisaNet processing system.

Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF VISA U.S.A. INC.**

This management's discussion and analysis covers fiscal 2007, 2006 and 2005, and provides a review of the results of operations, financial condition and the liquidity and capital resources of Visa U.S.A. Inc. (Visa U.S.A.) and its subsidiaries and outlines the factors that have affected recent earnings, as well as those factors that may affect future earnings. The following discussion and analysis should be read in conjunction with Visa U.S.A.'s consolidated financial statements and related notes at and for the year ended September 30, 2007, included elsewhere in this prospectus.

Overview

Prior to the closing of the global reorganization in October 2007, Visa U.S.A. along with Visa International (comprising the operating regions of AP, LAC and CEMEA), Visa Canada and Visa Europe operated as one of five entities related by ownership and membership to Visa. After the reorganization, Visa U.S.A., Visa International and Visa Canada became subsidiaries of Visa Inc., a Delaware stock corporation.

Visa U.S.A. is a leader in the electronic payments industry in the United States and is responsible for administering Visa payment programs in the United States. Visa U.S.A. provides products and services over a secure payments network to support payment programs offered by its member financial institutions to their consumer, commercial and merchant customers. Visa U.S.A.'s principal product platforms include consumer credit, consumer debit and cash access, prepaid and commercial programs. Visa U.S.A.'s primary customers are its member financial institutions participating in the payments network. Prior to the reorganization, Visa U.S.A. was a regional group member of Visa International and operated as a non-stock corporation with approximately 13,300 member financial institutions.

Visa U.S.A. achieved 22% growth in operating revenues in fiscal 2007 compared to fiscal 2006. This growth reflects a 10% increase in payments volume (as defined below) on Visa U.S.A.'s products for the fiscal year, with double-digit payments volume growth in commercial and consumer debit products, and an 11% increase in the number of transactions. Payments volume, which is the basis for service fees, and transactions, which drive data processing fees, are key drivers for Visa U.S.A.'s business. Payments volume is defined as the total monetary value of transactions for goods and services that are purchased with Visa products, including PIN-based debit volume, and excluding cash disbursements obtained with Visa-branded cards, balance transfers and convenience checks, which Visa U.S.A. refers to as cash volume.

Operating revenues increased at a higher rate than underlying payments volume growth primarily due to two new acceptance fees, which are included in service fees, introduced in April 2007. The two new fees include a debit acceptance fee on debit payments volume and a credit/commercial acceptance fee on all consumer credit and commercial payments volume. These fees supersede previously existing issuer programs used to support merchant acceptance and volume growth initiatives. These changes are designed to simplify the fee structure and improve overall program efficiencies for Visa U.S.A. and its issuers while continuing to support Visa U.S.A.'s acceptance growth initiatives. While Visa U.S.A. believes that these fee changes will generate ongoing benefits, Visa U.S.A. does not believe that the rate of growth in operating revenues during fiscal 2007 is representative of sustainable future revenue growth because it includes the impact in 2007 of the new service fees introduced in the second half of fiscal 2007. Growth in operating revenues was also attributable to adjustments from Visa U.S.A.'s estimates of performance for volume and support incentive agreements as part of its regular quarterly review of these agreements.

Visa U.S.A. incurred an operating loss in fiscal 2007 as a result of recording a litigation provision of \$2.7 billion, of which \$1.9 billion was recorded in connection with the settlement of outstanding litigation with American Express. Visa Inc., Visa U.S.A. and Visa International entered into an agreement with American Express that became

Table of Contents

effective on November 9, 2007, to resolve all current litigation between American Express and Visa U.S.A. and Visa International, and the related litigation between American Express and five co-defendant banks. Under the settlement agreement, an initial payment of \$1.13 billion will be made on or before March 31, 2008, including \$945 million from Visa Inc. and \$185 million from the five co-defendant banks. Beginning March 31, 2008, Visa Inc. will pay American Express an additional amount of up to \$70 million per quarter for 16 quarters, for a maximum total of \$1.12 billion. Total future payments discounted at 4.72% over the payment term, or \$1.9 billion, are reflected in the litigation provision on Visa U.S.A.'s consolidated statements of operations for fiscal 2007 and in current and long-term accrued litigation on its consolidated balance sheet at September 30, 2007. Visa U.S.A. intends to fund its payment obligations under the American Express settlement with amounts in the escrow account, in accordance with the retrospective responsibility plan. The remainder of the \$2.7 billion litigation provision includes management's liability estimate under the guidelines of SFAS No. 5, *Accounting for Contingencies*, related to the Discover litigation, and various other litigation provisions for both settled and unsettled matters. See *Liquidity and Capital Resources* and *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

The effect of these litigation provisions on Visa U.S.A.'s earnings was partially offset by the impacts of the introduction of new service fees during the third quarter of fiscal 2007 and the absence of substantial charges incurred in the prior year related to customer reimbursement for costs associated with Visa U.S.A.'s holographic magnetic card, impairment charges related to Visa U.S.A.'s Mini Card license and business expenses related to a 2006 litigation settlement. See *Operating Revenues Service Fees* and *Operating Expenses Administrative and Other*.

In November 2006, Visa U.S.A. announced plans to outsource certain data processing and development support functions over the course of fiscal 2007. This action was intended to help Visa U.S.A. better align personnel and contract staffing levels with fluctuating project demand. As a result of this strategy, Visa U.S.A. reduced its total number of employees by approximately 5% of Visa U.S.A.'s total workforce at December 31, 2006. Visa U.S.A. incurred severance and related personnel costs of approximately \$13 million during fiscal 2007 associated with this program. Approximately \$1 million in additional charges are expected in fiscal 2008, based upon current assumptions for the timing of employee terminations. Although Visa U.S.A. believes that these estimates accurately reflect the costs of its plan, actual results may differ, thereby requiring Visa U.S.A. to record additional provisions or reverse a portion of such provisions. At September 30, 2007, the related liability in accrued compensation and benefits was \$2 million.

In August 2007, Visa U.S.A. completed the purchase of a parcel of land on the east coast of the United States and commenced construction of a new data center. The new data center is intended to support Visa U.S.A.'s technology objectives related to reliability, scalability, security and innovation. Visa U.S.A. anticipates that the data center will be completed in 2010 at an estimated total cost of \$397 million. See *Liquidity and Capital Resources*.

Results of Operations

Operating Revenues

Visa U.S.A.'s operating revenues consist of gross operating revenues reduced by payments made to customers and merchants under volume and support incentive arrangements. Gross operating revenues consist of service fees, data processing fees, international transaction fees and other revenues. Visa U.S.A.'s operating revenues are based upon aggregate payments volume reported by its members and transactional information accumulated by its transaction processing systems. Visa U.S.A.'s operating revenues are primarily generated from fees calculated on the payments volume of activity on Visa-branded cards, which Visa U.S.A. refers to as service fees, and from the fees charged for providing transaction processing, which Visa U.S.A. refers to as data processing fees. Pricing varies and may be modified on a customer-by-customer basis through volume and support incentive arrangements. Service fees and data processing fees combined represent 82%, 81% and 81% of Visa U.S.A.'s gross operating revenues in fiscal 2007, 2006 and 2005, respectively.

Table of Contents

Visa U.S.A. does not earn revenues from, or bear credit risk with respect to, interest and fees paid by cardholders on Visa-branded cards. Issuing customers have the responsibility for issuing cards and determining interest rates and fees paid by consumers and commercial establishments, and most other competitive card features. Nor does Visa U.S.A. earn revenues from the fees that merchants are charged for card acceptance, including the merchant discount rate. Acquiring customers, which are generally responsible for soliciting merchants, establish and earn these fees.

Service Fees

Service fees primarily reflect payments by customers for their participation in card programs carrying marks of the Visa brand. Current quarter service fees are assessed using a calculation of pricing applied to prior quarter payments volume as reported on customer quarterly operating certificates, exclusive of PIN-based debit volume. These payments volumes also do not include cash disbursements obtained with Visa-branded cards, balance transfers or convenience checks.

Also included in service fees are acceptance fees which are used to support merchant acceptance and ongoing volume growth initiatives. Two new acceptance fees were introduced in April 2007, which apply to all consumer debit payments volume and all consumer credit and commercial payments volume. These fees supersede previously existing issuer programs. Prior period revenues associated with previously existing issuer fees have been reclassified from other revenues to this category for comparative purposes in Visa U.S.A.'s consolidated financial statements for fiscal 2006 and fiscal 2005.

Data Processing Fees

Visa U.S.A. operates a proprietary network, VisaNet, a proprietary, secure, centralized processing platform which provides transaction processing and other payment services linking issuers and acquirers. Processing services are provided through Visa U.S.A.'s majority-owned subsidiary, Inovant, which operates VisaNet. Visa U.S.A. also provides processing services to Visa International, Visa Canada and Visa Europe, in accordance with service agreements with these entities. Data processing fees are based on information Visa U.S.A. accumulates from VisaNet. Data processing fees are recognized as revenue in the same period the related transaction occurs or services are rendered.

Data processing fees are primarily driven by the number and type of transactions and represent fees for processing transactions that facilitate the following services:

Authorization. Fees to route authorization requests to the issuer when a merchant, through its acquirer, requests approval of a cardholder's transaction;

Clearing and settlement. Fees for determining and transferring transaction amounts due between acquirers and issuers;

Single Message System, or SMS, switching. Fees for use of the SMS for determining and transferring debit transaction amounts due between acquirers and issuers;

Member processing. Fees for use of the Debit Processing Service, which provides processing and support for Visa debit products and services;

Processing guarantee. Fees charged for network operations and maintenance necessary for ongoing system availability; and

Other products and services. Fees for miscellaneous services that facilitate transaction and information management among Visa U.S.A.'s customers.

Volume and Support Incentives

Volume and support incentives are contracts with financial institutions, merchants and other business partners for various programs designed to build payments volume, increase card issuance and product acceptance and increase Visa-branded transactions. These contracts, which range in term from one to 13 years, provide incentives based on payments volume growth or card issuance, or provide marketing and program support based

Table of Contents

on specific performance requirements. Visa U.S.A. provides cash and other incentives to certain customers in exchange for their commitment to generate certain payments volume using Visa-branded products for an agreed period of time.

Pricing varies and may be modified on a customer-by-customer basis through volume and support incentive arrangements. In this regard, volume and support incentives represent a form of price reduction to these customers. Accordingly, we record these arrangements as a reduction to operating revenues. Certain incentives are estimated based on projected performance criteria and may change when actual performance varies from projections, resulting in adjustments to volume and support incentives. Management regularly reviews volume and support incentives and estimates of performance. Estimated costs associated with these contracts are adjusted as appropriate to reflect payments volume performance and projections that are higher or lower than management's original expectation or to reflect contract amendments.

International Transaction Fees

International transaction fees are assessed to customers on non-U.S. transactions of U.S.-based issuing financial institutions and U.S. transactions of non-U.S.-based issuing financial institutions. International transaction fees are generally driven by cross-border payments volume, which include the settlement of currency exchange activities in connection with the settlement of multi-currency transactions. International transaction fees are influenced by levels of travel and the extent to which Visa-branded products are utilized for travel purposes. These fees are recognized as revenues in the same period the related transactions occur or services are performed.

Other Revenues

Other revenues represent optional card enhancements, such as extended cardholder protection and concierge services, cardholder services, software development services and other services provided to Visa U.S.A.'s customers, Visa International, Visa Canada and Visa Europe. Software development services are provided on a time and materials basis primarily to Visa International, Visa Europe and Visa Canada. Prior period revenues associated with previous issuer fees, which were superseded by new issuer acceptance fees discussed above, have been reclassified to service fees for comparative purposes in Visa U.S.A.'s consolidated financial statements for fiscal 2006 and fiscal 2005.

Operating Expenses

Our operating expenses consist of personnel; network, electronic data processing (EDP) and communications; advertising, marketing and promotion; professional and consulting fees; administrative and other, and litigation provision.

Personnel

Personnel expense consists of salaries, incentives and various fringe benefits.

Network, EDP and Communications

Network, EDP and communications represent expenses for the operation of our electronic payments network, including maintenance, depreciation and fees for other data processing services.

Advertising, Marketing and Promotion

Advertising, marketing and promotion include expenses associated with advertising and marketing programs, sponsorships, promotions and other related incentives to promote the Visa brand. In connection with certain sponsorship agreements, Visa U.S.A. has an obligation to spend certain minimum amounts for advertising and marketing promotion over the terms of the agreements.

Table of Contents

Visa International Fees

Visa U.S.A. pays fees to Visa International based on payments volumes, exclusive of PIN-based debit volume, for services primarily related to global brand management, global product enhancements, management of global system development and interoperability, and corporate support to the entire Visa enterprise. The fees are calculated based on Visa U.S.A.'s relative percentage of these payments volumes compared to other Visa regions.

Professional and Consulting Fees

Professional and consulting fees consist of fees for consulting, contractors, legal, and other professional services. Legal costs for third party services provided in connection with ongoing legal matters are expensed as incurred. Legal costs are included in professional and consulting fees on the consolidated statements of operations.

Administrative and Other

Administrative and other primarily consist of facilities costs, and other corporate and overhead expenses in support of our business, such as travel expenses.

Litigation Provision

Litigation provision is an estimate of litigation expense and is based on management's understanding of our litigation profile, the specifics of the case, advice of counsel to the extent appropriate, and management's best estimate of incurred loss at the balance sheet dates. In accordance with SFAS No. 5, *Accounting for Contingencies*, management records a charge to income for an estimated loss if such loss is probable and reasonably estimable. Visa U.S.A. will continue to review the litigation accrual and, if necessary, future adjustments to the accrual will be made.

Other Income (Expense)

Other income (expense) primarily consists of equity in earnings of unconsolidated affiliates, interest expense, investment income, net and other non-operating income.

Equity in Earnings of Unconsolidated Affiliates

Equity in earnings of unconsolidated affiliates relates to investments in Visa International and joint ventures that own, lease, develop and operate all facilities and properties used jointly by Visa U.S.A. and Visa International.

Interest Expense

Interest expense primarily includes accretion associated with litigation settlements to be paid over periods longer than one year and interest incurred on outstanding debt.

Investment Income

Investment income, net represents returns on our fixed-income securities and other investments.

Fiscal 2007 compared to Fiscal 2006

Operating Revenues

Operating revenues were \$3.6 billion and \$3.0 billion in fiscal 2007 and fiscal 2006, respectively, reflecting an increase of \$0.6 billion, or 22%. The increase in operating revenues reflects increases in service fees and data processing fees due to growth in payments volume, exclusive of PIN-based debit volume, which increased 9%, and growth in transactions, which increased 11%. Growth in operating revenues exceeded growth in payments and transactions volumes primarily due to newly introduced service fees. While Visa U.S.A. believes that these

Table of Contents

changes in fee structure will generate ongoing benefits, Visa U.S.A. does not believe that the rate of growth in operating revenues is representative of sustainable future revenue growth because it includes the impacts in fiscal 2007 of the new service fees.

	Fiscal Year		2007 vs. 2006	
	2007	2006	\$ Change	% Change
(in millions, except percentages)				
Service fees	\$ 1,945	\$ 1,610	\$ 335	21%
Data processing fees	1,416	1,248	168	13%
Volume and support incentives	(505)	(588)	83	(14)%
International transaction fees	454	398	56	14%
Other revenues	280	280		0%
Total Operating Revenues	\$ 3,590	\$ 2,948	\$ 642	22%

Service Fees

Payments volume on Visa-branded cards for goods and services in the preceding quarter, exclusive of PIN-based debit volume, is the basis for service fees. Payments volume, exclusive of PIN-based debit volume, increased \$105 billion, or 9%, to \$1.3 trillion in fiscal 2007 compared to fiscal 2006. Service fees outpaced the growth in underlying payments volume due primarily to the April 2007 introduction of two new acceptance fees including a debit acceptance fee on all consumer debit payments volume and a credit/commercial acceptance fee on all consumer credit and commercial payments volume. The increase in service fees from these new acceptance fees were offset by the corresponding elimination of previously existing issuer fees used to support merchant acceptance and volume growth initiatives. The net impact of the new acceptance fees and the elimination of the existing issuer fees resulted in an increase to service fees of \$190 million, or 12%, in fiscal 2007 compared to fiscal 2006.

Data Processing Fees

The increase in data processing fees is primarily due to the growth in number of transactions processed during fiscal 2007 compared to fiscal 2006. Data processing fees increased 13%, broadly consistent with the growth in underlying transactions processed. Incremental revenues during fiscal 2007 from the introduction of an updated fraud detection product and additional revenues from Visa U.S.A.'s debit processing services related to non-Visa network transactions offset the continued impact of higher volume-based discounts resulting from consolidation and transaction growth among customers. Of the total data processing fees, \$122 million, or 9%, was collectively earned from Visa International, Visa Canada and Visa Europe in each of fiscal 2007 and fiscal 2006.

Volume and Support Incentives

The decrease in volume and support incentives was primarily due to the impact of lower revised estimates of performance under these agreements during management's regular quarterly review of customer performance and due to amendments to volume and support incentives during the period. Performance adjustments reduced volume and support incentives cost by a total of \$73 million in fiscal 2007 compared to \$36 million in fiscal 2006. As the rate of payments volume growth has softened compared to the prior year, estimates of performance under volume and support incentives have been adjusted accordingly. We currently expect volume and support incentives to increase substantially during fiscal 2008 due to obligations assumed upon retirement of certain issuer programs during 2007. See *Note 13 Restricted Assets and Liabilities* and *Note 19 Commitments and Contingencies* to the Visa U.S.A. fiscal 2007 consolidated financial statements. The actual amount of volume and support incentives will vary based on modifications to performance expectations for these contracts, amendments to contracts, or new contracts entered into during 2008.

Table of Contents

The net liability of volume and support incentives changed as follows:

	2007 (in millions)
Beginning balance at October 1, 2006, net liability⁽¹⁾	\$ (65)
Provision	
Current year provision	(588)
Performance adjustments ⁽²⁾	73
Contractual amendments ⁽³⁾	10
Subtotal volume and support incentives	(505)
Payments	523
Ending balance at September 30, 2007, net liability⁽¹⁾	\$ (47)

(1) Balance represents the net of the current and long term asset and current liability portions of volume and support incentives as presented on the face of the Visa U.S.A. fiscal 2007 consolidated financial statements.

(2) Amount represents adjustments resulting from management's refinement of its estimate of projected sales performance as new information becomes available.

(3) Amount represents adjustments resulting from amendments to existing contractual terms.

International Transaction Fees

The increase in international transaction fees was primarily driven by multi-currency payments volume, which increased by \$10 billion, or 15%, during fiscal 2007, compared to fiscal 2006. The increase in international transaction fees was broadly in line with the growth in multi-currency payments volume, reflecting more cross-border transactions as overall global travel has increased.

Operating Expenses

Total operating expenses increased by 127% to \$5.0 billion in fiscal 2007 compared to \$2.2 billion in fiscal 2006. The increase primarily reflects the \$2.7 billion litigation provision, which represented 94% of that increase. Excluding the litigation provision, operating expenses increased \$191 million, or 9%.

	Fiscal Year		2007 vs. 2006	
	2007	2006	\$ Change	% Change
	(in millions, except percentages)			
Personnel	\$ 721	\$ 671	\$ 50	7%
Network, EDP and communications	366	328	38	12%
Advertising, marketing and promotion	581	474	107	23%
Visa International fees	173	159	14	9%
Professional and consulting fees	334	291	43	15%
Administrative and other	211	272	(61)	(22)%
Litigation provision	2,653	23	2,630	NM
Total Operating Expenses	\$ 5,039	\$ 2,218	\$ 2,821	127%

Personnel

Edgar Filing: Visa Inc. - Form S-1/A

Personnel expense increased 4% in fiscal 2007 due to a \$26 million charge representing the first installment of a one-time special bonus program of \$51 million associated with the establishment of Visa Inc. Half of the \$51 million special bonus program vested during fiscal 2007. The other half is payable in stock or cash one year after the completion of this offering if certain vesting requirements are met. The remaining increase of 3% reflects severance expense for certain executives, annual salary adjustments, which were broadly in line with economic price increases, offset by the impact of lower average headcount during fiscal 2007.

Table of Contents

Network, EDP and Communications

The increase in Network, EDP and Communications expense for fiscal 2007 was primarily due to the following:

a \$29 million increase in fees paid for debit processing services for charges related to processing transactions through non-Visa networks, and

a \$12 million increase in maintenance and equipment rental costs.

Fees for data processing services related to processing transactions through non-Visa networks would be expected to grow over time as the worldwide migration from paper-based to electronic payments continues. Maintenance and equipment rental costs may continue to increase over time as Visa U.S.A. continues to evaluate out-sourcing alternatives for certain support functions.

Advertising, Marketing and Promotion

The increase in advertising, marketing and promotion expense in fiscal 2007 was primarily due to the following:

a \$67 million increase in expenditures for certain joint promotional campaigns with financial institution customers; and

a \$23 million increase in expenditures associated with Visa Extras, Visa U.S.A.'s point-based rewards program that enables enrolled cardholders to earn reward points on qualifying purchases.

Visa U.S.A. assesses the effectiveness of all promotional activity and may continue joint promotional campaigns with its financial institution customers in the future. Expenses associated with Visa Extras would be expected to increase over time as payments volumes associated with enrolled payments products increase.

The remaining increase is attributable to additional promotional activity related to Visa Signature, Visa Small Business, and Consumer Debit products. These increases were offset by the absence of initial launch expenditures for Visa U.S.A.'s new brand mark and card design which began in January 2006 and the Life Takes Visa advertising campaign, which began in February 2006.

Visa International Fees

Although Visa U.S.A.'s percentage of worldwide payments volumes decreased in fiscal 2007 compared to fiscal 2006 due to global emerging markets experiencing higher payments volume growth rates than the more mature U.S. economy, fees paid to Visa International increased due to a one-time fee waiver of \$13 million in fiscal 2006 that was not repeated in fiscal 2007.

Professional and Consulting Fees

Professional and consulting fees increased in fiscal 2007 primarily due to the following:

a \$23 million increase in contractors and outsourcing expense in connection with the outsourcing of certain data processing and development functions as described in the overview above, and additional contractors in connection with the support of other development and maintenance projects; and

A \$19 million increase in legal fees incurred to support ongoing litigation matters. See *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

Edgar Filing: Visa Inc. - Form S-1/A

Visa U.S.A. continues to evaluate out-sourcing alternatives for certain technology and support functions. Contractor and outsourcing expense could increase in the future should additional support functions be transitioned to an external provider.

Table of Contents*Administrative and Other*

Administrative and other expenses decreased in fiscal 2007, primarily reflecting the absence of the following expenses incurred in fiscal 2006:

a \$24 million charge to reimburse customers for production and issuance costs related to discontinued use of Visa-branded cards with the holographic magnetic stripe design;

a \$13 million impairment charge for the net carrying value of an intangible asset associated with the patent and rights to market and distribute Mini Cards in the United States; and

an \$11 million charge to reflect expenses for business objectives related to a litigation settlement in fiscal 2006. The settlement required Visa U.S.A. to either meet certain joint business objectives or make cash payments in lieu of the business objectives over five years. Because Visa U.S.A. expects to make these related cash payments without receiving future benefits, Visa U.S.A. charged the present value of the total payments to its consolidated statements of operations in fiscal 2006.

In addition, after a review of claims submitted, Visa U.S.A. reduced the accrual for reimbursement to customers for production costs related to the discontinued use of Visa-branded cards with the holographic magnetic stripe design by \$11 million in fiscal 2007.

Litigation Provision

Litigation provision increased \$2.6 billion reflecting a \$1.9 billion provision related to settlement of outstanding litigation with American Express. Future payments under the settlement agreement were discounted at 4.72% over the payment term to determine the amount of the provision. The litigation provision also reflects management's liability estimate under the guidelines of SFAS No. 5, *Accounting for Contingencies*, related to the Discover litigation. The American Express and Discover litigations are covered by our retrospective responsibility plan and we intend to fund any payment obligations with amounts in the escrow account, in accordance with our retrospective responsibility plan. The remainder of the increase in litigation provision includes various litigation provisions for both settled and unsettled matters. See *Liquidity and Capital Resources* and *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

Visa U.S.A. is a party to various other legal and regulatory proceedings. See *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

Total liabilities for legal matters changed as follows:

	(in millions)
Balance at September 30, 2006	\$ 1,000
Provision for settled legal matters	1,941
Provision for unsettled legal matters	714
Bank co-defendants' obligation to American Express ⁽¹⁾	185
Insurance recovery	(2)
Interest accretion on settled matters	75
Payments on settled matters	(231)
Balance at September 30, 2007	\$ 3,682

⁽¹⁾ Visa Inc. will consolidate the initial payment to American Express (see discussion below) on behalf of the five co-defendant banks. Visa U.S.A. has recorded a corresponding receivable in prepaid and other current assets on the Visa U.S.A.'s consolidated balance sheets at September 30, 2007.

Other Income (Expense)

Edgar Filing: Visa Inc. - Form S-1/A

Other income was \$62 million in fiscal 2007 compared to other expense of \$8 million in fiscal 2006. The increase in other income primarily reflects an increase in Visa U.S.A.'s portion of equity earnings from Visa

Table of Contents

International as a result of an increase in net income for Visa International and an increase in interest income as the result of a shift in Visa U.S.A.'s investment portfolio from tax-exempt securities to higher yielding money market and auction rate securities.

The following table sets forth the components of our other income (expense) for fiscal 2007 and 2006.

	Fiscal Year		2007 vs. 2006	
	2007	2006	\$ Change	% Change
	(in millions, except percentages)			
Equity in earnings of unconsolidated affiliates	\$ 40	\$ 13	\$ 27	208%
Interest expense	(81)	(89)	8	(9)%
Investment income, net	103	68	35	51%
Other Income (Expense)	\$ 62	\$ (8)	\$ 70	NM

Equity in Earnings of Unconsolidated Affiliates

The increase in equity in earnings of unconsolidated affiliates in fiscal 2007 primarily reflected higher Visa International net income during fiscal 2007 compared to the prior fiscal year.

Interest Expense

The decrease in interest expense in fiscal 2007 primarily reflected lower accretion expense on the declining litigation balance in the *Retailers Litigation* matter. Interest expense is expected to increase in fiscal 2008 as a result of the *American Express Litigation*, for which accretion will be recorded beginning in October 2008. See *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

Investment Income, Net

The increase in investment income, net in fiscal 2007 primarily reflects an increase in interest income due to a shift in the Visa U.S.A.'s investment strategy from tax-exempt municipal bonds to higher yield fixed-income investment securities and to higher average investment balances during the year.

Income Taxes

Visa U.S.A.'s effective tax rate is a combination of federal and state statutory rates and allowable adjustments to taxable income. The effective tax rate in fiscal 2007 of 23% represented a tax benefit while the effective rate of 35% for the prior year represented a tax expense. The 23% effective tax rate benefit in fiscal 2007 resulted from the loss before income tax realized for the year. This benefit was less than would otherwise have been realized primarily as a result of an adjustment in a reserve related to litigation.

The components impacting the effective tax rate are:

	Fiscal Year		2006	
	2007	Percent	Dollars	Percent
	(in millions, except percentages)			
(Loss) income before income taxes and minority interest	\$ (1,387)		\$ 722	
Minority interest expense	5		16	
U.S. federal statutory tax	(485)	35%	253	35%
State tax effect, net of federal benefit	(11)	1%	(11)	(2)%
Reserve for tax uncertainties related to litigation	180	(13)%		
Non-deductible expenses and other differences	2	%	15	3%

Edgar Filing: Visa Inc. - Form S-1/A

Minority interest not subject to tax	(2)	%	(6)	(1)%
Income Tax (Benefit) Expense	\$ (316)	23%	\$ 251	35%

Table of Contents

Visa U.S.A.'s fiscal 2007 statement of operations reflected a litigation provision of \$2.7 billion associated with its outstanding and settled litigation. This provision primarily reflected the amount required to settle the American Express litigation and management's liability estimate under the guidelines of SFAS No. 5 related to the Discover litigation and other matters. For tax purposes, the deduction related to these matters will be deferred until the payments are made and thus we established a deferred tax asset of \$778 million related to these payments, which is net of a reserve to reflect Visa U.S.A.'s best estimate of the amount of the benefit to be realized.

Minority Interest

The decrease in minority interest for fiscal 2007 compared to the prior year reflects lower Inovant net income as a result of charges for severance and termination benefits related to Visa U.S.A.'s plans to outsource certain data processing and development support functions. See *Note 16 Workforce Reduction* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

Fiscal 2006 compared to Fiscal 2005*Operating Revenues*

Operating revenues were \$3.0 billion and \$2.7 billion in fiscal 2006 and fiscal 2005, respectively, reflecting an increase of \$0.3 billion, or 11%. The increase in operating revenues was primarily driven by increases in service fees and data processing fees due to growth in payments volume and transactions, both of which increased 17% during fiscal 2006. In fiscal 2006, growth in consumer credit volume continued to favorably impact operating revenues, driven largely by Visa Signature, Visa U.S.A.'s premium credit platform, which generates higher fees. Operating revenues were also impacted by growth in debit volumes and transactions processed, reflecting the ongoing impact of certain member conversions to the debit Interlink platform.

	Fiscal Year		2006 vs. 2005	
	2006	2005	\$ Change	% Change
	(in millions, except percentages)			
Service fees	\$ 1,610	\$ 1,447	\$ 163	11%
Data processing fees	1,248	1,139	109	10%
Volume and support incentives	(588)	(524)	(64)	12%
International transaction fees	398	360	38	11%
Other revenues	280	243	37	15%
Total Operating Revenues	\$ 2,948	\$ 2,665	\$ 283	11%

Service Fees

The increase in service fees in fiscal 2006 compared to fiscal 2005 of 11% was broadly in line with the growth in underlying payments volume exclusive of PIN-based debit volume, which increased \$151.0 billion, or 15%, to \$1.2 trillion in fiscal 2006, reflecting increased spending on all product platforms volumes. This increase was offset by a decrease in acceptance fees in fiscal 2006 primarily reflecting lower revenues of \$36 million related to a merchant incentive program. The program collects fees from customers and the funds are intended to support various merchant programs designed to build payments volume and increase product acceptance. Beginning in fiscal 2006, the program was modified, requiring specific use of related revenues. Revenues related to the merchant incentive program were therefore deferred and recognized only when expended as designated for specific acceptance programs.

Data Processing Fees

Data processing fees increased 10% primarily due to a 17% increase in the number of transactions processed in fiscal 2006 as compared to fiscal 2005. The increase in transactions processed outpaced the increase in data

Table of Contents

processing fees in fiscal 2006 primarily due to higher volume-based discounts resulting from consolidations among financial institution customers. Despite solid growth in the mix of debit transactions during fiscal 2006, reflecting conversion of various member financial institutions to Interlink, Visa U.S.A.'s PIN-based debit platform, the impact of volume-based discounts across all product lines outpaced the impact of growth of debit transactions. Of the total data processing fees, \$122 million and \$121 million was earned from Visa International, Visa Canada and Visa Europe in fiscal 2006 and fiscal 2005, respectively.

Volume and Support Incentives

Growth of volume and support incentives in fiscal 2006 was primarily due to the execution of new agreements in support of Visa U.S.A. partnership programs with existing customers, and co-branding programs with existing customers and new merchants.

The net asset (liability) of volume and support incentives changed as follows:

	2006 (in millions)
Beginning balance at October 1, 2005, net asset⁽¹⁾	\$ 110
Provision	
Current year provision	(635)
Performance adjustments ⁽²⁾	36
Contractual amendments ⁽³⁾	11
Subtotal volume and support incentives	(588)
Payments	413
Ending balance at September 30, 2006, net liability⁽¹⁾	\$ (65)

(1) Balance represents the net of the current and long term asset and current liability portions of volume and support incentives as presented on the face of the Visa U.S.A. fiscal 2007 consolidated financial statements.

(2) Amount represents adjustments resulting from management's refinement of its estimate of projected sales performance as new information becomes available.

(3) Amount represents adjustments resulting from amendments to existing contractual terms.

International Transaction Fees

International transaction fees increased 11% while multi-currency payments volume increased 9% or \$4.4 billion, in fiscal 2006 as compared to fiscal 2005. The increase in international transaction fees was higher than the growth in multi-currency payments volume due to the differential between foreign and domestic interchange rates.

Other Revenues

The increase in other revenues in fiscal 2006 primarily reflected:

revenue growth of \$18 million for technology projects and services performed for Visa International, Visa Canada and Visa Europe; and

revenue growth of \$12 million from the Visa Extras loyalty program. Visa Extras is a platform for enrolled Visa cardholders to earn reward points toward qualifying purchases.

Operating Expenses

Edgar Filing: Visa Inc. - Form S-1/A

Total operating expenses were unchanged at \$2.2 billion for both fiscal 2006 and 2005, respectively. Visa U.S.A. reduced its total operating expenses as a percentage of total operating revenues to 75% in fiscal 2006 compared to 83% in fiscal 2005 due to more effective expense management and the absence of certain charges associated with Visa U.S.A.'s litigation provision expense recorded in fiscal 2005. The charge to litigation provision expense in fiscal 2005 was primarily related to the multi-currency matter that was subsequently settled in fiscal 2006. See *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

Table of Contents

	Fiscal Year		2006 vs. 2005	
	2006	2005	\$ Change	% Change
	(in millions, except percentages)			
Personnel	\$ 671	\$ 619	\$ 52	8%
Network, EDP and communications	328	338	(10)	(3)%
Advertising, marketing and promotion	474	457	17	4%
Visa International fees	159	169	(10)	(6)%
Professional and consulting fees	291	273	18	7%
Administrative and other	272	224	48	21%
Litigation provision	23	132	(109)	(83)%
Total Operating Expenses	\$ 2,218	\$ 2,212	\$ 6	0%

Personnel

The increase in personnel expense in fiscal 2006 reflected annual salary adjustments, which were broadly in line with inflation, and a 4% increase in the number of employees in support of various corporate initiatives at Visa U.S.A.

Network, EDP and Communications

The decrease in network, EDP and communications expense in fiscal 2006 primarily reflected a decrease in software expense of \$9 million due to Visa U.S.A. lowering its threshold for capitalizing software from a unit cost greater than \$25,000 or an aggregate purchase cost greater than \$250,000 to a unit cost or aggregate purchase cost greater than \$10,000.

Advertising, Marketing and Promotion

The increase in advertising, marketing and promotion expense in fiscal 2006 primarily reflected higher expenditures for Visa U.S.A.'s new brand mark and card design launch which began in January 2006 and its "Life Takes Visa" advertising campaign, launched in February 2006.

Visa International Fees

The decrease in Visa International fees in fiscal 2006 primarily reflected reductions in Visa U.S.A.'s percentage of worldwide payments volumes, as global emerging markets experienced higher payments volume growth rates than the more mature U.S. economy.

Professional and Consulting Fees

Professional and consulting fees increased in fiscal 2006 primarily due to professional contracting fees incurred to provide analysis and support for various programs and projects including product development and innovation, call center operations and global processing and system development. Additional expenses for accounting and auditing services were incurred in conjunction with Visa U.S.A.'s review of its internal controls over financial reporting, and additional legal fees were incurred to support ongoing litigation matters.

Administrative and Other

Administrative and other expense increased in fiscal 2006, primarily reflecting the following non-recurring expenses:

a \$24 million charge to reimburse customers for production and issuance costs related to discontinued use of Visa-branded cards with the holographic magnetic stripe design;

a \$13 million impairment charge for the net carrying value of an intangible asset associated with the patent and rights to market and distribute Mini Cards in the United States; and

Edgar Filing: Visa Inc. - Form S-1/A

an \$11 million charge to reflect expenses for business objectives related to a litigation settlement in fiscal 2006. The settlement required Visa U.S.A. to either meet certain joint business objectives or make cash payments in lieu of the business objectives over five years. Because Visa U.S.A. expects to make these related cash payments without receiving future benefits, Visa U.S.A. charged the present value of the total payments to its consolidated statements of operations in fiscal 2006.

Table of Contents*Litigation Provision*

The decrease in the litigation provision in fiscal 2006 compared to the prior year was driven by the following:

absence of the litigation provision for the multi-currency matter of \$94 million, which was charged in fiscal 2005 and settled in fiscal 2006;

downward adjustment of \$16 million to the litigation provision reflecting the settlement of two matters in July 2006; and

an \$11 million insurance recovery related to one of the matters settled in July 2006. The insurance recovery was received during the fourth fiscal quarter of fiscal 2006.

Total liabilities for legal matters changed as follows:

	(in millions)
Balance at September 30, 2005	\$ 1,208
Provision for legal matters	34
Insurance recovery	(11)
Interest accretion on settled matters	92
Payments on settled matters	(323)
Balance at September 30, 2006	\$ 1,000

Other Income (Expense)

Other expense was \$8 million in fiscal 2006 compared to other income of \$3 million in fiscal 2005. The decrease in other income primarily reflected the absence of a non-recurring gain-on-sale of a joint venture interest in Vital Processing Services LLC, a financial transaction processor for acquirers and merchants, which occurred in fiscal 2005 and lower equity in earnings related to Visa U.S.A.'s ownership in Visa International.

	Fiscal Year		2006 vs. 2005	
	2006	2005	\$ Change	% Change
	(in millions, except percentages)			
Equity in earnings of unconsolidated affiliates	\$ 13	\$ 31	\$ (18)	(58)%
Interest expense	(89)	(109)	20	(18)%
Investment income, net	68	81	(13)	(16)%
Other (Expense) Income	\$ (8)	\$ 3	\$ (11)	NM

Equity in Earnings of Unconsolidated Affiliates

The decrease in equity in earnings of unconsolidated affiliates in fiscal 2006 primarily reflected lower Visa International net income and a decrease in Visa U.S.A.'s proportionate equity interest in Visa International earnings from the prior year, reflecting the fact that Visa U.S.A. comprised a lower percentage of total payments volume-based fees paid to Visa International. The decrease also reflected the absence of equity in earnings from Vital Processing Services LLC following the sale of Visa U.S.A.'s 50% equity interest in the joint venture during fiscal 2005.

Interest Expense

Edgar Filing: Visa Inc. - Form S-1/A

The decrease in interest expense in fiscal 2006 primarily reflected the absence of accretion expense on litigation for certain merchants who opted not to participate in the plaintiff's class in the Retailers' Litigation matter. These litigation matters were settled in the first six months of fiscal 2005. See *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

Investment Income, Net

The decrease in investment income, net in fiscal 2006 primarily reflected the absence of a \$42 million gain on the sale of Visa U.S.A.'s 50% equity interest in Vital Processing Services LLC in fiscal 2005. The decrease

Table of Contents

was offset by higher earnings on fixed-income investment securities, due to higher average investment balances and higher market interest rates for current year periods compared to the prior year.

Income Taxes

Visa U.S.A.'s effective tax rate decreased to 35% in fiscal 2006 from 40% in fiscal 2005. The lower effective tax rate is primarily attributable to additional tax benefits granted by the state related to Visa U.S.A.'s tax filing methodology in fiscal 2006. The decrease also reflects the absence of a one-time remeasurement of deferred tax assets related to the adoption of a new state tax filing methodology, which occurred in 2005.

The components impacting the effective tax rate are:

	2006		Fiscal		2005	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
	(in millions, except percentages)					
Income before income taxes, cumulative effect of accounting change and minority interest	\$ 722		\$ 606			
Cumulative effect of accounting change, gross			(150)			
Income before income taxes and minority interest	722		456			
Minority interest expense	16		8			
U.S. federal statutory tax	253	35%	160	35%		
State tax effect, net of federal benefit	(11)	(2)%	21	5%		
Non-deductible expenses and other differences	15	3%	5	1%		
Minority interest not subject to tax	(6)	(1)%	(3)	(1)%		
Income Tax Expense	\$ 251	35%	\$ 183	40%		

Minority Interest

In September 2005, Inovant, Inc. sold a 10% interest in Inovant to Visa Europe and a 6% interest to Visa International and its CEMEA region at a price equivalent to the founder's cost, thereby reducing Visa U.S.A.'s ownership of Inovant from 85% to 69%. This increase in third party ownership had a full year impact in fiscal 2006 resulting in increased minority interest expense.

Liquidity and Capital Resources

Visa U.S.A. maintains comprehensive cash flow forecasts to project Visa U.S.A.'s short-term and long-term liquidity needs, and maintains controls and governance over spending and investment decisions. Visa U.S.A.'s corporate investment policy was approved by its board of directors and Visa U.S.A.'s Asset and Liability Committee oversees Visa U.S.A.'s treasury activity.

Visa U.S.A. requires capital resources and liquidity to:

enable uninterrupted settlement of debit transactions;

fund development of new technology, payment products and services;

fund payment obligations under volume and support incentives;

finance capital expenditures and future investments;

service the payments of principal and interest on outstanding indebtedness; and

pay the costs of litigation, including settlements.

Table of Contents

The objectives of Visa U.S.A.'s investment policy are to maintain integrity of principal, to provide adequate liquidity to cover settlement contingency scenarios and operating expenditures, including payments of principal and interest on its outstanding debt, inclusive of settled litigation, and to optimize investment income earned within acceptable risk criteria.

Settlement of certain debit transactions due from customers participating in the Debit Processing Service and due to payment networks represents Visa U.S.A.'s most consistent liquidity requirement. These settlement receivables are generally collected on the business day following the day in which the transactions were processed, and settlement payables are typically satisfied two days following the processing day. Visa U.S.A. maintains a liquidity position sufficient to enable uninterrupted daily net debit settlement. During fiscal 2007, Visa U.S.A. funded average daily net settlement payable balances of \$62 million, with the highest daily balance being \$188 million. During fiscal 2006, Visa U.S.A. funded average daily net settlement payable balances of \$62 million, with the highest daily balance being \$221 million. Visa International is Visa U.S.A.'s settlement agent for credit and all other debit transactions.

Sources of Liquidity

Visa U.S.A.'s primary sources of liquidity are cash on hand, cash provided by operating activities and a fixed-income investment portfolio. Funds from operations are maintained in cash and cash equivalents, short-term available-for-sale investment securities, or long-term available-for-sale investment securities based on Visa U.S.A.'s estimates of when those funds will be needed. At September 30, 2007, September 30, 2006 and September 30, 2005, Visa U.S.A.'s total liquid assets, consisting of cash and cash equivalents, short-term investment securities, and long-term investment securities, were \$1.8 billion, \$1.4 billion and \$1.1 billion, respectively, as reflected in the following table:

	At September 30,		
	2007	2006	2005
	(in millions)		
Cash and cash equivalents	\$ 275	\$ 270	\$ 135
Short-term investments securities, available-for-sale	747	660	681
Total current assets	2,507	1,594	1,478
Long-term investments securities, available-for-sale	737	515	319
Total current liabilities	3,282	1,393	1,325
Current portion of long-term debt	41	32	32
Long-term debt		41	74
Current portion of accrued litigation	2,236	216	197
Long-term portion of accrued litigation	1,446	784	1,010
Total (deficit) equity	(501)	583	126
Working capital	(775)	201	153

On November 1, 2007, Visa Inc., Visa U.S.A. and Visa International entered into an agreement with American Express to resolve all current litigation between American Express and Visa U.S.A. and Visa International, and the related litigation between American Express and five co-defendant banks. Under the settlement agreement, an initial payment of \$1.13 billion will be made on or before March 31, 2008, including \$945 million from Visa Inc. and \$185 million from the five co-defendant banks. Beginning March 31, 2008, Visa Inc. will pay American Express an additional amount of up to \$70 million per quarter for 16 quarters, for a maximum total of \$1.12 billion. Total future payments discounted at 4.72% over the payment term, or \$1.9 billion, are reflected in the litigation provision on Visa U.S.A.'s consolidated statements of operations for fiscal 2007 and in current and long-term accrued litigation on its consolidated balance sheet at September 30, 2007. Visa Inc. expects to fund future payments under the American Express settlement under its retrospective responsibility plan. The plan includes an escrow arrangement in which Visa Inc. will deposit a portion of the expected proceeds from this offering, as determined by the Visa Inc. litigation committee (a committee established pursuant to a litigation management agreement among Visa Inc., Visa International, Visa U.S.A. and

Table of Contents

the members of the committee, all of whom are affiliated with, or acting for, certain Visa U.S.A. members), into an escrow account from which settlements of, or judgments in, covered litigation will be payable. The plan also includes a loss sharing agreement in which Visa U.S.A. members that are parties to the agreement are responsible for covered litigation in proportion to the member's ownership percentage, as calculated in accordance with Visa U.S.A.'s certificate of incorporation. This plan includes multi-step mechanisms to fund financial obligations of Visa U.S.A. and Visa International related to certain litigation, including the American Express litigation covered by this settlement agreement. See *Business Retrospective Responsibility Plan*.

Visa U.S.A. has an uncommitted credit facility with Visa International whereby Visa U.S.A. or Visa International may provide each other short-term financing with a maximum term of five business days. Neither Visa U.S.A. nor Visa International has the obligation to lend to or to borrow from the other company. There were no outstanding balances at September 30, 2007 or September 30, 2006 under this arrangement.

In July 2006, Visa U.S.A.'s board of directors approved a plan to build a new data center on the east coast of the United States at an estimated cost of \$397 million, which Visa U.S.A. plans to fund with its existing liquid assets and projected cash flows. Visa U.S.A. completed the land purchase and began construction in fiscal 2007; construction is expected to continue through fiscal 2010. Upon completion, Visa U.S.A. will migrate its current east coast data center to this new facility. Visa U.S.A. assesses the estimated cost to build the new data center on a regular basis and the corresponding liquidity required during each stage of the building process. In March 2007, Visa U.S.A. executed two performance bond agreements with the county in which the east coast data center will be constructed to provide assurance that land development and construction will be completed as planned. The bonds have a total value of \$2 million and become due in the event that land development and construction are not completed as planned. At September 30, 2007, Visa U.S.A. had remaining committed obligations of \$186 million related to the new data center.

Visa U.S.A. had negative working capital at September 30, 2007, primarily due to the financial statement impact of the American Express litigation. See *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements. Visa U.S.A. believes its existing liquid assets and projected cash flows will be sufficient to fund its business operations, working capital requirements, capital expenditures, future strategic developments and other commitments during fiscal 2008. Visa U.S.A. anticipates that future increases in its operating cash flows from new acceptance fees initiated in April 2007 will be offset by obligations assumed in connection with the retirement of two restricted liability programs. See *Note 19 Commitments and Contingencies* to the Visa U.S.A. fiscal 2007 consolidated financial statements. Visa U.S.A.'s ability to maintain these levels of liquidity could be adversely affected by several factors described under *Risk Factors*, including the adverse outcome of any of the legal or regulatory proceedings to which Visa U.S.A. is a party. As part of Visa Inc., Visa U.S.A. will continue to assess its liquidity position and potential sources of supplemental liquidity in view of its operating performance and other relevant circumstances.

Visa U.S.A. has certain off-balance sheet commitments and contingencies that may have significant future cash requirements. See *Off-Balance Sheet Arrangements and Contractual Obligations* and *Note 12 Pension, Postretirement and Other Benefits, Note 14 Debt, Note 19 Commitments and Contingencies* and *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

Cash Flow Data

	2007	Fiscal 2006 (in millions)	2005
Net cash provided by operating activities	\$ 505	\$ 434	\$ 481
Net cash used in investing activities	(463)	(263)	(473)
Net cash used in financing activities	(37)	(36)	(46)
Increase (decrease) in cash and cash equivalents	\$ 5	\$ 135	\$ (38)

Table of Contents***Operating Activities***

Net cash provided by operating activities increased \$71 million in fiscal 2007 compared to the prior year. The increase primarily reflected the absence of a substantial program payment in connection with Visa U.S.A.'s Visa Check card program in the prior year. See *Note 13 Restricted Assets and Liabilities* to the Visa U.S.A. fiscal 2007 consolidated financial statements. The increase also reflects higher non-cash accruals for accrued compensation and benefits.

Net cash provided by operating activities decreased \$47 million during fiscal 2006, primarily due to payments on litigation matters largely accrued for in fiscal 2005 but settled and paid for in fiscal 2006. In addition, lower levels of accounts payable and accrued liabilities in fiscal 2006 compared to fiscal 2005 contributed to the decrease in cash provided by operating activities. These decreases were offset by increases in the liability position of volume and support incentives and higher net income, adjusted for non-cash items.

Investing Activities

The increase in net cash used in investing activities in fiscal 2007 is primarily driven by facilities and equipment purchases related to the new data center discussed above. In addition, investment securities purchasing activity, net of sales and maturities, was higher during fiscal 2007.

The decrease in net cash used in investing activities in fiscal 2006 from fiscal 2005 primarily reflects fewer funds available for the purchase of investment securities as a result of one-time litigation settlements, including the multi-currency matter.

Financing Activities

Net cash used in financing activities during fiscal 2007, 2006 and 2005 primarily reflects scheduled quarterly payments on Visa U.S.A.'s series A senior secured notes due December 2007 and series B senior secured notes due December 2012. See *Note 14 Debt* to the Visa U.S.A. fiscal 2007 consolidated financial statements. Cash requirements remained stable as the outstanding debt decreased during fiscal 2007, 2006 and 2005.

Off-Balance Sheet Arrangements

Under Visa U.S.A.'s bylaws in effect prior to the reorganization, Visa U.S.A. indemnified issuing and acquiring customers for settlement losses suffered by reason of the failure of any other issuing and acquiring customer to honor drafts, travelers cheques, or other instruments processed in accordance with its operating regulations. Visa International is Visa U.S.A.'s settlement agent. Visa U.S.A. partially indemnifies Visa International from losses due to the failure of a member. The term and the amount of the indemnity is not limited. Visa U.S.A. is responsible for losses up to \$1.0 million plus .003% of Visa U.S.A.'s payments volume, excluding Interlink, for the year preceding the loss, or approximately \$40 million in fiscal 2007. Currently settlement is guaranteed by members through the indemnification provisions in the bylaws of Visa U.S.A. and Visa International and through separate member agreements with the individual members. Upon the closing of this offering, members will no longer indemnify Visa for settlement obligations other than their own settlement obligations and those of certain other participants in the system sponsored by the member.

In conjunction with Visa U.S.A.'s purchase of Inovant, Inc. from Visa International on January 1, 2003, Visa U.S.A. agreed to indemnify Visa International in the event of future tax liability in connection with an adverse determination by a taxing authority resulting from the sale of stock of Inovant, Inc. The indemnification is effective for 10 years and extends through 30 years or the statute of limitation in the event of a tax extension for the year of the stock repurchase. The maximum probability-weighted liability is considered immaterial and no liability has been accrued for this obligation.

Table of Contents

Visa U.S.A. has no special purpose entities or off-balance sheet debt, other than operating leases and purchase order commitments entered into in the ordinary course of business and reflected in the contractual obligations table below.

Contractual Obligations

Visa U.S.A.'s contractual commitments will have an impact on its future liquidity. The contractual obligations identified in the table below include both on-and off-balance sheet transactions that represent material expected or contractually committed future obligations at the end of fiscal 2007. Visa U.S.A. believes that it will be able to fund these obligations through cash generated from operations and its existing cash balances.

Payments due by period	Less than 1 Year	1-3 Years	3-5 Years (in millions)	More than 5 Years	Total
Purchase orders ⁽¹⁾	\$ 529	\$ 37	\$ 8	\$	\$ 574
Operating leases ⁽²⁾	9	15	6		30
Equipment and licenses ⁽²⁾	22	24	1		47
Capital leases ⁽³⁾	4				4
Volume and support incentives ⁽⁴⁾ :					
Financial institutions	459	887	578	347	2,271
Merchant	288	499	463	274	1,524
Sponsorships ⁽⁵⁾	18	24	3		45
Litigation payments ⁽⁶⁾	1,566	980	750		3,296
Debt ⁽⁷⁾	42				42
Total	\$ 2,937	\$ 2,466	\$ 1,809	\$ 621	\$ 7,833

- (1) Purchase obligations include agreements to purchase goods and services that are enforceable and legally binding and that specify significant terms, including: fixed or minimum quantities to be purchased and fixed, minimum or variable price provisions and the approximate timing of the transaction.
- (2) Visa U.S.A. leases certain premises such as its data centers, certain regional offices and equipment under non-cancelable operating leases with varying expiration dates.
- (3) Visa U.S.A. entered into a capital lease for certain computer equipment in fiscal 2005. Visa U.S.A. is financing the acquisition of the underlying assets through the leases and accordingly they are recorded on Visa U.S.A.'s consolidated financial statements.
- (4) Visa U.S.A. generally has non-cancelable agreements with financial institutions and merchants for various programs designed to build payments volume and increase payment product acceptance. These agreements, which range in term from one to 13 years, provide card issuance, marketing and program support based on specific performance requirements.
- (5) Visa U.S.A. is a party to long-term contractual sponsorship agreements ranging from approximately 3 to 6 years. These contracts are designed to help Visa U.S.A. increase Visa-branded card usage and payments volumes. Over the life of these contracts, Visa U.S.A. is required to make payments in exchange for certain advertising and promotional rights. In connection with these contractual commitments, Visa U.S.A. has an obligation to spend certain minimum amounts for advertising and marketing promotion over the contract terms. Visa U.S.A.'s maximum advertising and marketing commitment through June 2013 is \$85.9 million.
- (6) Represents amounts due in accordance with settlement agreements in the Retailers' Litigation, American Express Litigation and other litigation settlements.
- (7) Represents payments on Visa U.S.A.'s series A and series B senior secured notes.

See *Note 14 Debt*, *Note 19 Commitments and Contingencies* and *Note 20 Legal Matters* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

Visa U.S.A. also has obligations with respect to its pension and postretirement benefit plans, and other incentive plans. See *Note 12 Pension, Postretirement and Other Benefits* to the Visa U.S.A. fiscal 2007 consolidated financial statements.

Related Parties

Prior to the closing of the reorganization during October 2007, Visa U.S.A. conducted business as a non-stock, non-assessable membership corporation. The principal members of Visa U.S.A. were approximately 1,600 financial institutions that participated directly in Visa U.S.A.'s payment programs. In addition, there were approximately 11,700 associate and participant members that participated in Visa U.S.A.'s payment programs through one or more principal members.

Table of Contents

At September 30, 2007, Visa U.S.A.'s board of directors was comprised of ex-officio directors, individuals who were also officers of various member financial institutions that are also Visa U.S.A.'s customers and independent directors. Visa U.S.A. generated total operating revenues of approximately \$903 million, \$808 million and \$884 million from financial institutions with officers that also served on its board of directors in fiscal 2007, 2006 and 2005, respectively. During fiscal 2007, 2006 and 2005, a significant portion of Visa U.S.A.'s operating revenues were generated from one customer with an officer that also served on the board of directors. Operating revenues from this customer were \$454 million or 13%, \$408 million or 14%, and \$345 million or 13% of Visa U.S.A.'s total operating revenues in fiscal 2007, 2006 and 2005, respectively. Additionally, operating revenues generated from a customer which did not have an officer on the board were \$384 million, or 11% in fiscal 2007. No other customer accounted for 10% or more of Visa U.S.A.'s total operating revenues in fiscal 2007, 2006 and 2005. See *Note 18 Related Parties* to the Visa U.S.A. fiscal 2007 consolidated financial statements. The loss of these customers could adversely impact Visa U.S.A.'s operating revenues and operating income.

Critical Accounting Estimates

Visa U.S.A.'s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make judgments, assumptions and estimates that affect the amounts reported. *Note 2 Significant Accounting Policies* to the Visa U.S.A. fiscal 2007 consolidated financial statements describes the significant accounting policies and methods used in the preparation of Visa U.S.A.'s consolidated financial statements. Visa U.S.A. has established policies and control procedures to seek to ensure that estimates and assumptions are appropriately governed and applied consistently from period to period. The following is a brief description of Visa U.S.A.'s current accounting policies involving significant management judgment.

Management believes that the following accounting estimates are the most critical to fully understand and evaluate Visa U.S.A.'s reported financial results, as they require management's most subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain.

		Impact if Actual Results Differ from Assumptions
Critical Estimates	Assumptions and Judgment	
<i>Revenue Recognition</i>		
Visa U.S.A. enters into incentive agreements with financial institution customers, merchants and other business partners to build payments volume and increase product acceptance. Certain volume and support incentives are based on performance targets and are accrued based upon estimates of future performance. Other incentives are fixed payments and are deferred and amortized over the period of benefit.	Volume and support incentives require significant management estimates. Estimation of volume and support incentives relies on forecasts of payments volume, estimates of card issuance and conversion. Performance is estimated using financial institution customer reported information, transactional information accumulated from our systems, historical information and discussions with Visa U.S.A.'s customers.	If the customers' actual performance is not consistent with Visa U.S.A.'s estimates, revenue discounts and incentives which are recorded as a reduction of revenue, including volume and support incentives, may be materially different than initially recorded. For fiscal 2007, performance adjustments to Visa U.S.A.'s volume and support accruals increased operating revenues by 2.0% due to slower growth in payments volume by Visa U.S.A. customers. For fiscal 2006 and 2005, performance adjustments increased operating revenues by 1.2% and 0.2%, respectively.

Table of Contents

	Critical Estimates	Assumptions and Judgment	Impact if Actual Results Differ from Assumptions
	<i>Pension</i>		
	<p>Pension assumptions are significant inputs to actuarial models that measure pension benefit obligations and related effects on operations. Two critical assumptions—discount rate and expected return on assets—are important elements of plan expense and asset/liability measurements. These critical assumptions are evaluated at least annually on a plan basis. Other assumptions involving demographic factors such as retirement age, mortality and turnover are evaluated periodically and are updated to reflect actual experience and expectations for the future. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors, and in accordance with U.S. GAAP, the impact of these differences are accumulated and amortized over future periods.</p>	<p>To reflect market interest rate conditions in calculating the projected benefit obligation, the pension discount rate was decreased from 6.2% at June 30, 2006 to 6.0% at September 30, 2007.</p> <p>An expected rate of return of 7.5% was utilized at both June 30, 2007 and 2006.</p>	<p>A 25 basis point decrease or increase in the discount rate would increase or decrease annual pension expense, respectively, by \$4.3 million.</p> <p>A 25 basis point decrease or increase in the expected return on assets would increase or decrease annual pension expense, respectively, by \$1.2 million.</p>
	<p>Visa U.S.A.'s discount rate is based on matching the duration of corporate bond pools to the expected pension payment stream. The discount rate enables Visa U.S.A. to calculate the present value of the expected future cash flows on the measurement date. A lower discount rate increases the present value of benefit obligations and increases pension expense.</p>		
	<p>The expected rate of return on plan assets is based on current and expected asset allocation, as well as the long-term historical risks and returns associated with each asset class within the plan portfolio. A lower expected rate of return on plan assets increases pension cost.</p>		

Table of Contents

Critical Estimates	Assumptions and Judgment	Impact if Actual Results Differ from Assumptions
<p>Legal Matters</p> <p>Visa U.S.A. is a party to legal proceedings with respect to a variety of matters, the outcomes of which are not within our complete control or may not be known for prolonged periods of time. Except as described in <i>Note 20 Legal Matters</i> to the Visa U.S.A. fiscal 2007 consolidated financial statements, Visa U.S.A. does not believe that any legal proceeding to which Visa U.S.A. is a party would have a material adverse impact on Visa U.S.A.'s business.</p> <p>Management is required to assess the probability of loss and amount of such loss, if any, in preparing our financial statements.</p> <p>Credit and Debit Settlement Guarantee</p> <p>Subject to Visa U.S.A.'s bylaws and operating regulations, Visa U.S.A. indemnifies issuing and acquiring members for settlement losses suffered by reason of the failure of any other member to honor credit and debit drafts, travelers cheques, or other instruments processed in accordance with Visa U.S.A.'s operating regulations. The fair value of the associated settlement risk guarantee is based on estimates.</p> <p><i>Note 19 Commitments and Contingencies</i> to the Visa U.S.A. fiscal 2007 consolidated financial statements describes the methodology Visa U.S.A. uses to estimate Visa U.S.A.'s liability for this guarantee.</p>	<p>Visa U.S.A. evaluates the likelihood of a potential loss from any claim or legal proceedings to which Visa U.S.A. is party in accordance with SFAS No. 5, <i>Accounting for Contingencies</i> (SFAS 5). Visa U.S.A. records a liability in its consolidated financial statements for claims and legal and regulatory proceedings when a loss is known or considered probable and the amount can be reasonably estimated. In most cases, significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Visa U.S.A.'s judgments are subjective based on the status of the legal or regulatory proceedings, the merits of Visa U.S.A.'s defenses and consultation with in-house and outside legal counsel.</p> <p>Management estimates on a quarterly basis the value of the guarantee by applying the following formula:</p> $\text{Settlement Risk Guarantee} = \text{Total Exposure} \times \text{Failure Probability} \times \text{Loss upon Failure}$ <p>Total exposure represents the average number of days to settle multiplied by the average daily transaction volume. Failure probability represents the probability of failure by individual financial institution customers based on assessed credit ratings. Loss upon failure represents the actual loss expected to be incurred in the event that a financial institution fails.</p>	<p>Due to the inherent uncertainties of the legal and regulatory process in the multiple jurisdictions in which Visa U.S.A. operates, its judgments may be materially different than the actual outcomes, which could have material adverse effects on Visa U.S.A.'s business, financial condition and results of operations.</p> <p>Visa U.S.A.'s estimate of total exposure changes period to period as a result of movement in overall volume of settlement transactions. Visa U.S.A.'s estimate of the weighted average failure probability changes as a result of changes in its assessment of the creditworthiness of Visa U.S.A. financial institution customers. Visa U.S.A.'s estimate of loss upon failure changes based on the U.S. bank standard for losses on commercial lending.</p> <p>A 25% increase in any of the assumptions used in the calculation of the settlement risk guarantee will have an immaterial impact on the liability recorded. However, if Visa U.S.A. experiences a significant increase in loss</p>

Table of Contents

Critical Estimates	Assumptions and Judgment	Impact if Actual Results
	<p>For fiscal 2007, management's internal estimates used in the above calculation were:</p> <p>Total Exposure = \$14.8 billion Weighted Average Failure Probability = 0.006%</p> <p>Loss upon Failure = 45%</p> <p>The most critical assumption in estimating the settlement risk guarantee liability is the weighted average failure probability. Visa U.S.A. establishes this estimate using actual loss history for the previous ten-year period and third party ratings of creditworthiness for Visa U.S.A. members.</p>	<p>Differ from Assumptions</p> <p>occurrences or significant actual losses occur in the future under this guarantee the impact to the estimated loss upon failure assumption could result in an increase to the obligation under the settlement risk guarantee that could be material to the consolidated financial statements.</p> <p>If the weighted average failure probability doubled, Visa U.S.A.'s estimated liability would increase by less than \$1 million at September 30, 2007.</p>
Income Taxes	<p>Visa U.S.A. has various tax filing positions, with regard to the timing and amount of deductions and credits, the establishment of reserves for audit matters and the allocation of income among various tax jurisdictions.</p> <p>Visa U.S.A. has procedures to inventory, evaluate and measure all uncertain tax positions taken or to be taken on tax returns, and to record liabilities for the amount of such positions that may not be sustained, or may only partially be sustained, upon examination by the relevant taxing authorities.</p>	<p>Although Visa U.S.A. believes that its estimates and judgments are reasonable, actual results may differ from these estimates. Some or all of these judgments are subject to review by the taxing authorities, including Visa U.S.A.'s tax benefit of \$778 million associated with the settlement of the American Express litigation and the recognition of a liability under the guidelines of SFAS No. 5 related to the Discover litigation and other matters. If one or more of the taxing authorities were to successfully challenge our right to realize some or all of the tax benefit we have recorded and we were unable to realize this benefit, it could have a material and adverse effect on our financial results and cash flows.</p>
Seasonality		
	<p>Visa U.S.A. does not experience a pronounced seasonality in its business. No individual quarter of fiscal 2007, fiscal 2006 or fiscal 2005 has historically accounted for more than 30% of annual revenue.</p>	
Impact of Recent Accounting Pronouncements		
	<p>In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, <i>Accounting for Uncertainty in Income Taxes</i> an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax</p>	

Table of Contents

position taken or expected to be taken in a tax return. For the benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. Visa U.S.A. expects the adoption of FIN 48 on October 1, 2007 will result in an increase to accumulated net income of approximately \$6.3 million.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure requirements about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. Visa U.S.A. is in the process of determining the effect, if any, of adopting SFAS 157 on its consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (an amendment of FASB Statements No. 87, 88, 106, and 132(R))* (SFAS 158), which amends FASB issued Statement No. 87, *Employers Accounting for Pensions* (SFAS 87) and FASB issued Statement No. 106, *Employers Accounting for Postretirement Benefits Other Than Pensions* (SFAS 106) to require recognition of the over-funded or under-funded status of pension and other postretirement benefit plans on the balance sheet. Under SFAS 158, gains and losses, prior service costs and credits and any remaining transition amounts under SFAS 87 and SFAS 106 that have not yet been recognized through net periodic benefit cost will be recognized in accumulated other comprehensive income, net of tax effects, until they are amortized as a component of net periodic cost. In addition, SFAS 158 requires that the measurement date, the date at which the benefit obligation and plan assets are measured, be the company's fiscal year end. Visa U.S.A. adopted the recognition provision of SFAS 158 at September 30, 2007.

Visa U.S.A. adopted the measurement date provisions of SFAS 158 at October 1, 2006, using the 15-month approach. Under this approach, Visa U.S.A. recorded an additional 3 months of net periodic benefit cost covering the period between the previous measurement date of June 30, 2006 and September 30, 2006. The benefit expense of \$8.7 million, net of tax, was recorded as a reduction to beginning accumulated net (loss) income at October 1, 2006.

The effects to Visa U.S.A. of applying the recognition and measurement-date provision of SFAS 158 on individual line items in Visa U.S.A.'s consolidated balance sheet at September 30, 2007 are as follows:

	Prior to application of SFAS 158	SFAS 158 application adjustments (in thousands)	After application of SFAS 158
Current portion of deferred tax assets	\$ 794,925	\$ 88	\$ 795,013
Deferred tax assets	464,286	6,340	470,626
Total assets	4,383,689	6,428	4,390,117
Accrued compensation and benefits	240,079	4,235	244,314
Other liabilities	107,512	17,516	125,028
Total liabilities	4,831,083	21,751	4,852,834
Minority interest	42,928	(4,318)	38,610
Accumulated net loss	(492,323)	(8,676)	(500,999)
Accumulated other comprehensive income (loss)	2,001	(2,329)	(328)
Total deficit	(490,322)	(11,005)	(501,327)
Total liabilities, minority interest, and equity	4,383,689	6,428	4,390,117

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment to SFAS 115* (SFAS 159). SFAS 159 allows the measurement of many financial instruments and certain other assets and liabilities at fair value on

Table of Contents

an instrument-by-instrument basis under a fair value option. SFAS 159 is effective for fiscal years that begin after November 15, 2007. Visa U.S.A. is in the process of determining the effect, if any, of adopting SFAS 159 on its consolidated financial statements.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the potential loss arising from changes in market rates and market prices. Visa U.S.A. is exposed to two significant market risks that could affect its business including: changes in interest rates and equity prices. Visa U.S.A. does not hold or enter into derivatives or other financial instruments for trading or speculative purposes.

Interest Rate Risk

A significant portion of Visa U.S.A.'s investment portfolio assets is held in fixed-income securities. These assets are reflected as cash equivalents, short-term available-for-sale investments and long-term available-for-sale investments. Visa U.S.A. does not consider its cash and cash equivalents or its auction rate securities to be subject to significant market risks from a fair value perspective, as amounts consist of liquid investments with original maturities or repricing characteristics of three months or less. The fair value balances of Visa U.S.A.'s short-term and long-term available-for-sale investments at September 30, 2007 and September 30, 2006 include:

	September 30, 2007 2006 (in millions, except percentages)	
Government-sponsored entities	1,274	895
Tax-exempt municipal bonds	9	249
Total	\$ 1,283	\$ 1,144

Percentage of Total Assets 29% 39%
 Visa U.S.A. manages its exposure to interest rate risk by investing primarily in rate-adjustable, or short-term securities, and a modest amount of fixed rate government agency securities to support longer term obligations. However, Visa U.S.A.'s efforts do not provide complete assurance that it will be protected from interest rate fluctuations. A sharp rise in interest rates could have a significant impact on the fair value of Visa U.S.A.'s investment portfolio.

A hypothetical 100 basis point increase or decrease in interest rates would impact the fair value of the investment portfolio by approximately \$7 million or \$2 million, respectively, at September 30, 2007 and approximately \$12 million and \$6 million, respectively, at September 30, 2006.

Equity Price Risk

Visa U.S.A. owns equity securities which are selected to offset obligations in connection with Visa U.S.A.'s long-term incentive and deferred compensation plans. Equity securities primarily consist of mutual fund investments related to various employee compensation plans. For these plans, employees bear the risk of market fluctuations. Gains and losses experienced on these equity investments are offset by increases or reductions in personnel expense, respectively. The effect of a hypothetical 10% change in market value would have increased or decreased unrealized losses and personnel expense, respectively, by \$5 million for fiscal 2007 and fiscal 2006.

Table of Contents

THE GLOBAL PAYMENTS INDUSTRY

We operate in the global payments industry, which is undergoing a major shift from paper-based payments, such as cash and checks, to card-based and other electronic payments. For more than 30 years, Visa has played a central role in driving this migration by providing payment products and services that we believe deliver significant benefits to consumers, businesses, governments and merchants. We believe that consumers are increasingly attracted to the convenience, security, enhanced services and rewards associated with electronic payment forms. We also believe that corporations and governments are shifting to electronic payments to improve efficiency, control and security, and that a growing number of merchants are accepting electronic payments to improve sales and customer convenience.

The global payments industry consists of all forms of payment and value transfer, including:

paper-based payments: cash, personal checks, money orders, government checks, travelers cheques, official checks and other paper-based means of transferring value;

card-based payments: credit cards, charge cards, debit cards, deferred debit cards, ATM cards, prepaid cards, private label cards and other types of general-purpose and limited-use cards; and

other electronic payments: wire transfers, electronic benefits transfers, automated clearing house payments and other forms of electronic payment not typically tied to a payment card or similar access device.

We believe that the shift to electronic payment forms is a worldwide phenomenon; however, in many developing countries, it is at an early stage and will be accelerated by rising incomes, globalization of commerce and increased travel. Recent innovations such as contactless cards and mobile payments are also increasing the attractiveness of electronic payments. We believe these trends create a substantial growth opportunity for the global payments industry. According to The Nilson Report, global card purchase transactions grew at a CAGR of 14% over the period from 2000 to 2006. The Nilson Report forecasts global card purchase transactions to increase at a CAGR of 11% from 2006 to 2012, with particularly strong growth in Asia/Pacific, Latin America and the Middle East/Africa:

Source: The Nilson Report, issue 866 (October 2006) and issue 885 (August 2007).

Table of Contents

The most common card-based forms of payment are general-purpose cards, which are payment cards that permit widespread usage. General purpose cards are typically categorized as:

pay now cards, such as debit cards, which enable the cardholder to purchase goods and services by an automatic debit to a checking, demand deposit or other current account;

pay later cards, which typically permit a cardholder to carry a balance in a revolving credit account (a credit card or deferred debit card) or require payment of the full balance within a specified period (a charge card); and

pay before cards, such as prepaid cards, which are prefunded up to a certain monetary value.

The primary global general purpose card brands include Visa, MasterCard, American Express, Discover, JCB and Diners Club. While these brands, including Visa, were historically associated primarily with credit or charge cards in the United States and other major international markets, Visa and others have over time broadened their offerings to include debit, ATM, prepaid and commercial cards.

In addition to general purpose cards, a number of retailers and other entities issue limited-purpose credit, charge and prepaid cards that can be used for payment only at the issuing entity. These cards are generally referred to as private label cards. Private label cards are sometimes issued by a financial institution under a contractual agreement with the retailer.

Open-Loop Versus Closed-Loop Payments Networks

General purpose and limited-purpose payments networks primarily operate under two different business models. Open-loop payments networks, such as Visa and MasterCard, are multi-party and operate through a system that connects two financial institutions—one that issues the card to the cardholder, known as the issuing financial institution or issuer, and one that has the banking relationship with the merchant, known as the acquiring financial institution or acquirer—and manages information and the flow of value between them. In a typical closed-loop payments network, the payment services are provided directly to merchants and cardholders by the owner of the network without involving third-party financial institution intermediaries. Closed-loop networks can range in size from networks such as American Express and Discover, which issue cards directly to consumers and serve merchants directly, to an individual merchant that issues limited-purpose private-label credit cards to its customers for use only in that merchant's stores. In recent years, the major closed-loop networks have begun to develop relationships with financial institution issuers and acquirers, thereby emulating certain aspects of the open-loop networks.

Operators of open-loop networks such as Visa generally do not issue cards, set fees or determine interest rates that cardholders are charged for use of their cards. Issuers have the responsibility for determining these and many other card features. In addition, such networks generally do not solicit merchants directly or establish the fees that merchants are charged for card acceptance, including the merchant discount rate. Both of these functions are generally the responsibility of acquirers. The following table outlines the major functions of each of the three major participants in the payments network.

Table of Contents

	Issuer (Cardholder's Financial Institution)	Payments Network (e.g., Visa)	Acquirer (Merchant's Financial Institution)
<i>Primary Customers</i>	Cardholders	Issuers and acquirers	Merchants
<i>Products and Services</i>	Issues cards to its cardholders based on payments network product platforms (e.g., credit, debit)	Offers broad range of product platforms (e.g., credit, debit) to financial institutions	Establishes and maintains account with merchant to:
	Establishes and maintains accounts with cardholders (either consumers or businesses)	Operates data processing network that transfers transaction data and manages payment flow between issuers and acquirers	Provide connectivity to a payments network
			Acquire receivables from merchant
			Guarantee payment to merchant for receivables
<i>Branding</i>	Issues cards that feature its own brand and that of a payments network	Establishes and maintains payments network brand for payment products and acceptance locations	Delivers payments network acceptance services under its own brand
<i>Rules and Terms</i>	Establishes applicable cardholder terms, including fees, interest rates and payment schedules for cardholders independently of the payments network and in contract with its cardholders	Establishes rules and standards for its product platforms and payments network including:	Establishes any applicable merchant fees and/or discount rates independently of the payments network and in contract with its merchants
		Eligibility for participation in network	
		Authorization and clearing of transactions	
		Financial settlement	
		Product platform features and functionality	

Edgar Filing: Visa Inc. - Form S-1/A

Merchant acceptance
standards

Dispute management and
arbitration processes

129

Table of Contents

	Issuer (Cardholder's Financial Institution)	Payments Network (e.g., Visa)	Acquirer (Merchant's Financial Institution)
<i>Functions Performed in Connection with Payment Transaction⁽¹⁾</i>	Authorizes cardholder transactions	Transfers authorization and clearing data and settles funds between issuer and acquirer	Receives settlement funds from issuers
	Funds settlement obligations for its cardholders' purchases	Performs payments network risk management and related functions	Credits merchant for value of payment transactions
	Collects payment from cardholder		Assumes risk of merchant non-fulfillment of transaction obligation
	Assumes risk of cardholder non-payment or late payment		Assumes responsibility for merchant compliance with network security and other rules

(1) In many instances, an issuer or acquirer may enter into an agreement with a third party processor to perform some of these functions on its behalf.

Largest Operators of Open-Loop and Closed-Loop Retail Electronic Payments Networks

The largest operators of open-loop and closed-loop retail electronic payments networks are Visa, MasterCard, American Express, Discover, JCB and Diners Club. With the exception of Discover, which primarily operates in the United States, all of the other network operators can be considered multi-national or global providers of payments network services. Based on payments volume, total volume, number of transactions and number of cards in circulation, Visa is the largest retail electronic payments network in the world. The following chart compares our network with those of our major competitors for calendar year 2006:

Company	Payments Volume (billions)	Total Volume (billions)	Transactions (billions)	Cards (millions)
Visa Inc. ⁽¹⁾	\$ 2,127	\$ 3,230	44.0	1,254
MasterCard	1,417	1,922	23.4	817
American Express	556	562	4.5	78
Discover	96	114	1.4	57
JCB	63	70	0.7	59
Diners Club	22	22	0.1	7

(1) Reported global figures from The Nilson Report. Excludes Visa Europe based on internal Visa data. Source: The Nilson Report, issue 874 (February 2007) and issue 877 (April 2007).

Note: MasterCard figures include PIN-based debit card transactions on MasterCard cards, but not Maestro (MasterCard's global online debit program). Domestic China figures on Visa cards and some domestic China figures on MasterCard cards have been excluded. Visa and MasterCard figures exclude proprietary PLUS and Cirrus. American Express and Discover figures include business from third-party issuers. JCB figures are for October 2005 through September 2006 (fiscal year). JCB transaction figures are estimates.

Table of Contents

BUSINESS

Overview

Visa operates the world's largest retail electronic payments network and manages the world's most recognized global financial services brand. We have more branded credit and debit cards in circulation, more transactions and greater total volume than any of our competitors. We facilitate global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses and government entities. We provide financial institutions, our primary customers, with product platforms encompassing consumer credit, debit, prepaid and commercial payments. VisaNet, our secure, centralized, global processing platform, enables us to provide financial institutions and merchants with a wide range of product platforms, transaction processing and related value-added services. Based on the size of our network, the strength of the Visa brand and the breadth and depth of our products and services, we believe we are the leading electronic payments company in the world.

Our business primarily consists of the following:

we own a family of well known, widely accepted payment brands, including Visa, Visa Electron, PLUS and Interlink, which we license to our customers for use in their payment programs;

we manage and promote our brands for the benefit of our customers through advertising, promotional and sponsorship initiatives and by encouraging card usage and merchant acceptance;

we offer a wide range of branded payments product platforms, which our customers use to develop and offer credit, debit, prepaid and cash access programs for cardholders (individuals, businesses and government entities);

we provide transaction processing services (primarily authorization, clearing and settlement) to our customers through VisaNet, our secure, centralized, global processing platform;

we provide various other value-added services to our customers, including risk management, debit issuer processing, loyalty services, dispute management and value-added information services;

we develop new products and services to enable our customers to offer efficient and effective payment methods to their cardholders and merchants; and

we adopt and enforce a common set of rules adhered to by our customers to ensure the efficient and secure functioning of our payments network and the maintenance and promotion of our brands.

We derive revenues primarily from fees paid by our customers based on payments volume, transactions that we process and certain other related services that we provide. Payments volume is the total monetary value of transactions for goods and services purchased with our cards, as reported by our customers. Cash volume generally includes cash access transactions, balance transfers and convenience check transactions associated with our products. Total volume, which we consider to be an important measure of the scale of our business, is the sum of payments volume and cash volume. An increasing portion of our revenues come from outside the United States, including AP and LAC, where macroeconomic and electronic payments trends provide attractive growth prospects. The tables below show our product performance for the twelve months ended June 30, 2007 and the three months ended September 30, 2007, according to data reported to us by our customers:

Table of Contents**Visa Inc. Product Performance**

Twelve Months Ended June 30, 2007

(in billions, except as noted)

	U.S.A.	Rest of World ⁽³⁾	Visa Inc.
Payments Volume			
Consumer credit	\$ 624	\$ 634	\$ 1,258
Consumer debit ⁽¹⁾	637	93	730
Commercial and other	188	90	278
Total Payments Volume	\$ 1,449	\$ 817	\$ 2,266
Cash volume	382	834	1,216
Total Volume⁽²⁾	\$ 1,831	\$ 1,651	\$ 3,482
Total Transactions (in millions)⁽⁴⁾	28,777	18,099	46,876

(1) Includes prepaid volume.

(2) Total volume is the sum of total payments volume and cash volume. Total payments volume is the total monetary value of transactions for goods and services that are purchased. Cash volume generally consists of cash access transactions, balance access transactions, balance transfers and convenience checks.

(3) Includes Bulgaria and Romania through March 31, 2007, after which time they became part of Visa Europe.

(4) Total transactions represent transactions involving our cards as reported by our customers and includes transactions that are not processed on our VisaNet system.

Visa Inc. Product Performance

Three Months Ended September 30, 2007

(in billions, except as noted)

	U.S.A.	Rest of World	Visa Inc.
Payments Volume			
Consumer credit	\$ 165	\$ 182	\$ 347
Consumer debit ⁽¹⁾	171	28	199
Commercial and other	52	25	77
Total Payments Volume	\$ 388	\$ 235	\$ 623
Cash volume	101	248	349
Total Volume⁽²⁾	\$ 489	\$ 483	\$ 972
Total Transactions (in millions)⁽³⁾	7,674	5,034	12,708

(1) Includes prepaid volume.

(2) Total volume is the sum of total payments volume and cash volume. Total payments volume is the total monetary value of transactions for goods and services that are purchased. Cash volume generally consists of cash access transactions, balance access transactions, balance transfers and convenience checks.

(3) Total transactions represent transactions involving our cards as reported by our customers and includes transactions that are not processed on our VisaNet system.

Our Reorganization

We believe that our recently completed reorganization provides us with several significant strategic benefits. It allows us to increase our operational efficiency and enhances our ability to deliver more innovative products and services to financial institutions, merchants and cardholders on a global basis. The reorganization allows us to centralize and streamline our strategy and decision making. We also believe that the reorganization and this offering will enable us to facilitate a common, global approach, where appropriate, to the legal, regulatory and competitive issues arising in today's marketplace. At the same time, we believe that the reorganization preserves and reinforces the advantages that have made Visa the largest retail electronic payments network in the world, such as our leading brand, scalable and secure network, unique processing capabilities, comprehensive product and service offerings and strong customer relationships.

Our Competitive Strengths

World's Largest Payments Network

We operate the world's largest retail electronic payments network, and as of September 30, 2007, our customers reported that they had issued 1.5 billion cards carrying our brands. Visa-branded cards are accepted in more than 170 countries around the world. We have more branded credit and debit cards in circulation, more

Table of Contents

transactions and greater total volume than any of our competitors. We believe that merchants, cardholders and our financial institution customers benefit from the Visa cardholder base, which is the largest in the world, and our merchant acceptance network, which is unsurpassed globally.

Leading Global Brand

Visa is the world's most recognized global financial services brand. We believe merchants, consumers and our financial institution customers associate our brand with trust, security, reliability, efficiency, convenience and empowerment. Our deep base of local market knowledge enables us to tailor our product and marketing programs to the particular needs of specific geographies. We believe that the strength of our brand enables us to increase card usage in existing and new market segments, develop and offer innovative payment products and services and enhance the utility of our payments network for all participants.

Scalable and Unique Global Payments Processing Platform

We own and operate VisaNet, our secure, centralized, global processing platform. Unlike the processing platforms of some of our primary competitors, VisaNet is built on a centralized architecture rather than a distributed architecture, which enables us to provide real-time, value-added information to our customers. In addition, our centralized processing platform provides us the flexibility to develop, modify and enhance our products and services efficiently. VisaNet is highly reliable and processed more than 81 billion authorization, clearing and settlement requests in the 12 months ended December 31, 2007. We believe that the operating efficiencies that result from the scale of our processing network provide us with a significant cost advantage over our competitors.

Comprehensive Payment Products and Services

We provide our financial institution customers with a comprehensive suite of electronic payment products and services. Our product platforms encompass credit, debit, cash access and prepaid products for consumers, businesses and governments. These product platforms enable our customers to develop and customize their own payment programs to meet the needs of their cardholders and merchants. We also offer our customers issuer processing to support our debit and prepaid platforms, and we are the largest issuer processor of Visa debit transactions in the world. Additionally, we offer a broad range of value-added services such as risk management, loyalty services, dispute management and value-added information services, which are enabled by our secure, centralized, global processing platform.

Established and Long-Standing Customer Relationships

We have long-standing relationships with the majority of our customers and long-term contracts with many of our major customers, which provide us with a significant level of business stability. More than two-thirds of our financial institution customers have been our customers for longer than 10 years. We believe that our many years of close cooperation with our customers in developing new products, processing capabilities and value-added services have enabled us to establish strong relationships. By virtue of these relationships, we believe that we are well-positioned to continue developing new products and services that anticipate the evolving needs of our customers.

Our Strategy

We seek revenue and profit growth by expanding our core payments business in new and established geographies and market segments, as well as by broadening our processing capabilities and value-added service offerings for payments and related opportunities. The key components of our strategy include:

Expand Our Network

We intend to continue to expand the size of our payments network in order to drive the issuance, acceptance and usage of our products globally. We intend to do this in several ways including:

Expand existing and build new relationships with financial institution customers. We will continue to use an integrated product strategy to increase our share of business with our existing financial

Table of Contents

institution customers and to build relationships with new customers. We believe that delivering world class service reinforces the value that Visa brings to our customers' payments businesses and increases the issuance, acceptance and usage of our products. Our customer-driven service model includes integrated global account services coupled with local account support staff in each region in which we operate. We provide marketing, processing, risk and other consultative services, which enhance our customers' business and support delivery of new Visa products and services.

Enhance the value of our products for merchants and cardholders. We continually enhance our products and services to meet the evolving needs of merchants and cardholders. Merchants are important to the growth of our business, and we seek to increase the value we bring to them in order to increase merchant acceptance and preference for Visa. We also seek to grow our network by encouraging active cardholder preference for Visa through continual improvement of the convenience, value and security of our products. By focusing on expanding the number of merchants and cardholders in our network, we increase the value we provide to our financial institution customers.

Expand into New and High Growth Geographies and Market Segments

We will continue to globalize our product and service offerings and to expand acceptance of our core products in key geographies and market segments.

Expand our presence in new geographies. As the largest retail electronic payments network, we are uniquely positioned to expand our global processing platform and the acceptance of our products and services in targeted geographies. We believe there is a significant opportunity to expand the usage of our products and services in high growth geographies in which we currently have a presence, such as AP, LAC and CEMEA. We intend to seek to expand the number of countries in which we provide value-added services, including risk management, debit issuer processing, loyalty services, dispute management and value-added information services.

Continue penetrating new consumer and merchant segments. We will continue to target and penetrate new consumer and merchant segments across all of our geographic markets, including the United States. We have introduced a full suite of product platforms and value-added services, which enable our customers to drive Visa products to the fast growing mass-market debit, affluent and small business segments. We will also continue to expand Visa acceptance in merchant segments that have traditionally not accepted electronic payments, such as quick-service restaurants and bill payment merchants.

Develop and Offer Innovative Products and Services

We will continue to provide new products and services and increase the functionality, utility and cost effectiveness of our existing products and services. VisaNet provides flexibility to quickly customize current offerings and rapidly develop, deploy and drive adoption of new products and services.

Modify existing products. We will continue to upgrade or modify existing products to take advantage of market opportunities and generate growth. For example, modifying our rules to eliminate the signature requirements on small-value transactions in certain merchant segments has enabled us to rapidly increase acceptance and usage of current products at merchants where speed at the point-of-sale is a high priority. We will continue to seek such opportunities to expand acceptance and usage of products carrying our brands.

Develop new products. We believe there is also a significant opportunity to develop and offer new products. During the past two years, we have introduced several new varieties of prepaid cards and have enhanced our product offerings for the affluent consumer segment. We also intend to continue making significant investments in new technologies to strengthen our position in emerging forms of payment, including contactless and mobile devices.

Table of Contents

Introduce new processing services. We intend to continue to introduce value-added processing services. We believe that by integrating enhanced capabilities, such as Visa Advanced Authorization (real-time transaction risk scoring), data reporting tools for commercial cards, loyalty applications and Visa ReadyLink, into our core offerings we can increase utility to customers and cardholders, capture additional revenues and differentiate ourselves from our competitors.

Strengthen and Grow Visa's Brand Leadership

We will continue to invest in order to maintain Visa's position as the world's most recognized global financial services brand.

Focus on integrated brand investment. We make a combination of integrated global and local investments, using award-winning advertising campaigns, unique sponsorships, selected co-brand relationships and other promotional activities to increase consumer and business brand awareness and build active cardholder preference for Visa by reinforcing our core attributes of security, convenience, acceptance and differentiated products.

Maximize return on our brand investments. We seek to optimize the level and mix of spending across our media channels, sponsorships, co-brand relationships and other marketing properties to realize the maximum value from these arrangements.

Invest in and enhance our co-brand relationships and unique sponsorships. We work closely with our co-brand partners in airlines, hospitality, retail and other segments to create specific products and programs that complement our brand promise and deliver unique value propositions to cardholders. In addition, we maintain a unique portfolio of local and international sponsorships that create opportunities to deliver our brand message to consumers across the world.

Our Primary Operations

There are three core aspects of our business operations: transaction processing services, product platforms and payments network management.

Transaction Processing Services

Core Processing Services

Our core processing services involve the routing of payment information and related data to facilitate the authorization, clearing and settlement of transactions between Visa issuers, which are the financial institutions that issue Visa cards to cardholders, and acquirers, which are the financial institutions that offer Visa network connectivity and payments acceptance services to merchants. In addition, we offer a range of value-added processing services to support our customers' Visa programs and to promote the growth and security of the Visa payments network.

Authorization is the process of approving or declining a transaction before a purchase is finalized or cash is disbursed. Clearing is the process of delivering final transaction data from an acquirer to an issuer for posting to the cardholder's account, the calculation of certain fees and charges that apply to the issuer and acquirer involved in the transaction, and the conversion of transaction amounts to the appropriate settlement currencies. Settlement is the process of calculating, determining, reporting and transferring the net financial position of our issuers and acquirers for all transactions that are cleared.

Visa transactions can be authorized, cleared and settled either as dual-message transactions or as single-message transactions. The choice of processing method may vary depending upon the issuer, the type of card or the region in which the transaction takes place.

In a single-message transaction, the acquirer submits a single electronic message containing all data required for the authorization, clearing and settlement of the transaction. Actual financial settlement occurs at a later time.

Table of Contents

In a dual-message transaction, the acquirer submits an electronic message at the time of purchase containing the information required for an authorization decision and a second message at a later point in time containing additional data required for clearing and settlement.

Authorization

A typical Visa transaction begins when the cardholder presents his or her Visa card to a merchant as payment for goods or services. The transaction information is then transmitted electronically to the issuer for authorization. In certain cases, we may authorize the transaction on behalf of the issuer through a service known as stand-in processing, based on parameters established by the issuer. The following diagram illustrates the processing steps involved in a typical transaction authorized through our network. In a typical Visa transaction, the authorization process by Visa occurs in approximately one second.

1. The cardholder presents the merchant with a Visa card for payment. The merchant point of sale terminal reads the account number and other data encoded on the card's magnetic stripe or chip.
2. The merchant terminal transmits the card information and transaction amount to the acquirer.
3. The acquiring financial institution or its third party processor combines the transaction information into an authorization request message and transmits it to Visa.
4. Visa routes the authorization request to the issuer for review. In certain circumstances, such as when the issuer's systems are unavailable, Visa may perform stand-in processing and review and authorize or deny the transaction.
5. The issuing financial institution or its third party processor returns an authorization response message, either approving or denying the transaction to Visa.
6. Visa routes the authorization response to the acquirer.
7. The acquirer transmits the result of the authorization request to the merchant terminal.

Clearing and Settlement

Clearing occurs at the time of the authorization, for single-message transactions, or in a single daily batch message containing all transactions reported by the acquirer, for dual-message transactions. Settlement occurs on each business day and is conducted on a net basis for all transactions submitted during the previous settlement cycle. The following diagram illustrates the clearing and settlement process between the issuer and acquirer for a typical transaction processed through our system.

Table of Contents

Clearing

1. The merchant transmits sales draft information for the transaction, including account numbers and transaction amounts, to the acquirer.
2. The acquiring financial institution or its third party processor formats this information into a clearing message, which it transmits to Visa.
3. Visa routes the clearing message to the card issuer and calculates the settlement obligation of the issuer and the amount due to the acquirer, net of certain applicable fees and charges.

Settlement

4. The issuer sends funds to Visa's designated settlement bank in the amount of its settlement obligation.

5. The settlement bank, at the direction of Visa, transfers funds due to the acquirer.

The issuer and acquirer involved in a typical Visa transaction perform additional functions that we do not generally perform or monitor. For example, the acquirer credits the merchant's account for the amount of the transaction less any fees the acquirer charges in accordance with the contractual agreement between the merchant and the acquirer. In addition, the issuer sends a statement to the cardholder and collects payment, in the case of a credit or deferred debit card, or collects payment directly from the cardholder's deposit account, in the case of a debit card.

We process virtually all transactions within the United States, as well as all cross-border transactions, involving products carrying our brands. Outside of the United States and certain other countries, we do not process the majority of the domestic transactions (i.e., transactions where the issuer and the merchant are located in the same country) on products carrying our brands. Such transactions are generally processed by government-controlled payments networks, our financial institution customers, independent companies or joint ventures owned in whole or in part by our financial institution customers.

We perform clearing and settlement through our VisaNet system for transactions involving an issuer that is located in Visa Europe's region and an acquirer that is located in the rest of the world, or vice versa. In addition, we currently provide clearing and settlement services for Visa transactions occurring entirely within Visa Europe's region and will continue to provide such services until completion of deployment of Visa Europe's own processing system. Visa Europe authorizes transactions for its members through its own processing system.

Other Value-Added Processing Services

The size of our network and our processing capabilities allow us to offer a range of other value-added services in certain countries. These services include risk management, debit issuer processing, loyalty services, dispute management and value-added information services.

Risk Management Services. Our centralized and integrated network architecture allows us to monitor, on a real-time basis, all transactions that we process for authorization. As a result, we provide customers in certain countries with a number of value-added risk-management services, which complement our core authorization services. Our risk management services provide preventive, monitoring, investigative and predictive tools, which are intended to mitigate and help eliminate fraud at the cardholder and merchant level. For example, Visa Advanced Authorization, which we introduced in 2005, enables us to monitor and evaluate VisaNet authorization requests in real-time and deliver enhanced transaction risk scores to issuers as part of the authorization message. It is the first system of its kind to deliver risk indicators in real-time by assessing transaction data on both an account level and a transaction level.

Debit Issuer Processing Services. Visa Debit Processing Services provides comprehensive processing services for participating United States issuers of Visa debit, prepaid and ATM payment products. In addition to core issuer authorization processing, Visa Debit Processing Services offers card management services, exception

Table of Contents

processing, PIN and ATM network gateways, call center services, fraud detection services and ATM terminal driving. Visa Debit Processing Services processes more Visa transactions than any other issuer processor in the world.

Loyalty Services. We offer loyalty services that allow our customers to enhance the attractiveness of their Visa payment programs and to strengthen their relationships with cardholders and merchants. These services are designed to allow our customers to differentiate their Visa program offerings, to support increased card usage and to increase the importance of Visa payments to merchants.

Visa Extras is a service that participating issuers may offer to their cardholders to increase card usage, enhance the value of their Visa programs and create stronger cardholder relationships. Visa Extras is a points-based program that rewards cardholders for using their enrolled Visa cards to make qualifying purchases. Cardholders can redeem points for rewards in the Visa Extras rewards catalog for everyday items such as movie tickets, retail gift certificates, merchandise, travel certificates, dining and other rewards.

The Visa Incentive Network enables merchants and financial institution customers to deliver tailored merchant offers to targeted groups of cardholders. Visa Incentive Network offers benefits traditionally associated with a closed-loop system. Visa Incentive Network was launched in April 2005 and allows us to deliver merchant promotions to affluent and high-spending Visa cardholders on behalf of participating issuers. Based on merchant-specific cardholder spending and location criteria for each promotion, we can analyze the spending patterns of Visa credit card holders in the United States about which information is provided to us by participating card issuers. We then deliver the promotion to the appropriate cardholders on behalf of these issuers. In order to protect cardholder privacy, the merchant does not gain access to cardholder information or underlying transaction data. The Visa Incentive Network database contains more than 83 million accounts. Visa Incentive Network is enabled through account level processing, which allows transactions to be processed and afforded customized treatment at the account level i.e., by identifying each transaction by the entire 16-digit account number rather than by the six-digit bank identification number, or BIN, as is the more typical industry practice. We are able to implement account level processing as a result of our reengineered Visa Integrated Payment platform, as described below.

Dispute Management Services. We manage Visa Resolve Online, an automated web-based service that allows our customers' back-office analysts and customer service representatives to manage and resolve Visa transaction disputes more efficiently than with previous paper-based processes. Transaction disputes between issuers and acquirers sometimes arise from suspected fraud, merchant non-fulfillment of transaction requirements or other events. Visa Resolve Online, which is mandatory for all Visa customers, provides real-time access to Visa transaction data, electronic transfer of substantiating documents and automated management of communications between issuers and acquirers.

Value-Added Information Services. We provide our customers with a range of additional information-based business analytics and applications, as well as the transaction data and associated infrastructure required to support them. Through these services, we support and enhance our customers' business intelligence capabilities, loyalty applications, operational and management performance metrics, transaction research and commercial card reporting.

Processing Infrastructure

We own and operate VisaNet, our secure, centralized, global processing platform, which consists of three synchronized processing centers. In addition, Visa Europe operates one processing center in the United Kingdom, which is part of our synchronized system in accordance with the terms of the framework agreement. See *Material Contracts The Framework Agreement*. In addition, we are building a new data center on the east coast of the United States. These centers are linked by a global telecommunications network, which is engineered for redundancy. Intelligent access points around the world complete our global processing infrastructure and enable merchants and financial institutions worldwide to access our core processing and value-added services.

Table of Contents

In September 2006, we completed a five-year reengineering program, in which we, among other things, consolidated the authorization functions for our credit, debit, prepaid and ATM transactions into one technology platform called Visa Integrated Payment, or VIP. VIP is a modular processing platform, which is flexible and secure and combines global reach with the processing power to support our future growth and product innovation.

The following is a summary of critical attributes of our processing infrastructure:

Centralized Architecture. Unlike the processing platforms of some of our primary competitors, VisaNet is built on a centralized architecture rather than a distributed architecture. As a result, we are able to view and analyze each authorization transaction we process in real-time and can provide value-added information, such as risk scoring or loyalty applications, to the issuer while the transaction data is being routed through our system.

Redundancy. Our global telecommunications network and processing centers are designed for redundancy and fail-over. Our newest processing center houses multiple authorization engines, each supported by redundant power and telecommunications circuits. This new architecture complements our multiple processing center architecture, provides improved fail-over technology and helps to ensure that our VisaNet system is always available and has enough processing power to meet the growing demand for electronic payments.

Modular Architecture. In the VIP reengineering project that we completed in September 2006, we replaced a complex web of legacy code with a streamlined, layered, modular architecture. We believe that this new architecture significantly reduces the time, complexity and cost involved in adding functions or modifying the system to support emerging forms of payments, such as contactless and mobile payments. We also believe that this streamlined architecture was instrumental in our ability to implement account level processing on our systems in less than 12 months.

Processing Scale. During the 12 months ended December 31, 2007, we processed more than 81 billion authorization, clearing and settlement requests. Based on tests that we conducted with IBM in July 2005, we estimate that VisaNet is capable of processing more than 12,000 transaction messages per second. We believe that the scale of our processing network provides us with a significant cost advantage over our competitors.

Product Platforms

We offer a broad range of product platforms to enable our customers to build differentiated, competitive payment programs for their consumer, business, government and merchant clients. Our principal payment platforms enable credit, charge, deferred debit, debit and prepaid payments, as well as cash access, for consumers, businesses and government entities. Our payment platforms are offered under our Visa, Visa Electron, Interlink and PLUS brands.

Consumer Credit

Our consumer credit product platforms allow our issuers to offer deferred payment and financing products that can be customized to meet the needs of all consumer segments. Our baseline consumer credit platform is marketed to our issuers as Visa Traditional in the United States and Visa Classic in the rest of the world. We require issuers offering credit products based on this platform to meet minimum requirements for product functionality and to offer certain services, such as a reporting service for lost or stolen cards.

In addition, we offer premium credit platforms, which enable our issuers to tailor programs to consumers requiring higher credit lines or enhanced benefits, such as loyalty programs. Our premium consumer credit platforms are marketed to issuers, and in some cases, to cardholders, as Visa Gold, Visa Platinum, Visa Signature and Visa Infinite. Issuers offering these credit products are required to provide certain functionality and enhanced cardholder services that may vary by product and region. For example, we require that issuers provide a minimum level of cardholder rewards value and that they not impose a preset spending limit on Visa Signature cards.

Table of Contents

We provide a number of additional services that many issuers choose to offer in conjunction with their Visa credit programs, even where we do not require the inclusion of such services. Certain of these services, such as emergency card replacement, travel assistance services and rental car insurance, are provided by third parties under contract with us.

Consumer Deposit Access

Our deposit access product platforms enable our issuers to offer consumer payment and cash access products that draw upon consumer deposit accounts, such as checking, demand deposit, asset or other pre-funded accounts. For the 12 months ended June 30, 2007, consumer debit and cash access products accounted for the majority of Visa transactions worldwide.

Consumer Debit

Visa Debit. Our primary consumer debit platform uses the Visa brand mark. Through our rules and product platform requirements, we further segment our Visa debit product platform into Visa Classic, Visa Gold, Visa Platinum and Visa Infinite, which allows our issuers to customize their Visa debit programs and offer a range of benefits to their debit cardholders.

Interlink Debit. We provide the Interlink debit product platform in the United States and certain countries in the AP region. Interlink is a single-message point-of-sale debit network. It generally requires a cardholder to enter a personal identification number, or PIN, for authentication. Interlink allows our issuers to provide a full range of debit card offerings to their deposit account customers. Interlink acceptance marks may be included on Visa debit cards or issued as standalone debit cards.

Visa Electron Debit. Visa Electron is a payment product platform that permits issuers to require all transactions initiated from the card to be authorized electronically. It is primarily used by issuers offering payment programs to higher risk customer segments or in countries where electronic authorization is less prevalent, such as certain markets in the AP, LAC and CEMEA regions. Visa Electron is primarily issued as a consumer debit product, but Visa Electron can also be issued as a credit or prepaid product for consumers or businesses.

POS Check Service. The Visa POS Check Service enables merchants to convert the account information on a consumer's check into an electronic Visa transaction message at the point of sale if the check is drawn on a demand deposit account held at a participating Visa customer. This service, which is currently offered only in the United States, reduces the cost and time involved in merchant and financial institution processing of checks by taking advantage of Visa's efficient electronic payments processing.

Cash Access

Our customers can provide global cash access to their cardholders by issuing products accepted at Visa and PLUS branded ATMs. Most Visa and Visa Electron branded cards offer customers cash access at ATMs, as well as at branches of our participating financial institution customers. The PLUS brand may also be included on issuers' non-Visa branded cards to offer international cash access as a complement to domestic cash access services. We believe that more than one million Visa and PLUS branded ATMs are available in more than 170 countries. Payment cards may contain multiple cash access brand marks, in addition to Visa and PLUS, and transactions involving Visa and PLUS branded cards will generally be processed through our systems only if there is no regional or domestic ATM brand that is capable of processing the transaction.

Prepaid

Our prepaid product platform enables issuers to offer products that access a designated pool of funds, allowing cardholders to enjoy the convenience and security of a payment card in lieu of cash or checks. Our

Table of Contents

prepaid platform includes gift, travel, youth, payroll, money transfer, voucher replacement, corporate incentive, insurance reimbursement and government benefits cards. Our prepaid platforms are also used to pay highway tolls and to top up prepaid mobile phones in some regions. Prepaid products can be issued as either reloadable or disposable. Reloadable cards enable consumers or third parties such as employers to add additional funds to the pool. Consumers may reload cards through various channels, including merchants and participating financial institution customers. Disposable cards cannot be reloaded in this manner. Our prepaid cards can be distributed through a number of channels, including financial institution branches, Internet sites, merchants and employers.

Commercial

Our commercial product platforms enable multi-national, large, medium and small companies and government organizations to streamline payment processes, manage information and their supply chain, and reduce administrative costs. Our commercial platforms include Visa Business Credit, Visa Business Check Card, Visa Business Debit, Visa Signature Business, Visa Business Electron, Visa Corporate, Visa Purchasing, Visa Fleet, Visa Distribution, Visa Commercial One Card and Visa Commerce.

Large and Medium Companies and Government Organizations. The Visa Corporate product platform offers payment options for travel and entertainment charges, including cash advances, and provides detailed transaction data, which allows companies to track policy compliance and supplier management. Visa Purchasing provides corporate clients with a payment product to easily acquire the goods and services needed to conduct their business by streamlining time- and paper-intensive purchase order and invoice processing, and by providing flexible transaction authorization and verification statements for each cardholder. A sub-product of Visa Purchasing, Visa Fleet, provides specialized authorization controls that fleet operators need to monitor and manage spending for company-provided vehicles. Visa Distribution provides an accounts receivable service for suppliers with dispersed operations. The Visa Commercial One Card allows organizations to combine procurement, travel and entertainment, and fleet functionality into a single payment solution. Visa Commerce is a business-to-business electronic platform providing accounts payable and accounts receivable payment services to facilitate large transactions between contracted buyers and sellers.

Small Businesses. The Visa Business credit and debit platforms provide small businesses with cash flow tools, purchasing savings, rewards and management reporting. Visa Business Electron is an electronic authorization platform used in many countries outside North America and has authorization controls that are similar to those of the consumer Visa Electron products described above.

Core to all Visa Commercial payment platforms are information management, reconciliation and reporting, which integrate payment data into company financial systems. Visa Information Management is a web-based tool that provides access to a suite of reporting and information tools in multiple languages to companies using any of the Visa Commercial platforms.

Product Platform Innovation

We invest in the development and enhancement of payment product platforms with the goal of increasing the migration of consumer and business spending to electronic payments. We believe that innovation results in more secure and versatile payment program options for customers, merchants and consumers. We focus on new payment channels, card technologies, payment account access devices and authentication methods, and have recently made significant investments in the development of contactless payment cards and devices, mobile payments, chip cards, magnetic stripe and unembossed card enhancements, and money transfer.

Contactless Payment Cards and Devices. We support customer issuance and merchant acceptance of EMV-compliant contactless payment cards and devices, including contactless-enabled cards, minicards and microtags. A contactless device contains a computer chip that securely stores account information and transmits it to merchant terminals via secure radio-frequency technology that operates over short distances. Contactless

Table of Contents

devices can increase speed and convenience at the point of sale by allowing a consumer to complete a transaction without the need to swipe a card manually or insert it into a point-of-sale device. We believe that contactless technology is particularly appealing to merchants in segments with high point-of-sale throughput and a large proportion of small-value transactions.

Mobile Payments. We support payment origination and acceptance by mobile devices, such as mobile telephones and wireless data devices. In 2007, we introduced the Visa Mobile Platform, a global initiative that provides a comprehensive suite of technology tools and applications designed to promote product development and commercialization of mobile payment services. The Visa Mobile Platform is designed to provide consumers with a consistent experience for all types of payments, regardless of phone type or geography, and is designed to work within the existing infrastructure established by mobile carriers and financial institutions. In addition to supporting the development of mobile payment solutions, such as contactless payments, mobile Internet payments and person-to-person payment, the platform also supports the development of payment-related services, such as account management services to enable consumers to monitor account activity through a mobile device, and mobile coupons that can be redeemed at the point of sale.

Chip Cards. In certain regions and countries, we support customer issuance of Visa and Visa Electron chip cards, which are compliant with the EMV Integrated Circuit Card Specifications for Payment Systems. In addition to a traditional magnetic stripe, chip cards carry encrypted account data on an embedded computer chip that is read by a point-of-sale terminal. Chip cards can offer increased data security over traditional magnetic-stripe-only cards and can reduce the incidence of certain types of fraud.

Magnetic Stripe and Unembossed Card Enhancements. Beginning in October 2003, we introduced a series of rules and standards that allow our customers in certain regions to issue magnetic-stripe Visa cards with enhanced authorization requirements and risk controls that increase their ability to offer Visa cards to high-risk consumer segments. These standards include codes on the magnetic stripe that instruct point-of-sale terminals to request real-time transaction authorizations from the card issuer, providing an increased level of control over transaction authorization as compared to magnetic-stripe cards that lack such codes. These standards also permit issuers in certain countries to issue magnetic stripe Visa cards with the cardholder name and account number printed on the card, rather than embossed with raised lettering. These unembossed cards reduce the risk of fraudulent card use at merchants that do not have electronic point of sale terminals that are capable of seeking transaction authorizations from the card issuer.

Money Transfer. Visa Money Transfer is a remittance platform that our customers use to allow their cardholders to send funds to other Visa cardholders with accounts at participating financial institutions. The funds are credited directly to the individual's Visa credit, debit or prepaid account. Our customers can deploy our standard Visa Money Transfer service, which includes sophisticated anti-money laundering, fraud and risk controls, or they can develop their own customized services. Our customers also offer domestic and cross-border money transfer services using Visa prepaid cards in LAC, CEMEA and AP regions.

Payments Network Management

We devote significant resources to ensure that Visa is the payments network of choice for customers, merchants and cardholders. We seek to accomplish this by promoting our brand through marketing and sponsorship activities, increasing acceptance of Visa-branded cards around the world and ensuring that the system operates in a reliable and secure manner for all of our network participants.

Brand Management and Promotion

We engage in a variety of activities designed to maintain and enhance the value of our brand. Our integrated approach to brand management and promotion combines advertising, sponsorships, promotions and public relations to create programs that build active preference for products carrying our brand, promote product usage,

Table of Contents

increase product acceptance and support cardholder acquisition and retention. For merchants, we work to ensure that the Visa brand represents timely and guaranteed payment, as well as a way to increase their business profitably. For our customers, our marketing is designed to support their card issuance, activation and usage efforts while complementing and enhancing the value of their own brands. For cardholders, we work to ensure that Visa is a symbol of security, convenience and acceptance. By emphasizing these core attributes of our brand, we aim to reinforce the recognition that Visa is The World's Best Way to Pay.

Advertising plays a critical role in building brand awareness and equity, as well as communicating the benefits of our brand and Visa-branded payment products. Through our advertising campaigns, we strive to provide a consistent, recognizable and compelling message that supports our brand positioning. During 2006, we launched our Life Takes Visa brand campaign in the United States, reinforcing our brand promise to deliver innovative products and services that empower our cardholders to experience life and business their way and on their terms. In other regions, we promote these same brand messages through tailored regional and country-specific advertising campaigns, such as our All It Takes campaign in AP and our Porque La Vida es Ahora campaign in LAC.

We establish global marketing relationships to promote the Visa brand and to allow customers to conduct marketing programs in conjunction with major sporting and entertainment events. Through these marketing relationships, our customers may develop marketing programs that include the Visa brand and mention our sponsorship status. In addition, we engage in marketing and sponsorship activities around other national and local events or with associations and companies to provide customized marketing platforms to customers in certain countries and regions.

Our customer and business partner marketing consulting services provide customized advice and support to improve our customers' cardholder acquisition, cardholder retention and product usage efforts. We conduct strategic reviews of our customers' marketing activities and portfolio management practices, help them develop acquisition and retention programs, develop marketing for new products, conduct market segmentation analysis and perform other consultative services. In addition to customized consulting projects, we offer training to provide our customers with an understanding of best practices for managing their payments business.

We also provide marketing support to our customers through our support of Visa co-branded and affinity card programs. Co-branded cards are payment cards bearing the brand marks of an issuer and a marketing partner, usually a merchant, while affinity cards generally bear the marks or logos of charitable, professional, educational or civic organizations.

Our merchant marketing activities bring added value to our merchant partners through the development of marketing programs customized for specific merchants and industry segments. These programs, which we develop in conjunction with merchants, generate awareness for new acceptance channels and locations and increase cardholder spending and merchant sales revenue through special offers and promotions.

Merchant Acceptance Initiatives

Merchants play a vital role in our payments network, and we work continuously to build our merchant acceptance and enhance our relationships with merchants that accept Visa-branded cards. At September 30, 2007, our customers reported that our cards were accepted at more than 29 million merchant outlets around the world.

We aim to maintain and expand our merchant base by focusing on the needs of merchants and consumers and enhancing our programs to increase acceptance in attractive and fast-growing segments, such as bill payment. Our efforts to address these needs include supporting the development of technological innovations, delivering value-added information services, such as the Visa Incentive Network, and evaluating potential modifications to our operating rules and interchange rates to enhance the value of our payments network compared to other forms of payment. In the United States, for example, the Visa Small Ticket Payment Service

Table of Contents

provides a special interchange rate category and No Signature Required programs eliminate the requirement for a cardholder signature for certain small-value transactions in a number of everyday spend categories, including quick-service restaurants, movie theatres and public transit. Under this program, the merchant will be protected against no signature chargebacks. We believe these initiatives have resulted in a faster check-out process, a reduction in merchants' operating expenses, increased merchant acceptance and greater transaction volume in these categories.

We enter into arrangements with certain merchants under which they receive monetary incentives and rebates for acceptance of products carrying our brands and increasing their payments volume of products carrying our brands or indicating a preference for our cards.

We continue to respond to the needs of merchants in order to enhance the efficiency of the Visa payments network for the benefit of all network participants. For example, in 2006, we enabled merchants in the United States to obtain copies of key provisions of our U.S. operating regulations, thereby increasing access to the rules and procedures that govern merchant participation in our system. We also published our U.S. interchange rate schedule and made our U.S. interchange rate qualification guide available to merchants in an effort to educate merchants about the structure of our customer interchange rates and the criteria that determine the specific rate for which a given transaction qualifies.

Customer Standards

Our financial institution customers participate in the Visa payments network through one of two ways. Financial institution customers that were members of either Visa U.S.A. or Visa International prior to the closing of our reorganization have remained members of those two entities, which continue to operate as non-stock subsidiaries of Visa Inc. Those financial institutions have non-equity membership interests in the applicable subsidiary, which represent the commercial and other rights and obligations with regard to participation in the Visa payments system. Our financial institution customers that were members of Visa Canada prior to the closing of our reorganization have entered into a series of agreements, which govern their commercial rights and obligations with respect to the Visa payments system.

Our customers are generally required to be financial institutions or other deposit-taking institutions organized under local banking laws or wholly-owned by such institutions. Certain of our customers participate in the full range of functions, such as soliciting cardholders and issuing cards, soliciting and signing merchants and acquiring merchant transactions. These financial institutions may also sponsor other financial institutions for more limited participation in our network.

Rulemaking and Enforcement

In general, our customers are granted licenses to use our brands and to access our transaction processing systems. Our customers are obligated to honor our rules and standards through agreements with, and in certain cases non-equity membership interests in, our subsidiaries. These rules and standards govern their use of our branded programs and their participation in our transaction processing system. Variations on such rules and standards may exist throughout the world in order to meet the needs of specific geographies. We require our customers to comply with these rules, which relate to such matters as the use of our brands and trademarks, the standards, design and features of payment cards and programs, merchant acquiring activities, including acceptance standards applicable to merchants, use of agents, disputes between members, risk management, guaranteed settlement, customer financial failures and allocation of losses among customers.

We establish dispute management procedures between customers relating to specific transactions. For example, after a transaction is presented to an issuer, the issuer may determine that the transaction is invalid for a variety of reasons, including fraud. If the issuer believes there is a defect in a transaction, the issuer may return, or charge back, the transaction to the acquirer. We enforce rules relating to chargebacks and maintain a dispute resolution process with respect to chargeback disputes.

Table of Contents*Credit Risk Management*

We indemnify our customers for any settlement loss suffered due to the failure of a customer to fund its daily settlement obligations. In certain instances we indemnify customers even in situations in which a transaction is not processed by our system. No material loss related to settlement risk has been incurred in recent years.

To manage our exposure in the event our customers fail to fund their settlement obligations, we have a credit risk policy with a formalized set of credit standards and risk control measures. Customers with significant settlement exposure are evaluated regularly to assess risk. In certain instances, we may require a customer to post collateral or provide guarantees. If a customer becomes unable or unwilling to meet its obligations, we are able to draw upon such collateral or guarantee in order to minimize any potential loss. We may also apply other risk control measures, such as blocking the authorization and settlement of transactions, limiting the use of certain types of agents, prohibiting initiation of acquiring relationships with certain high risk merchants or suspending or terminating a customer's rights to participate in our payments network. The exposure to settlement losses is accounted for as a settlement risk guarantee. The fair value of the settlement risk guarantee is estimated using a proprietary model. Key inputs to the model include the probability of customers becoming insolvent, statistically derived loss factors based on historical experience and estimated settlement exposures at period end.

Payment System Integrity

The integrity of our payments system is affected by fraudulent activity and other illegal uses of our products. Fraud is most often committed in connection with lost, stolen or counterfeit cards or stolen account information resulting from security breaches of systems that store cardholder or account data, including systems operated by merchants, financial institutions and other third-party data processors. Fraud is also more likely to occur in association with transactions where the card is not present at the point of sale, such as electronic commerce, mail order and telephone order transactions. Security and cardholder authentication for these remote channels are particularly critical issues facing our customers and merchants that engage in these forms of commerce, where a signed cardholder sales receipt is generally unavailable.

Our fraud detection and prevention offerings include Verified by Visa, a global Internet authentication product, which permits cardholders to authenticate themselves to their issuing financial institution using a unique personal code; Visa Advanced Authorization, which adds additional fraud detection capability by adding real-time risk scores to authorization messages; and chip and PIN programs that have been demonstrated to reduce the incidence of certain types of fraud at physical point of sale locations. We have also implemented rules that require the use of more secure PIN encryption standards for ATMs and point-of-sale PIN entry devices installed after 2002 and 2003, and we have recently mandated that all PINs transmitted through VisaNet to the issuer be encrypted using the Triple DES, or Data Encryption Standard, by July 1, 2010.

In a 2006 cooperative industry effort, we co-founded the Payment Card Industry (PCI) Data Security Standards Council, an independent council that established security standards to protect cardholder data and to prevent fraud. In late 2006, we introduced a PCI compliance program with both incentives and fines targeted at our largest acquirers in order to improve compliance with the PCI standards by our largest U.S.-based merchants, which we refer to as Level I and Level II merchants. The initiative's goal is to eradicate the storage of prohibited account data, such as magnetic stripe (also known as track data), CVV2 (the three-digit security code on the back of the card) and PIN data, and to improve PCI compliance among this group of merchants. As of December 31, 2007, 99% of Level I and Level II merchants had confirmed that they were not storing prohibited account data, and more than three-fourths of the Level I merchants and nearly two-thirds of the Level II merchants had validated their compliance with the PCI Data Security Standard.

In 2006, we began upgrading all connections to VisaNet with encryption capabilities to protect data that is transferred to and from VisaNet, and began performing data content analysis to ensure proper data safe-keeping

Table of Contents

and purging of obsolete data. In 2006, we also began developing a web-based tool that will replace our legacy risk-identification system to better assist customers in their identification and monitoring of high-risk relationships.

Interchange

Interchange represents a transfer of value between the financial institutions participating in an open-loop payments network such as ours. On purchase transactions, interchange fees are typically paid to issuers by acquirers in connection with transactions initiated with cards in our payments system. We set default interchange rates in the United States and other regions. In certain jurisdictions, interchange rates are subject to government regulation. Although we administer the collection and remittance of interchange fees through the settlement process, we generally do not receive any portion of the interchange fees. Interchange fees are often the largest component of the costs that acquirers charge merchants in connection with the acceptance of payment cards. We believe that interchange fees are an important driver of system volume.

We believe the default interchange rates that we use promote the efficient operation of our payments network by enabling both the issuer and acquirer to understand the economics of a given transaction before entering into it, and by eliminating the need for each of our customers to negotiate transfer pricing with each other. By establishing and modifying default interchange rates in response to marketplace conditions and strategic demands, we seek to ensure a competitive value proposition for transactions using our cards in order to encourage electronic transactions and to maximize participation in the Visa payments system by issuers and acquirers and, ultimately, consumers and merchants. We believe that proper management of interchange rates benefits consumers, merchants, our customers and us by promoting the overall growth of our payments network in competition with other payment card systems and other forms of payment, and creating incentives for innovation, enhanced data quality and security.

Interchange fees and related practices also have been or are being reviewed by regulatory authorities and/or central banks in a number of jurisdictions, including the United States, European Union, Australia, Brazil, Colombia, Germany, Honduras, Hungary, Mexico, New Zealand, Norway, Poland, Portugal, Romania, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom. In certain countries, such as Australia and Mexico, interchange rates have been adjusted in advance of, or in response to, government regulation. We are currently devoting substantial management and financial resources to explain the importance of and defend interchange fees and other legal and regulatory challenges we face relating to interchange fees. See *Legal and Regulatory Proceedings Global Interchange Proceedings and Risk Factors Interchange fees are subject to significant legal and regulatory scrutiny worldwide, which may have a material adverse impact on our revenues, our prospects for future growth and our overall business.*

Merchant Discount Rates. Acquirers generally charge merchants a fee for each transaction, called a merchant discount. This fee would typically cover costs they incur for participation in four-party payments networks, including those relating to interchange, and compensate them for various other services they provide to merchants. Merchant discount rates and other merchant fees are set by our acquirers without our involvement and by agreement with their merchant customers and are established in competition with other acquirers, other payment card systems and other forms of payment. We do not establish or regulate merchant discount rates or any other fees charged by our acquirers.

Intellectual Property

We rely on a combination of patent, trademark, copyright and trade secret laws in the United States and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our proprietary technology.

We own a number of valuable trademarks and designs, which are essential to our business, including Visa, Interlink, PLUS, Visa Electron, the Winged V design, the Dove design and the Bands Design Blue, White

Table of Contents

& Gold design. We also own numerous other valuable trademarks and designs covering various brands, products, programs and services. Through agreements with our customers, we authorize and monitor the use of our trademarks in connection with their participation in our payments network.

In addition, we own a number of patents and patent applications relating to payments solutions, transaction processing, security systems and other matters.

Competition

We compete in the global payment marketplace against all forms of payment, including paper-based forms (principally cash and checks), card-based payments (including credit, charge, debit, ATM, prepaid, private-label and other types of general purpose and limited use cards) and other electronic payments (including wire transfers, electronic benefits transfers, ACH payments and electronic data interchange).

Within the general purpose payment card industry, we face substantial and intense competition worldwide. The leading global card brands in the general purpose payment card industry are Visa, MasterCard, American Express and Diners Club. Other general purpose card brands are more concentrated in specific geographic regions, such as JCB in AP and Discover in the United States. In certain countries, our competitors have leading positions, such as JCB in Japan and China UnionPay in China, which is the sole domestic payment processor and operates the sole domestic acceptance mark in China due to local regulation. We also compete against private-label cards, which can generally be used to make purchases solely at the sponsoring retail store, gasoline retailer or other merchant.

In the debit card market segment, Visa and MasterCard are the primary global brands. In addition, our Interlink and Visa Electron brands compete with Maestro, owned by MasterCard, and various regional and country-specific debit network brands, such as STAR, owned by First Data Corporation, PULSE, owned by Discover, NYCE, owned by Metavante Corporation, and others in the United States, Interac in Canada, and EFTPOS in Australia. In addition to our PLUS brand, the primary cash access card brands are Cirrus, owned by MasterCard, and many of the online debit network brands referenced above. In many countries, local debit brands are the primary brands, and our brands are used primarily to enable cross-border transactions, which typically constitute a small portion of overall transaction volume.

Some of our major competitors, including American Express and Discover, operate closed-loop systems. Closed-loop systems can benefit from direct access to consumer and merchant information, and they tend to have greater control over cardholder service than do operators of open-loop payments networks, like Visa, which depend on their financial institution customers to provide products and services directly to the cardholder. In recent years, the major closed-loop systems, American Express and Discover, have begun working directly with issuing and acquiring financial institutions, thus emulating certain aspects of the open-loop system, including setting transfer pricing.

In addition, we compete against companies that are developing and implementing alternative payments networks. Among other things, these competitors provide Internet currencies, which can be used to buy and sell goods online, virtual checking programs, which permit the direct debit of consumer checking accounts for both online and point-of-sale transactions and services that support payments to and from proprietary accounts for Internet, mobile commerce and other applications. A number of these new entrants rely principally on the Internet to support their services and may enjoy lower costs than we do. In mobile commerce, we also face competition from established network operators that may be in a position to enable mobile devices to process electronic payments or transfer money, and to use their existing billing systems to process these payments and transfers between their customers and third parties without our involvement.

Our Visa Debit Processing Service is the largest provider of issuer processing services for United States issuers of Visa debit, prepaid and ATM products, and thus also competes with third party processors, such as First Data Corporation and TSYS.

Table of Contents

We believe that the primary factors affecting our competitive position in the payments industry include:

our ability to maintain the quality and integrity of our transaction processing systems;

our relationships with our customers;

our relationships with merchants;

the impact of existing litigation, legislation and government regulation;

pricing to our customers;

the impact of globalization and consolidation of financial institutions and merchants; and

our ability to develop and implement new payment programs, systems and technologies.

Litigation has and may continue to affect our ability to compete in the global payments industry. For example, as a result of the June 2003 settlement of a U.S. merchant lawsuit against Visa U.S.A. and MasterCard, merchants may choose not to accept U.S.-issued Visa debit cards in the United States while still accepting Visa-branded credit cards, and vice versa. In addition, following the final judgment in our DOJ litigation, members of Visa U.S.A. may issue certain payment cards that compete with Visa-branded cards, such as American Express or Discover, while remaining Visa members. Since this final judgment, several members of Visa U.S.A., including, but not limited to, Bank of America, Citibank, HSBC/Metris, U.S.A.A., Barclaycard U.S., GE Consumer Finance, Inc., First Bank & Trust, Central National Bank & Trust and Brenham National Bank, have begun to issue, or have announced that they will issue, American Express or Discover-branded cards. Outside of the United States, our customers have historically been permitted to issue American Express cards, as well as the cards of other competing general purpose card networks.

The banking industry has undergone consolidation, and we expect this trend to continue. A major financial institution customer may be acquired by an institution that has a strong relationship with a competitor, resulting in a substantial loss of business. Because continued consolidation in the banking industry results in fewer financial institutions of increased size, the bargaining power of the remaining financial institutions increases.

Government Regulation

Government regulation impacts key aspects of our business. We are subject to government regulation of the payments industry in many countries in which our cards are used. Our customers are also subject to numerous regulations applicable to banks and other financial institutions in the United States and elsewhere, and as a consequence our business is affected by such regulations. In recent years our business has come under increasing regulatory scrutiny. In particular, interchange fees associated with open-loop payments systems such as ours are being reviewed or challenged in various jurisdictions in which our cards are used.

As the volume of card-based payments has increased in recent years, interchange fees, including our default interchange rates, have become subject to increased regulatory scrutiny worldwide. We believe that regulators are increasingly adopting a similar approach to interchange fees, and, as a result, developments in any one jurisdiction may influence regulatory approaches in other jurisdictions. Interchange fees have been the topic of recent committee hearings in the U.S. House of Representatives and the U.S. Senate, as well as conferences held by a number of U.S. Federal Reserve Banks. In addition, the U.S. House of Representatives has passed a bill that would commission a study by the Federal Trade Commission of the role of interchange fees in alleged price gouging at gas stations. Individual state legislatures in the United States are also reviewing interchange fees, and legislators in a number of states have proposed bills that purport to limit interchange fees or merchant discount rates or to prohibit their application to portions of a transaction. In addition, the Merchants Payments Coalition, a coalition of trade associations

Edgar Filing: Visa Inc. - Form S-1/A

representing businesses that accept credit and debit cards, is mounting a challenge to interchange fees in the United States by seeking legislative and regulatory intervention.

Table of Contents

Interchange fees and related practices also have been or are being reviewed by regulatory authorities and/or central banks in a number of jurisdictions, including the United States, European Union, Australia, Brazil, Colombia, Germany, Honduras, Hungary, Mexico, New Zealand, Norway, Poland, Portugal, Romania, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom. In certain countries, such as Australia and Mexico, interchange rates have been adjusted in anticipation of, or in response to, government regulation.

Most jurisdictions in which we and our customers operate have implemented, amended or have pending anti-money laundering regulations. In 2002, we and our customers became subject to the provisions of the U.S.A. PATRIOT Act, which requires the creation and implementation of comprehensive anti-money laundering programs. In general, this requires that we make certain efforts to prevent our payments system from being used to facilitate money laundering and the financing of terrorist activities, including, for example, the designation of a compliance officer, training of employees, adoption of internal policies and procedures to mitigate money laundering risks, and periodic audits.

We are subject to regulations imposed by OFAC. OFAC restricts financial dealings with Cuba, Iran, Myanmar and Sudan, as well as financial dealings with certain restricted third parties, such as identified money laundering fronts for terrorists or narcotics traffickers. While we prohibit financial institutions that are domiciled in those countries or are restricted parties from being Visa members, many Visa International members are non-U.S. financial institutions, and thus are not subject to OFAC restrictions. Accordingly, our payments network may be used with respect to transactions in or involving countries or parties subject to OFAC-administered sanctions.

In recent years, a number of regulations relating to the price of credit and directed at our financial institution customers have been implemented in some jurisdictions in which our cards are used. In the United States, regulators and the U.S. Congress have increased their scrutiny of our customers' pricing and underwriting standards relating to credit. For example, a number of regulations have been issued to implement the U.S. Fair and Accurate Credit Transactions Act, and other regulations are expected to be issued in 2007. One such regulation pertaining to risk-based pricing could have a significant impact on the application process for credit cards and result in increased costs of issuance and/or a decrease in the flexibility of card issuers to set the price of credit. Another such regulation is a significant proposal to amend Regulation Z, which implements the Truth-in-Lending Act, and will change the substance and format of consumer disclosures made by financial institutions. In addition, the U.S. Senate Permanent Subcommittee on Investigations and other Committees and Subcommittees may continue to consider the methods used to calculate finance charges and allocate payments received from cardholders and the methods by which default interest rates, late fees and over-the-credit-limit fees are determined, imposed and disclosed. Any regulation in this regard could impact our customers' ability to issue cards profitably in certain segments and impact our payments volume and revenues.

We and our customers are subject to regulations related to privacy, data use and security in the jurisdictions in which we do business. For example, in the United States, our customers and we are respectively subject to the banking regulators' information safeguard rules and the Federal Trade Commission's rules under the Gramm-Leach-Bliley Act, respectively. These rules require that our customers and we develop, implement and maintain written, comprehensive information security programs containing safeguards that are appropriate to our size and complexity, the nature and scope of our activities and the sensitivity of any customer information at issue.

In recent years, there has been a heightened legislative and regulatory focus on data security. In the United States, a number of bills have been introduced in Congress and there have been several Congressional hearings to address these issues. Congress is considering data security/data breach legislation which, if implemented, could affect our customers and us. In addition, a number of U.S. states have enacted security breach legislation, requiring varying levels of consumer notification in the event of a security breach, and several other states are considering similar legislation.

Table of Contents

Governments in certain countries have acted, or could act, to provide resources or protection to selected national payment card providers or national payment processing providers to support domestic competitors or to displace us from, prevent us from entering into, or substantially restrict us from participating in, particular geographies. For example, our customers in China are not permitted to issue cards carrying our brands for domestic use in China. Governments in certain other countries have considered similar restrictions from time to time.

Many jurisdictions in which our customers and we operate are considering, or are expected to consider, legislation with regard to Internet transactions, and in particular with regard to choice of law, the legality of certain e-commerce transactions, the collection of applicable taxes and copyright and trademark infringement. If implemented, these initiatives could require our customers and us to monitor, filter, restrict or otherwise oversee various categories of payment card transactions or to take other actions. For example, draft regulations were proposed on October 1, 2007 pursuant to recently enacted U.S. legislation regarding Internet gambling, which will require our customers and us to code and block certain types of Internet gambling transactions. Comments on these draft regulations were due December 12, 2007, and final regulations will be forthcoming at an undetermined date. Various U.S. regulatory agencies are also considering additional regulation covering capital requirements, privacy, disclosure rules, security and marketing, which could impact our customers and us directly. Increases in fraud or other illegal activity involving our cards could also lead to regulatory intervention, such as mandatory card re-issuance.

Certain of our operations in the United States are periodically reviewed by the Federal Financial Institution Examination Council to ensure our compliance with applicable data integrity and security requirements, as well as other requirements applicable to us as a result of our role as a service provider to financial institutions. In recent years, the federal banking regulators in the United States have adopted a series of regulatory measures intended to require more conservative accounting, greater risk management and higher capital requirements for bank credit card activities, particularly in the case of banks that focus on subprime cardholders. Government regulators may determine that we are a systemically important payments system and impose settlement risk management requirements on us, including new settlement procedures or other operational rules to address credit and operational risks or new criteria for customer participation and merchant access to our payments system. In addition, outside of the United States, a number of jurisdictions have implemented legal frameworks to regulate their domestic payments systems. For example, regulators in Australia, Mexico, Colombia, India, Singapore and Malaysia have been given statutory authority to regulate certain aspects of the payments systems in those countries.

Properties

At December 31, 2007, we owned and leased approximately 2.2 million square feet of office and processing center space in 30 countries around the world, of which approximately 1.4 million square feet are owned and the remaining 800,000 square feet are leased. Our corporate headquarters is located in the San Francisco Bay Area and consists of four buildings that we own, totaling 940,000 square feet. We also own a 167,000 square foot office building in Miami, which serves as our LAC regional headquarters.

In addition, we operate three processing centers: a processing center and an office facility in Colorado totaling 268,000 square feet, which we own, a processing center and office facility in Virginia, totaling 137,500 square feet, which we lease, and an 11,000 square foot leased facility in Japan. In July 2006, we approved a plan to replace our leased processing center in the eastern United States by building a new 140,000 square foot processing center and a new 113,000 square foot office building.

We believe that these facilities are suitable and adequate to support our business needs.

Employees

At December 31, 2007, we employed 5,436 persons worldwide. We consider our relationships with our employees to be good.

Table of Contents

Customers

At December 31, 2007, we had approximately 16,600 financial institution customers. Operating revenues recognized as a result of fees paid, net of incentives, from our largest customer, JPMorgan Chase and its affiliates, were \$408 million in fiscal 2006 and \$454 million in fiscal 2007, representing 10% and 9% of our pro forma operating revenues in each such period. No other customer represented more than 10% of our pro forma operating revenues.

See *Note 1 Organization* to the Visa U.S.A. fiscal 2007 consolidated financial statements and *Note 19 Operating Segments* to the Visa International fiscal 2007 consolidated financial statements for a disclosure of financial information about geographic areas.

Retrospective Responsibility Plan

Visa U.S.A. and Visa International are parties to certain legal proceedings that we refer to as the covered litigation. The retrospective responsibility plan is designed to address potential liability under the covered litigation. Covered litigation means:

The Discover Litigation. Discover Financial Services Inc. v. Visa U.S.A. Inc., Case No. 04-CV-07844 (S.D.N.Y.), which we refer to as the Discover litigation;

The American Express Litigation. American Express Travel Related Services Co., Inc. v. Visa U.S.A. Inc. et al., No. 04-CV-0897 (S.D.N.Y.), which we refer to as the American Express litigation;

The Attridge Litigation. Attridge v. Visa U.S.A. Inc. et al., Case No. CGC-04-436920 (Cal. Super.), which we refer to as the Attridge litigation;

The Interchange Litigation. In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation, 1:05-md-01720-JG-JO (E.D.N.Y.) or MDL 1720, including all cases currently included in MDL 1720, any other case that includes claims for damages relating to the period prior to this offering that is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL 1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction and Kendall v. Visa U.S.A., Inc. et al., Case No. CO4-4276 JSW (N.D. Cal.), which we refer to collectively as the interchange litigation; and

any claim that challenges the reorganization or the consummation thereof; provided that such claim is transferred for coordinated or consolidated pre-trial proceedings at any time to MDL 1720 by the Judicial Panel on Multidistrict Litigation or otherwise included at any time in MDL 1720 by order of any court of competent jurisdiction.

Upon the closing of this offering, we intend to deposit \$3.0 billion in an escrow account from which settlements of, or judgments in, the covered litigation will be payable. We intend to use the funds in the escrow account to satisfy the settlement obligations of Visa U.S.A. in the American Express litigation and, as described below, to make payments relating to obligations of Visa U.S.A., Visa International and, in certain instances, Visa Inc., in connection with future settlement of, or judgments in, covered litigation.

The class B common stock that is retained by Visa U.S.A. members and that is not redeemed out of the proceeds of this offering will be subject to dilution to the extent of the initial amount of the escrow account. This dilution of the class B common stock will be accomplished through an initial adjustment to the conversion rate such that the conversion rate applicable to each share of class B common stock will be 0.72 shares of class A common stock per share of class B common stock. The class B common stock will not, subject to limited exceptions, be convertible into class A common stock or be transferable until the later of the third anniversary of this offering or the final resolution of the covered litigation, although our board of directors may make exceptions to this transfer restriction after resolution of all covered litigation. The class C common stock will not be subject to this dilutive adjustment.

Table of Contents

After the completion of this offering and if the litigation committee so requests in order to increase the escrow account, we will conduct follow-on offerings of our class A common stock, which we refer to as loss shares. The proceeds from the sale of loss shares would then be deposited in the escrow account, and the class B common stock would be subject to additional dilution to the extent of the loss shares through a concurrent adjustment to the conversion rate of the class B common stock. Unless we or our affiliates have actually incurred a liability in respect of the covered litigation and there are insufficient funds on deposit in the escrow account at such time to fund such liability, the litigation committee may not request that we sell loss shares in an underwritten offering more than twice in any 12-month period, and the proceeds from the requested offering must reasonably be expected to be at least \$100,000,000. We will not offer loss shares in an amount that exceeds the number of shares of our class A common stock into which our issued and outstanding class B common stock is then convertible immediately prior to the offering.

Any amounts remaining in the escrow account on the date on which all of the covered litigation has been resolved will be released back to us, and the conversion rate of the class B common stock then outstanding will be adjusted in the holders' favor through a formula based on the released escrow amount and the market price of our class A common stock. See *Description of Capital Stock Conversion*.

The litigation committee has been established pursuant to a litigation management agreement among Visa Inc., Visa International, Visa U.S.A. and Robert R. Hackney, Bruce L. Hammonds, Peter E. Raskind, Charles W. Scharf and John G. Stumpf, all of whom are affiliated with, or acting for, certain Visa U.S.A. members. The litigation committee: (i) will determine the amount of the proceeds of this offering to be deposited in the escrow account; (ii) may request the sale of loss shares as described above, subject to our right to delay the filing or effectiveness of a registration statement under certain circumstances; and (iii) may recommend or refer the cash payment portion of a proposed settlement of any covered litigation to the Visa U.S.A. board of directors.

The board of directors of Visa U.S.A. will not be permitted to authorize any portion of a settlement of any of the covered litigation that would or might require payments out of the escrow account, the sale of loss shares, or the payment of cash by principal, acquirer, administrative, cheque issuer, administrative, group, or associate members of Visa U.S.A., which we refer to collectively as specified settlement members, unless such settlement has been approved by or is subject to the approval of specified settlement members. We refer to such settlements as specified settlements. Approval of a specified settlement requires the approval of two-thirds of the votes of the specified settlement members.

Interchange Judgment Sharing Agreement

On July 1, 2007, we entered into an interchange judgment sharing agreement with Visa U.S.A., Visa International and certain member financial institutions of Visa U.S.A. in connection with the interchange litigation.

Under the interchange judgment sharing agreement, in the event that a final judgment in the interchange litigation is enforced against a signatory or there is a global settlement involving all signatories, each signatory other than Visa U.S.A. and Visa International will pay its membership proportion (as defined in the Visa U.S.A. certificate of incorporation) of the amount of any such final judgment that is not allocated to the conduct of MasterCard under the terms of the agreement. Visa U.S.A. will pay the amount of such final judgment that is not allocated to the conduct of MasterCard and that is not accounted for by the other signatories, although it will obtain reimbursement for such payments out of the escrow account. Visa International has no obligation under the interchange judgment sharing agreement to share in a judgment enforced against another signatory or in a global settlement. The agreement provides that Visa U.S.A. and Visa International will be reimbursed by the bank signatories for the full amount of any final judgment allocated to the conduct of MasterCard, but the bank signatories have no obligation to the other signatories with respect to the MasterCard portion of a final judgment.

Table of Contents

If we are named as a defendant in a case in the interchange litigation, we have the right to join the judgment sharing agreement on the terms applicable to Visa International unless a claim relates to our conduct after the reorganization (other than the reorganization or this offering) or our conduct that is not the mere continuation of conduct being challenged in the interchange litigation as of the closing of the reorganization.

Loss Sharing Agreement

We have entered into a loss sharing agreement with Visa U.S.A., Visa International and Visa U.S.A. members representing 61% of the Visa U.S.A. aggregate membership proportion. The loss sharing agreement provides for the indemnification of Visa U.S.A., Visa International and, in certain circumstances, Visa Inc. with respect to: (i) the amount of a final judgment paid by Visa U.S.A. or Visa International in the covered litigation after the operation of the interchange judgment sharing agreement, plus any amounts reimbursable to the interchange judgment sharing agreement signatories; or (ii) the damages portion of a settlement of a covered litigation that is approved as required under Visa U.S.A. s certificate of incorporation by the vote of Visa U.S.A. s members. The several obligation of each bank that is a party to the loss sharing agreement will equal the amount of any final judgment enforceable against Visa U.S.A., Visa International or any other signatory to the interchange judgment sharing agreement, or the amount of any approved settlement of a covered litigation, multiplied by such bank s then-current membership proportion as calculated in accordance with Visa U.S.A. s certificate of incorporation.

Visa U.S.A. will be responsible for the remainder of any amounts under (i) and (ii) above after taking into account the total amounts owed by the Visa U.S.A. members that are parties to the loss sharing agreement and any funds it recovers pursuant to a judgment sharing agreement. Such remainder amounts are subject to indemnification by Visa U.S.A. members that are not parties to the loss sharing agreement, as described below.

We contemplate that payments due under any covered litigation that are subject to the loss sharing agreement will be paid out of the escrow account, including any additional proceeds from the sale of loss shares. If funds in the escrow account are insufficient to satisfy such obligations, then each Visa U.S.A. member that is a party to the loss sharing agreement is required to contribute an amount equal to the unsatisfied obligation multiplied by such party s then current membership proportion.

In order to avoid a double payment as a result of the dilutive adjustment in the conversion rate of the class B common stock upon the establishment of the escrow account, we will reimburse Visa U.S.A. members from the escrow account for payments made: (i) pursuant to the interchange judgment sharing agreement in respect of covered litigation to a claimant or another party to the loss sharing agreement (other than payments allocated in a final judgment or approved settlement to MasterCard s conduct); or (ii) pursuant to the interchange judgment sharing agreement or the loss sharing agreement for certain payments made prior to this offering relating to the items described in the immediately preceding paragraph. In the event that the escrow account contains insufficient funds to make such reimbursements, all reimbursements will be made pro rata.

Indemnification by Visa U.S.A. Members

The members of Visa U.S.A. have indemnification obligations with respect to the covered litigation pursuant to Visa U.S.A. s certificate of incorporation and bylaws and in accordance with their membership agreements, although we currently intend to use the escrow amount, including any additional proceeds from the sale of loss shares, to satisfy obligations under the covered litigation before seeking to enforce these indemnification obligations.

To the extent that the initial escrow amount and any additional sale of loss shares is insufficient to fully satisfy obligations under the covered litigation and reimburse judgment sharing and loss sharing payments by Visa U.S.A. s members, we will use commercially reasonable efforts to enforce the indemnification obligations of Visa U.S.A. s members for such excess amount, including but not limited to enforcing indemnification

Table of Contents

obligations pursuant to the loss sharing agreement, Visa U.S.A.'s certificate of incorporation and bylaws and in accordance with their membership agreements.

Covered Litigation***The Discover Litigation***

On October 4, 2004, Discover Financial Services, Inc. filed a complaint against Visa U.S.A., Visa International and MasterCard. The complaint was filed in the U.S. District Court for the Southern District of New York and was designated as a related case to the DOJ litigation, and was assigned to the same judge who issued the DOJ decision described under *Other Legal and Regulatory Proceedings Department of Justice Antitrust Litigation and Related Litigation*. The complaint alleged that the implementation and enforcement of Visa's bylaw 2.10(e) and MasterCard's Competitive Programs Policy, or CPP (which prohibited their respective members from issuing American Express or Discover cards), as well as Visa's Honor All Cards rule (which required merchants that accept Visa cards to accept for payment every validly presented Visa card) and a similar MasterCard rule violated Sections 1 and 2 of the Sherman Act as well as California's Unfair Competition Act in an alleged market for general purpose card network services and an alleged market for debit card network services. The complaint also challenged Visa's no surcharge rule and a similar MasterCard rule, under the same statutes. On December 10, 2004, Visa U.S.A. and Visa International moved to dismiss the complaint in its entirety for failure to state a claim. In lieu of filing its opposition papers to this motion, Discover filed an amended complaint on January 7, 2005. In the amended complaint, Discover dropped some of its claims, including its challenge against the no surcharge rule and its claims under California's Unfair Competition Law, but continued to allege that the implementation and enforcement of Visa U.S.A.'s bylaw 2.10(e), MasterCard's CPP, and the Honor All Cards rule violated Sections 1 and 2 of the Sherman Act. On June 7, 2007, Discover filed a Second Amended Complaint, which eliminated allegations related to the Honor All Cards rule, dropped attempted monopolization and monopolization claims against MasterCard and Visa International to conform to the court's rulings on motions to dismiss, and made technical changes to the names of the plaintiffs.

Specifically, Discover claims that Visa U.S.A.'s bylaw 2.10(e) unreasonably restrained trade by prohibiting financial institutions that were members of Visa U.S.A. from issuing payment cards on the Discover network in the United States. Discover requests that the District Court apply collateral estoppel with respect to the court's final judgment in the DOJ litigation and enter an order that bylaw 2.10(e) and the CPP have injured competition and caused injury to Discover. Discover seeks treble damages in an amount to be proved at trial, along with attorneys' fees and costs. On February 7, 2005, Visa U.S.A. and Visa International moved to dismiss Discover's amended complaint in its entirety for failure to state a claim. On April 14, 2005, the District Court denied, at this stage in the litigation, Discover's request to give collateral estoppel effect to the findings in the DOJ litigation. However, the District Court indicated that Discover may refile a motion for collateral estoppel after discovery. Under the doctrine of collateral estoppel, a court has the discretion to preclude one or more issues from being relitigated in a subsequent action if: (1) the same issues were actually litigated and determined in the prior action; (2) proof of those issues was necessary to reach the prior judgment; and (3) the party to be estopped had a full and fair opportunity to litigate those issues in the prior action. Accordingly, if the District Court were to give effect to collateral estoppel on one or more issues in the future, then significant elements of plaintiffs' claims would be established, thereby making it more likely that Visa U.S.A. and Visa International would be found liable and making the possibility of an award of damages more likely. In the event all issues are subsequently decided against Visa U.S.A. and Visa International in dispositive motions during the course of the litigation, then there is the possibility that the sole issue remaining will be whether a damage award is appropriate and, if so, what the amount of damages should be.

Also on April 14, 2005, and in subsequent rulings, with respect to the alleged market for general purpose card network services, the District Court denied Visa U.S.A.'s motion to dismiss Discover's Section 1 conspiracy to restrain trade claims and Section 2 monopolization, attempted monopolization and conspiracy to monopolize claims that were based upon the conduct described above. On October 24, 2005, the court granted Visa International's motion to dismiss Discover's attempted monopolization and monopolization claims against it,

Table of Contents

because plaintiffs did not allege that Visa International individually had sufficient market share to maintain these claims. On November 9, 2005, the court denied Visa U.S.A. and Visa International's motion to dismiss Discover's claims based upon effects in an alleged debit market. Visa U.S.A. and Visa International answered the amended complaint on November 30, 2005. Fact discovery is complete.

At a hearing on April 25, 2007, the District Court set a trial date of September 9, 2008. The court also established deadlines and procedures for motions practice and expert discovery. On July 24, 2007, Discover served its expert's report purporting to demonstrate that it had incurred substantial damages. Expert reports were served jointly by Visa U.S.A. and Visa International on October 9, 2007, and Discover served rebuttal expert reports on December 20, 2007.

In accordance with SFAS No. 5, *Accounting for Contingencies*, Visa U.S.A. recorded a litigation provision of \$650 million related to the Discover matter at September 30, 2007.

The American Express Litigation

On November 15, 2004, American Express filed a complaint against Visa U.S.A., Visa International, MasterCard and eight Visa U.S.A. and Visa International member financial institutions (JPMorgan Chase & Co., Bank of America Corporation, Capital One Financial Corp., U.S. Bancorp, Household International Inc., Wells Fargo & Company, Provident Financial Corp., and U.S.A.A. Federal Savings Bank). Subsequently, U.S.A.A. Federal Savings Bank, Bank of America Corp. and Household International Inc. announced settlements with American Express and were dismissed from the case. The complaint, which was filed in the U.S. District Court for the Southern District of New York, was designated as a related case to the DOJ litigation and was assigned to the same judge. See *Department of Justice Antitrust Case and Related Litigation*. The complaint alleged that the implementation and enforcement of Visa U.S.A.'s bylaw 2.10(e) and MasterCard's CPP violated Sections 1 and 2 of the Sherman Act in an alleged market for general purpose card network services and an alleged market for debit card network services.

On November 1, 2007, Visa Inc., Visa U.S.A. and Visa International entered into an agreement with American Express to resolve all current litigation between American Express and Visa U.S.A. and Visa International, and the related litigation between American Express and five other co-defendant banks. Under the settlement agreement, an initial payment of \$1.13 billion will be made on or before March 31, 2008, including \$945 million from Visa Inc. and \$185 million from the five co-defendant banks. Beginning March 31, 2008, Visa Inc. will pay American Express an additional amount of up to \$70 million per quarter for 16 quarters, for a maximum total of \$1.12 billion. Total future payments discounted at 4.72% over the payment term, or \$1.9 billion, are reflected in the litigation provision on Visa U.S.A.'s consolidated statement of operations for fiscal 2007 and in current and long-term accrued litigation on its consolidated balance sheet at September 30, 2007 and on the consolidated balance sheet of Visa Inc. at October 1, 2007. We recorded accretion expense of \$23 million related to this matter for the three months ended December 31, 2007. We intend to fund our payment obligations under the American Express settlement with amounts in the escrow account, in accordance with our retrospective responsibility plan.

The Attridge Litigation

On December 8, 2004, a complaint was filed in California state court on behalf of a putative class of consumers asserting claims against Visa U.S.A., Visa International and MasterCard under California's Cartwright Act and Unfair Competition Law. The claims in this action, *Attridge v. Visa U.S.A. Inc., et al.*, seek to piggyback on the portion of the DOJ antitrust litigation in which the U.S. District Court for the Southern District of New York found that Visa's bylaw 2.10(e) and MasterCard's Competitive Programs Policy constitute unlawful restraints of trade under the federal antitrust laws. See *Department of Justice Antitrust Case and Related Litigation*. After the plaintiff twice amended his complaint, Visa U.S.A., Visa International and MasterCard demurred to (moved to dismiss) the complaint and, at a hearing on November 2, 2005, the court

Table of Contents

dismissed plaintiff's claims with leave to amend. On December 2, 2005, the plaintiff filed a third amended complaint. The defendants again demurred to (moved to dismiss) that complaint. On May 19, 2006, the court entered an order dismissing plaintiff's Cartwright Act claims with prejudice but allowing the plaintiff to proceed with his Unfair Competition Law claims. On June 19, 2006, Visa U.S.A. and Visa International answered the third amended complaint. The parties are now moving forward with discovery. No trial date has been set. On December 14, 2007, the plaintiff amended his complaint to add Visa Inc. as a defendant. No new claims were added to the complaint.

The Interchange Litigation

On October 8, 2004, a purported class action lawsuit was filed by a group of merchants in the U.S. District Court for the Northern District of California against Visa U.S.A. Inc., MasterCard and several Visa U.S.A. member financial institutions alleging, among other things, that Visa U.S.A.'s and MasterCard's interchange fees contravene the Sherman Act and the Clayton Act, *Kendall v. Visa U.S.A. Inc., et al.* The plaintiffs seek treble damages in an unspecified amount, attorneys' fees and an injunction against Visa U.S.A. and MasterCard from setting interchange and engaging in joint marketing activities, which plaintiffs allege include the purported negotiation of merchant discount rates with certain merchants. On November 19, 2004, Visa U.S.A. filed an answer to the complaint. The plaintiffs filed an amended complaint on April 25, 2005. Visa U.S.A. moved to dismiss the complaint for failure to state a claim and, in the alternative, also moved for summary judgment with respect to certain of the claims. On July 25, 2005, the court issued an order granting Visa U.S.A.'s motion to dismiss and dismissed the complaint with prejudice. On August 10, 2005, the plaintiffs filed a notice of appeal. Plaintiffs' opening appeal brief was filed on November 28, 2005. Visa filed its opposition brief to plaintiffs' appeal on January 26, 2006 and plaintiffs filed their reply on February 23, 2006. The Ninth Circuit heard oral argument on the plaintiffs' appeal on June 11, 2007. No ruling has been issued.

On May 6, 2005, a purported class action lawsuit was filed by a merchant, Animal Land, Inc., against Visa U.S.A. in the U.S. District Court for the Northern District of Georgia, alleging that Visa U.S.A.'s no-surcharge rule violates Sections 1 and 2 of the Sherman Act. Plaintiff alleges that under the no-surcharge rule, merchants are not permitted to pass along to cardholders a discrete surcharge to account for the fees that the merchant pays in connection with Visa-branded payment card transactions. Plaintiff alleges that this rule causes the fees paid by merchants to be supracompetitive. The suit seeks treble damages in an unspecified amount, attorneys' fees and injunctive relief. The *Animal Land* case has been transferred to the multidistrict litigation proceedings and is included in the First Amended Class Action Complaint discussed below.

On June 22, 2005, a purported class action lawsuit was filed by a group of merchants in the U.S. District Court of Connecticut against MasterCard, Visa U.S.A., Visa International and a number of Visa U.S.A. and Visa International member financial institutions alleging, among other things, that Visa's and MasterCard's purported setting of interchange fees violates Section 1 of the Sherman Act. In addition, the complaint alleges Visa's and MasterCard's purported tying and bundling of transaction fees also constitutes a violation of Section 1 of the Sherman Act. Since the filing of this complaint, there have been approximately 48 similar complaints, the majority styled as class actions, although 10 complaints are on behalf of individual plaintiffs, filed on behalf of merchants against Visa U.S.A. and MasterCard, and in some cases, certain Visa U.S.A. and Visa International member financial institutions, in federal courts in California, Connecticut, Kentucky, New Jersey, New York, Ohio, Pennsylvania, South Carolina and Wisconsin. Visa International was named as a defendant in more than 30 of these complaints. On October 19, 2005, the Judicial Panel on Multidistrict Litigation issued an order transferring these cases to the U.S. District Court for the Eastern District of New York for coordination of pre-trial proceedings. On April 24, 2006, the group of purported class plaintiffs filed a First Amended Class Action Complaint. Taken together, the claims in the First Amended Class Action Complaint and in the 10 complaints brought on behalf of individual merchants are generally brought under Sections 1 and 2 of the Sherman Act. Specifically, the complaints contain some or all of the following claims: (i) that Visa's and MasterCard's setting of interchange fees (for both credit and offline debit transactions) violates Section 1 of the Sherman Act; (ii) that Visa and MasterCard have enacted and enforced various rules, including the no surcharge

Table of Contents

rule and purported anti-steering rules, in violation of Section 1 or 2 of the Sherman Act; (iii) that Visa's and MasterCard's purported bundling of the acceptance of premium credit cards to standard credit cards constitutes an unlawful tying arrangement; and (iv) that Visa and MasterCard have unlawfully tied and bundled transaction fees. In addition to the claims brought under federal antitrust law, some of these complaints contain certain state unfair competition law claims based upon the same conduct described above. These interchange-related litigations also seek treble damages in an unspecified amount (although several of the complaints allege that the plaintiffs expect that damages will range in the tens of billions of dollars), as well as attorneys' fees and injunctive relief.

Visa U.S.A. and Visa International answered the First Consolidated Amended Class Action Complaint and the individual merchant complaints on June 9, 2006. On July 10, 2007, pursuant to a joint request by the parties, the court entered a scheduling order setting deadlines of June 30, 2008 for completion of fact discovery, February 20, 2009 for completion of expert discovery and March 27, 2009 for filing all summary judgment and other pretrial motions.

On September 7, 2007, the Magistrate Judge issued a Report and Recommendation to the District Court recommending that the District Court grant the defendants' motion to dismiss the class plaintiffs' claims for damages incurred prior to January 1, 2004. On October 12, 2007, the Magistrate Judge granted putative class plaintiffs' request to brief the issue of whether the Report and Recommendation would affect the claims of non-party members of the putative class that opted out of the *In re Visa Check/ MasterMoney Antitrust Litigation* class action. Following the submissions, the Magistrate Judge declined plaintiffs' request to advise on that issue. Putative class plaintiffs filed objections to the Report and Recommendation on November 14, 2007, and defendants filed their responses to those objections on December 13, 2007. On January 8, 2008, the Court adopted the Magistrate Judge's Report and Recommendation without modification, dismissing the class plaintiffs' claims for damages incurred prior to January 1, 2004.

Other Legal and Regulatory Proceedings

In addition to the matters described above, we are a party to legal and regulatory proceedings with respect to a variety of matters in the ordinary course of business. Some of these proceedings involve complex claims that are subject to substantial uncertainties and unspecified damages. Therefore, the probability of loss and an estimation of damages are not possible to ascertain at present. Accordingly, we have not established reserves for any of these proceedings, including the matters described above, other than for the Currency Conversion Litigation and the GMRI, Inc. case. See *Retailers Litigation and Currency Conversion Litigation*. Except for those matters described above under *Retrospective Responsibility Plan* and below, we do not believe that any legal or regulatory proceedings to which we are a party would have a material impact on our results of operations, financial position, or cash flows. Although we believe that we have strong defenses for the litigations and regulatory proceedings described above under *Retrospective Responsibility Plan* and below, we could in the future incur judgments or fines or enter into settlements of claims that could have a material adverse effect on our results of operations, financial position or cash flows.

Notwithstanding our belief, if we are found liable in a large class action lawsuit or on the basis of a claim entitling the plaintiff to treble damages or under which we were jointly and severally liable, charges we may be required to record could be significant and could materially and adversely affect our results of operations, cash flow and financial condition, or, in certain circumstances, even cause us to become insolvent, and result in a significant reduction in the value, or the complete loss, of your investment. Moreover, an adverse outcome in a regulatory proceeding could lead to the filing of civil damage claims and possibly result in damage awards in amounts that could be significant and could materially and adversely affect our results of operation, cash flow and financial condition or lead to the other results set forth above. See *Risk Factors Risks Related to Our Business Legal and Regulatory Risks*. From time to time we may engage in settlement discussions or mediations with respect to one or more of our outstanding litigation matters, either on our own behalf or collectively with other parties. Should we enter into settlement discussions or mediation regarding any litigation

Table of Contents

matter, there can be no assurance that we will be successful in resolving such matter in a manner that will be acceptable to us.

Retailers Litigation

Commencing in October 1996, several class action suits were brought by a number of U.S. merchants against Visa U.S.A. and MasterCard challenging certain aspects of the payment card industry under U.S. federal antitrust laws. Those suits were later consolidated in the U.S. District Court for the Eastern District of New York, *In re Visa Check/MasterMoney Antitrust Litigation*. The plaintiffs claimed that Visa U.S.A.'s Honor All Cards rule, which required merchants that accepted Visa cards to accept for payment every validly presented Visa card, and a similar MasterCard rule, constituted an illegal tying arrangement in violation of Section 1 of the Sherman Act. The plaintiffs claimed that Visa U.S.A. and MasterCard unlawfully tied acceptance of debit cards to acceptance of credit cards. The plaintiffs also claimed that Visa U.S.A. and MasterCard conspired to monopolize what the plaintiffs characterized as the alleged point-of-sale debit card market, thereby suppressing the growth of regional networks such as ATM payments systems. On June 4, 2003, Visa U.S.A. signed a settlement agreement to settle the claims brought by the plaintiffs in this matter, which the court approved on December 19, 2003. Pursuant to the settlement agreement, Visa agreed to modify its Honor All Cards rule such that, effective January 1, 2004, a merchant may accept only Visa check cards, only Visa credit cards, or both. Visa also agreed to pay approximately \$2.0 billion to the merchant class over 10 years, among other things. A number of class members appealed the District Court's approval of the settlement. These appeals largely focused on the court's attorneys' fees award as well on the court's ruling on the scope of the release set forth in the settlement agreement. On January 4, 2005, the Second Circuit Court of Appeals issued an order affirming the District Court's approval of the settlement agreement. A petition for certiorari by two objectors was denied by the United States Supreme Court on May 16, 2005. Accordingly, the settlement is now final.

Several lawsuits were commenced by merchants that opted not to participate in the plaintiff class in *In re Visa Check/MasterMoney Antitrust Litigation*, including Best Buy Stores, CVS, Giant Eagle, Inc., The Home Depot U.S.A. Inc., Toys 'R Us and GMRI, Inc. The majority of these cases were filed in the U.S. District Court for the Eastern District of New York. Visa U.S.A. has entered into separate settlement agreements with all but one of these plaintiffs resolving their claims, and the District Court has entered orders dismissing with prejudice each of those plaintiffs' complaints against Visa U.S.A. Only the action brought by GMRI, Inc. against Visa U.S.A. remains pending. On May 14, 2007, the plaintiff in the GMRI, Inc. case sought to amend its complaint and consolidate the case with Multidistrict Litigation 1720. See *Retrospective Responsibility Plan Covered Litigation Interchange Litigation*. Visa U.S.A., Visa International and several of their member financial institutions named as defendants in Multidistrict Litigation 1720 opposed the plaintiff's motion. On June 1, 2007, the plaintiff withdrew its request. On June 22, 2007, GMRI, Inc. filed suit against Visa International and various member financial institutions of Visa U.S.A. and/or Visa International in the U.S. District Court for the District of Minnesota, alleging both the merchant opt-out claims at issue in GMRI's suit against Visa U.S.A. and a number of the claims set forth in the class complaint filed in Multidistrict Litigation 1720 relating to interchange and Visa rules. In December 2007, GMRI, Inc. and Visa U.S.A. agreed in principle to resolve the claims brought against Visa U.S.A. and Visa International through binding mediation.

In addition, complaints have been filed in 19 different states and the District of Columbia alleging state antitrust, consumer protection and common law claims against Visa U.S.A. and MasterCard (and, in one state, against Visa International) on behalf of putative classes of consumers. The claims in these actions largely mirror the allegations made in the U.S. merchant lawsuit and assert that merchants, faced with excessive merchant discount fees, have passed on some portion those fees to consumers in the form of higher prices on goods and services sold. Visa U.S.A. has been successful in the majority of these cases, as courts have granted Visa U.S.A.'s motions to dismiss for failure to state a claim or plaintiffs have voluntarily dismissed their complaints. Specifically, courts in Arizona, the District of Columbia, Florida, Iowa, Kansas, Maine, Michigan, Minnesota, Nebraska, Nevada, New York, North Carolina, North Dakota, South Dakota, Tennessee, Vermont and Wisconsin have granted Visa U.S.A.'s motions and dismissed the complaints. The parties are awaiting a decision on Visa

Table of Contents

U.S.A.'s motion to dismiss in New Mexico. In California, the court granted Visa U.S.A. and Visa International's demurrer, or motion to dismiss, with respect to claims brought under the Cartwright Act, but denied a similar motion with respect to Unfair Competition Law claims for unlawful, unfair, and/or fraudulent business practices. Visa U.S.A. and Visa International subsequently filed a motion for judgment on the pleadings seeking dismissal of those latter claims in light of the Proposition 64 amendments to the Unfair Competition Law. After oral argument, the court denied this motion on March 6, 2007. The California Court of Appeal rejected a petition seeking immediate review of that decision on June 7, 2007. On July 24, 2007, a case management conference was held at which the court permitted certain further discovery and agreed to address plaintiffs' proposed motion for collateral estoppel with respect to certain elements of a tying claim based on statements in the decision on cross-motions for summary judgment in *In re Visa Check/MasterMoney Antitrust Litigation*, No. 96-5238 (E.D.N.Y.). At a case management conference on October 31, 2007, the court denied the plaintiffs' collateral estoppel motion. In West Virginia, the action was brought against Visa U.S.A. by West Virginia's attorney general as *parens patriae* for West Virginia consumers. The court denied Visa U.S.A.'s motion for summary judgment on October 14, 2005. On February 14, 2006, Visa U.S.A. answered the West Virginia complaint and the parties began discovery. On April 10, 2007, the court issued a stay of discovery pending its ruling on an antitrust standing issue. On April 27, 2007, Visa U.S.A. and the State of West Virginia reached an agreement in principle to settle all claims against Visa U.S.A. A provision was recorded in Visa U.S.A.'s consolidated statements of operations in connection with this settlement. Visa U.S.A. executed the final settlement agreement on January 7, 2008. On January 11, 2008, the parties submitted the agreement to the court for preliminary approval, which the court granted at a hearing on January 14, 2008.

For the three months ended December 31, 2007 and 2006, we recorded charges related to the Retailers' settlement and other merchant litigation matters of \$16 million and \$19 million, respectively, which are reflected in the litigation provision and interest expense on our consolidated statements of operations. The primary component of these charges was accretion expense of \$16 million and \$17 million, respectively. Relating to these matters, cash payments of \$1 million were made for the three months ended December 31, 2007. No payments were made in the three months ended December 31, 2006.

On February 17, 2005, plaintiffs filed a complaint in Ohio state court on behalf of a putative class of consumers asserting claims under Ohio state antitrust and common laws. The claims in that action mirror those in the consumer actions described above but also name as co-defendants a purported class of merchants that were class members in *In re Visa Check/MasterMoney Antitrust Litigation*. Plaintiffs allege that Visa U.S.A., MasterCard and the class members in the U.S. merchant lawsuit conspired to attempt to monopolize an alleged debit card market by tying debit card acceptance to credit card acceptance. On October 7, 2005, plaintiffs filed a voluntary notice of dismissal of the Ohio complaint. Two similar actions also were filed in Tennessee state and federal court on February 17, 2005, but Visa U.S.A. and MasterCard were not named as defendants in those actions. The Tennessee state court action was refiled in federal court and both actions were transferred to the federal court for the Eastern District of New York on September 29, 2006. On September 25, 2007, the court granted the defendants' motion to dismiss the claims in those actions except for those asserted under Tennessee state law, and asked the parties to show cause why the cases should not be transferred back to the Tennessee federal court. Both plaintiffs and defendants oppose the transfer.