Visa Inc.
Form 10-K/A
February 04, 2008
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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-K/A

## Amendment No. 1

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

**For the fiscal year ended September 30, 2007**

**OR**

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

**For the transition period from to**

**Commission file number 333-143966**

# VISA INC.

**(Exact name of Registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **26-0267673** |
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification No.)** |
| **P.O. Box 8999 San Francisco, California** | **94128-8999** |
| **(Address of principal executive offices)** | **(Zip Code)** |

Registrant s telephone number, including area code: (415) 932-2100

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No þ

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer þ

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

Aggregate market value of registrant s common stock held by non-affiliates of the registrant at March 30, 2007: Not applicable.

The common stock of Visa Inc. is not listed on any securities exchange or quoted on any automated quotation system. Accordingly, no aggregate market value of Visa Inc. s common stock held by non-affiliates has been established.

At December 15, 2007, there were 119,100,481.00005 shares of Class AP, 22,034,685.00000 shares of Class Canada, 36,749,698.00003 shares of Class CEMEA, 90,577,252.00000 shares of Class EU, 80,137,915.00009 shares of Class LAC and 557,982,489.00018 shares of Class USA common stock of Visa Inc. issued and outstanding.

Documents incorporated by reference: NONE

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## EXPLANATORY NOTE

Visa Inc. (the Company ) is filing this Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (the Amendment ), to amend the Annual Report which was originally filed with the Securities and Exchange Commission (the SEC ) on December 21, 2007, (the Original Annual Report ). The Company is filing this Amendment in response to comments received from the SEC. This Amendment only amends and restates the information in Item 7 of Part II, Item 11 of Part III and Item 15 of Part IV, as permitted by the rules and regulations of the SEC.

Except as described above, no other changes have been made to the Original Annual Report. This Amendment continues to speak as of the date of the Original Annual Report, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Annual Report. Accordingly, this Amendment should be read in conjunction with the Original Annual Report.

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## PART II

### ITEM 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

**Overview**

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. 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 the Visa U.S.A. fiscal 2007 consolidated financial statements and related notes included elsewhere in this report.

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 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

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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.

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

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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 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.

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*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.

*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.

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*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 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.

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*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.

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.

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**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*

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 an initial public 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.

*Network, EDP and Communications*

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

- a $29 million in crease 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.

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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.

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.

*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)*

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 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.

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*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** | | | |
|---|---|---|---|---|
| | **2007** | | **2006** | |
| | **Dollars** | **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% |
| Minority interest not subject to tax | (2) | % | (6) | (1)% |
| **Income Tax (Benefit) Expense** | **$ (316)** | **23%** | **$ 251** | **35%** |

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.

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***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 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.

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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*

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.

| | 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%** |

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*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

- 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.

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*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*

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.

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*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 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:

| | Fiscal | | | |
|---|---|---|---|---|
| | 2006 | | 2005 | |
| | 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;

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- finance capital expenditures and future investments;
- service the payments of principal and interest on outstanding indebtedness; and
- pay the costs of litigation, including settlements.

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 an initial public 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 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.

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***Cash Flow Data***

| | Fiscal | | |
|---|---|---|---|
| | 2007 | 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)** |

***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

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International and through separate member agreements with the individual members. Upon the closing of an initial public 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.

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.

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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.

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.

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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.

| Critical Estimates | Assumptions and Judgment | Impact if Actual Results Differ from Assumptions |
|---|---|---|
| ***Revenue Recognition*** | | |
| 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 by 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. |
| ***Pension*** | | |
| 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. | 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.<br><br>An expected rate of return of 7.5% was utilized at both June 30, 2007 and 2006. | A 25 basis point decrease or increase in the discount rate would increase or decrease annual pension expense, respectively, by $4.3 million.<br><br>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. |
| Visa U.S.A. s discount rate is based | | |

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| Critical Estimates | Assumptions and Judgment | Impact if Actual Results Differ from Assumptions |
|---|---|---|
| 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. | | |
| 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. | | |
| ***Legal Matters*** | | |
| 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 *Note 20 Legal Matters* 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.<br><br>Management is required to assess the probability of loss and amount of such loss, if any, in preparing our financial statements. | 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, *Accounting for Contingencies* (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. | 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 affects on Visa U.S.A. s business, financial condition and results of operations. |

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| Critical Estimates | Assumptions and Judgment | Impact if Actual Results Differ from Assumptions |
|---|---|---|
| ***Credit and Debit Settlement Guarantee*** | | |
| 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. | Management estimates on a quarterly basis the value of the guarantee by applying the following formula:<br><br>Settlement Risk Guarantee = Total Exposure multiplied by Failure Probability multiplied by Loss upon Failure | 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. |
| *Note 19 Commitments and Contingencies* 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. | 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. For fiscal 2007, management s internal estimates used in the above calculation were:<br><br>Total Exposure = $14.8 billion Weighted Average Failure Probability = 0.006% Loss upon Failure = 45%<br><br>The most critical assumption in estimating the settlement risk guarantee liability is the weighted average failure probability. Visa U.S.A. establishes this estimate by using actual loss history for the previous ten-year period and third party ratings of creditworthiness for Visa U.S.A. members. | 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 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. 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. |

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| Critical Estimates | Assumptions and Judgment | Impact if Actual Results Differ from Assumptions |
|---|---|---|
| ***Income Taxes*** | | |
| In calculating its effective tax rate Visa U.S.A. makes judgments regarding certain tax positions, including the timing and amount of deductions and allocations of income among various tax jurisdictions. | 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.<br><br>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. | 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. |

**Seasonality**

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.

**Impact of Recent Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes 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 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,

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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 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.

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*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.

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## PART III

### ITEM 11. Executive Compensation
### Compensation Discussion and Analysis

***Compensation Philosophy and Objectives***

Our global total rewards programs have been designed to support a globally consistent philosophy while accommodating regulatory, cultural or practical differences in geographies. We expect this approach will enable us to attract, retain and motivate our employees and emphasize performance-based differentiation of compensation based on corporate and stockholder values. In order to be competitively positioned to attract and retain key executives, we target total compensation for executive officers, including salary, annual incentive target and long-term incentive value, at the 50th percentile of compensation paid to similarly situated executive officers of the companies comprising our compensation peer group, with actual positioning determined by individual, group or company performance, allowing for 75th percentile of our compensation peer group s total compensation to reward key executive officers who demonstrate exceptional experience, skills, competencies and performance. In addition, we expect to increase the performance-based portion of an executive officer s target pay by increasing the percentage of target pay attributable to annual and long-term incentives and decreasing the percentage of target pay attributable to base salary.

Our compensation committee believes that the most effective executive compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals, and that aligns executive officers interests with those of our stockholders by rewarding performance that meets or exceeds established goals, with the ultimate objective of increasing stockholder value. Our compensation committee will evaluate both performance and compensation to ensure that we maintain our ability to attract and retain superior employees in key positions relative to the compensation paid to similarly situated executives of our peer companies and that compensation paid to our key employees remains competitive. To that end, our compensation committee believes compensation provided to our executive officers should include both cash compensation and equity-based compensation.

***Role of Chief Executive Officer in Compensation Decisions***

Our Chief Executive Officer will annually review the performance of each executive officer (other than the Chief Executive Officer, whose performance will be reviewed by the compensation committee). The conclusions reached and recommendations based on these reviews, including such items as salary adjustments and annual award amounts, will be presented to the compensation committee. The compensation committee can exercise discretion in modifying any compensation recommendations or awards to executive officers and will approve all compensation decisions for our executive officers.

***Setting Executive Compensation***

Our compensation committee will structure executive compensation to include an annual cash incentive component and a long-term equity incentive component to motivate our executive officers to achieve their business goals and reward them for achieving such goals.

We have retained Towers Perrin, a global human resources consulting firm, to conduct an annual review of our total compensation program with respect to executive compensation. We will conduct an annual benchmark review of the aggregate level of our executive compensation, as well as the combination of elements used to compensate our executive officers. This review will be based on public information and third party surveys of executive compensation paid by publicly traded peer companies of similar size and focus, including financial services, processing, technology and business services companies, which we refer to, collectively, as the compensation peer group.

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Several criteria were used to identify the compensation peer group: (1) industry we expect that we will compete for talent with financial services, processing, high technology and business services companies; (2) geography to ensure that the companies identified as peers have broad international presence because we are a company with global operations; and (3) financial scope management talent should be similar to that in companies that have similar financial characteristics (e.g., revenues, market capitalization and total assets). The companies currently comprising the compensation peer group are:

| | Financial Services | Processing | Technology | Business Services |
|---|---|---|---|---|
| Equivalent Sized Peers | Allianz | ADP | Google | EDS |
| | American Express | eBay | Oracle | Sabre Holdings |
| | HSBC | First Data | Sun Microsystems | |
| | | Fiserv | | |
| | | MasterCard | | |
| | | State Street | | |
| Large Peers | AIG | | Cisco | |
| | General Electric | | Intel | |
| | Merrill Lynch | | IBM | |
| | Morgan Stanley | | | |

The compensation peer group is divided into two groups for purposes of compensation benchmarking. For equivalent sized companies (revenues generally less than $30 billion), we select benchmark positions that most accurately reflect the responsibilities of our executive officers. For large companies (revenues generally greater than $30 billion), we select benchmark positions at the business unit level, where available, and positions with reporting levels that are generally one reporting level below comparable positions at Visa and the equivalent sized companies in the compensation peer group.

In addition, our compensation committee will take into account publicly available data relating to the compensation practices and policies of other companies within and outside our industry.

The compensation peer group provides a relevant benchmark of compensation levels from external sources and allows us to assess the compensation practices of our primary competitors for employees. In addition, the compensation peer group indicates the practices of leading organizations of comparable scope and focus and provides a benchmark for establishing corporate performance expectations for incentive programs.

A significant percentage of total compensation will be allocated to incentive-based compensation as a result of the compensation philosophy mentioned above. Although our compensation committee has not adopted any formal guidelines for allocating total compensation between either cash or non-cash, annual or long-term incentive compensation, we intend to implement and maintain compensation plans that tie a substantial portion of our executives overall compensation to the achievement of our company goals.

We also use sign-on bonuses from time to time when recruiting executive officers. We may agree to pay a sign-on bonus to make our employment offers competitive given that candidates who are currently employed at other companies frequently forfeit potential compensation by accepting employment with us.

Generally, prior to the completion of the reorganization, we had not established standard compensation arrangements for our executive officers. Existing compensation arrangements vary among our named executive officers due in part to the differences among the individual agreements between those named executive officers who were historically employed by Visa U.S.A. versus Inovant. In the case of Messrs. Saunders, Pollitt and Morris, who have recently been recruited into the organization, their compensation arrangements reflect our efforts to provide competitive compensation packages to attract a highly-qualified Chief Executive Officer and executive officers into the organization with the requisite skills and experience to lead the organization during a time of transition. Further, following our proposed initial public offering, we intend to adopt internally-consistent compensation programs and policies for our named executive officers. Our compensation committee is considering new employment agreements for each of our named executive officers.

***Executive Compensation Components***

The principal components of compensation of our executive officers are:

- base salary;
- annual incentive programs;
- long-term incentive compensation;
- retirement and other benefits;
- perquisites and other personal benefits; and
- post-termination severance.

Our total compensation package is primarily weighted toward the following three components: base salary, annual incentive compensation and long-term incentive compensation. In setting each executive s target total compensation, we benchmark his or her total compensation package as well as each component of the compensation package against our compensation peer group. We do not use a formulaic approach in determining the appropriate compensation mix. Rather, we determine each executive s actual base salary, annual incentive target and long-term incentive target by considering both the external market data and internal equity amongst our executives based on their experience and performance and the nature and scope of their roles in our organization. Our goal in setting the components of compensation is to provide a competitive total compensation package that balances market competitiveness to attract and retain talented employees with internal equity and provides a sufficient portion of total compensation tied to individual and corporate performance.

Fiscal 2007 was a transition year for Visa. In addition to leading and managing our payments network business, our senior executives were tasked with various responsibilities relating to our reorganization. Because of the transitional nature of fiscal 2007, actual annual incentive awards for Messrs. Partridge, Sheedy and Floum were based on their individual performance as against qualitative metrics and their actual long-term awards were based on Visa U.S.A. s achievement of corporate goals. Both awards were approved by the compensation committee of Visa U.S.A. Mr. Saunders s actual annual and long-term incentive awards were determined based on the achievement of his performance measures outlined in his executive chairman letter. See *Employment Arrangements.*

In fiscal 2008, we anticipate that annual incentive awards will be based on the executive s individual performance and our attainment of certain quantitative and qualitative corporate goals, which we currently expect to set in February 2008. Beginning in fiscal 2008, long-term incentive awards will be made in the form of equity grants with the amount of the awards based on results from the annual benchmark review, a review of the appropriate mix of compensation elements, the experience and performance of each executive and any employment agreement. See *Employment Arrangements*. Actual 2008 compensation will be recommended by Mr. Saunders, our Chief Executive Officer, and approved by our compensation committee (except for Mr. Saunders, whose compensation is determined and approved by our compensation committee).

In 2007, we awarded a special bonus to our named executive officers, along with other eligible employees, upon completion of our reorganization. This was a discretionary bonus award, which was in addition to each executive s ongoing total compensation and did not impact the determination of each compensation component. See *Special Bonus Program.*

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*Base Salary*

The purpose of base salary is to reward demonstrated experience, skills and competencies relative to the market value of the job. Our compensation committee approves base salaries of all of our executive officers. Base salaries are targeted at the median of the compensation peer group for comparable skills and experience, but we allow for flexibility in salaries above or below the median based on area of expertise, performance or proficiency.

During its review of base salaries for executive officers, the compensation committee will consider:

- market data provided by our outside consultants;
- internal review of the executive officer s compensation, both individually and relative to other executive officers; and
- individual performance of the executive officer.

Salary levels are typically considered annually as part of our performance review process, as well as upon a promotion or other change in job responsibilities.

*Annual Incentive Programs*

Our annual cash bonus programs consist of: (i) the Visa U.S.A. annual incentive plan, pursuant to which bonuses were awarded in fiscal 2006 and fiscal 2007, but which was terminated at the end of fiscal 2007; and (ii) the Visa Inc. annual incentive plan, which governs cash awards in fiscal 2008 and in the future.

*Visa U.S.A. Annual Incentive Plan*. Prior to the completion of the reorganization, Visa U.S.A. (and its majority-owned subsidiary, Inovant) maintained annual incentive plans that provided for annual cash bonuses based on the achievement of pre-established performance targets and goals in addition to individual performance. The use of pre-established performance targets and goals assisted in aligning an executive officer s compensation with the entity s operating and financial results. However, Visa U.S.A. recognized that important aspects of executive officers contributions to Visa s success were not properly evaluated based solely on achievement of performance targets and goals, especially in light of the challenges and uncertainties presented by the reorganization transactions. Accordingly, in fiscal 2007, Visa U.S.A. took into consideration an individual performance component, which allowed the board of directors or committee the discretion to further adjust awards.

The maximum aggregate level of awards for all eligible employees under the Visa U.S.A. annual incentive plan, which we refer to as the incentive plan pool, was determined based on the actual combined performance of Visa U.S.A. and Inovant as compared to pre-established performance goals. Both the performance metrics and actual results were determined on the basis of combining the metrics and results of the two entities. The performance metrics, weighting, target performance level and actual performance results for fiscal 2007 are displayed in the following table:

| Metric | Weighting (%) | Target ($) | Results for Determination of Incentive Plan Pool[1] ($) | Achievement Relative To Target |
|---|---|---|---|---|
| Revenues | 50 | 3,316,000,000 | 3,534,600,000 | Between target and maximum |
| Net income | 50 | 645,000,000 | 765,000,000 | Maximum |

(1) The incentive plan pool was set by the human resources and compensation committee of the Visa U.S.A. board of directors on August 23, 2007 and was determined based on projected fiscal 2007 Visa U.S.A. net income and revenues as of that date. Actual fiscal 2007 and income before post-closing adjustments exceeded this amount.

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Achievement of corporate and individual performance targets impacted the amount of the bonuses payable to Visa U.S.A. executives under the 2007 Visa U.S.A. Incentive Plan, although the human resources and compensation committee of the Visa U.S.A. board of directors retained discretion in determining any adjustments to these awards based on each executive officer s individual contribution to corporate results.

The funding level of the incentive plan pool was determined by corporate results compared with the corporate targets, as stated above. Messrs. Sheedy s, Floum s and Partridge s bonus payouts were based on the achievement of these corporate goals and evaluation by the human resources and compensation committee of individual performance against individual goals. Under the Visa U.S.A. annual incentive plan, each of Messrs. Sheedy, Floum and Partridge was eligible to receive an annual bonus payment from zero to 200% of his target bonus for fiscal 2007. Messrs. Sheedy and Partridge received the maximum payout (200% of their respective target awards) under this plan because, in addition to excelling in the performance of their preexisting duties, they both held key substantive managerial roles in connection with the reorganization. In Mr. Sheedy s case, in addition to his preexisting duties of leading Visa U.S.A. s interchange strategy, he served as principal financial officer for Visa Inc. during this critical period, including being responsible for all finance aspects of the reorganization and the Form S-4 registration process. In Mr. Partridge s case, in addition to his preexisting duties of leading the Inovant processing subsidiary, he managed the office of transition management for Visa Inc., including devising the organizational structure for Visa Inc. The human resources and compensation committee determined that Mr. Floum had done an excellent job of managing Visa U.S.A. s litigation during fiscal 2007. In addition, Mr. Floum substantially contributed to the design of the Visa Inc. retrospective responsibility plan, which was designed so that liability for the covered litigation would remain with the members of Visa U.S.A. While the retrospective responsibility plan was a key component of the reorganization, Mr. Floum did not carry the same level of daily managerial duties in connection with the reorganization as did Messrs. Sheedy and Partridge. Thus, the committee believed that it was appropriate to award Mr. Floum a lower percentage bonus than was appropriate for Messrs. Sheedy and Partridge.

Mr. Partridge s individual performance goals for fiscal 2007 were qualitative, not quantitative, in nature and were not weighted. They consisted of: (i) managing Inovant, including with regard to system performance, efficiency and customer satisfaction during the fiscal year; (ii) managing the organizational transition management team during our reorganization, including all organizational aspects of the reorganization; (iii) leading the business negotiations regarding the framework agreement with Visa Europe; and (iv) serving as Chief Executive Officer of Visa U.S.A. for a portion of the year. The committee determined that Mr. Partridge exceeded his individual performance goals and awarded him the maximum annual award of 200% of his target bonus. Additionally, the committee used its discretion to award Mr. Partridge an additional annual incentive plan award equal to $448,000 as described in the footnotes following *Summary Compensation Table.*

Mr. Sheedy s individual performance goals for fiscal 2007 were qualitative, not quantitative, in nature and were not weighted. They consisted of: (i) managing Interchange Strategy and Merchant Acceptance in the U.S. region; and (ii) managing the finance function during our reorganization, including all finance aspects of the reorganization. The committee determined that Mr. Sheedy exceeded his individual performance goals and awarded him the maximum annual award of 200% of his target bonus.

Mr. Floum s individual performance goals for fiscal 2007 were qualitative, not quantitative, in nature and were not weighted. They consisted of: (i) managing the legal and government relations functions for Visa U.S.A., and (ii) leading certain aspects of the reorganization on behalf of Visa U.S.A., including the creation of the retrospective responsibility plan relating to the covered litigation. The committee determined that Mr. Floum had exceeded his individual performance goals and awarded him 175% of his target bonus.

*Visa Inc. Annual Incentive Plan.* The Visa Inc. Incentive Plan, which we refer to as our annual incentive program, has been designed to reward annual performance and achievement of strategic goals, align employee interests with those of our stockholders and provide market-competitive compensation to employees on an individual employee basis. The annual incentive program will be funded based on global corporate performance

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metrics for the fiscal year. The compensation committee is currently in the process of determining the corporate performance measures. The compensation committee will establish target incentives at the median of our compensation peer group, consistent with local market practice, and allow individual awards to be allocated based on a combination of corporate, group and individual performance measures, which will vary by level and scope of position. Performance is measured and award amounts are determined after the completion of each fiscal year. At the most senior levels in the organization, the measures used to determine awards will be heavily weighted toward corporate performance with a small portion dependent on either group or individual performance goals.

For our Chief Executive Officer, 80% of the annual award will depend on the Visa Inc. corporate performance measures, which will be defined by our compensation committee. The remaining 20% will be determined by the compensation committee based on individual performance measures. The compensation committee determined that the split of 80% corporate measures and 20% individual performance measures for the Chief Executive Officer appropriately reflects his responsibility for the overall management of Visa and correspondingly aligns his goals most closely with Visa s corporate goals. For Mr. Saunders, the individual performance measures are being developed by the compensation committee. More information about Mr. Saunders s employment arrangements can be found under *Executive Compensation and Director Compensation Tables Summary Compensation Table* and *Employment Arrangements.*

For the other executive officers, 70% of the annual award will be determined based on the corporate performance measures. The remaining 30% will be determined by the Chief Executive Officer and approved by the compensation committee based on either group or individual performance measures. The compensation committee determined that the split of 70% corporate and 30% individual/group performance for our other executive officers appropriately reflects that each of these officers shares the primary goals and objectives of the overall corporation, but also recognizes the importance of the goals that relate solely to their area of responsibility.

Under the plan, target incentive opportunities are expressed as a percentage of base salary based on position, market pay levels and our overall compensation philosophy, which emphasizes performance. The 2008 target annual incentive awards for our named executive officers, as defined under *Summary Compensation Table*, expressed as a percentage of base salary are as follows:

| Name | 2008 Target Award (%) |
|---|---|
| **Joseph W. Saunders** | 250 |
| **Byron H. Pollitt** | 100 |
| **John (Hans) C. Morris** | 150 |
| **William M. Sheedy** | 75 |
| **Joshua R. Floum** | 100 |
| **John M. Partridge** | 150 |

Actual awards can range from 0% to 200% of these target awards based on actual performance results.

*Long-Term Incentive Compensation*

Prior to the reorganization, cash-based long-term incentive plan, or LTIP, awards were generally provided through plans maintained by Visa U.S.A. (and its majority-owned subsidiary, Inovant). Although no new cash LTIP awards will be made under these long-term cash incentive plans, the plans will remain in effect for the past awards that have not yet vested. Beginning in fiscal 2008, we intend to provide long-term incentive compensation for our employees pursuant to the Visa Inc. 2007 Equity Incentive Compensation Plan.

For our Chief Executive Officer, long-term incentive compensation is provided pursuant to his employment letter. In setting long-term incentive compensation for our Chief Executive Officer, we recognized that not only

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would this individual need to have the requisite skills, experience and leadership abilities to manage our complex business, but also that the individual would be asked to manage and grow our business at a time of great transition. We recognized that our Chief Executive Officer would face significantly greater risks and challenges at our company during this time of transition. Similar to the decision process for our other named executive officers, Mr. Saunders s long-term performance bonus was determined by considering Mr. Saunders s individual contributions to our corporate performance and success. Mr. Saunders s compensation package reflected the transition governance committee s belief in the importance of compensating Mr. Saunders competitively for his unique contribution to our success during this challenging transitional period. See *Employment Arrangements*.

*Visa U.S.A. Long-Term Incentive Plan*. This plan is a cash-based plan, in which awards vest at the end of a three-year plan cycle. At the beginning of the plan cycle, each participant is granted a target award which, at the end of the first year, is adjusted by the human resources and compensation committee up or down, from 0% to 220%, based on the combined corporate performance of Visa U.S.A. and Inovant.

For target awards granted at the beginning of fiscal 2007 under this long-term cash incentive plan, the corporate performance metrics, weighting, target performance level and actual performance results are the same as for the Visa U.S.A. annual incentive plan described above. These performance results for fiscal 2007 resulted in a 184% adjustment to target awards for Messrs. Sheedy, Floum and Partridge.

The target award adjusted by this performance-determined ratio will be subject to vesting. This non-vested award will be automatically deferred for the remaining two years in the plan cycle and credited to an individual account that is further credited with gains or losses from certain Fidelity fund investments that the participant may select. At the end of the plan cycle, if the executive is still an employee, the award becomes vested and payable to the participant.

*Visa Inc. 2007 Equity Incentive Compensation Plan*. The Visa Inc. 2007 Equity Incentive Compensation Plan, which we refer to as the equity incentive plan, was adopted to award long-term compensation following the reorganization. The equity incentive plan is designed to align management interests with those of stockholders, provide opportunities for wealth creation and ownership, and encourage a long-term focus, which we believe promotes retention.

The equity incentive plan is intended to promote our long-term success and increase stockholder value by attracting, motivating and retaining our non-employee directors, officers, employees and consultants and those of our subsidiaries. To achieve this purpose, the equity incentive plan allows the flexibility to grant or award stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance unit awards, performance share awards, cash-based awards and other equity-based awards to eligible persons, covering a total of up to 59,000,000 shares of class A common stock.

The equity incentive plan became effective in October 2007 upon the completion of the reorganization. The equity incentive plan will continue in effect until all of the common stock available under the equity incentive plan is delivered and all restrictions on those shares have lapsed, unless the plan is terminated earlier by our board of directors. No awards may be granted under the plan on or after 10 years from its effective date.

The compensation committee administers the equity incentive plan and determines the non-employee directors, employees and consultants that may be granted awards under the equity incentive plan, the size and types of awards, the terms and conditions of awards, the timing of awards and the form and content of the award agreements.

It is anticipated that the initial grants made under this plan will be made in fiscal 2008.

*Special Bonus Program*

Although it is not an ongoing element of our compensation plans, we instituted a special broad-based bonus program for all eligible employees at the end of fiscal 2007 to reward performance during our reorganization and to encourage all of those employees to focus on the continuing operations of each business unit while at the same time preparing the organization to become a public company and achieve the anticipated benefits of the reorganization. Under this program, Messrs. Saunders, Sheedy, Floum and Partridge each received a special cash bonus at the end of fiscal 2007, which is disclosed in the *Bonus* column of *Summary Compensation Table.* In determining the special bonus awards for Messrs. Sheedy, Floum and Partridge, Mr. Saunders made a subjective assessment with regard to these one-time bonus awards without taking into account any particular percentage target or external benchmark or criteria. In determining Mr. Saunders s award under the special bonus program, the transition governance committee believed it was appropriate to award him an amount equal to 50% of his annual base salary or $425,000. Under this special bonus program, all eligible employees, including these executive officers, are also expected to receive restricted stock with a value equal to the amount of his previous special cash bonus upon the successful completion of our proposed initial public offering, subject to approval by our compensation committee.

*Retirement and Other Benefits*

Our benefits programs are designed to be competitive, cost-effective and compliant with local regulations. We generally target the median of the market, with flexibility to position above or below the median where local conditions dictate. It is our objective to provide core benefits, including medical, retirement, life insurance, paid time off and leaves of absence, to all employees and to allow for supplementary non-core benefits based on local market practice and local culture.

We sponsor a tax-qualified defined benefit pension plan, which we refer to as the retirement plan, and a tax-qualified defined contribution thrift plan, which we refer to as the thrift plan, to provide market driven retirement benefits to all eligible employees in the United States. We have changed the design of the defined benefit plan to a cash-balance plan effective for 2008 to better align our benefits with our peer companies and the overall market. In addition to the tax-qualified retirement plan and the thrift plan, we maintain a non-qualified excess retirement plan and a non-qualified excess thrift plan to make up for the limitations imposed on these tax-qualified plans by the Internal Revenue Code. We sponsor an unfunded non-qualified deferred compensation plan, which we refer to as the deferred compensation plan, which allows executive officers and certain other highly compensated employees to defer a portion of their annual incentive awards and their long-term cash incentive awards or sign-on bonuses to help them with tax planning and to provide competitive benefits. See *Visa Retirement Plan*, *Visa Thrift Plan* and *Nonqualified Deferred Compensation.*

*Perquisites and Other Personal Benefits*

We may provide executive officers with perquisites and other personal benefits that we believe are reasonable and consistent with our overall compensation program to attract and retain qualified executive officers and to facilitate the performance of executive officers management responsibilities. As part of our reorganization and review of our overall compensation strategy, we eliminated several perquisites for our executive officers, including car allowances and financial planning, beginning in fiscal 2008. See footnote (8) to *Summary Compensation Table*. For fiscal 2008, we also have instituted a policy that allows the Chief Executive Officer, the President, the Chief Operating Officer and other key employees or their spouses, as approved by the Chief Executive Officer, to use a corporate aircraft for limited personal use. Business priorities will always take precedence over personal usage. These employees will be responsible for all income taxes related to their personal usage.

*Severance*

We believe that it is appropriate to provide severance pay to executives whose employment is involuntarily terminated by us without cause, and, in some cases, voluntarily terminated by the executive for good reason, to provide transition income replacement, which will allow them to focus on our business priorities. In some cases, a severance package includes a gross-up payment relating to any parachute payment excise taxes imposed on an executive. The amount of severance pay is primarily determined based on competitive benchmarking of severance benefits for similarly-situated executives with comparable scope and responsibility in other companies.

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Existing severance arrangements currently vary among executive officers based on the individual agreements with the Visa entity with whom they were historically employed. It is our current intention that, in connection with our proposed initial public offering and subject to the discretion of our board, new employment agreements will be entered into with each of the named executive officers, with the goal that the new agreements will have longer terms and be more internally consistent. These new agreements are generally expected to provide for at least a three-year employment period commencing immediately prior to the completion of this offering and to have such other terms as are customarily included in employment agreements, including severance provisions.

See *Employment Arrangements* and *Potential Payments Upon Termination or Change-In-Control.*

***Tax Implications***

*Deductibility of Executive Compensation*

Section 162(m) of the Internal Revenue Code limits the ability of Visa to deduct for tax purposes compensation over $1,000,000 to our principal executive officer or any one of our three highest paid executive officers, other than our principal executive officer or principal financial officer, who are employed by us on the last day of our taxable year, unless, in general, the compensation is paid pursuant to a plan that is performance related, non-discretionary and has been approved by Visa s stockholders. No such limitation on deductibility was applicable to fiscal 2007. Compensation from awards made before our first annual meeting in 2012 under plans that existed before the closing of our proposed initial public offering will be exempt from the deduction limitations otherwise imposed by Section 162(m), if the plan is not materially modified during this period. The compensation committee will review and consider the deductibility of executive compensation under Section 162(m) and may authorize certain payments that will be in excess of the $1,000,000 limitation. The compensation committee believes that it needs to balance the benefits of designing awards that are tax-deductible with the need to design awards that attract, retain and reward executives responsible for the success of the company.

**Report of the Compensation Committee**

The compensation committee has:

- reviewed and discussed the above section titled *Compensation Discussion and Analysis* with management; and

- based on this review and discussion, the compensation committee recommended to the board of directors that the *Compensation Discussion and Analysis* section be included in this annual report on Form 10-K for fiscal 2007.

**COMPENSATION COMMITTEE**

William Shanahan (chairperson)

Thomas Campbell

Suzanne Nora Johnson

John A. Swainson

**Compensation Committee Interlocks and Insider Participation**

Prior to the completion of the reorganization, Joseph W. Saunders, our Chairman and Chief Executive Officer, served as our sole director and participated in deliberations concerning executive compensation. Currently, none of the members of the compensation committee (whose names appear under *Report of the Compensation Committee* ), which was constituted after the completion of the reorganization, is or has ever been one of our officers or employees. None of our executive officers serves as a member of the compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

**Executive Compensation and Director Compensation Tables**

***Summary Compensation Table***

The following table sets forth the total compensation earned for services rendered during fiscal 2007 and fiscal 2006 by the named executive officers of Visa Inc.: (1) the current principal executive officer and principal financial officer; (2) the principal financial officer prior to the completion of the reorganization; and (3) the three other most highly compensated executive officers during fiscal 2007. For fiscal 2006 and fiscal 2007, this compensation was paid by Visa U.S.A., Visa International or Inovant, as applicable.

| (a) Name and Principal Position | (b) Year | (c) Salary ($) | (d) Bonus[5] ($) | (e) Stock Awards ($) | (f) Option Awards ($) | (g) Non-Equity Incentive Plan Compensation[6] ($) | (h) Change in Pension Value and Nonqualified Deferred Compensation Earnings[7] ($) | (i) All Other Compensation[8] ($) | (j) Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| **Joseph W. Saunders**[1] | 2007 | 804,519 | 10,230,514 | | | | 41,113 | 71,171 | 11,147,317 |
| Chairman & Chief Executive Officer | 2006 | | | | | | | | |
| **Byron H. Pollitt**[2] | 2007 | 27,083 | 250,000 | | | | | | 277,083 |
| Chief Financial Officer | 2006 | | | | | | | | |
| **John (Hans) C. Morris**[3] | 2007 | 145,192 | 3,343,750 | | | | 5,429 | | 3,494,371 |
| President | 2006 | | | | | | | | |
| **William M. Sheedy** | 2007 | 360,430 | 354,785 | | | 1,490,768 | 155,105 | 57,551 | 2,418,639 |
| Global Head of Corporate Strategy and Business Development (former principal financial officer) | 2006 | 350,013 | 250,000 | | | 1,254,106 | 45,096 | 66,840 | 1,966,055 |
| **Joshua R. Floum**[4] | 2007 | 532,104 | 445,918 | | | 2,132,372 | 84,029 | 72,922 | 3,267,345 |
| General Counsel and Corporate Secretary | 2006 | | | | | | | | |
| **John M. Partridge** | 2007 | 635,411 | 1,170,183 | | | 3,169,989 | 475,512 | 129,571 | 5,580,666 |
| Chief Operating Officer | 2006 | 625,025 | 1,076,320 | | | 2,576,690 | 533,214 | 117,101 | 4,928,350 |

(1) Mr. Saunders joined Visa in February 2007 and therefore earned no compensation during fiscal 2006. See the *Director Compensation* table below for amounts paid to Mr. Saunders during fiscal 2007 while serving as a non-employee director of Visa U.S.A. and Visa International.
(2) Mr. Pollitt joined Visa in September 2007.
(3) Mr. Morris joined Visa in July 2007.
(4) Mr. Floum became a named executive officer of Visa Inc. in fiscal 2007.
(5) The amount in column (d) for 2007 for Mr. Saunders consists of a special cash bonus of $475,000 under our broad-based 2007 special bonus program, an annual incentive award of $1,062,500 paid pursuant to his executive chairman letter, an annual incentive award of $3,951,370 and a long-term incentive award of $4,741,644 paid pursuant to his letter agreement. See *Compensation Discussion and Analysis Executive Compensation Components Special Bonus Program.* Each award to Mr. Saunders was determined by the transition governance committee, which was comprised of directors from each Visa region and Visa International and which led the transition to Visa Inc. The amount in column (d) for fiscal 2007 for Mr. Pollitt reflects a sign-on bonus of $250,000. The amount in column (d) for fiscal 2007 for Mr. Morris consists of a sign-on bonus of $2,500,000 and an annual incentive award of $843,750 payable pursuant to

his employment agreement. The amount in column (d) for fiscal 2007 for Mr. Sheedy reflects a special cash bonus of $354,785 under our broad-based 2007 special bonus program. The amount in column (d) for fiscal 2007 for Mr. Floum reflects a special cash bonus of $445,918 under our broad-based 2007 special bonus program. The amount in column (d) for fiscal 2007 for Mr. Partridge includes an additional discretionary annual incentive award of $448,000 and a special cash bonus of $722,183 under our broad-based 2007 special bonus program.

(6) The amounts in column (g) reflect performance-based cash awards earned under the Visa U.S.A. Annual Incentive Plan. Under the plan, Mr. Sheedy received $350,013, Mr. Floum received $695,653 and Mr. Partridge received $937,500. This column also reflects the year-one performance award under the Visa U.S.A. Long-Term Incentive Plan. Under this plan, Mr. Sheedy s performance award was valued at $920,000, Mr. Floum s performance award was valued at $1,196,000 and Mr. Partridge s performance award was valued at $1,472,000. The long-term incentive plan awards for Messrs. Sheedy, Floum and Partridge will vest on September 30, 2009. The amounts in column (g) also reflect the change in market value of the unvested long-term incentive plan awards that are invested in an investment account until the end of each three-year plan cycle (Mr. Sheedy $220,755, Mr. Floum $240,719, Mr. Partridge $760,489).

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(7) The amounts in column (h) reflect the actuarial increase in the present value of benefits under all pension plans. These amounts were determined using interest rate and mortality rate assumptions consistent with those used in *Note 12 Pension, Retirement and Other Benefits* to the Visa U.S.A. fiscal 2007 consolidated financial statements, which are included elsewhere in this report. There are no above market earnings on non-qualified deferred compensation.
(8) The following table sets forth certain information with respect to *All Other Compensation* reported in column (i).

| (a) | | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
|---|---|---|---|---|---|---|---|---|---|
| | | Auto Allowance | Financial Planning | Thrift Plan Match | Excess Thrift Plan Contribution | Companion Travel | Companion Travel Tax Gross Up | Executive LTD | Total |
| **Name** | **Year** | **($)** | **($)** | **($)** | **($)** | **($)** | **($)** | **($)** | **($)** |
| **Joseph W. Saunders** | 2007 | 4,024(1) | | 13,063 | 6,156 | 26,001 | 21,927 | | 71,171 |
| **Byron H. Pollitt** | 2007 | | | | | | | | |
| **John (Hans) C. Morris** | 2007 | | | | | | | | |
| **William M. Sheedy** | 2007 | 22,800 | | 20,250 | 11,251 | | | 3,250 | 57,551 |
| **Joshua R. Floum** | 2007 | 22,800 | | 13,500 | 18,301 | 9,683 | 5,388 | 3,250 | 72,922 |
| **John M. Partridge** | 2007 | 22,800 | 43,040 | 13,500 | 24,001 | 16,296 | 6,684 | 3,250 | 129,571 |

(1) Reflects the cost of personal use (including commuting) of a company provided car and driver. The amount in the table is determined based on the incremental cost to the company of the fuel related to the proportion of time the car was used for non-business trips and also includes the cost of the driver s salary for the proportion of time the driver was utilized for non-business trips.

***Grants of Plan-Based Awards***

| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | All Other Stock Awards: Number of Shares or Stock/ Units | All Other Option Awards: Number of Securities Underlying Options | Exercise or Base Price Of Option Awards ($/ Share) | Grant Date Fair Value of Stock & Option Awards |
| **Name** | **Grant Date** | **Threshold ($)** | **Target ($)** | **Maximum ($)** | **Threshold ($)** | **Target ($)** | **Maximum ($)** | | | | |
| **Joseph W. Saunders**[1] | | | | | | | | | | | |
| **Byron H. Pollitt**[2] | | | | | | | | | | | |
| **John (Hans) C. Morris**[3] | | | | | | | | | | | |
| **William M. Sheedy** | 10/1/2006[4] | 87,500 | 175,000 | 350,000 | | | | | | | |
| | 10/1/2006[5] | 100,000 | 500,000 | 1,100,000 | | | | | | | |
| **Joshua R. Floum** | 10/1/2006[4] | 198,756 | 397,513 | 795,026 | | | | | | | |
| | 10/1/2006[5] | 130,000 | 650,000 | 1,430,000 | | | | | | | |
| **John M. Partridge** | 10/1/2006[4] | 234,375 | 468,750 | 937,500 | | | | | | | |
| | 10/1/2006[5] | 160,000 | 800,000 | 1,760,000 | | | | | | | |

(1) Mr. Saunders joined Visa in February 2007.
(2) Mr. Pollitt joined Visa in September 2007.
(3) Mr. Morris joined Visa in July 2007.
(4) The amount shown in column (c) reflects the minimum payment level for the minimum performance level required under the Visa U.S.A. Incentive Plan in order to receive any payment, which is 50% of the target amount in column (d). The amount shown in column (e) is 200% of such target amount. The actual payout amount under the plan for fiscal 2007 is included in the *Non-Equity Incentive Plan Compensation* column of *Summary Compensation Table*.
(5)

The amount shown in column (c) reflects the minimum payment level for the minimum performance level required under the Visa U.S.A. Long-Term Incentive Plan in order to receive any payment, which is 20% of the target amount in column (d). The amount shown in column (e) is 220% of such target amount. The actual performance award earned under the plan for fiscal 2007 is included in the *Non-Equity Incentive Plan Compensation* column of *Summary Compensation Table*.

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The proportion of total compensation in fiscal 2007 consisting of salary and bonus is displayed in the following table. However, it is important to note that because fiscal 2007 represents a year in which three new named executive officers were hired and a number of changes in our compensation plans occurred as part of the reorganization, the proportions may not be representative of our expected future compensation policies.

| Name | 2007 Proportion of Salary and Bonus versus Total Compensation (%) |
|---|---|
| **Joseph W. Saunders** | 99 |
| **Byron H. Pollitt** | 100 |
| **John (Hans) C. Morris** | 100 |
| **William M. Sheedy** | 30 |
| **Joshua R. Floum** | 30 |
| **John M. Partridge** | 32 |

***Pension Benefits***

The table below shows the present value of accumulated benefits payable to our named executive officers, including the number of years of service credited to each executive, under the Visa Retirement Plan and the Visa Excess Retirement Plan, determined using interest rate and mortality rate assumptions consistent with those used in the consolidated financial statements of the applicable Visa entity.

| (a) | (b) | (c) | (d) | (e) |
|---|---|---|---|---|
| **Name** | **Plan Name** | **Number of Years Credited Service (#)** | **Present Value of Accumulated Benefit ($)** | **Payments During Last Fiscal Year ($)** |
| **Joseph W. Saunders** | Visa Retirement Plan | 0.3 | 11,543 | |
| | Visa Excess Retirement Plan | 0.3 | 29,570 | |
| **Byron H. Pollitt**(1) | Visa Retirement Plan | | | |
| | Visa Excess Retirement Plan | | | |
| **John (Hans) C. Morris** | Visa Retirement Plan | 0.2 | 5,381 | |
| | Visa Excess Retirement Plan | 0.2 | 48 | |
| **William M. Sheedy** | Visa Retirement Plan | 14.3 | 332,000 | |
| | Visa Excess Retirement Plan | 14.3 | 302,031 | |
| **Joshua R. Floum** | Visa Retirement Plan | 3.7 | 44,804 | |
| | Visa Excess Retirement Plan | 3.7 | 185,815 | |
| **John M. Partridge** | Visa Retirement Plan | 8.0 | 1,407,939 | |
| | Visa Excess Retirement Plan | 8.0 | 1,007,089 | |

(1) Mr. Pollitt joined Visa in September 2007.

*Visa Retirement Plan*

Under the Visa Retirement Plan, our U.S.-based employees generally earn the right to receive certain benefits upon retirement at the normal retirement age of 65, upon early retirement on or after age 55 with 10 years of service (or age 50 with 10 years of service if hired prior to October 1, 2002), or upon an earlier termination of employment if vested. Retirement benefits are calculated as the product of 1.25% times the years of service multiplied by the monthly final average earnings for the last 60 consecutive months before retirement (or the product of 46.25% times the years of service divided by 25 years, multiplied by the monthly final average earnings for the 36 highest consecutive months in the last 60 months before retirement, if hired prior to October 1, 2002). Eligible earnings include salary, overtime, shift differentials, special and merit awards and short-term incentive awards. The formula below provides an illustration of how the retirement benefits are calculated.

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**For employees hired prior to October 1, 2002**

| | | |
|---|---|---|
| 46.25% of monthly final average earnings | **X** | Completed years of benefit services, including partial year<br><br><u>based on completed months</u><br><br>25 years |

**For employees hired after September 30, 2002**

| | | | | |
|---|---|---|---|---|
| 1.25% | **X** | Completed years of benefit services, including partial year based on completed months (up to 35 full years) | **X** | Monthly final average earnings |

If the employee retires early between the age of 55 and 64 (or the age of 50 and 61 if hired prior to October 1, 2002) and has completed at least 10 years of service, the amount of benefits is reduced for each complete year an employee begins receiving early retirement benefits before the age of 65 (or the age of 62 if hired prior to October 1, 2002). If the employee retires prior to becoming eligible for early or normal retirement, the amount of benefits is actuarially reduced and is generally not as large as if the employee had continued employment until his or her early or normal retirement date.

The Visa Retirement Plan will begin transitioning to cash balance benefits effective January 1, 2008. Under the cash balance benefit accrual formula, 6% of an employee s eligible monthly pay will be credited each month to the employee s notional cash balance account, along with interest each month on the account balance at an annualized rate equal to the 30 year U.S. Treasury Bond average annual interest rate for November of the previous calendar year.

The change to a cash balance benefit formula will take effect immediately for employees hired or rehired after December 31, 2007. However, for employees hired before January 1, 2008 (and not rehired thereafter), the current Visa Retirement Plan benefit formula will be grandfathered for a three-year period and grandfathered employees will continue to accrue benefits under their current Visa Retirement Plan benefit formula described above. Their accrued benefits at December 31, 2010 (the last day of the grandfathered period) or the date they terminate employment, if earlier, will be preserved. After that date, employees will not accrue any additional benefits under the current Visa Retirement Plan benefit formulas and all future benefit accruals will be under the cash balance benefit formula.

Currently accrued benefits under the Visa Retirement Plan become 100% vested and nonforfeitable after three years of service.

*Visa Excess Retirement Plan*

To the extent that an employee s annual retirement income benefit under the plan exceeds the limitations imposed by the Internal Revenue Code, such excess benefit is paid from Visa s nonqualified, unfunded, noncontributory Visa Excess Retirement Plan. The vesting provisions of, and formula used to calculate the benefit payable pursuant to, the Visa Excess Retirement Plan are generally the same as those of the Visa Retirement Plan described above, in which benefits are calculated without regard to the Internal Revenue Code tax-qualified plan limits and then offset for benefits paid under the qualified plan.

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***Nonqualified Deferred Compensation***

Pursuant to the Visa Deferred Compensation Plan, eligible U.S.-based employees, including our executive officers, may defer all or a portion of their annual or long-term cash incentive award or sign-on bonus. In addition, we have an Excess Thrift Plan, which is a nonqualified noncontributory retirement savings plan for employees who exceed the Internal Revenue Code limits under the Thrift Plan, in which we continue to provide the matching contribution.

| (a) Name | Plan Name | (b) Executive Contributions in Last FY ($)(3) | (c) Registrant Contributions in Last FY ($)(4) | (d) Aggregate Earnings in Last FY ($) | (e) Aggregate Withdrawals/ Distributions ($) | (f) Aggregate Balance at Last FYE ($) |
|---|---|---|---|---|---|---|
| **Joseph W. Saunders** | Excess Thrift Plan | | 6,156 | 241 | | 6,397 |
| | Deferred Compensation Plan | | | | | |
| **Byron H. Pollitt(1)** | Excess Thrift Plan | | | | | |
| | Deferred Compensation Plan | | | | | |
| **John (Hans) C. Morris(2)** | Excess Thrift Plan | | | | | |
| | Deferred Compensation Plan | | | | | |
| **William M. Sheedy** | Excess Thrift Plan | | 11,251 | 9,815 | | 70,242 |
| | Deferred Compensation Plan | | | | | |
| **Joshua R. Floum** | Excess Thrift Plan | | 18,301 | 7,168 | | 74,583 |
| | Deferred Compensation Plan | 948,685 | | 93,761 | | 1,461,121 |
| **John M. Partridge** | Excess Thrift Plan | | 24,001 | 118,184 | | 432,999 |
| | Deferred Compensation Plan | 2,557,474 | | 678,501 | | 6,816,975 |

(1) Mr. Pollitt joined Visa in September 2007.
(2) Mr. Morris joined Visa in July 2007.
(3) The amount in column (b) for Mr. Partridge is a deferral of 60% of his long-term cash incentive award earned for the 2005-2007 LTIP cycle. $728,064 of the amount for Mr. Floum represents a deferral of 60% of his LTIP award earned for the 2005-2007 LTIP cycle, and $220,621 represents a deferral of 30% of his annual incentive award for fiscal 2006.
(4) The amounts in column (c) reflect the contribution to the Excess Thrift Plan for each named executive officer by Visa U.S.A., Visa International and Inovant, as applicable. These amounts are also reported in the *All Other Compensation* column of *Summary Compensation Table.*

The table below shows the funds available under the Visa Deferred Compensation Plan and the Excess Thrift Plan and their annual rate of return for fiscal 2007, as reported by the administrator of the plan.

| Name of Fund | Rate of Return (%) |
|---|---|
| Alger Capital Appreciation Institutional Fund-Institutional Class(1) | 38.75 |
| Dodge & Cox Income(2) | 5.10 |
| Dodge & Cox International Stock(3) | 25.26 |
| Dreyfus Founders Discovery Fund-Class F(4) | 20.81 |
| Fidelity Balanced Fund | 16.40 |
| Fidelity Low-Priced Stock Fund | 16.68 |
| Fidelity Retirement Money Market Portfolio | 5.16 |

| | |
|---|---|
| Janus Overseas Fund | 50.18 |
| PIMCO Total Return Fund-Admin Class[1] | 5.67 |
| Spartan U.S. Equity Index Fund-Investor Class | 16.37 |
| T. Rowe Price Equity Income[2] | 14.56 |
| T. Rowe Price Financial Services Fund[1] | 7.88 |
| TCW Select Equities Instl[2] | 18.88 |
| Templeton Foreign Fund-Class A[4] | 25.56 |
| Columbia Acorn Z | 19.80 |

(1) This fund is not available under the Excess Thrift Plan.
(2) This fund is not available under the Visa Deferred Compensation Plan.
(3) This fund is available under both plans, effective July 2007.
(4) This fund is no longer available under the plans, effective July 2007.

*Visa Deferred Compensation Plan*

Under the terms of the Visa Deferred Compensation Plan, participants are able to defer up to 100% of their incentives or signing bonuses, if they submit a qualified deferral election. Benefits under the Visa Deferred Compensation Plan will be paid based on one of three distribution dates or events previously elected by the participant: (a) immediately upon, or up to five years following, retirement; (b) immediately upon, or the January following, termination; or (c) optionally, in January in a specific year while actively employed. However, upon a showing of financial hardship and receipt of approval from the plan administrators, an executive officer may be allowed to access funds in his deferred compensation account earlier than his existing distribution election(s). Benefits can be received either as a lump sum payment or in annual installments, except in the case of pre-retirement termination, in which case the participant must receive the benefit in a lump sum. Participants are always fully vested in their deferrals under the Visa Deferred Compensation Plan. Upon termination of the Visa Deferred Compensation Plan within 12 months of our change of control, participants benefits under the Visa Deferred Compensation Plan will be paid immediately in a lump sum. The reorganization was not considered a change of control under the Visa Deferred Compensation Plan.

*Visa Thrift Plan and Visa Excess Thrift Plan*

The Visa Thrift Plan is a tax-qualified 401(k) retirement savings plan pursuant to which all U.S. employees of Visa are able to contribute the lesser of up to 50%, or 13% for highly compensated employees, of their covered pay (base salary plus one-half of any sales commissions) up to the limit prescribed by the Internal Revenue Service to the Visa Thrift Plan on a pre-tax basis. Employees also have the option of contribution on an after-tax basis from 1% up to 50%, or 13% for highly compensated employees, of salary or a combination of pre-tax and after tax contributions that do not exceed 50%, or 13% for highly compensated employees, of salary and Internal Revenue Code limits. The maximum pre-tax amount an employee may contribute to the Visa Thrift Plan annually is restricted by the Internal Revenue Code. If an employee reaches this limit during the calendar year, an employee may continue to make contributions to the Visa Thrift Plan on an after-tax basis.

We will match 200% of the first 3% of pay that is contributed to the Visa Thrift Plan or 300% of the first 3% of pay if the employee has at least 10 years of service with Visa. All employee contributions to the Visa Thrift Plan are fully vested upon contribution, and the matching contributions vest incrementally over three years, 20% after one year, 40% after two years, and 100% after three years.

Because the Internal Revenue Code limits the maximum amount a company and an employee can contribute to an employee s Thrift Plan account each year, we continue to provide the matching contribution, after the applicable Internal Revenue Code limits are reached, to the Visa Excess Thrift Plan, which is a nonqualified noncontributory retirement savings plan. Employees are eligible to participate in the Visa Excess Thrift Plan if their covered pay is greater than the Internal Revenue Code pay cap or if the total of their contributions and Visa U.S.A. or Inovant s matching contributions to the Visa Thrift Plan exceed the Internal Revenue Code benefit limit. The features of the Visa Excess Thrift Plan are generally the same as under the Visa Thrift Plan, except benefits cannot be rolled over to an IRA or another employer s qualified plan.

***Employment Arrangements***

Set forth below is a description of the employment arrangements that currently exist between us and each of our named executive officers. These historic arrangements vary among the executives based on the individual agreement with the Visa entity with which each named executive officer was historically employed and, in the case of Mr. Saunders, based on the circumstances under which he transitioned into his position as Chairman and Chief Executive Officer, as described below. It is our current intention that, in connection with our proposed initial public offering and subject to the discretion of our board, new employment agreements will be entered into with each of the named executive officers, with the goal that the new agreements will have longer terms and be more internally consistent. These new agreements are generally expected to provide for at least a three-year employment period commencing immediately prior to the completion of this offering and to have such other terms as are customarily included in employment agreements, including severance provisions.

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*Mr. Saunders*

On February 12, 2007, Joseph W. Saunders executed an offer letter with Visa International, which we refer to as the executive chairman letter, pursuant to which he agreed to serve as: (i) Executive Chairman of the transition governance committee (which was comprised of directors from each Visa region and Visa International and which led our reorganization); (ii) a director of Visa Inc. (upon its formation); and (iii) Interim Chief Executive Officer Pro Tempore of Visa Inc. Pursuant to the executive chairman letter, Mr. Saunders received: (1) an annual base salary of $500,000; and (2) $100,000 for each month in which he served as Interim Chief Executive Officer Pro Tempore of Visa Inc. In his role as Executive Chairman, Mr. Saunders was eligible for a performance bonus equal to 100% 250% of his annual base compensation earned.

On June 4, 2007, Mr. Saunders executed a new offer letter with Visa International, which we refer to as the letter agreement, pursuant to which he agreed to serve as our Chairman and Chief Executive Officer until May 15, 2009, subject to extension by the Visa Inc. board of directors. Mr. Saunders has also agreed to serve as Chairman of our board of directors through at least 90 days following our proposed initial public offering. The letter agreement superceded the executive chairman letter in all respects.

Under the letter agreement, Mr. Saunders receives an annual base salary of $950,000 and is eligible for an annual performance bonus, with a target annual bonus of 200% 300% of his annual base salary. This agreement provided for a minimum annual bonus of 250% of his annual base salary for fiscal 2007. Mr. Saunders was eligible to receive a maximum of 200% of his target annual bonus (in this case 200% of 300%, totaling 600% of his annual base salary) for fiscal 2007. Within this eligible range of 250% 600% of base salary, the transition governance committee awarded Mr. Saunders an annual bonus of 500% of his base salary (calculated on September 26, 2007 based on his estimated base salary of $790,274 for fiscal 2007), which equaled $3,951,370. In determining this award, the transition governance committee noted that virtually all of Mr. Saunders s performance metrics had been met or exceeded. In particular, under his leadership Visa was able to complete the reorganization substantially ahead of its internal schedule. Other performance metrics that were contained in his letter agreement and factored into the award included: (i) the unanimous approval of the definitive agreements by the Visa International board and each of the regional boards in June 2007; (ii) the filing of the Form S-4 registration statement in June 2007 and effectiveness of the registration statement in September 2007; (iii) the recruitment of the Visa Inc. independent directors and selection of the financial institution directors in a timely fashion, enabling the slate of directors to be unanimously approved by the transition governance committee and the Visa International and Visa U.S.A. boards of directors in August 2007; (iv) the effective completion of the Visa Inc. organizational structure and the executive leadership team (with only the chief marketing officer position open at the end of September 2007); (v) the creation of the fiscal 2008 budget; (vi) the approval of the 2007 Visa Inc. Equity Incentive Compensation Plan, including the share reserve; and (vii) the approval of the Visa Inc. compensation philosophy and director compensation by the transition governance committee. Mr. Saunders s annual bonus for fiscal 2007 is reported in *Summary Compensation Table.*

For fiscal 2008, the compensation committee has established his target annual bonus at 250% of base salary.

Mr. Saunders s letter agreement also provides that he is eligible for a long-term performance bonus in an amount equal to 500% 600% of his annual base compensation. This range of 500% 600% was determined based on peer group compensation information from Towers Perrin, our executive compensation consultant. As a result of Mr. Saunders s achievements for fiscal 2007, as outlined above, the transition governance committee determined to award him the maximum long-term performance bonus of 600% of his base salary (calculated on September 26, 2007 based on his estimated base salary of $790,274 for fiscal 2007), which equaled $4,741,644. Mr. Saunders s long-term incentive award for fiscal 2007 will become vested and payable in cash in 2009 and is reported in *Summary Compensation Table*. For fiscal 2008 and beyond, his actual long-term bonus will be decided by the compensation committee, in its discretion. Mr. Saunders must be in active working status to receive such a bonus, except as described under *Potential Payments Upon Termination or Change-in-Control.* Either Mr. Saunders or we may terminate Mr. Saunders s employment at any time subject to payment of the required severance as described below in the case of an involuntary termination.

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*Mr. Pollitt*

On August 28, 2007, Byron H. Pollitt executed an offer letter, dated August 21, 2007, from Visa Inc., pursuant to which Mr. Pollitt agreed to serve as Chief Financial Officer of Visa Inc., beginning in September 2007.

Mr. Pollitt receives an annual base salary of $650,000 and received a one-time sign-on bonus of $250,000. Mr. Pollitt is also eligible to participate in the Visa Incentive Plan for fiscal 2008, with a target annual bonus opportunity of 100% of his annual base salary and a maximum annual bonus opportunity of 200% of his annual base salary. The annual bonus earned by Mr. Pollitt will be payable in December 2008. Mr. Pollitt will also be eligible for a long-term performance bonus, with a fiscal 2008 target long-term bonus value of $1,500,000, and his actual long-term bonus value will be determined based on an evaluation of Mr. Pollitt s performance by our Chief Executive Officer, subject to approval by the compensation committee. Mr. Pollitt will also receive a long-term award of $1,750,000, which will be payable in shares of Visa Inc. common stock, if approved by our board of directors. If our board of directors deems payment of this long-term award in stock impractical, this award will be paid in cash. Either Mr. Pollitt or we may terminate Mr. Pollitt s employment at any time subject to any payment of the required severance as described below in the case of an involuntary termination.

*Mr. Morris*

On June 26, 2007, John (Hans) C. Morris executed an offer letter, dated June 20, 2007, from Visa Inc., which Mr. Morris agreed to serve as President of Visa Inc., beginning July 23, 2007.

Mr. Morris receives an annual base salary of $750,000. Mr. Morris also received a one-time sign-on bonus of $2,500,000, which will be forfeited in full or in part unless Mr. Morris remains employed with Visa Inc. for a term of four years. Mr. Morris is also eligible to participate in the Visa Incentive Plan, with a target bonus opportunity of 150% of his annual base salary and a maximum annual bonus opportunity of 300% of annual base salary. For fiscal 2007, Mr. Morris received a bonus of $843,750. Mr. Morris will also be eligible for a long-term performance bonus, with a fiscal 2008 target long-term bonus value of $6,000,000, consisting of a one-time award of $2,000,000 and an ongoing annual award of $4,000,000. Mr. Morris s actual long-term bonus will be determined based on evaluation of Mr. Morris s performance by our Chief Executive Officer, subject to approval by the compensation committee. All or a portion of this award may be payable in shares of Visa Inc. common stock as approved by the board of directors. In addition, to assist Mr. Morris with his relocation to the San Francisco area, we will provide Mr. Morris with: (i) payment of temporary living expenses for up to six months; and (ii) fifty round trip airline tickets for travel between San Francisco and the east coast during the one year period following commencement of his employment.

Either Mr. Morris or we may terminate Mr. Morris s employment at any time subject to any payment of the required severance as described below in the case of an involuntary termination.

*Mr. Partridge*

Pursuant to the employment agreement between Inovant and John M. Partridge, dated at October 1, 2004, Mr. Partridge agreed to serve as the President and Chief Executive Officer of Inovant. In addition, Mr. Partridge was appointed Chief Operating Officer of Visa Inc. in connection with the reorganization.

Under the agreement, Mr. Partridge received an annual base salary of $625,000, which was increased to $750,000 effective September 1, 2007. Mr. Partridge was eligible for an annual performance bonus with a target of 75% of his base salary for fiscal 2007, which was increased to 150% of his base salary for fiscal 2008.

The agreement terminates on December 31, 2009, subject to extension by Visa under certain circumstances. Mr. Partridge has agreed to an 18 month non-solicitation period upon cessation of employment.

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***Potential Payments Upon Termination or Change-in-Control***

*Mr. Saunders*

Following termination of Mr. Saunders s employment without cause (as defined in his offer letter), Mr. Saunders and his spouse will be eligible for health benefits through the earlier of his eligibility for health benefits from another employer or age 65. Mr. Saunders will be required to pay that portion of the cost of these benefits that is paid by active employees. Additionally, in the event Mr. Saunders s employment is involuntarily terminated without cause or due to disability prior to May 15, 2009, Mr. Saunders or his beneficiaries will receive as severance: (a) a lump sum payment equal to two years base salary plus two times his target annual performance bonus (at 250% of his base salary) for the year of termination; and (b) the full value of any long-term performance bonus he would otherwise have received during the two-year period following his termination, payable at the time long-term bonuses are payable to active employees. Payment of Mr. Saunders s severance may be delayed for six months following his termination if necessary to avoid a violation of Internal Revenue Code Section 409A. To receive these severance benefits, Mr. Saunders is required to execute a general release of all claims against Visa. In the event that payments made to Mr. Saunders upon his termination of employment are subject to the excise tax imposed on excess parachute payments under the Internal Revenue Code, he will receive an additional amount to place him in the same after-tax position as if this excise tax did not apply to those payments.

*Messrs. Saunders, Pollitt, Morris, Sheedy, Floum and Partridge*

*Payments Made Upon Termination.* Regardless of the manner in which Messrs. Saunders s, Pollitt s, Morris s, Sheedy s, Floum s or Partridge s employment terminates, each executive may be entitled to receive amounts earned during his term of employment. Such amounts include:

- awards earned under the annual incentive plan during the fiscal year;
- grants pursuant to the long-term cash incentive plan for the most recently completed cycle (other than Mr. Saunders whose benefits are described above);
- amounts contributed under the Visa Thrift Plan and the Visa Deferred Compensation Plan;
- amounts vested under the Visa Excess Thrift Plan;
- unused paid time off; and
- amounts accrued and vested through our Visa Retirement Plan and Visa Excess Retirement Plan.

*Payments Made Upon Retirement.* In the event of the retirement of Messrs. Saunders, Pollitt, Morris, Sheedy, Floum and Partridge, assuming each executive was eligible for early or normal retirement, in addition to the items identified above:

- each executive officer (other than Mr. Saunders whose benefits are described above) is entitled to receive a prorated share of each outstanding long-term cash incentive plan cycle upon the completion of such cycle; and
- each executive will continue to receive health and welfare benefits until he reaches age 65 and will receive health and welfare benefits for his dependants, as applicable.

*Payments Made Upon Involuntary Not For Cause Termination.* Messrs. Pollitt, Morris, Sheedy and Floum participate in the Visa Inc. Severance Benefit Plan. In the event of the involuntary termination of any such executive officers not for cause, in addition to the items identified above:

each executive officer will receive a lump sum severance payment equivalent to 18 months of base salary and target annual bonus;

each executive officer will continue to receive health and welfare benefits through the earlier of the time when the executive becomes covered by another employer s health and welfare plans, or the completion of the severance period;

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each executive officer will continue to receive life insurance coverage for one year;

each executive officer, if applicable, will be entitled to receive a lump sum amount representing a pro rata portion of each outstanding long-term cash incentive plan cycle through the severance period and a lump sum amount representing a pro rata portion (or, in the case of Mr. Floum, a full payment) of any other outstanding grant under the long-term cash incentive plan;

each executive officer will be entitled to receive outplacement services; and

each executive officer will be credited with additional years of service, equal to the severance period, for purposes of retirement vesting or early retirement eligibility, if applicable.

Mr. Partridge is covered by the severance provisions of his individual employment agreement and not this plan.

*Payments Made Upon Death or Disability.* In the event of the death or disability of Messrs. Pollitt, Morris, Sheedy, Floum or Partridge, in addition to the benefits listed under *Payments Made Upon Termination* and *Payments Made Upon Retirement*, each executive officer (or his estate) will receive benefits under our disability plan or payments under our life insurance plan, as appropriate. Under the terms of the Visa Thrift Plan and Visa Excess Thrift Plan, if an employee is terminated as a result of disability or death, the unvested portion of such employee s plan balance becomes due to the employee or their designated beneficiary.

*Payments Made Upon a Change-in-Control*

If there is a change of control of Inovant, in which Mr. Partridge is not retained as Chief Executive Officer or is either terminated by Visa without cause or quits for good reason within six months thereafter, all outstanding long-term incentive plan awards will have their vesting accelerated in full, and his award for the fiscal year in which the event occurs will be subject to pro rata acceleration of vesting. Neither the reorganization nor our proposed initial public offering constitute a change of control for this purpose.

In the event that payments made to Mr. Partridge upon his termination of employment are considered parachute payments and result in an excise tax, he will receive an additional amount equal to the excise tax on such parachute payments and on such additional amount itself.

In the event that payments made to Messrs. Pollitt, Morris, Sheedy or Floum upon their termination of employment may be considered parachute payments, each of these executive officers will receive the greater of the net amount they would retain after excise taxes are imposed upon their excess parachute payments or the maximum severance payment allowed without triggering a parachute payment.

*Quantification of Termination Payments and Benefits*

The tables below reflect the amount of compensation that would be paid to each of our named executive officers in the event of termination of such executive officer s employment under various scenarios. The amounts shown assume that such termination was effective as of September 30, 2007 and include estimates of the amounts which would be paid to each executive officer upon such executive officer s termination. The tables only include additional benefits that result from the termination and do not include any amounts or benefits earned, vested, accrued or owing under any plan for any other reason. For further information see *Grants of Plan-Based Awards*, *Pension Benefits* and *Nonqualified Deferred Compensation*. Payments that would be made over a period of time have been estimated as the lump sum present value using 120% of the Applicable Federal Rate (with the exception of the Retirement Plan benefit). The actual amounts to be paid can only be determined at the time of such executive officer s separation from Visa.

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*Mr. Saunders*

**Termination Payments & Benefits**

| Incremental Benefits Due to Termination Event | Involuntary Not For Cause Termination or Voluntary Good Reason Termination ($) | Involuntary Not For Cause Termination or Voluntary Good Reason Termination Following Change of Control ($) | Disability ($) | Death ($) |
|---|---|---|---|---|
| Long-Term Incentive Plan (unvested) | 4,306,888 | 4,306,888 | 4,741,644 | |
| Thrift Plan (unvested) | | | 13,286 | 13,286 |
| Excess Thrift Plan (unvested) | | | 6,397 | 6,397 |
| Health and Welfare Benefits | 56,919 | 56,919 | 56,919 | 56,919 |
| Disability Income | | | 1,107,526 | |
| Excise Tax Gross-Up | | 4,586,097(1) | | |
| Cash Severance | 6,650,000 | 6,650,000 | 6,650,000 | |
| Outplacement | | | | |
| Total | 11,013,807 | 15,599,904 | 12,575,772 | 76,602 |

(1) The excise tax gross-up at September 30, 2007 is dependent in large part on a five-year historical compensation average. During this five-year period (2001 to 2006), Mr. Saunders received fees as a non-employee director but was not receiving compensation as the Chief Executive Officer or otherwise as an employee. Excise tax is generally triggered when payments contingent on a change in control exceed three times this historical average. Accordingly, Mr. Saunders s unusually low five-year historical average compensation in comparison with Mr. Saunders s current compensation results in a substantial excise tax gross-up. In future years, as the five-year average begins to reflect actual compensation as the Chief Executive Officer, the excise tax gross-up is expected to diminish.

*Mr. Pollitt*

**Termination Payments & Benefits**

| Incremental Benefits Due to Termination Event | Involuntary Not For Cause Termination ($) | Disability ($) | Death ($) |
|---|---|---|---|
| Long-Term Incentive Plan (unvested) | | | |
| Thrift Plan (unvested) | | | |
| Excess Thrift Plan (unvested) | | | |
| Health and Welfare Benefits | 30,019 | 39,501 | 10,216 |
| Disability Income | | 2,058,747 | |
| Excise Tax Gross-Up | | | |
| Cash Severance | 1,950,000 | | |
| Outplacement | 45,000 | | |
| Total | 2,025,019 | 2,098,248 | 10,216 |

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*Mr. Morris*

**Termination Payments & Benefits**

| Incremental Benefits Due to Termination Event | Involuntary Not For Cause Termination ($) | Disability ($) | Death ($) |
|---|---|---|---|
| Long-Term Incentive Plan (unvested) | | | |
| Thrift Plan (unvested) | | | |
| Excess Thrift Plan (unvested) | | | |
| Health and Welfare Benefits | 30,019 | 39,501 | 10,216 |
| Disability Income | | 3,169,440 | |
| Excise Tax Gross-Up | | | |
| Cash Severance | 2,250,000 | | |
| Outplacement | 45,000 | | |
| Total | 2,325,019 | 3,208,941 | 10,216 |

*Mr. Sheedy*

**Termination Payments & Benefits**

| Incremental Benefits Due to Termination Event | Involuntary Not For Cause Termination ($) | Disability ($) | Death ($) |
|---|---|---|---|
| Long-Term Incentive Plan (unvested) | 2,009,528 | 1,135,241 | 1,135,241 |
| Thrift Plan (unvested) | | | |
| Excess Thrift Plan (unvested) | | | |
| Health and Welfare Benefits | 30,019 | 39,501 | 10,216 |
| Disability Income | | 3,930,216 | |
| Excise Tax Gross-Up | | | |
| Cash Severance | 1,068,750 | | |
| Outplacement | 45,000 | | |
| Total | 3,153,297 | 5,104,958 | 1,145,457 |

*Mr. Floum*

**Termination Payments & Benefits**

| Incremental Benefits Due to Termination Event | Involuntary Not For Cause Termination ($) | Disability ($) | Death ($) |
|---|---|---|---|
| Long-Term Incentive Plan (unvested) | 2,382,572 | 1,322,603 | 1,322,603 |
| Thrift Plan (unvested) | | | |
| Excess Thrift Plan (unvested) | | | |

| | | | |
|---|---|---|---|
| Health and Welfare Benefits | 30,019 | 39,501 | 10,216 |
| Disability Income | | 3,095,542 | |
| Excise Tax Gross-Up | | | |
| Cash Severance | 1,456,875 | | |
| Outplacement | 45,000 | | |
| Total | 3,914,466 | 4,457,646 | 1,332,819 |

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*Mr. Partridge*

**Termination Payments & Benefits**

| Incremental Benefits Due to Termination Event | Involuntary Not For Cause Termination or Voluntary Good Reason Termination ($) | Involuntary Not For Cause Termination or Voluntary Good Reason Termination Following Change of Control ($) | Disability ($) | Death ($) |
|---|---|---|---|---|
| Long-Term Incentive Plan (unvested) | 3,543,050 | 3,863,368 | 3,543,050 | 3,543,050 |
| Thrift Plan (unvested) | | | | |
| Excess Thrift Plan (unvested) | | | | |
| Health and Welfare Benefits | 36,125 | 36,125 | 39,501 | 36,125 |
| Disability Income | | | 1,662,143 | |
| Excise Tax Gross-Up | | | | |
| Cash Severance | 1,865,231 | 1,865,231 | 1,865,231 | 1,865,231 |
| Outplacement | | | | |
| Total | 5,444,406 | 5,764,724 | 7,109,925 | 5,444,406 |

***Director Compensation***

The following table sets forth information concerning the total compensation paid to the current directors of Visa Inc. by Visa International, any unincorporated region of Visa U.S.A., Visa International, Inovant or Visa Canada during fiscal 2007 for their respective service on the board of directors of such entities, as applicable. The compensation amounts presented in the table below are historical and are not indicative of our future director compensation.

| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
|---|---|---|---|---|---|---|---|
| Name | Fees Earned or Paid in Cash ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation ($) | Change in Pension Value & Non-qualified Deferred Compensation ($) | All Other Compensation ($) | Total ($) |
| **Joseph W. Saunders** | 34,500(1) | | | | | | 34,500 |
| **Hani Al-Qadi** | 22,500(2) | | | | | | 22,500 |
| **Charles T. Doyle** | 369,375(3) | | | | | | 369,375 |
| **Peter Hawkins** | 296,241(4) | | | | | | 296,241 |
| **David I. McKay** | 45,000(5) | | | | | | 45,000 |
| **Charles W. Scharf** | 110,750(6) | | | | | | 110,750 |
| **Segismundo Schulin-Zeuthen** | 647,504(7) | | | | | 21,000(10) | 668,504 |
| **John A. Swainson** | 335,250(8) | | | | | | 335,250 |
| **Johannes (Hans) I. van der Velde** | 147,500(9) | | | | | | 147,500 |

(1) Represents (i) $15,000 retainer and meeting fees for service on the Visa International board of directors; and (ii) $19,500 retainer and meeting fees for service on the Visa U.S.A. board of directors. Mr. Saunders was Visa Inc. s sole director during fiscal 2007. He did not receive payment for his service on our board of directors

(2) Represents meeting fees for service on the Visa CEMEA board of directors.

(3) Represents (i) $115,000 retainer and meeting fees for service on the Visa International board of directors; (ii) $71,250 retainer and meeting fees, $40,625 additional fees paid in connection with our reorganization and $110,000 retainer fees for services on the transition governance committee, all of which were

paid by, and in connection with services to, the Visa U.S.A. board of directors; and (iii) $32,500 retainer and meeting fees for service on the Inovant board of directors.

(4) Represents (i) $115,000 retainer and meeting fees for service on the Visa International board of directors; and (ii) $181,241 retainer and meeting fees for service on the Visa AP board of directors.

(5) Represents meeting fees for service on the Visa International board of directors. Mr. McKay did not receive payment for his service on Visa Canada s board of directors.

(6) Represents $73,750 retainer and meeting fees and $37,000 additional fees paid in connection with our reorganization for service on the Visa U.S.A. board of directors.

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(7) Represents (i) $115,000 retainer and meeting fees for service on the Visa International board of directors; (ii) $500,004 retainer fees for services on the transition governance committee, which were paid by, and in connection with services to, the Visa LAC board of directors; and (iii) $32,500 retainer and meeting fees for service on the Inovant board of directors.

(8) Represents $223,500 retainer and meeting fees and $111,750 additional fees paid in connection with our reorganization for service on the Visa U.S.A. board of directors.

(9) Represents (i) $115,000 retainer and meeting fees for service on the Visa International board of directors; and (ii) $32,500 retainer and meeting fees for service on the Inovant board of directors.

(10) Represents $21,000 for director fees paid to Mr. Schulin-Zeuthen in his capacity as a director of InterAmerica Overseas Limited, a Cayman Islands membership corporation owned by approximately 145 Visa LAC affiliated members. In addition to Mr. Schulin-Zeuthen, all but two directors on the regional board of Visa LAC also serve on the board of InterAmerica Overseas Limited. InterAmerica Overseas Limited is in the process of winding-up its business.

Pursuant to our director compensation program, we use a combination of cash and equity-based compensation to attract and retain non-employee directors and to compensate directors for their service on our board of directors commensurate with their role and involvement. In setting director compensation, we consider the significant amount of time our directors will expend in fulfilling their duties as well as the skill level required of our board of directors.

Directors who are also our full-time employees do not receive additional compensation for their service as directors. Each non-employee director will receive compensation for service on our board of directors as described below.

*Cash Compensation*

Directors who are not full-time employees will be paid an annual retainer of $82,000. John A. Swainson will receive an additional annual retainer of $25,000 as the lead director. Non-employee directors will also receive an annual retainer for serving as a chairperson of a committee ($20,000 for audit committee $20,000 for compensation committee and $15,000 for nominating/corporate governance committee). An annual retainer of $5,000 will also be paid to non-employee directors who serve as members (non-chairperson) of the audit or compensation committees. In addition, customary expenses for attending board of directors and committee meetings will be reimbursed

*Equity Compensation*

Each non-employee director will receive an annual stock grant with a value of $162,000 in the form of restricted stock or restricted stock units.

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## PART IV

### ITEM 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Report.

1. Financial Statements

(Previously filed with Original Annual Report).

2. Consolidated Financial Schedules

None.

3. The exhibits listed on the exhibit index filed as part of this Report are filed or incorporated by reference as part of this Report.

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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

VISA INC.

By: /s/ JOSEPH W. SAUNDERS

| | |
|---|---|
| **Name:** | **Joseph W. Saunders** |
| **Title:** | **Chief Executive Officer** |
| **Date:** | **February 4, 2008** |

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ JOSEPH W. SAUNDERS<br>**Joseph W. Saunders** | Chief Executive Officer and Chairman of the Board of Directors<br>(principal executive officer) | February 4, 2008 |
| /s/ BYRON H. POLLITT<br>**Byron H. Pollitt** | Chief Financial Officer<br>(principal financial officer and principal accounting officer) | February 4, 2008 |
| *<br>**Hani Al-Qadi** | Director | February 4, 2008 |
| *<br>**Thomas Campbell** | Director | February 4, 2008 |
| *<br>**Gary Coughlan** | Director | February 4, 2008 |
| *<br>**Mary B. Cranston** | Director | February 4, 2008 |
| *<br>**Charles T. Doyle** | Director | February 4, 2008 |
| *<br>**Francisco Javier Fernandez-Carbajal** | Director | February 4, 2008 |
| * | Director | February 4, 2008 |

| | | |
|---|---|---|
| **Peter Hawkins** | | |
| * | Director | February 4, 2008 |
| **Suzanne Nora Johnson** | | |
| * | Director | February 4, 2008 |
| **Robert W. Matschullat** | | |

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| Signature | Title | Date |
|---|---|---|
| * | Director | February 4, 2008 |
| **David I. McKay** | | |
| * | Director | February 4, 2008 |
| **Cathy Elizabeth Minehan** | | |
| * | Director | February 4, 2008 |
| **David J. Pang** | | |
| * | Director | February 4, 2008 |
| **Charles W. Scharf** | | |
| * | Director | February 4, 2008 |
| **Segismundo Schulin-Zeuthen** | | |
| * | Director | February 4, 2008 |
| **William Shanahan** | | |
| * | Director | February 4, 2008 |
| **John A. Swainson** | | |
| * | Director | February 4, 2008 |
| **Johannes (Hans) I. van der Velde** | | |

By: /s/ JOSEPH W. SAUNDERS
**Name:** **Joseph W. Saunders**

**As Attorney-In-Fact**

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**EXHIBIT INDEX**

| Exhibit Number | Description of Documents |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Visa Inc. (incorporated by reference to Exhibit 3.1 to the Form 8-K filed by Visa Inc. on October 4, 2007) |
| 3.2 | Amended and Restated Bylaws of Visa Inc. (incorporated by reference to Exhibit 3.2 to Visa Inc. Annual Report on Form 10-K (333-143966) filed on December 21, 2007) |
| 4.1 | Form of stock certificate of Visa Inc. (incorporated by reference to Exhibit 4.1 to Amendment No. 5 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on September 13, 2007) |
| 4.2 | Except as set forth in Exhibit 4.1 above, the instruments defining the rights of holders of long-term debt securities of Visa Inc. and its subsidiaries have been omitted[1] |
| 10.1 | Settlement Agreement, dated June 4, 2003, by and among Visa U.S.A. Inc. and Wal-Mart, Limited Brands, Sears, Safeway, Circuit City, National Retail Federation, Food Market Institute, International Mass Retail Association and Bernie s Army-Navy Store (incorporated by reference to Exhibit 10.1 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on June 22, 2007) |
| 10.2 | Master Agreement, with effective date of January 1, 2005, and as amended and supplemented on March 31, 2005, June 15, 2005, June 30, 2005, November 9, 2005, August 11, 2006, January 16, 2007, March 1, 2007, April 20, 2007, and July 23, 2007, by and between JP Morgan Chase Bank NA and Visa U.S.A. Inc. (incorporated by reference to Exhibit 10.2 to Amendment No. 4 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on August 29, 2007) |
| 10.3 | Chase Incentive Funding Schedule, with effective date of September 1, 2007, by and between JP Morgan Chase Bank NA and Visa U.S.A. Inc. (incorporated by reference to Exhibit 10.3 to the Visa Inc. Registration Statement on Form S-1 (333-247296) filed on November 9, 2007) |
| 10.4 | Amended and Restated Agreement, with effective date of January 1, 2006, and as amended June 22, 2007, by and among Bank of America NA, MBNA America and Visa U.S.A. Inc. (incorporated by reference to Exhibit 10.3 to Amendment No. 1 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on July 24, 2007) |
| 10.5 | Form of Indemnification Agreement (incorporated by reference to Exhibit 10.4 to Amendment No. 2 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on August 2, 2007) |
| 10.6 | Visa Inc. 2007 Equity Incentive Compensation Plan (incorporated by reference to Exhibit 10.5 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on June 22, 2007) |
| 10.7 | Letter of Employment, dated June 4, 2007, by and between Joseph W. Saunders and Visa International Service Association (incorporated by reference to Exhibit 10.6 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on June 22, 2007) |
| 10.8 | Offer Letter, dated August 21, 2007, by and between Byron H. Pollitt and Visa, Inc. (incorporated by reference to Exhibit 10.22 to Amendment No. 4 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on August 29, 2007) |
| 10.9 | Visa U.S.A. Long Term Incentive Plan for fiscal 2006 (incorporated by reference to Exhibit 10.7 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on June 22, 2007) |
| 10.10 | Visa Excess Retirement Plan, amended and restated effective as of June 1, 2005 (incorporated by reference to Exhibit 10.9 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on June 22, 2007) |
| 10.11 | Visa 2005 Deferred Compensation Plan, effective as of January 1, 2005 (incorporated by reference to Exhibit 10.10 to Amendment No. 1 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on July 24, 2007) |

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| Exhibit Number | Description of Documents |
|---|---|
| 10.12 | Visa Excess Thrift Plan, amended and restated effective as of June 1, 2005 (incorporated by reference to Exhibit 10.11 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on June 22, 2007) |
| 10.13 | Judgment Sharing Agreement among Defendants in the AMEX case by and between Visa U.S.A. Inc. and the signatory banks thereto (incorporated by reference to Exhibit 10.12 to Amendment No. 1 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on July 24, 2007) |
| 10.14 | Form of Interchange Judgment Sharing Agreement among Visa Inc. and the other parties thereto (incorporated by reference to Exhibit 10.13 to Amendment No. 1 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on July 24, 2007) |
| 10.15 | Form of Loss Sharing Agreement by and among Visa U.S.A. Inc., Visa International Service Association, Visa Inc. and each Member of Visa U.S.A. Inc. that executes and delivers a counterpart signature page to the agreement (incorporated by reference to Exhibit 10.14 to Amendment No. 1 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on July 24, 2007) |
| 10.16 | Form of Escrow Agreement among Visa Inc., Visa U.S.A. Inc. and the escrow agent (incorporated by reference to Exhibit 10.15 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on June 22, 2007) |
| 10.17 | Form of Framework Agreement among Visa Inc., Visa Europe Limited, Inovant LLC, Visa International Services Association and Visa U.S.A. Inc. (incorporated by reference to Exhibit 10.17 to Amendment No. 1 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on July 24, 2007) |
| 10.18 | Form of Litigation Management Agreement by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc. and the other signatories thereto (incorporated by reference to Exhibit 10.18 to Amendment No. 3 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on August 22, 2007) |
| 10.19 | Form of Visa Europe Put-Call Option Agreement by and among Visa Inc. and Visa Europe Limited (incorporated by reference to Exhibit 10.19 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on June 22, 2007) |
| 10.20 | Office Lease, with effective date of April 18, 1991, and as amended on May 14, 1992, September 1, 1995, July 1, 1998, and April 8, 2004, by and between Visa U.S.A. Inc. and Landlord (incorporated by reference to Exhibit 10.20 to Amendment No. 1 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on July 24, 2007) |
| 10.21 | Data Center Lease, with effective date of April 18, 1991, and as amended on April 8, 2004, by and between Visa U.S.A. Inc. and Landlord (incorporated by reference to Exhibit 10.21 to Amendment No. 1 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on July 24, 2007) |
| 10.22 | Amended and Restated Global Restructuring Agreement, by and among Visa Inc., Visa International Service Association, Visa U.S.A. Inc., Visa Europe Limited, Visa Canada Association, Visa Asia Pacific, Visa Latin America (incorporated by reference to Exhibit 2.1 to Amendment No. 5 to the Visa Inc. proxy statement-prospectus on Form S-4 (333-143966) filed on September 13, 2007) |
| 10.23 | Inovant Long Term Incentive Plan for fiscal 2006, as amended (incorporated by reference to Exhibit 10.24 to our Registration Statement on Form S-1 (333-147296) filed on November 9, 2007) |
| 10.24 | Visa U.S.A. Long Term Incentive Plan for fiscal 2007 (incorporated by reference to Exhibit 10.25 to the Visa Inc. Registration Statement on Form S-1 (333-147296) filed on November 9, 2007) |
| 10.25 | Inovant Long Term Incentive Plan for fiscal 2007 (incorporated by reference to Exhibit 10.26 to the Visa Inc. Registration Statement on Form S-1 (333-147296) filed on November 9, 2007) |

| **Exhibit Number** | **Description of Documents** |
|---|---|
| 10.26 | Visa Inc. Special Bonus Plan for fiscal 2007 Plan Administration Guidelines (incorporated by reference to Exhibit 10.27 to the Visa Inc. Registration Statement on Form S-1 (333-147296) filed on November 9, 2007) |
| 10.27 | Offer Letter, dated June 20, 2007, by and between John (Hans) C. Morris and Visa Inc. (incorporated by reference to Exhibit 10.28 to the Visa Inc. Registration Statement on Form S-1 (333-147296) filed on November 9, 2007) |
| 10.28 | Offer Letter, dated December 17, 2003, by and between Josh Floum and Visa U.S.A. (incorporated by reference to Exhibit 10.29 to the Visa Inc. Registration Statement on Form S-1 (333-147296) filed on November 9, 2007) |
| 10.29 | Employment Agreement, dated October 1, 2004, by and between John Partridge and Inovant LLC. (incorporated by reference to Exhibit 10.30 to the Visa Inc. Registration Statement on Form S-1 (333-147296) filed on November 9, 2007) |
| 14.1 | Code of Ethics for CEO and Senior Financial Officers (incorporated by reference to Exhibit 14.1 to Visa Inc. Annual Report on Form 10-K (333-143966) filed on December 21, 2007) |
| 21.1 | Subsidiaries of Visa Inc. (incorporated by reference to Exhibit 21.1 of the Visa Inc. Registration Statement on Form S-1 (333-1472976) filed on November 9, 2007) |
| 24.1 | Power of Attorney (included in signature page to the Visa Inc. Annual Report on Form 10-K (333-143966) filed on December 21, 2007) |
| 24.2 | Power of Attorney of Charles W. Scharf |
| 31.1 | Certification of Joseph W. Saunders, Chief Executive Officer and Chairman of the Board of Directors, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Byron H. Pollitt, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Joseph W. Saunders, Chief Executive Officer and Chairman of the Board of Directors, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Byron H. Pollitt, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

Portions of this exhibit were omitted and have been filed separately with the Secretary of the Securities and Exchange Commission pursuant to the Registrant s application requesting confidential treatment under Rule 406 of the Securities Act.

(1) We have agreed to furnish to the SEC, upon request, a copy of each instrument with respect to issuances of long-term debt of Visa Inc. and its subsidiaries.