VISA INC.
Form 10-Q
February 08, 2012
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2011

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 001-33977

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

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

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

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

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company.)	Smaller Reporting Company ¨

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

As of February 1, 2012, there were 525,303,252 shares of class A common stock, par value $0.0001 per share, 245,513,385 shares of class B common stock, par value $0.0001 per share, and 42,482,868 shares of class C common stock, par value $0.0001 per share, of Visa Inc. outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements
VISA INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	December 31, 2011	September 30, 2011
	(in millions, except par value data)	
Assets		
Cash and cash equivalents	$1,942	$2,127
Restricted cash—litigation escrow (Note 2)	4,352	2,857
Investment securities		
Trading	65	57
Available-for-sale	734	1,214
Settlement receivable	509	412
Accounts receivable	629	560
Customer collateral (Note 5)	908	931
Current portion of client incentives	206	278
Deferred tax assets	461	489
Prepaid expenses and other current assets	172	265
Total current assets	9,978	9,190
Investment securities, available-for-sale	899	711
Client incentives	106	85
Property, equipment and technology, net	1,542	1,541
Other assets	121	129
Intangible assets, net	11,454	11,436
Goodwill	11,668	11,668
Total assets	$35,768	$34,760
Liabilities		
Accounts payable	$87	$169
Settlement payable	426	449
Customer collateral (Note 5)	908	931
Accrued compensation and benefits	259	387
Client incentives	615	528
Accrued liabilities	886	562
Accrued litigation (Note 10)	356	425
Total current liabilities	3,537	3,451
Deferred tax liabilities	4,212	4,205
Other liabilities	718	667
Total liabilities	8,467	8,323

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

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VISA INC.
CONSOLIDATED BALANCE SHEETS—(Continued)
(UNAUDITED)

	December 31, 2011	September 30, 2011
	(in millions, except par value data)	
Equity		
Preferred stock, $0.0001 par value, 25 shares authorized and none issued	$—	$—
Class A common stock, $0.0001 par value, 2,001,622 shares authorized, 524 and 520 shares issued and outstanding at December 31, 2011, and September 30, 2011, respectively (Note 6)	—	—
Class B common stock, $0.0001 par value, 622 shares authorized, 245 shares issued and outstanding at December 31, 2011, and September 30, 2011 (Note 6)	—	—
Class C common stock, $0.0001 par value, 1,097 shares authorized, 44 and 47 shares issued and outstanding at December 31, 2011, and September 30, 2011, respectively (Note 6)	—	—
Additional paid-in capital	19,929	19,907
Accumulated income	7,544	6,706
Accumulated other comprehensive income (loss), net		
Investment securities, available-for-sale	1	—
Defined benefit pension and other postretirement plans	(183)	(186)
Derivative instruments classified as cash flow hedges	18	18
Foreign currency translation adjustments	(8)	(8)
Total accumulated other comprehensive loss, net	(172)	(176)
Total equity	27,301	26,437
Total liabilities and equity	$35,768	$34,760

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

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VISA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31,	
	2011	2010
	(in millions)	
Operating Revenues		
Service revenues	$1,151	$1,008
Data processing revenues	951	844
International transaction revenues	748	630
Other revenues	178	161
Client incentives	(481)	(405)
Total operating revenues	2,547	2,238
Operating Expenses		
Personnel	389	357
Network and processing	98	80
Marketing	190	197
Professional fees	70	61
Depreciation and amortization	80	67
General and administrative	102	110
Total operating expenses	929	872
Operating income	1,618	1,366
Other Income (Expense)		
Interest expense	(10)	4
Investment income, net	10	10
Other	(1)	2
Total other (expense) income	(1)	16
Income before income taxes	1,617	1,382
Income tax provision	590	498
Net income including non-controlling interest	1,027	884
Loss attributable to non-controlling interest	2	—
Net income attributable to Visa Inc.	$1,029	$884

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

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VISA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS—(Continued)
(UNAUDITED)

	Three Months Ended December 31,	
	2011	2010
	(in millions, except per share data)	
Basic earnings per share (Note 7)		
Class A common stock	$1.50	$1.23
Class B common stock	$0.73	$0.63
Class C common stock	$1.50	$1.23
Basic weighted-average shares outstanding (Note 7)		
Class A common stock	520	494
Class B common stock	245	245
Class C common stock	46	94
Diluted earnings per share (Note 7)		
Class A common stock	$1.49	$1.23
Class B common stock	$0.73	$0.63
Class C common stock	$1.49	$1.23
Diluted weighted-average shares outstanding (Note 7)		
Class A common stock	690	719
Class B common stock	245	245
Class C common stock	46	94

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

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VISA INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended December 31,	
	2011	2010
	(in millions)	
Net income including non-controlling interest	$1,027	$884
Other comprehensive income (loss), net of tax:		
Investment securities, available-for-sale		
Net unrealized gain (loss)	1	(2)
Income tax effect	—	1
Defined benefit pension and other postretirement plans	5	2
Income tax effect	(2)	(1)
Derivative instruments classified as cash flow hedges		
Net unrealized loss	(7)	(14)
Income tax effect	1	2
Reclassification adjustment for net loss realized in net income including non-controlling interest	6	12
Income tax effect	—	(4)
Foreign currency translation adjustments	—	5
Other comprehensive income, net of tax	4	1
Comprehensive income including non-controlling interest	$1,031	$885
Comprehensive loss attributable to non-controlling interest	2	—
Comprehensive income attributable to Visa Inc.	$1,033	$885

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

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VISA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

	Common Stock							
	Class A	Class B	Class C	Additional Paid-In Capital	Accumulated Income	Accumulated Other Comprehensive (Loss) Income	Non-Controlling Interests	Total Equity
	(in millions, except per share data)							
Balance as of September 30, 2011	520	245	47	$ 19,907	$ 6,706	$ (176)	$ —	$ 26,437
Net income attributable to Visa Inc.					1,029			1,029
Loss attributable to non-controlling interest							(2)	(2)
Other comprehensive income, net of tax						4		4
Comprehensive income including non-controlling interest								1,031
Issuance of restricted share awards	1							—
Conversion of class C common stock upon sale into public market (Note 6)	3		(3)					—
Share-based compensation				38				38
Excess tax benefit for share-based compensation				18				18
Cash proceeds from exercise of stock options	1			44				44
Restricted stock instruments settled in cash for taxes	—			(39)				(39)
Cash dividends declared and paid, at a quarterly amount of $0.22 per as-converted share (Note 6)					(152)			(152)
Repurchase of class A common stock (Note 6)	(1)			(36)	(39)			(75)
Purchase of non-controlling interest in joint venture				(3)			2	(1)
Balance as of December 31, 2011	524	245	44	$ 19,929	$ 7,544	$ (172)	$ —	$ 27,301

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

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VISA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended December 31,	
	2011	2010
	(in millions)	
Operating Activities		
Net income including non-controlling interest	$1,027	$884
Adjustments to reconcile net income including non-controlling interest to net cash provided by (used in) operating activities:		
Amortization of client incentives	481	405
Share-based compensation	38	48
Excess tax benefit for share-based compensation	(18)	(7)
Depreciation and amortization of intangible assets and property, equipment and technology	80	67
Deferred income taxes	34	82
Other	(37)	(18)
Change in operating assets and liabilities:		
Trading securities	(8)	(9)
Settlement receivable	(97)	(104)
Accounts receivable	(69)	(51)
Client incentives	(343)	(357)
Other assets	122	57
Accounts payable	(82)	(42)
Settlement payable	(23)	24
Accrued compensation and benefits	(128)	(129)
Accrued and other liabilities	379	227
Accrued litigation	(70)	(71)
Net cash provided by operating activities	1,286	1,006
Investing Activities		
Purchases of property, equipment and technology	(66)	(75)
Proceeds from disposal of property, equipment and technology	2	—
Purchases of intangible assets	(35)	—
Investment securities, available-for-sale:		
Purchases	(933)	—
Proceeds from sales and maturities	1,224	—
Purchases of / contributions to other investments	(2)	—
Proceeds / distributions from other investments	4	2
Net cash provided by (used in) investing activities	194	(73)

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

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VISA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
(UNAUDITED)

	Three Months Ended December 31,	
	2011	2010
	(in millions)	
Financing Activities		
Repurchase of class A common stock (Note 6)	(75)	(306)
Dividends paid (Note 6)	(152)	(108)
Deposits into litigation escrow account—retrospective responsibility plan (Note 6)	(1,565)	(800)
Payment from litigation escrow account—retrospective responsibility plan (Note 2)	70	70
Cash proceeds from exercise of stock options	44	26
Excess tax benefit for share-based compensation	18	7
Principal payments on debt	—	(3)
Principal payments on capital lease obligations	(5)	(7)
Net cash used in financing activities	(1,665)	(1,121)
Effect of exchange rate changes on cash and cash equivalents	—	5
Decrease in cash and cash equivalents	(185)	(183)
Cash and cash equivalents at beginning of year	2,127	3,867
Cash and cash equivalents at end of period	$1,942	$3,684
Supplemental Disclosure of Cash Flow Information		
Income taxes paid, net of refunds	$57	$29
Amounts included in accounts payable and accrued and other liabilities related to purchases of intangible assets and property, equipment and technology	$42	$17
Interest payments on debt	$—	$1

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

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VISA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011
(unaudited)

Note 1—Summary of Significant Accounting Policies

Organization. Visa Inc. (“Visa” or the “Company”) is a global payments technology company that connects consumers, businesses, banks and governments around the world, enabling them to use digital currency instead of cash and checks. Visa and its wholly-owned consolidated subsidiaries, including Visa U.S.A. Inc. (“Visa U.S.A.”), Visa International Service Association (“Visa International”), Visa Worldwide Pte. Limited (“VWPL”), Visa Canada Corporation (“Visa Canada”), Inovant LLC (“Inovant”), and CyberSource Corporation (“CyberSource”), operate the world’s largest retail electronic payments network. The Company provides its clients with payment processing platforms that encompass consumer credit, debit, prepaid and commercial payments, and facilitates global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses and government entities. The Company does not issue cards, set fees, or determine the interest rates consumers will be charged on Visa-branded cards, which are the independent responsibility of the Company’s issuing clients.

Consolidation and basis of presentation. The accompanying unaudited consolidated financial statements include the accounts of Visa Inc. and its consolidated entities and are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Company consolidates its majority-owned and controlled entities, including variable interest entities (“VIEs”) for which the Company is the primary beneficiary. The Company’s VIEs have not been material to its consolidated financial statements as of and for the periods presented. Non-controlling interests are reported as a component of equity. All significant intercompany accounts and transactions are eliminated in consolidation.

The accompanying unaudited consolidated financial statements are presented in accordance with the U.S. Securities and Exchange Commission (“SEC”) requirements for Quarterly Reports on Form 10-Q and, consequently, do not include all of the annual disclosures required by U.S. GAAP. Reference should be made to the Visa Inc. Annual Report on Form 10-K for the year ended September 30, 2011, for additional disclosures, including a summary of the Company’s significant accounting policies.

In the opinion of management, the accompanying unaudited consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of our financial position, results of operation and cash flows for the interim period presented.

Purchase of non-controlling interest in joint venture. During the first quarter of fiscal 2012, the Company purchased the remaining 30% non-controlling interest in Visa Processing Services, Ltd. ("VPS"), for $2 million, making the entity a wholly-owned subsidiary. Prior to the purchase, the Company consolidated VPS within its consolidated financial statements, and recorded the non-controlling interest as a component of equity. The Company does not hold additional investments with non-controlling interest recorded as a component of equity.

Recently adopted accounting pronouncements. In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-08, which allows an entity to first assess qualitative factors to determine when it is necessary to perform the two-step quantitative goodwill impairment test. This guidance impacts goodwill impairment testing only and does not impact impairment testing for indefinite-lived intangibles. The Company adopted ASU 2011-08 effective October 1, 2011, which did not have a material impact on the consolidated financial statements.

Recently issued accounting pronouncements. In December 2010, the FASB issued ASU 2010-29, which provides requirements over pro forma revenue and earnings disclosures related to business combinations. The ASU will require disclosure of revenue and earnings of the combined business as if the combination occurred at the start of the prior annual reporting period only. Adoption will be effective October 1, 2012, and is not expected to have a material impact on the consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, which provides common fair value measurement and disclosure requirements in accordance with U.S. GAAP and International Financial Reporting Standards (“IFRS”). The Company adopted ASU 2011-04 effective January 1, 2012. The adoption is not expected to have a material impact on the consolidated financial statements.

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VISA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 2—Retrospective Responsibility Plan

Under the terms of the retrospective responsibility plan, the Company maintains an escrow account from which settlements of, or judgments in, covered litigation are paid. See Note 10—Legal Matters. On December 29, 2011, using operating cash on hand, the Company made a deposit of $1.57 billion into the litigation escrow. See Note 6—Stockholders' Equity.

The following table sets forth the changes in the escrow account during the three months ended December 31, 2011.

	(in millions)
Balance at October 1, 2011	$2,857
Deposit into the litigation escrow account	1,565
American Express settlement payment	(70)
Balance at December 31, 2011	$4,352

The accrual related to covered litigation could be either higher or lower than the escrow account balance. The Company did not record an additional accrual for covered litigation during the three months ended December 31, 2011.

Note 3—Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis.

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VISA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Fair Value Measurements Using Inputs Considered as					
	Level 1		Level 2		Level 3	
	December 31, 2011	September 30, 2011	December 31, 2011	September 30, 2011	December 31, 2011	September 30, 2011
	(in millions)					
Assets						
Cash equivalents and restricted cash						
Money market funds and time deposits	$5,739	$4,225				
U.S. government-sponsored debt securities			$—	$175		
Investment securities						
U.S. government-sponsored debt securities			1,421	1,568		
U.S. Treasury securities	205	350				
Equity securities	65	57				
Auction rate securities					$7	$7
Prepaid and other current assets						
Foreign exchange derivative instruments			24	30		
	$6,009	$4,632	$1,445	$1,773	$7	$7
Liabilities						
Accrued liabilities						
Visa Europe put option					$145	$145
Earn-out related to PlaySpan acquisition					24	24
Foreign exchange derivative instruments			$6	$7		

There were no transfers between Level 1 and Level 2 assets during the three months ended December 31, 2011.
Level 1 assets measured at fair value on a recurring basis. Cash equivalents (money market funds), mutual fund equity securities and U.S. Treasury securities are classified as Level 1 within the fair value hierarchy, as fair value is based on quoted prices in active markets.
Level 2 assets and liabilities measured at fair value on a recurring basis. U.S. government-sponsored debt securities and foreign exchange derivative instruments are classified as Level 2 within the fair value hierarchy. The fair value of the government-sponsored debt securities is based on quoted prices in active markets for similar assets. Foreign exchange derivative instruments are valued using inputs that are observable in the market or can be derived principally from or corroborated with observable market data. There was no substantive change to the valuation techniques and related inputs used to measure fair value during the three months ended December 31, 2011.
Level 3 assets and liabilities measured at fair value on a recurring basis. Auction rate securities are classified as Level 3 due to a lack of trading in active markets and a lack of observable inputs in measuring fair value. There was no change to the valuation techniques and related inputs used to measure fair value during the three months ended

December 31, 2011.

Visa Europe put option agreement. The Company has granted Visa Europe a perpetual put option which, if

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exercised, will require Visa Inc. to purchase all of the outstanding shares of capital stock of Visa Europe from its members. The put option provides a formula for determining the purchase price of the Visa Europe shares, which, subject to certain adjustments, applies Visa Inc.'s forward price-to-earnings multiple, or the P/E ratio (as defined in the option agreement), at the time the option is exercised, to Visa Europe's projected adjusted sustainable income for the forward 12-month period, or the adjusted sustainable income (as defined in the option agreement). The calculation of Visa Europe's adjusted sustainable income under the terms of the put option agreement includes potentially material adjustments for cost synergies and other negotiated items. Upon exercise, the key inputs to this formula, including Visa Europe's adjusted sustainable income, will be the result of negotiation between the Company and Visa Europe. The put option provides an arbitration mechanism in the event that the two parties are unable to agree on the ultimate purchase price.

The fair value of the put option represents the value of Visa Europe's option, which under certain conditions could obligate the Company to purchase its member equity interest for an amount above fair value. While the put option is in fact non-transferable, its fair value represents the Company's estimate of the amount the Company would be required to pay a third-party market participant to transfer the potential obligation in an orderly transaction at the measurement date. At December 31, 2011 and September 30, 2011, the Company determined the fair value of the put option to be $145 million. In determining the fair value of the put option on these dates, the Company assumed a 40% probability of exercise by Visa Europe at some point in the future and an estimated long-term differential of 1.9x between the P/E ratio and the P/E ratio applicable to Visa Europe on a standalone basis at the time of exercise, which the Company refers to as the "P/E differential." While $145 million represents the fair value of the put option at December 31, 2011, it does not represent the actual purchase price that the Company may be required to pay if the option is exercised, which could be several billion dollars or more.

The put option is exercisable at any time at the sole discretion of Visa Europe. As such, the put option liability is included in accrued liabilities on our consolidated balance sheet at December 31, 2011. Classification in current liabilities is not an indication of management's expectation of exercise and simply reflects the fact that the obligation resulting from the exercise of the instrument could become payable within 12 months. The liability is classified within Level 3, as the assumed probability that Visa Europe will elect to exercise its option, the estimated P/E differential, and other inputs used to value the put option are unobservable.

Earn-out related to PlaySpan acquisition. In connection with the acquisition of PlaySpan, the Company recorded a liability of $24 million in the second quarter of fiscal 2011 to reflect the fair value of a potential earn-out provision included in the purchase agreement. The liability is classified as Level 3 due to a lack of observable inputs, such as the likelihood of meeting certain future revenue targets and other milestones. There was no significant change to the fair value of the potential earn-out provision in the first quarter of fiscal 2012. Changes in fair value will be included in general and administrative expense on the consolidated statements of operations.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis.

Non-marketable equity investments and investments accounted for under the equity method. These investments are classified as Level 3 due to the absence of quoted market prices, the inherent lack of liquidity, and the fact that inputs used to measure fair value are unobservable and require management judgment. The Company applies fair value measurement to these investments when certain events or circumstances indicate that these investments may be impaired. The Company revalues the investments using various assumptions, including financial metrics and ratios of comparable public companies. There were no events or circumstances that indicated these investments became impaired during the three months ended December 31, 2011 or 2010. At December 31, 2011, and September 30, 2011, these investments totaled $98 million and $100 million, respectively, and were classified as other assets on the consolidated balance sheets.

Non-financial assets and liabilities. Long-lived assets such as goodwill, indefinite-lived intangible assets, finite-lived intangible assets, and property, equipment and technology are considered non-financial assets. The Company does not have any significant non-financial liabilities. The Company measures fair value of goodwill and indefinite-lived intangible assets on a non-recurring basis for purpose of initial recognition, and testing for and recording impairment, if any. Finite-lived intangible assets primarily consist of customer relationships, reseller relationships and tradenames obtained through acquisitions.

The Company primarily uses an income approach for estimating the fair values of goodwill and indefinite-lived intangible assets. As the assumptions employed to measure these assets on a non-recurring basis are based on management's judgment using internal and external data, these fair value determinations are classified in Level 3 of the fair value hierarchy. No recent events or changes in circumstances indicate that impairment existed at December 31, 2011.

Note 4—Pension and Other Postretirement Benefits

The Company sponsors various qualified and non-qualified defined benefit pension and other postretirement benefit plans that provide for retirement and medical benefits for substantially all employees residing in the United States. The components of net periodic benefit cost are as follows:

	Pension Benefits		Other Postretirement Benefits	
	Three Months Ended December 31,			
	2011	2010	2011	2010
	(in millions)			
Service cost	$10	$9	$—	$—
Interest cost	10	10	—	—
Expected return on assets	(14)	(14)	—	—
Amortization of:				
Prior service credit	(2)	(2)	(1)	(1)
Actuarial loss	8	5	—	—
Total net periodic benefit cost	$12	$8	$(1)	$(1)

Note 5—Settlement Guarantee Management

The indemnification for settlement losses that Visa provides to its customers creates settlement risk for the Company due to the difference in timing between the date of a payment transaction and the date of subsequent settlement. The Company's settlement exposure is limited to the amount of unsettled Visa payment transactions at any point in time. The Company requires certain customers that do not meet its credit standards to post collateral equivalent to their estimated unsettled transactions. The Company's estimated maximum settlement exposure was $48.4 billion at December 31, 2011, compared to $47.5 billion at September 30, 2011. Of these settlement exposure amounts, $3.3 billion at December 31, 2011, and $3.2 billion at September 30, 2011, were covered by collateral.

The Company maintained collateral as follows:

	December 31, 2011	September 30, 2011
	(in millions)	
Cash equivalents	$908	$931
Pledged securities at market value	288	296
Letters of credit	932	902
Guarantees	1,851	1,845
Total	$3,979	$3,974

The total available collateral balances presented in the table above are greater than the settlement exposure covered by customer collateral due to instances in which the available collateral exceeds the total settlement exposure for certain financial institutions at each date presented.

The fair value of the settlement risk guarantee is estimated based on a proprietary probability-weighted model and was approximately $1 million at December 31, 2011, and September 30, 2011. These amounts are reflected in accrued liabilities on the consolidated balance sheets.

Note 6—Stockholders' Equity

The number of shares of each class and the number of shares of class A common stock on an as-converted basis at December 31, 2011, are as follows:

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VISA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(in millions, except conversion rate)	Shares Outstanding	Conversion Rate Into Class A Common Stock	As-converted Class A Common Stock[1]
Class A common stock	524	—	524
Class B common stock	245	0.4254	104
Class C common stock	44	1.0000	44
Total			672

(1) Figures may not sum due to rounding. As-converted class A common stock count calculated based on whole numbers.

Reduction in as-converted shares. Total as-converted class A common stock was reduced by 16.2 million shares during the three months ended December 31, 2011, which was funded from $1.6 billion of the Company's operating cash on hand. Of the $1.6 billion, $75 million was used to repurchase class A common stock in the open market. In addition, the Company deposited $1.57 billion from its operating cash into the litigation escrow account previously established under the retrospective responsibility plan. This deposit has the same economic effect on earnings per share as repurchasing the Company's class A common stock as it reduces the as-converted class B common stock share count.

The following table presents share repurchases in the open market for the three months ended:

(in millions, except per share data)	December 31, 2011
Shares repurchased in the open market [1]	0.8
Weighted-average repurchase price per share	$89.81
Total cost	$75

(1) All shares repurchased in the open market have been retired and constitute authorized but unissued shares.

Under the terms of the retrospective responsibility plan, when the Company makes a deposit into the escrow account, the shares of class B common stock are subject to dilution through an adjustment to the conversion rate of the shares of class B common stock to shares of class A common stock.

The following table presents as-converted class B common stock after the deposit of $1.57 billion into the litigation escrow account:

(in millions, except per share data)	December 29, 2011
Deposit under the retrospective responsibility plan	$1,565
Effective price per share [1]	