UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended September 30, 2008

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the transition period from __________ to __________

Commission File Number 0-16439

Fair Isaac Corporation
(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**94-1499887** *(I.R.S. Employer Identification No.)*
901 Marquette Avenue, Suite 3200 **Minneapolis, Minnesota** *(Address of principal executive offices)*	**55402-3232** *(Zip Code)*

Registrant's telephone number, including area code:
612-758-5200

Securities registered pursuant to Section 12(b) of the Act:

(Title of Class)	(Name of each exchange on which registered)
Common Stock, $0.01 par value per share	New York Stock Exchange, Inc.
Preferred Stock Purchase Rights	New York Stock Exchange, Inc.

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 o No

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

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 o

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. o

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

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

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

As of March 31, 2008, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $683,170,477 based on the last transaction price as reported on the New York Stock Exchange on such date. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purposes.

The number of shares of common stock outstanding on October 31, 2008 was 48,477,989 (excluding 40,378,794 shares held by the Company as treasury stock).

Items 10, 11, 12, 13 and 14 of Part III incorporate information by reference from the definitive proxy statement for the Annual Meeting of Stockholders to be held on February 3, 2009.

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FORWARD LOOKING STATEMENTS

Statements contained in this Report that are not statements of historical fact should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). In addition, certain statements in our future filings with the Securities and Exchange Commission ("SEC"), in press releases, and in oral and written statements made by us or with our approval that are not statements of historical fact constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenue, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other statements concerning future financial performance; (ii) statements of our plans and objectives by our management or Board of Directors, including those relating to products or services; (iii) statements of assumptions underlying such statements; (iv) statements regarding business relationships with vendors, customers or collaborators; and (v) statements regarding products, their characteristics, performance, sales potential or effect in the hands of customers. Words such as "believes," "anticipates," "expects," "intends," "targeted," "should," "potential," "goals," "strategy," and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those described in Item 1A of Part I, Risk Factors, below. The performance of our business and our securities may be adversely affected by these factors and by other factors common to other businesses and investments, or to the general economy. Forward-looking statements are qualified by some or all of these risk factors. Therefore, you should consider these risk factors with caution and form your own critical and independent conclusions about the likely effect of these risk factors on our future performance. Such forward-looking statements speak only as of the date on which statements are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made to reflect the occurrence of unanticipated events or circumstances. Readers should carefully review the disclosures and the risk factors described in this and other documents we file from time to time with the SEC, including our reports on Forms 10-Q and 8-K to be filed by the Company in fiscal 2009.

PART I

Item 1. ***Business***

GENERAL

Fair Isaac Corporation (NYSE: FIC) (together with its consolidated subsidiaries, the "Company", which may also be referred to in this report as "we," "us," "our," and "Fair Isaac") provides products and services that enable businesses to automate, improve and connect decisions to enhance business performance. Our predictive analytics and decision management systems power hundreds of billions of customer decisions each year.

We were founded in 1956 on the premise that data, used intelligently, can improve business decisions. Today, we help thousands of companies in 80 countries use our Decision Management technology to target and acquire customers more efficiently, increase customer value, reduce fraud and credit losses, lower operating expenses, and enter new markets more profitably. Most leading banks and credit card issuers rely on our solutions, as do insurers, retailers, telecommunications providers, healthcare organizations, pharmaceutical companies and government agencies. We also serve consumers through online services that enable people to purchase and understand their FICO® scores, the standard measure in the United States of credit risk, empowering them to manage their financial health.

More information about us can be found on our principal website, www.fairisaac.com. We make our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, as well as amendments to those reports, available free of charge through our website as soon as reasonably practicable after we electronically file them with the SEC. Information on our website is not part of this report.

PRODUCTS AND SERVICES

We help businesses automate, improve and connect decisions across the enterprise, an approach we commonly refer to as Decision Management, and which we have referred to in past reports as Enterprise Decision Management or EDM. Most of our solutions address customer decisions, including customer targeting and acquisition, account origination, customer management, fraud, collections and recovery. We also help businesses improve noncustomer decisions such as transaction and claims processing, and network integrity review. Our solutions enable users to make decisions that are more precise, consistent and agile, and that systematically advance business goals. This helps our clients to reduce the cost of doing business, increase revenues and profitability, reduce losses from risks and fraud, and increase customer loyalty.

Our Segments

We deliver Decision Management through products and services that we categorize into the following four operating segments:

- *Strategy Machine® Solutions.* These are preconfigured Decision Management applications designed for a specific type of business problem or process, such as marketing, account origination, customer management, fraud and insurance claims management. This segment also includes our myFICO® solutions for consumers.
- *Scoring Solutions.* Our scoring solutions give our clients access to analytics that can be easily integrated into their transaction streams and decision-making processes. Our scoring solutions are distributed through major credit reporting agencies, and we also offer services that provide our scores to clients directly.
- *Professional Services.* Through our professional services, we tailor our Decision Management products to our clients' environments, and we design more effective decisioning environments for our clients. This segment includes revenues from custom engagements, business solution and technical consulting services, systems integration services, and data management services.
- *Analytic Software Tools.* This segment is composed of software tools that clients can use to create their own custom Decision Management applications.

Comparative segment revenues, operating income and related financial information for fiscal 2008, 2007 and 2006 are set forth in Note 18 to the accompanying consolidated financial statements.

Key Products and Services by Operating Segment

The table below, and the discussion that follows, reflect two important changes to our product portfolio that occurred in fiscal 2008.

- First, as part of our growth strategy, we have rationalized our product set, selling some products and putting others into a maintenance program, whereby we continue to service existing clients but do not actively sell the products. This change affected products in our telecommunications and insurance sectors, and results in a smaller set of products being discussed.
- Second, as part of a new corporate branding strategy, we are changing the names of many of our products. The new names are reflected below.

Operating Segment	Key Products and Services
Strategy Machine Solutions	
Marketing	Fair Isaac® Precision Marketing Manager
Originations	LiquidCredit® decision engine Capstone® Decision Manager Capstone® Decision Accelerator
Customer Management	TRIAD® adaptive control system Fair Isaac® Transaction Scores
Fraud	Falcon® Fraud Manager Fraud Predictor with Merchant Profiles Falcon® ID solution Fair Isaac® Card Alert Services
Collections & Recovery	Fair Isaac® Debt Manager™ solution Recovery Management System™ solution (RMS) ScoreNet® network PlacementsPlus® service
Insurance and Healthcare	Payment Optimizer® solution VeriComp Fraud Manager MIRA™ Claims Advisor
Analytics	Predictive Analytics Custom Decision Optimization Portfolio Analytics
Consumer	myFICO® service Score Watch™ subscription
Scoring Solutions	FICO® scores FICO® Expansion® scores Fair Isaac® Revenue Scores Fair Isaac® Bankruptcy Scores Fair Isaac® Insurance Risk Scores Property PredictR™ scores FICO® PreScore® Service
Professional Services	Business and solution consulting Marketing services Analytic services
Analytic Software Tools	Fair Isaac® Blaze Advisor™ business rules management system Model Builder for Predictive Analytics Model Builder for Decision Trees Decision Optimizer Xpress-MP

Our Solutions

Our solutions involve three fundamental disciplines:

- Analytics to identify the risks and opportunities associated with individual clients, prospects and transactions, in order to detect patterns such as fraud, and to improve the design of decision logic or "strategies";
- Data management, profiling and text recognition that bring extensive customer information to every decision; and
- Software such as rules management systems that implement business rules, models and decision strategies, often in a real-time environment.

All of our solutions are designed to help businesses make decisions that are faster, more precise, more consistent and more agile, while reducing costs and risks incurred in making decisions.

Strategy Machine Solutions

We develop industry-tailored Decision Management applications, which we categorize as Strategy Machine Solutions, that apply analytics, data management and decision management software to specific business challenges and processes. These include credit offer prescreening, insurance claims management, telecommunications fraud prevention and others. Our Strategy Machine Solutions primarily serve clients in the financial services, insurance, healthcare, and retail sectors. Within our Strategy Machine Solutions segment our customer management solutions accounted for 9%, 8% and 9% of total revenues in each of fiscal 2008, 2007 and 2006, respectively, and our fraud solutions accounted for 15% of total revenues in each of these periods.

Marketing Strategy Machine Solutions

The chief Strategy Machine offering for marketing is our Fair Isaac® Precision Marketing Manager (formerly known as Fair Isaac MarketSmart Decision System® solution). The Precision Marketing Manager solution is a suite of products, capabilities and services designed to integrate all of the technology and analytic services needed to perform context-sensitive customer acquisition, cross-selling and retention programs. The Precision Marketing Manager solution enables companies that offer multiple products and use multiple channels (companies such as large financial institutions, consumer branded goods companies, pharmaceutical companies, retail merchants and hospitality companies) to execute more efficient and profitable customer interactions. Services offered under the Precision Marketing Manager brand name include customer data integration services; services that use transaction analytics to identify customer patterns and help clients target their marketing activities; services that enable real-time marketing through direct consumer interaction channels; campaign management and optimization services; interactive tools that automate the design, execution and collection of customer response data across multiple channels; and customer data collection, management and profiling services.

A number of our marketing services are designed for specific industries, such as retail and pharmaceuticals. For example, our services for retailers include using analytics to help retailers identify and market to their store shoppers; analyzing transaction data to provide insights into store customer activity and compare it with sales pattern activity across the marketplace; and analyzing a retailer's purchase transaction data to help them understand buying patterns, sequences and contexts.

Originations Strategy Machine Solutions

We provide solutions that enable banks, credit unions, finance companies, installment lenders and other companies to automate and improve the processing of requests for credit or service. These solutions increase the speed and efficiency with which requests are handled, reduce losses and increase approval rates through analytics that assess applicant risk, and reduce the need for manual review by loan officers.

Our solutions include the web-based LiquidCredit® decision engine, which is primarily focused on the credit decision and is offered largely to mid-tier financial services institutions and e-commerce providers; and Capstone® Decision Manager, a complete end-user software solution for application decisioning and processing. We also offer Capstone Decision Accelerator, which is a rules-based application based on our Fair Isaac® Blaze Advisor® business rules management system. We also offer custom and consortium-based credit risk and application fraud models.

Customer Management Strategy Machine Solutions

Our customer management products and services enable businesses to automate and improve decisions on their existing customers. These solutions help businesses decide which customers to cross-sell, what additional products and services to offer, whether customer risk levels have increased or decreased, when and how much to change a customer's credit line, what pricing adjustments to make in response to account performance or promotional goals, and how to treat delinquent and high-risk accounts.

We provide customer management solutions for:

- *Financial Services.* In financial services, our leading account and customer management product is the TRIAD® adaptive control system. Our adaptive control systems are so named because they enable businesses to rapidly adapt to changing business and internal conditions by designing and testing new strategies in a "champion/challenger" environment. The TRIAD system is the world's leading credit account management system, and our adaptive control systems are used by more than 250 issuers worldwide to manage approximately 65% of the world's credit card accounts. Our latest version of the TRIAD system enables users to manage risk and communications at both the account and customer level from a single platform. We also offer transaction-based neural network models (the term neural network is defined under "Technology" later in this section) called Fair Isaac® Transaction Scores (formerly known as TRIAD Transaction Scores), which help card issuers identify high-risk behavior more quickly and thus manage their credit card accounts more profitably. We market and sell TRIAD end-user software licenses, maintenance, consulting services, and strategy design and evaluation. Additionally, we provide TRIAD services and similar credit account management services through 12 third-party credit card processors worldwide, including the two largest processors in the U.S., First Data Resources, Inc. and Total System Services, Inc. We also provide the TRIAD system as a hosted service in Application Service Provider ("ASP") mode.

- *Insurance.* We provide property and casualty insurers with Decision Management solutions that enable them to create, test and implement decision strategies for areas such as cross-selling, pricing, claims handling, retention, prospecting and underwriting.

Fraud Strategy Machine Solutions

Our fraud products improve our clients' profitability by predicting the likelihood that a customer account is experiencing fraud. Our fraud products analyze customer transactions in real time and generate recommendations for immediate action, which is critical to stopping fraud and abuse. These applications can also detect some organized fraud schemes that are too complex and well-hidden to be identified by other methods.

Our solutions are designed to detect and prevent a wide variety of fraud and risk types across multiple industries, including credit and debit payment card fraud; identity fraud; telecommunications subscription fraud, technical fraud and bad debt; healthcare fraud; Medicaid and Medicare fraud; and property and casualty insurance fraud, including workers' compensation fraud. Fair Isaac fraud solutions protect merchants, financial institutions, insurance companies, telecommunications carriers, government agencies and employers from losses and damaged customer relationships caused by fraud.

Our leading fraud detection solution is Falcon® Fraud Manager, recognized as the leader in global payment card fraud detection. Falcon Fraud Manager's neural network predictive models and patented profiling technology, both further described below in the "Technology" section, examine transaction, cardholder and merchant data to detect a wide range of credit and debit card fraud quickly and accurately. Falcon Fraud Manager analyzes card transactions in real time, assesses the risk of fraud, and takes the user-defined steps to prevent fraud while expediting legitimate transactions. Falcon Fraud Manager protects hundreds of millions of credit and debit card accounts and is used in approximately 65% of all credit card transactions worldwide.

Fraud Predictor with Merchant Profiles is used in conjunction with Falcon Fraud Manager to improve fraud detection rates by analyzing merchant profile data. The merchant profiles include characteristics that reveal, for example, merchants that have a history of higher fraud volumes, and which purchase types and ticket sizes have most often been fraudulent at a particular merchant.

Falcon® ID solution enables lenders and telecommunications service providers to control identity fraud across the customer lifecycle. Falcon® ID solution relies on multiple sources of data and complex statistical modeling techniques to identify activity that is at high risk of stemming from identity theft. It also provides business rules management that companies can use to identify and resolve cases that appear to involve identity theft.

In addition to the Falcon products, we offer Fair Isaac® Card Alert Service (formerly known as CardAlert Fraud Manager). Fair Isaac Card Alert Service is a solution for fighting debit and ATM fraud in the U.S. The Card Alert Service identifies and reports counterfeit payment cards to issuers before the majority of them incur fraud losses. The service analyzes daily transactions across multiple financial institutions, and uses this data to pinpoint multi-card fraud and identify common points of compromise.

Collections & Recovery Strategy Machine Solutions

Our leading solutions in this area are the Fair Isaac® Debt Manager™ solution and the Recovery Management System™ ("RMS™") solution. The Debt Manager solution automates the full cycle of collections and recovery, including early collections, late collections, asset disposal, agency placement, recovery, litigation, bankruptcy, asset management and residual balance recovery. The RMS solution is focused on the later phases of distressed debt management, including bankruptcy and agency management. Companies using the Debt Manager solution and the RMS solution can access partner services such as collection agencies and attorneys via the ScoreNet® network, which provides web-based access to and from thousands of third-party collections and recovery service providers, as well as access to multiple data sources and Fair Isaac solutions hosted in ASP mode. We also provide the PlacementsPlus® service, an account placement optimization and management system.

Insurance and Healthcare Strategy Machine Solutions

We provide fraud and claims management solutions for different segments of the healthcare market. Our principal solutions in this area are:

- Payment Optimizer® fraud detection system, which provides both prepayment claims scoring and retrospective analysis to help payers reduce fraud losses and ensure payment integrity.
- VeriComp Fraud Manager software, which uses neural networks and data analysis to identify potentially fraudulent workers' compensation claims that need investigation or special handling.
- MIRA™ Claims Advisor for Reserving, which uses predictive models to forecast appropriate claims reserves based on individual claim data.

Analytic Strategy Machine Solutions.

We perform custom predictive modeling and related analytic projects for clients in multiple industries. This work leverages our analytic methodologies and expertise to solve risk management and marketing challenges for a single business, using that business's data and industry best practices to develop a highly customized solution. Most of this work falls under our heading of predictive analytics, which provide greater insight into customer preferences and future customer behavior. We also perform broader strategy optimization, which apply data and proprietary algorithms to the design of customer treatment strategies.

Consumer Strategy Machine Solutions

Through our myFICO® service, we provide solutions based on our analytics to consumers, sold directly by us or through distribution partners. Consumers can use the myfico.com website to purchase their FICO® scores, the credit reports underlying the scores, explanations of the factors affecting their scores, and customized advice on how to manage their scores. Customers can also use the myFICO® service to simulate how taking specific actions would affect their FICO® score. The myfico.com website is the only source for consumers to obtain their FICO® scores and credit reports from all three of the major U.S. credit reporting agencies. Consumers can also purchase Equifax's Score Watch® subscriptions, which deliver alerts via email and SMS or text messages when the user's scores or balances change. The myFICO® products and subscription offerings are available online at www.myfico.com in partnership with the three major U.S. credit reporting agencies: Equifax Inc. ("Equifax"), TransUnion Corporation ("TransUnion") and Experian Information Solutions, Inc. ("Experian"). The myFICO® products and subscription offerings are also available to consumers through lenders, financial portals and numerous other partners.

Scoring Solutions

We develop the world's leading credit scores based on third-party data. Our FICO® credit scores are used in most U.S. credit decisions, by most of the major financial service and credit card organizations as well as by mortgage and auto loan originators. These scores provide a consistent and objective measure of an individual's credit risk. Credit grantors use the FICO® scores to prescreen solicitation candidates, to evaluate applicants for new credit and to review existing accounts. The FICO® scores are calculated based on proprietary scoring models. The scores produced by these models are available through each of the three major credit reporting agencies in the United States: TransUnion, Experian and Equifax. Users generally pay the credit reporting agencies scoring fees based on usage, and the credit reporting agencies share these fees with us.

In fiscal 2008, we completed revisions to a substantially upgraded version of the FICO® score for U.S. lenders. This release includes enhancements that increase its predictive power, as well as enhancements that consider authorized user accounts (accounts where another consumer is added as a user of the primary cardholder's account) while limiting the possibility that such accounts are used to artificially inflate scores. This version is expected to be installed at the three major credit reporting agencies beginning in fiscal 2009.

Our scoring portfolio also includes the FICO® Expansion® score, which provides scores on U.S. consumers who do not have traditional FICO® scores, generally because they have too few credit accounts being reported to the credit reporting agencies. The score analyzes multiple sources of non-traditional credit data accessed by our subsidiary, Fair Isaac Network, Inc., and the score and associated reports are provided to lenders through a subsidiary called Fair Isaac Credit Services, Inc.

In fiscal 2008, we also added a new product called the Fair Isaac® Credit Capacity Index™, which forecasts the ability of a consumer to handle additional credit.

Outside of North America, we offer the FICO® score through 10 credit reporting agencies in markets worldwide, and have installed client-specific versions of the FICO® score in a further 10 countries. Like FICO® scores in North America, these scores help lenders in multiple countries leverage the FICO® score's predictive analysis to assess the risk of prospects, applicants and borrowers, and are particularly valuable in markets where there is not a dominant credit bureau risk score available. FICO® scores are in use or being implemented in 20 different countries across four continents. In fiscal 2008 we extended the score to India and Russia.

In addition to the scoring noted above, we also offer marketing and bankruptcy scores known as Fair Isaac Revenue Scores and Fair Isaac Bankruptcy Scores through the U.S. credit reporting agencies; an application fraud, revenue and bankruptcy score available in Canada; commercial credit scores delivered by both U.S. and U.K. credit reporting agencies; and a bankruptcy scoring service offered through ISC, a subsidiary of Visa USA.

We have also developed scoring systems for insurance underwriters and marketers. Such systems use the same underlying statistical technology as our FICO® risk scores, but are designed to predict applicant or policyholder insurance loss risk for automobile or homeowners' coverage. Our insurance scores are available in the U.S. from TransUnion, Experian, Equifax and ChoicePoint, Inc., and in Canada from Equifax. We also offer an insurance score called the Property PredictR™ score, which analyzes property inspection database data from an insurance services provider, Millennium Information Services, Inc., to calculate the loss risk of a property.

We provide credit bureau scoring services and related consulting directly to users in financial services through the FICO® PreScore® Service for prescreening solicitation candidates.

Professional Services

We provide a variety of custom offerings, business solution and technology consulting services, and data management services to clients worldwide. The focus is on leveraging our industry experience and technical expertise, typically on a custom basis, to help clients address unique business challenges, to support the usage of our Strategy Machine solutions and our analytic software tools, and to create new sales opportunities for our other offerings. This group also performs consultative selling, developing customized solution sets combining various products and capabilities to meet unique client or industry opportunities. These services are generally offered on an hourly or fixed fee basis.

Our services include:

- *Business and solution consulting.* We help clients implement and use our solutions and technologies. These projects draw on our product knowledge, industry expertise and technical skills. Services that fall into this category include consulting to improve the effectiveness of our clients' collections and recovery operations, fraud operations and use of business rules management.

- *Marketing services.* We help clients gain insight into their customers by enabling the access, analysis and application of corporate data and information. This work involves implementing enterprise-level data and decision management systems, including data warehouses and marts, campaign management tools, database marketing engines, rules-based decision engines and analytical applications.
- *Analytic services.* We help clients implement, deploy and use custom analytics, with engagements ranging from model development to full analytic partnerships. Our analytic services also include delivery, proof of concept and other engagements for clients in multiple industries.

Analytic Software Tools

We provide end-user software products that businesses use to build their own tailored Decision Management applications. In contrast to our packaged Strategy Machine solutions developed for specific industry applications, our analytic software tools support the addition of Decision Management capabilities to virtually any application or operational system. These tools are sold as licensed software, and can be used by themselves or together to advance a client's Decision Management initiatives. We use these tools as common software components for our own Decision Management applications, described above in the Strategy Machine Solutions section. They are also key components of our Decision Management architecture, described in the Technology section. We also partner with third-party providers within given industry markets and with major software companies to embed our tools within existing applications.

The principal products offered are software tools for:

- *Rules Management.* The Fair Isaac® Blaze Advisor® business rules management system is used to design, develop, execute and maintain rules-based business applications. The Blaze Advisor system enables businesses to more quickly develop complex decision making applications, respond to changing customer needs, implement regulatory compliance and reduce the total cost of day-to-day operations. The Blaze Advisor system is sold as an end-user tool and is also the rules engine within several of our Decision Management applications. The Blaze Advisor system, available in six languages, is a multi-platform solution that supports Web Services and service-oriented architectures (SOA), Java 2 Enterprise Edition (J2EE) platforms, Microsoft .NET and COBOL for z/OS mainframes, and is the first rules engine to support Java, .NET and COBOL deployment of the same rules. It also incorporates the exclusive Rete III rules execution technology, which improves the efficiency and speed with which the Blaze Advisor system is able to process and execute complex, high-volume business rules.
- *Model Development.* Model Builder for Predictive Analytics enables the user to develop and deploy sophisticated predictive models for use in automated decisions. This software is based on the methodology and tools Fair Isaac uses to build both client-level and industry-level predictive models, and which we have evolved over nearly 40 years. The predictive models produced can be embedded in custom production applications or one of our Decision Management applications and can also be executed in the Fair Isaac Blaze Advisor system.
- *Data-Driven Strategy Design.* Model Builder for Decision Trees enables the user to create empirical strategies, augmenting the user's expert judgment by applying data-driven analytics to discover patterns empirically. In designing the steps and criteria of a decision strategy, the user can segment the customer base for targeted action based on the results of different performance measures, and can simulate the performance of the designed strategy.
- *Optimization.* In January 2008, Fair Isaac acquired Dash Optimization Ltd., and its suite of optimization products known as Xpress-MP. These products include Xpress-Mosel, a powerful compiled modeling and programming language specifically designed for the rapid modeling and deployment of optimization problems; Xpress-Optimizer, sophisticated, robust optimization algorithms for solving large optimization problems; and Xpress-IVE, a complete visual development environment for Xpress-Mosel under Windows, incorporating a Mosel program editor, compiler and execution environment. The Xpress-MP tools are licensed to end users, consultants and independent software vendors in several industries, and Xpress-Optimizer is embedded in Fair Isaac's Decision Optimizer software. Decision Optimizer is a software tool that enables complex, large-scale optimizations involving dozens of networked action-effect models, and enables exploration and simulation of many optimized scenarios along an "efficient frontier" of options. The data-driven strategies produced by these tools can be executed by the Fair Isaac Blaze Advisor system or one of our Decision Management applications.

COMPETITION

The market for our advanced solutions is intensely competitive and is constantly changing. Our competitors vary in size and in the scope of the products and services they offer. We encounter competition from a number of sources, including:

- in-house analytic and systems developers;
- scoring model builders;
- enterprise resource planning ("ERP") and customer relationship management ("CRM") packaged solutions providers;
- business intelligence solutions providers;
- business process management and business rules management providers;
- providers of credit reports and credit scores;
- providers of automated application processing services;
- data vendors;
- neural network developers and artificial intelligence system builders;
- third-party professional services and consulting organizations;
- providers of account/workflow management software;
- software companies supplying modeling, rules, or analytic development tools.

We believe that none of our competitors offers the same mix of products as we do, has the same expertise in predictive analytics and their integration with decision management software, and can offer the enhanced lifecycle management capabilities we offer in areas like financial services. However, certain competitors may have larger shares of particular geographic or product markets.

Strategy Machine Solutions

The competition for our Strategy Machine Solutions varies by both application and industry.

In the marketing services market, we compete with Allant, Acxiom, Epsilon, Equifax, Experian, Harte-Hanks, InfoUSA, KnowledgeBase, Merkle and TargetBase, among others. We also compete with traditional advertising agencies and companies' own internal information technology and analytics departments.

In the origination market, we compete with Experian, CGI/AMS, Equifax, and Provenir, among others.

In the customer management market, we compete with CGI/AMS and Experian, among others.

In the fraud solutions market, we mainly compete with Fortent, ID Analytics, Experian, SAS, Retail Decisions plc, Actimize, Norkom and ACI Worldwide, a division of Transaction Systems Architects, in the financial services market; ECtel, Hewlett-Packard, Subex Azure and Neural Technologies in the telecommunications market; IBM and ViPS in the healthcare segment; and SAS, Infoglide Software Corporation, NetMap Analytics and Magnify in the property and casualty and workers' compensation insurance market.

In the collections and recovery solutions market, we mainly compete with CGI/AMS, Columbia Ultimate, Ontario Systems, Austin Logistics, Experian, Attentiv Systems and various boutique firms for software and ASP servicing and in-house scoring and computer science departments, along with the three major U.S. credit reporting agencies and Experian-Scorex for scoring and optimization projects.

In the insurance and healthcare solutions market, we mainly compete with Ingenix, ViPS, MedStat, Detica, SAS, ISO, and IBM.

For our direct-to-consumer services that deliver credit scores, credit reports and consumer credit education services, we compete with our credit reporting agency partners and their affiliated companies, as well as with Trilegiant, InterSections and others.

Scoring Solutions

In this segment, we compete with both outside suppliers and in-house analytics and computer systems departments for scoring business. Major competitors among outside suppliers of scoring models include the three major credit reporting agencies in the U.S. and Canada, which are also our partners in offering our scoring solutions; Experian and Experian-Scorex (U.S. partner), TransUnion and TransUnion International, Equifax, VantageScore (a joint venture entity established by the major U.S. credit reporting agencies), CRIF and other credit reporting agencies outside the United States; and other data providers like LexisNexis and ChoicePoint, some of which also represent Fair Isaac partners.

Professional Services

We compete with a variety of organizations that offer consulting services, primarily specialty technology and consulting firms. In addition, a client may use its own resources rather than engage an outside firm for these services. Our competitors include information technology product and services vendors, management and strategy consulting firms, smaller specialized information technology consulting firms and analytical services firms.

Analytic Software Tools

Our primary competitors in this segment include SAS, SPSS, Angoss, ILOG (being acquired by IBM), Computer Associates International and Pegasystems.

Competitive Factors

We believe the principal competitive factors affecting our markets include: technical performance; access to unique proprietary databases; availability in ASP format; product attributes like adaptability, scalability, interoperability, functionality and ease-of-use; product price; customer service and support; the effectiveness of sales and marketing efforts; existing market penetration; and our reputation. Although we believe our products and services compete favorably with respect to these factors, we may not be able to maintain our competitive position against current and future competitors.

MARKETS AND CUSTOMERS

Our products and services serve clients in multiple industries, including financial services, insurance, retail, telecommunications, healthcare, pharmaceuticals and governmental agencies. During fiscal 2008, end users of our products included 90 of the 100 largest financial institutions in the United States, and more than half of the largest 100 banks in the world. Our clients also include more than 400 insurers, including the top ten U.S. property and casualty insurers; more than 200 retailers and general merchandisers, including about one-third of the top 100 U.S. retailers; more than 100 government or public agencies; and more than 150 healthcare and pharmaceuticals companies, including eight of the world’s top ten pharmaceuticals companies. Nine of the top ten companies on the 2008 *Fortune* 500 list use Fair Isaac’s solutions.

In addition, our consumer services are marketed to an estimated 200 million U.S. consumers whose credit relationships are reported to the three major credit reporting agencies.

In the United States, we market our products and services primarily through our own direct sales organization that is organized around Integrated Client Networks, or “ICNs”, which are sales teams that focus on customer segments typically aligned by vertical market and geography. Sales groups are based in our headquarters and in field offices strategically located both in and outside the United States. We also market our products through indirect channels, including alliance partners and other resellers.

During fiscal 2008, 2007 and 2006, revenues generated from our agreements with Equifax, TransUnion and Experian collectively accounted for 19%, 20% and 19% of our total revenues, respectively.

Outside the United States, we market our products and services primarily through our subsidiary sales organizations. Our subsidiaries license and support our products in their local countries as well as within other foreign countries where we do not operate through a direct sales subsidiary. We also market our products through resellers and independent distributors in international territories not covered by our subsidiaries' direct sales organizations.

Our largest market segments outside the United States are the United Kingdom and Canada. In addition, we have delivered products to users in over 80 countries.

Revenues from international customers, including end users and resellers, amounted to 33%, 31% and 29% of our total revenues in fiscal 2008, 2007 and 2006, respectively. See Note 18 to the accompanying consolidated financial statements for a summary of our operating segments and geographic information.

TECHNOLOGY

We specialize in analytics, software and data management technologies that analyze data and drive business processes and decision strategies. We maintain active research in a number of fields for the purposes of deriving greater insight and predictive value from data, making various forms of data more usable and valuable to the model-building process, and automating and applying analytics to the various processes involved in making high-volume decisions in real time.

Because of our pioneering work in credit scoring and fraud detection, we are widely recognized as the leader in predictive analytics. In addition, our Blaze Advisor software is consistently ranked as a leader in rules management systems. In all our work, we believe that our tools and processes are among the very best commercially available, and that we are uniquely able to integrate advanced analytic, software and data technologies into mission-critical business solutions that offer superior returns on investment.

In 2007, we began the development of an integrated technical architecture for Decision Management, which will ensure interoperability across Fair Isaac systems. Our intention is to bring greater flexibility, higher analytic performance and better decisions across the lifecycle. Building on Fair Isaac's broad and deep experience in developing Decision Management applications, the architecture is service-oriented, designed for easy standards-based integration with our clients' core systems and will support and deliver ever more powerful analytics that operate both within specific stages of the customer lifecycle and across them. This Decision Management architecture will contain capabilities from existing Fair Isaac products, from new and existing components and from third-party providers. We have developed the architecture's components and are migrating our software products onto the architecture. This migration will take the form of successive product releases that also provide immediate client value through added functionality. The first product releases based on this architecture will take place in early fiscal 2009.

The technologies listed below are all supported by the Decision Management architecture, which will create tighter integration between our Decision Management applications, as well as our Analytic Software Tools.

Principal Areas of Expertise

Predictive Modeling. Predictive modeling identifies and mathematically represents underlying relationships in historical data in order to explain the data and make predictions or classifications about future events. Our models summarize large quantities of data to amplify its value. Predictive models typically analyze current and historical data on individuals to produce easily understood metrics such as scores. These scores rank-order individuals by likely future performance, e.g., their likelihood of making credit payments on time, or of responding to a particular offer for services. We also include in this category models that detect the likelihood of a transaction being fraudulent. Our predictive models are frequently operationalized in mission-critical transactional systems and drive decisions and actions in near real time. A number of analytic methodologies underlie our products in this area. These include proprietary applications of both linear and nonlinear mathematical programming algorithms, in which one objective is optimized within a set of constraints, and advanced "neural" systems, which learn complex patterns from large data sets to predict the probability that a new individual will exhibit certain behaviors of business interest. We also apply various related statistical techniques for analysis and pattern detection within large datasets.

Decision Analysis and Optimization. Decision analysis refers to the broad quantitative field that deals with modeling, analyzing and optimizing decisions made by individuals, groups and organizations. Whereas predictive models analyze multiple aspects of individual behavior to forecast future behavior, decision analysis analyzes multiple aspects of a given decision to identify the most effective action to take to reach a desired result. We have developed an integrated approach to decision analysis that incorporates the development of a decision model that mathematically maps the entire decision structure; proprietary optimization technology that identifies the most effective strategies, given both the performance objective and constraints; the development of designed testing required for active, continuous learning; and the robust extrapolation of an optimized strategy to a wider set of scenarios than historically encountered. Our acquisition of Dash Optimization Ltd. in January 2008 increased our optimization capabilities to include a proprietary mathematical modeling and programming language, an easy-to-use development environment, and a state-of-the-art set of optimization algorithms. These capabilities allow us to solve a large variety of optimization problems across all industries.

Transaction Profiling. Transaction profiling is a patent-protected technique used to extract meaningful information and reduce the complexity of transaction data used in modeling. Many of our products operate using transactional data, such as credit card purchase transactions, or other types of data that change over time. In its raw form, this data is very difficult to use in predictive models for several reasons. First, an isolated transaction contains very little information about the behavior of the individual who generated the transaction. In addition, transaction patterns change rapidly over time. Finally, this type of data can often be highly complex. To overcome these issues, we have developed a set of proprietary techniques that transform raw transactional data into a mathematical representation that reveals latent information, and which make the data more usable by predictive models. This profiling technology accumulates data across multiple transactions of many types to create and update profiles of transaction patterns. These profiles enable our neural network models to efficiently and effectively make accurate assessments of, for example, fraud risk and credit risk within real-time transaction streams.

Customer Data Integration. Decisions made on customers or prospects can benefit from data stored in multiple sources, both inside and outside the enterprise. We have focused on developing data integration processes that are able to assemble and integrate those disparate data sources into a unified view of the customer or household, through the application of persistent keying technology.

Decision Management Software. In order to make a decision strategy operational, the various steps and rules need to be programmed or exported into the business' software infrastructure, where it can communicate with front-end, customer-facing systems and back-end systems such as billing systems. We have developed software systems, sometimes known as decision engines and business rules management systems, which perform the necessary functions to execute a decision strategy. Our software includes very efficient programs for these functions, facilitating, for example, business user definition of extremely complex decision strategies using graphic user interfaces; simultaneous testing of hundreds of decision strategies in "champion/challenger" (test/control) mode; high-volume processing and analysis of transactions in real time; integration of multiple data sources; and execution of predictive models for improved behavior forecasts and finer segmentation. Decision management software is an integral part of our Decision Management applications, described earlier.

Research and Development Activities

Our research and development expenses were $77.8 million, $69.3 million and $83.0 million in fiscal 2008, 2007 and 2006, respectively. We believe that our future success depends on our ability to continually maintain and improve our core technologies, enhance our existing products, and develop new products and technologies that meet an expanding range of markets and customer requirements. In the development of new products and enhancements to existing products, we use our own development tools extensively.

We have traditionally relied primarily on the internal development of our products. Based on timing and cost considerations, however, we have acquired, and in the future may consider acquiring, technology or products from third parties.

PRODUCT PROTECTION AND TRADEMARKS

We rely on a combination of patent, copyright, trademark and trade secret laws and confidentiality agreements and procedures to protect our proprietary rights.

We retain the title to and protect the suite of models and software used to develop scoring models as a trade secret. We also restrict access to our source code and limit access to and distribution of our software, documentation and other proprietary information. We have generally relied upon the laws protecting trade secrets and upon contractual nondisclosure safeguards and restrictions on transferability to protect our software and proprietary interests in our product and service methodology and know-how. Our confidentiality procedures include invention assignment and proprietary information agreements with our employees and independent contractors, and nondisclosure agreements with our distributors, strategic partners and customers. We also claim copyright protection for certain proprietary software and documentation.

We have patents on many of our technologies and have patent applications pending on other technologies. The patents we hold may not be upheld as valid and may not prevent the development of competitive products. In addition, patents may never be issued on our pending patent applications or on any future applications that we may submit. We currently hold 64 U.S. and 12 foreign patents with 162 applications pending.

Despite our precautions, it may be possible for competitors or users to copy or reproduce aspects of our software or to obtain information that we regard as trade secrets. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of the United States. Patents and other protections for our intellectual property are important, but we believe our success and growth will depend principally on such factors as the knowledge, ability, experience and creative skills of our personnel, new products, frequent product enhancements and name recognition.

We have developed technologies for research projects conducted under agreements with various United States government agencies or their subcontractors. Although we have acquired commercial rights to these technologies, the United States government typically retains ownership of intellectual property rights and licenses in the technologies that we develop under these contracts. In some cases, the United States government can terminate our rights to these technologies if we fail to commercialize them on a timely basis. In addition, under United States government contracts, the government may make the results of our research public, which could limit our competitive advantage with respect to future products based on funded research.

We have used, registered and/or applied to register certain trademarks and service marks for our technologies, products and services. We currently have 41 trademarks registered in the U.S. and select foreign countries.

PERSONNEL

As of September 30, 2008, we employed 2,480 persons worldwide. Of these, 394 full-time employees were located in our Minneapolis and Arden Hills, Minnesota offices, 339 full-time employees were located in our San Rafael, California office, 350 full-time employees were located in our San Diego, California office, 313 full-time employees were located in our India-based office and 252 full-time employees were located in our United Kingdom-based offices. None of our employees is covered by a collective bargaining agreement, and no work stoppages have been experienced.

Information regarding our officers is included in “Executive Officers of the Registrant” at the end of Part I of this report.

Item 1A. *Risk Factors*

Risks Related to Our Business

We have expanded the pursuit of our Decision Management strategy, and we may not be successful, which could cause our growth prospects and results of operations to suffer.

We have expanded the pursuit of our business objective to become a leader in helping businesses automate and improve decisions across their enterprises, an approach that we commonly refer to as Decision Management, or “DM.” Our DM strategy is designed to enable us to increase our business by selling multiple products to clients, as well as to enable the development of custom client solutions that may lead to opportunities to develop new proprietary scores or other new proprietary products. The market may be unreceptive to this general DM business approach, including being unreceptive to purchasing multiple products from us or unreceptive to our customized solutions. If our DM strategy is not successful, we may not be able to grow our business, growth may occur more slowly than we anticipate or our revenues and profits may decline.

Our reengineering plan may not be successful which could cause our growth prospects and profitability to suffer.

We are implementing a reengineering plan designed to grow revenues through strategic resource allocation and improve profitability through cost reductions. Initially, implementation of the reengineering plan will reduce our revenues as a result of our exit from non-strategic product lines. Our reengineering plan may not be successful as a result of our failure to reduce expenses at the anticipated level, our inability to exit all non-strategic product lines included in the plan, a loss of more revenues than currently anticipated as a result of implementing the plan or a lower, or no, positive impact on revenues from strategic resource allocation. If our reengineering plan is not successful, our revenues, results of operations and business may suffer.

We derive a substantial portion of our revenues from a small number of products and services, and if the market does not continue to accept these products and services, our revenues will decline.

As we implement our DM strategy, we expect that revenues derived from our scoring solutions, account management solutions, fraud solutions, originations, collections and recovery solutions products and services will continue to account for a substantial portion of our total revenues for the foreseeable future. Our revenues will decline if the market does not continue to accept these products and services. Factors that might affect the market acceptance of these products and services include the following:

- changes in the business analytics industry;
- changes in technology;
- our inability to obtain or use key data for our products;
- saturation or contraction of market demand;
- loss of key customers;
- industry consolidation;
- failure to execute our client-centric selling approach; and
- inability to successfully sell our products in new vertical markets.

If we are unable to access new markets or develop new distribution channels, our business and growth prospects could suffer.

We expect that part of the growth that we seek to achieve through our DM strategy will be derived from the sale of DM products and service solutions in industries and markets we do not currently serve. We also expect to grow our business by delivering our DM solutions through additional distribution channels. If we fail to penetrate these industries and markets to the degree we anticipate utilizing our DM strategy, or if we fail to develop additional distribution channels, we may not be able to grow our business, growth may occur more slowly than we anticipate or our revenues and profits may decline.

If we are unable to develop successful new products or if we experience defects, failures and delays associated with the introduction of new products, our business could suffer serious harm.

Our growth and the success of our DM strategy depend upon our ability to develop and sell new products or suites of products. If we are unable to develop new products, or if we are not successful in introducing new products, we may not be able to grow our business, or growth may occur more slowly than we anticipate. In addition, significant undetected errors or delays in new products or new versions of products may affect market acceptance of our products and could harm our business, financial condition or results of operations. In the past, we have experienced delays while developing and introducing new products and product enhancements, primarily due to difficulties developing models, acquiring data and adapting to particular operating environments. We have also experienced errors or "bugs" in our software products, despite testing prior to release of the products. Software errors in our products could affect the ability of our products to work with other hardware or software products, could delay the development or release of new products or new versions of products and could adversely affect market acceptance of our products. Errors or defects in our products that are significant, or are perceived to be significant, could result in rejection of our products, damage to our reputation, loss of revenues, diversion of development resources, an increase in product liability claims, and increases in service and support costs and warranty claims.

We rely on relatively few customers, as well as our contracts with the three major credit reporting agencies, for a significant portion of our revenues and profits. Certain of our large customers have been negatively impacted by the current financial crisis. If these customers continue to be negatively impacted, or if the terms of these relationships otherwise change, our revenues and operating results could decline.

Most of our customers are relatively large enterprises, such as banks, credit card processors, insurance companies, healthcare firms, retailers and telecommunications carriers. As a result, many of our customers and potential customers are significantly larger than we are and may have sufficient bargaining power to demand reduced prices and favorable nonstandard terms.

In addition, since mid-2007, global financial markets have suffered substantial stress, volatility, illiquidity and disruption. These forces reached unprecedented levels in the fall of 2008, resulting in the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions which are customers of our company. The potential for increased and continuing economic disruption presents considerable risks to our business, including potential bankruptcies or credit deterioration of financial institutions with which we have substantial relationships. Further deterioration or a continuation of the market conditions experienced since the fall of 2008 is likely to lead to a continued decline in the volume of transactions that we execute for our customers.

We also derive a substantial portion of our revenues and operating income from our contracts with the three major credit reporting agencies, TransUnion, Equifax and Experian, and other parties that distribute our products to certain markets. We are also currently involved in litigation with TransUnion and Experian arising from their development and marketing of a credit scoring product competitive with our products. We have asserted various claims, including unfair competition, antitrust, and breach of contract against these credit reporting agencies and their collective joint venture entity, VantageScore, LLC. This litigation could have a material adverse effect on our relationship with one or more of the major credit reporting agencies, or with major customers.

The loss of or a significant change in a relationship with a major customer, the loss of or a significant change in a relationship with one of the major credit reporting agencies with respect to their distribution of our products or with respect to our myFICO® offerings, the loss of or a significant change in a relationship with a significant third-party distributor or the delay of significant revenues from these sources, could have a material adverse effect on our revenues and results of operations.

We rely on relationships with third parties for marketing, distribution and certain services. If we experience difficulties in these relationships, our future revenues may be adversely affected.

Our Scoring Solutions segment and Strategy Machine Solutions segment rely on distributors, and we intend to continue to market and distribute our products through existing and future distributor relationships. Our Scoring Solutions segment relies on, among others, TransUnion, Equifax and Experian. Failure of our existing and future distributors to generate significant revenues, demands by such distributors to change the terms on which they offer our products or our failure to establish additional distribution or sales and marketing alliances could have a material adverse effect on our business, operating results and financial condition. In addition, certain of our distributors presently compete with us and may compete with us in the future either by developing competitive products themselves or by distributing competitive offerings. For example, TransUnion, Equifax and Experian have developed a credit scoring product to compete directly with our products and are collectively attempting to sell the product. Competition from distributors or other sales and marketing partners could significantly harm sales of our products and services.

If we do not engage in acquisition activity to the extent we have in the past, we may be unable to increase our revenues at historical growth rates.

Our historical revenue growth has been augmented by numerous acquisitions, and we anticipate that acquisitions may continue to be an important part of our revenue growth. Our future revenue growth rate may decline if we do not make acquisitions of similar size and at a comparable rate as in the past.

If we engage in acquisitions, significant investments in new businesses, or divestitures of existing businesses, we will incur a variety of risks, any of which may adversely affect our business.

We have made in the past, and may make in the future, acquisitions of, or significant investments in, businesses that offer complementary products, services and technologies. Any acquisitions or investments will be accompanied by the risks commonly encountered in acquisitions of businesses, which may include:

- failure to achieve the financial and strategic goals for the acquired and combined business;
- overpayment for the acquired companies or assets;
- difficulty assimilating the operations and personnel of the acquired businesses;
- product liability and other exposure associated with acquired businesses or the sale of their products;
- disruption of our ongoing business;
- dilution of our existing stockholders and earnings per share;
- unanticipated liabilities, legal risks and costs;
- retention of key personnel;
- distraction of management from our ongoing business; and
- impairment of relationships with employees and customers as a result of integration of new management personnel.

We have also divested ourselves of businesses in the past and may do so again in the future. Any divestitures will be accompanied by the risks commonly encountered in the sale of businesses, which may include:

- disruption of our ongoing business;
- reductions of our revenues or earnings per share;
- unanticipated liabilities, legal risks and costs;
- the potential loss of key personnel;
- distraction of management from our ongoing business; and
- impairment of relationships with employees and customers as a result of migrating a business to new owners.

These risks could harm our business, financial condition or results of operations, particularly if they occur in the context of a significant acquisition. Acquisitions of businesses having a significant presence outside the U.S. will increase our exposure to the risks of conducting operations in international markets.

The occurrence of certain negative events may cause fluctuations in our stock price.

The market price of our common stock may be volatile and could be subject to wide fluctuations due to a number of factors, including variations in our revenues and operating results. We believe that you should not rely on period-to-period comparisons of financial results as an indication of future performance. Because many of our operating expenses are fixed and will not be affected by short-term fluctuations in revenues, short-term fluctuations in revenues may significantly impact operating results. Additional factors that may cause our stock price to fluctuate include the following:

- variability in demand from our existing customers;
- failure to meet the expectations of market analysts;
- changes in recommendations by market analysts;
- the lengthy and variable sales cycle of many products, combined with the relatively large size of orders for our products, increases the likelihood of short-term fluctuation in revenues;
- consumer dissatisfaction with, or problems caused by, the performance of our products;
- the timing of new product announcements and introductions in comparison with our competitors;
- the level of our operating expenses;
- changes in competitive and other conditions in the consumer credit, financial services and insurance industries;
- fluctuations in domestic and international economic conditions, including a continuation of the substantial disruption currently being experienced by the global financial markets;
- our ability to complete large installations on schedule and within budget;
- acquisition-related expenses and charges; and
- timing of orders for and deliveries of software systems.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the stock prices of many technology companies and financial services companies, and these fluctuations sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as industry-specific and general economic conditions may adversely affect the market price of our common stock.

Due to ongoing uncertainty in economic conditions and weakness in financial credit markets, the fair value of our businesses has recently declined. If difficult market and economic conditions continue over a sustained period, we may experience a further decline in the fair value of one or more of our businesses from fiscal 2008 year-end levels. Such further declines in fair value may require us to record an impairment charge related to goodwill, which could adversely affect our results of operations, stock price and business.

Our products have long and variable sales cycles. If we do not accurately predict these cycles, we may not forecast our financial results accurately, and our stock price could be adversely affected.

We experience difficulty in forecasting our revenues accurately because the length of our sales cycles makes it difficult for us to predict the quarter in which sales will occur. In addition, our ICN selling approach is more complex than our prior sales approach because it emphasizes the sale of complete DM solutions involving multiple products or services across our customers’ organizations. This makes forecasting of revenues in any given period more difficult. As a result of our ICN approach and lengthening sales cycles, revenues and operating results may vary significantly from period to period. For example, the sales cycle for licensing our products typically ranges from 60 days to 18 months. Customers are often cautious in making decisions to acquire our products, because purchasing our products typically involves a significant commitment of capital, and may involve shifts by the customer to a new software and/or hardware platform or changes in the customer’s operational procedures. Since our DM strategy contemplates the sale of multiple decision solutions to a customer, expenditures by any given customer are expected to be larger than with our prior sales approach. This may cause customers, particularly those experiencing financial stress, to make purchasing decisions more cautiously. Delays in completing sales can arise while customers complete their internal procedures to approve large capital expenditures and test and accept our applications. Consequently, we face difficulty predicting the quarter in which sales to expected customers will occur and experience fluctuations in our revenues and operating results. If we are unable to accurately forecast our revenues, our stock price could be adversely affected.

We typically have revenue-generating transactions concentrated in the final weeks of a quarter, which may prevent accurate forecasting of our financial results and cause our stock price to decline.

Large portions of our software license agreements are consummated in the weeks immediately preceding quarter end. Before these agreements are consummated, we create and rely on forecasted revenues for planning, modeling and earnings guidance. Forecasts, however, are only estimates and actual results may vary for a particular quarter or longer periods of time. Consequently, significant discrepancies between actual and forecasted results could limit our ability to plan, budget or provide accurate guidance, which could adversely affect our stock price. Any publicly-stated revenue or earnings projections are subject to this risk.

The failure to recruit and retain additional qualified personnel could hinder our ability to successfully manage our business.

Our DM strategy and our future success will depend in large part on our ability to attract and retain experienced sales, consulting, research and development, marketing, technical support and management personnel. The complexity of our products requires highly trained customer service and technical support personnel to assist customers with product installation and deployment. The labor market for these individuals is very competitive due to the limited number of people available with the necessary technical skills and understanding and may become more competitive with general market and economic improvement. We cannot be certain that our compensation strategies will be perceived as competitive by current or prospective employees. This could impair our ability to recruit and retain personnel. We have experienced difficulty in recruiting qualified personnel, especially technical, sales and consulting personnel, and we may need additional staff to support new customers and/or increased customer needs. We may also recruit skilled technical professionals from other countries to work in the United States. Limitations imposed by immigration laws in the United States and abroad and the availability of visas in the countries where we do business could hinder our ability to attract necessary qualified personnel and harm our business and future operating results. There is a risk that even if we invest significant resources in attempting to attract, train and retain qualified personnel, we will not succeed in our efforts, and our business could be harmed. The failure of the value of our stock to appreciate may adversely affect our ability to use equity and equity based incentive plans to attract and retain personnel, and may require us to use alternative and more expensive forms of compensation for this purpose.

The failure to obtain certain forms of model construction data from our customers or others could harm our business.

We must develop or obtain a reliable source of sufficient amounts of current and statistically relevant data to analyze transactions and update our products. In most cases, these data must be periodically updated and refreshed to enable our products to continue to work effectively in a changing environment. We do not own or control much of the data that we require, most of which is collected privately and maintained in proprietary databases. Customers and key business alliances provide us with the data we require to analyze transactions, report results and build new models. Our DM strategy depends in part upon our ability to access new forms of data to develop custom and proprietary analytic tools. If we fail to maintain sufficient data sourcing relationships with our customers and business alliances, or if they decline to provide such data due to legal privacy concerns, competition concerns, prohibitions or a lack of permission from their customers, we could lose access to required data and our products, and the development of new products might become less effective. In addition, certain of our products use data from state workers' compensation fee schedules adopted by state regulatory agencies. Third parties have asserted copyright interests in these data, and these assertions, if successful, could prevent us from using these data. Any interruption of our supply of data could seriously harm our business, financial condition or results of operations.

We will continue to rely upon proprietary technology rights, and if we are unable to protect them, our business could be harmed.

Our success depends, in part, upon our proprietary technology and other intellectual property rights. To date, we have relied primarily on a combination of copyright, patent, trade secret, and trademark laws, and nondisclosure and other contractual restrictions on copying and distribution to protect our proprietary technology. This protection of our proprietary technology is limited, and our proprietary technology could be used by others without our consent. In addition, patents may not be issued with respect to our pending or future patent applications, and our patents may not be upheld as valid or may not prevent the development of competitive products. Any disclosure, loss, invalidity of, or failure to protect our intellectual property could negatively impact our competitive position, and ultimately, our business. There can be no assurance that our protection of our intellectual property rights in the United

States or abroad will be adequate or that others, including our competitors, will not use our proprietary technology without our consent. Furthermore, litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and could harm our business, financial condition or results of operations.

Some of our technologies were developed under research projects conducted under agreements with various U.S. government agencies or subcontractors. Although we have commercial rights to these technologies, the U.S. government typically retains ownership of intellectual property rights and licenses in the technologies developed by us under these contracts, and in some cases can terminate our rights in these technologies if we fail to commercialize them on a timely basis. Under these contracts with the U.S. government, the results of research may be made public by the government, limiting our competitive advantage with respect to future products based on our research.

If we are subject to infringement claims, it could harm our business.

We expect that products in the industry segments in which we compete, including software products, will increasingly be subject to claims of patent and other intellectual property infringement as the number of products and competitors in our industry segments grow. We may need to defend claims that our products infringe intellectual property rights, and as a result we may:

- incur significant defense costs or substantial damages;
- be required to cease the use or sale of infringing products;
- expend significant resources to develop or license a substitute non-infringing technology;
- discontinue the use of some technology; or
- be required to obtain a license under the intellectual property rights of the third party claiming infringement, which license may not be available or might require substantial royalties or license fees that would reduce our margins.

Breaches of security, or the perception that e-commerce is not secure, could harm our business.

Our business requires the appropriate and secure utilization of consumer and other sensitive information. Internet-based electronic commerce requires the secure transmission of confidential information over public networks, and several of our products are accessed through the Internet, including our consumer services accessible through the www.myfico.com website. Security breaches in connection with the delivery of our products and services, including products and services utilizing the Internet, or well-publicized security breaches, and the trend toward broad consumer and general public notification of such incidents, could significantly harm our business, financial condition or results of operations. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology protecting the networks that access our net-sourced products, consumer services and proprietary database information.

Protection from system interruptions is important to our business. If we experience a sustained interruption of our telecommunication systems, it could harm our business.

Systems or network interruptions could delay and disrupt our ability to develop, deliver or maintain our products and services, causing harm to our business and reputation and resulting in loss of customers or revenue. These interruptions can include fires, floods, earthquakes, power losses, equipment failures and other events beyond our control.

Risks Related to Our Industry

Our ability to increase our revenues will depend to some extent upon introducing new products and services. If the marketplace does not accept these new products and services, our revenues may decline.

We have a significant share of the available market in portions of our Scoring Solutions segment and for certain services in our Strategy Machine Solutions segment, specifically, the markets for account management services at credit card processors and credit card fraud detection software. To increase our revenues, we must enhance and improve existing products and continue to introduce new products and new versions of existing products that keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance. We believe much of the future growth of our business and the success of our DM strategy will rest on our ability to continue to expand into newer markets for our products and services. Such areas are relatively new to our product development and sales and marketing personnel. Products that we plan to market in the future are in various stages of development. We cannot assure you that the marketplace will accept these products. If our current or potential customers are not willing to switch to or adopt our new products and services, either as a result of the quality of these products and services or due to other factors, such as economic conditions, our revenues will decrease.

If we fail to keep up with rapidly changing technologies, our products could become less competitive or obsolete.

In our markets, technology changes rapidly, and there are continuous improvements in computer hardware, network operating systems, programming tools, programming languages, operating systems, database technology and the use of the Internet. If we fail to enhance our current products and develop new products in response to changes in technology or industry standards, or if we fail to bring product enhancements or new product developments to market quickly enough, our products could rapidly become less competitive or obsolete. For example, the rapid growth of the Internet environment creates new opportunities, risks and uncertainties for businesses, such as ours, which develop software that must also be designed to operate in Internet, intranet and other online environments. Our future success will depend, in part, upon our ability to:

- innovate by internally developing new and competitive technologies;
- use leading third-party technologies effectively;
- continue to develop our technical expertise;
- anticipate and effectively respond to changing customer needs;
- initiate new product introductions in a way that minimizes the impact of customers delaying purchases of existing products in anticipation of new product releases; and
- influence and respond to emerging industry standards and other technological changes.

If our competitors introduce new products and pricing strategies, it could decrease our product sales and market share, or could pressure us to reduce our product prices in a manner that reduces our margins.

We may not be able to compete successfully against our competitors, and this inability could impair our capacity to sell our products. The market for business analytics is new, rapidly evolving and highly competitive, and we expect competition in this market to persist and intensify. Our regional and global competitors vary in size and in the scope of the products and services they offer, and include:

- in-house analytic and systems developers;
- scoring model builders;
- enterprise resource planning (ERP) and customer relationship management (CRM) packaged solutions providers;
- business intelligence solutions providers;
- credit report and credit score providers;
- business process management solution providers;
- process modeling tools providers;
- automated application processing services providers;
- data vendors;
- neural network developers and artificial intelligence system builders;
- third-party professional services and consulting organizations;
- account/workflow management software providers; and
- software tools companies supplying modeling, rules, or analytic development tools.

We expect to experience additional competition from other established and emerging companies, as well as from other technologies. For example, certain of our fraud solutions products compete against other methods of preventing credit card fraud, such as credit cards that contain the cardholder's photograph, smart cards, cardholder verification and authentication solutions and other card authorization techniques. Many of our anticipated competitors have greater financial, technical, marketing, professional services and other resources than we do, and industry consolidation is creating even larger competitors in many of our markets. As a result, our competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources than we can to develop, promote and sell their products. Many of these companies have extensive customer relationships, including relationships with many of our current and potential customers. Furthermore, new competitors or alliances among competitors may emerge and rapidly gain significant market share. For example, TransUnion, Equifax and Experian have formed an alliance that has developed a credit scoring product competitive with our products. If we are unable to respond as quickly or effectively to changes in customer requirements as our competition, our ability to expand our business and sell our products will be negatively affected.

Our competitors may be able to sell products competitive to ours at lower prices individually or as part of integrated suites of several related products. This ability may cause our customers to purchase products that directly compete with our products from our competitors. Price reductions by our competitors could negatively impact our margins, and could also harm our ability to obtain new long-term contracts and renewals of existing long-term contracts on favorable terms.

Legislation that is enacted by the U.S. Congress, the states, Canadian provinces, and other countries, and government regulations that apply to us or to our customers may expose us to liability, affect our ability to compete in certain markets, limit the profitability of or demand for our products, or render our products obsolete. If these laws and regulations require us to change our current products and services, it could adversely affect our business and results of operations.

Legislation and governmental regulation affect how our business is conducted and, in some cases, subject us to the possibility of future lawsuits arising from our products and services. Globally, legislation and governmental regulation also influence our current and prospective customers' activities, as well as their expectations and needs in relation to our products and services. Both our core businesses and our newer initiatives are affected globally by federal, regional, provincial, state and other jurisdictional regulations, including those in the following significant regulatory areas:

- Use of data by creditors and consumer reporting agencies. Examples in the U.S. include the Fair Credit Reporting Act ("FCRA"), the Fair and Accurate Credit Transactions Act ("FACTA"), which amends FCRA, and certain proposed regulations and studies mandated by FACTA, under consideration;
- Laws and regulations that limit the use of credit scoring models such as state "mortgage trigger" laws, state "inquiries" laws, state insurance restrictions on the use of credit based insurance scores, and the Consumer Credit Directive in the European Union.
- Fair lending practices, such as the Equal Credit Opportunity Act ("ECOA") and Regulation B.
- Privacy and security laws and regulations that limit the use and disclosure of personally identifiable information or require security procedures, including but not limited to the provisions of the Financial Services Modernization Act of 1999, also known as the Gramm Leach Bliley Act ("GLBA"); FACTA; the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"); the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA Patriot Act"); identity theft, file freezing, security breach notification and similar state privacy laws;
- Extension of credit to consumers through the Electronic Fund Transfers Act, as well as nongovernmental VISA and MasterCard electronic payment standards;
- Regulations applicable to secondary market participants such as Fannie Mae and Freddie Mac that could have an impact on our products;
- Insurance laws and regulations applicable to our insurance clients and their use of our insurance products and services;
- The application or extension of consumer protection laws, including, laws governing the use of the Internet and telemarketing, and credit repair;
- Laws and regulations applicable to operations in other countries, for example, the European Union's Privacy Directive and the Foreign Corrupt Practices Act; and
- Sarbanes-Oxley Act ("SOX") requirements to maintain and verify internal process controls, including controls for material event awareness and notification.
- The implementation of the Emergency Economic Stabilization Act of 2008 by federal regulators to manage the financial crisis in the United States;
- Laws and regulations regarding export controls as they apply to Fair Isaac products delivered in non-US countries.

In making credit evaluations of consumers, or in performing fraud screening or user authentication, our customers are subject to requirements of multiple jurisdictions, which may impose onerous and contradictory requirements. Privacy legislation such as GLBA or the European Union's Privacy Directive may also affect the nature and extent of the products or services that we can provide to customers, as well as our ability to collect, monitor and disseminate information subject to privacy protection. In addition to existing regulation, changes in legislative, judicial, regulatory or consumer environments could harm our business, financial condition or results of operations. These regulations and amendments to them could affect the demand for or profitability of some of our products, including scoring and consumer products. New regulations pertaining to financial institutions could cause them to pursue new strategies, reducing the demand for our products.

In response to recent market disruptions, legislators and financial regulators implemented a number of mechanisms designed to add stability to the financial markets, including the provision of direct and indirect assistance to distressed financial institutions, assistance by the banking authorities in arranging acquisitions of weakened banks and broker-dealers, and implementation of programs by the Federal Reserve to provide liquidity to the commercial paper markets. The overall effects of these and other legislative and regulatory efforts on the financial markets are uncertain, and they may not have the intended stabilization effects. Should these or other legislative or regulatory initiatives fail to stabilize and add liquidity to the financial markets, our business, financial condition, results of operations and prospects could be materially and adversely affected. Whether or not legislative or regulatory initiatives or other efforts designed to address recent economic conditions successfully stabilize and add liquidity to the financial markets, we may need to modify our strategies, businesses or operations, and we may incur additional costs in order to compete in a changed business environment.

Our revenues depend, to a great extent, upon conditions in the consumer credit, financial services and insurance industries. If our clients' industries continue to experience a downturn, it will likely harm our business, financial condition or results of operations.

During fiscal 2008, 71% of our revenues were derived from sales of products and services to the consumer credit, financial services and insurance industries. Since mid-2007, global credit and other financial markets have suffered substantial stress, volatility, illiquidity and disruption. These forces reached unprecedented levels in the fall of 2008, resulting in the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions. The recent market developments and the potential for increased and continuing disruptions present considerable risks to our businesses and operations. These risks include potential bankruptcies or credit deterioration of financial institutions, many of which are our customers. Further deterioration or a continuation of recent market conditions is likely to lead to a continued decline in the revenue we receive from financial and other institutions.

While the rate of account growth in the U.S. bankcard industry has been slowing and many of our large institutional customers have consolidated in recent years, we have generated most of our revenue growth from our bankcard-related scoring and account management businesses by selling and cross-selling our products and services to large banks and other credit issuers. As the financial services industry continues to experience contraction in the number of participating institutions, we may have fewer opportunities for revenue growth due to reduced or changing demand for our products and services that support customer acquisition programs of our customers. In addition, industry contraction could affect the base of recurring revenues derived from contracts in which we are paid on a per-transaction basis as formerly separate customers combine their operations under one contract. There can be no assurance that we will be able to prevent future revenue contraction or effectively promote future revenue growth in our businesses.

While we are attempting to expand our sales of consumer credit, financial services and insurance products and services into international markets, the risks are greater as these markets are also experiencing substantial disruption and we are less well-known in them.

Risk Related to External Conditions

Continuing material adverse developments in global economic conditions, or the occurrence of certain other world events, could affect demand for our products and services and harm our business.

Purchases of technology products and services and decisioning solutions are subject to adverse economic conditions. When an economy is struggling, companies in many industries delay or reduce technology purchases, and we experience softened demand for our decisioning solutions and other products and services. Since mid-2007, global credit and other financial markets have suffered substantial stress, volatility, illiquidity and disruption. These forces reached unprecedented levels in the fall of 2008, resulting in the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions. The widespread economic downturn has also negatively affected the businesses and purchasing decisions of companies in the other industries we serve. These recent market developments and the potential for increased and continuing disruptions present considerable risks to our businesses and operations. If global economic conditions continue to experience stress and negative volatility, or if there is an escalation in regional or global conflicts or terrorism, we will likely experience reductions in the number of available customers and in capital expenditures by our remaining customers, longer sales cycles, deferral or delay of purchase commitments for our products and increased price competition, which may adversely affect our business, results of operations and liquidity.

Whether or not legislative or regulatory initiatives or other efforts successfully stabilize and add liquidity to the financial markets, we may need to modify our strategies, businesses or operations, and we may incur additional costs in order to compete in a changed business environment. Given the volatile nature of the current economic downturn and the uncertainties underlying efforts to mitigate or reverse the downturn, we may not timely anticipate or manage existing, new or additional risks, as well as contingencies or developments, which may include regulatory developments and trends in new products and services. Our failure to do so could materially and adversely affect our business, financial condition, results of operations and prospects.

In operations outside the United States, we are subject to unique risks that may harm our business, financial condition or results of operations.

A growing portion of our revenues is derived from international sales. During fiscal 2008, 33% of our revenues were derived from business outside the United States. As part of our growth strategy, we plan to continue to pursue opportunities outside the United States, including opportunities in countries with economic systems that are in early stages of development and that may not mature sufficiently to result in growth for our business. Accordingly, our future operating results could be negatively affected by a variety of factors arising out of international commerce, some of which are beyond our control. These factors include:

- general economic and political conditions in countries where we sell our products and services;
- difficulty in staffing and efficiently managing our operations in multiple geographic locations and in various countries;
- effects of a variety of foreign laws and regulations, including restrictions on access to personal information;
- import and export licensing requirements;
- longer payment cycles;
- reduced protection for intellectual property rights;
- currency fluctuations;
- changes in tariffs and other trade barriers; and
- difficulties and delays in translating products and related documentation into foreign languages.

There can be no assurance that we will be able to successfully address each of these challenges in the near term. Additionally, some of our business will be conducted in currencies other than the U.S. dollar. Foreign currency transaction gains and losses are not currently material to our cash flows, financial position or results of operations. However, an increase in our foreign revenues could subject us to increased foreign currency transaction risks in the future.

In addition to the risk of depending on international sales, we have risks incurred in having research and development personnel located in various international locations. We currently have a substantial portion of our product development staff in international locations, some of which have political and developmental risks. If such risks materialize, our business could be damaged.

Our anti-takeover defenses could make it difficult for another company to acquire control of Fair Isaac, thereby limiting the demand for our securities by certain types of purchasers or the price investors are willing to pay for our stock.

Certain provisions of our Restated Certificate of Incorporation, as amended, could make a merger, tender offer or proxy contest involving us difficult, even if such events would be beneficial to the interests of our stockholders. These provisions include adopting a Shareholder Rights Agreement, commonly known as a “poison pill,” and giving our board the ability to issue preferred stock and determine the rights and designations of the preferred stock at any time without stockholder approval. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or discouraging a third party from acquiring, a majority of our outstanding voting stock. These factors and certain provisions of the Delaware General Corporation Law may have the effect of deterring hostile takeovers or otherwise delaying or preventing changes in control or changes in our management, including transactions in which our stockholders might otherwise receive a premium over the fair market value of our common stock.

If we experience changes in tax laws or adverse outcomes resulting from examination of our income tax returns, it could adversely affect our results of operations.

We are subject to federal and state income taxes in the United States and in certain foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. Our future effective tax rates could be adversely affected by changes in tax laws, by our ability to generate taxable income in foreign jurisdictions in order to utilize foreign tax losses, and by the valuation of our deferred tax assets. In addition, we are subject to the examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from such examinations to determine the adequacy of our provision for income taxes. There can be no assurance that the outcomes from such examinations will not have an adverse effect on our operating results and financial condition.

Item 1B. ***Unresolved Staff Comments***

Not applicable.

Item 2. ***Properties***

Our properties consist primarily of leased office facilities for sales, data processing, research and development, consulting and administrative personnel. Our principal office is located in Minneapolis, Minnesota.

Our leased properties include:

- approximately 243,000 square feet of office, data center, and data processing space in Arden Hills and Minneapolis, Minnesota, in six buildings under leases expiring in 2011 or later; 33,000 square feet of this space is subleased to a third party;
- approximately 199,000 square feet of office space in San Rafael, California in two buildings under leases expiring in 2012 or later; 45,000 square feet of this space is subleased to a third party;
- approximately 130,000 square feet of office space in San Diego, California in one building under a lease expiring in 2010; and
- an aggregate of approximately 413,000 square feet of office and data center space in; Annandale, VA; Atlanta, GA; Bangalore, India; Beijing, China; Birmingham, United Kingdom; Boston, MA; Chicago, IL; Coppell, TX; Cranbury, NJ; Davis, CA; Englewood Cliffs, NJ; Hong Kong, China; Gauteng, Malaysia; Irvine, CA; Leamington Spa, United Kingdom; London, United Kingdom; Madrid, Spain; Melbourne, Australia; New Castle, DE; New York, NY; Norcross, GA; San Jose, CA; Sao Paulo, Brazil; Seoul, Korea; Shanghai, China; Singapore, Singapore; Sydney, Australia; Tokyo, Japan; Toronto, Canada; Tulsa, OK; Westminster, CO; and White Marsh, MD; 99,000 square feet of this space is subleased to third parties.

See Note 19 to the accompanying consolidated financial statements for information regarding our obligations under leases. We believe that suitable additional space will be available to accommodate future needs.

Item 3. ***Legal Proceedings***

On October 11, 2006, we filed a lawsuit in the U.S. District Court for the District of Minnesota captioned Fair Isaac Corporation and myFICO Consumer Services Inc. v. Equifax Inc., Equifax Information Services LLC, Experian Information Solutions, Inc., TransUnion LLC, VantageScore Solutions LLC, and Does I through X. The lawsuit primarily relates to the development, marketing, and distribution of VantageScore, a credit score product developed by VantageScore Solutions LLC, which is jointly owned by the three national credit reporting companies. We allege in the lawsuit violations of antitrust laws, unfair competitive practices and false advertising, trademark infringement, and breach of contract. We are seeking injunctive relief, and compensatory and punitive damages. The defendants have made no counterclaims against Fair Isaac in the lawsuit. On June 6, 2008, we entered into a settlement agreement with Equifax Inc. and Equifax Information Services LLC, and on June 13, 2008, Equifax Inc. and Equifax Information Services LLC were formally dismissed from this lawsuit. We continue to pursue our claims against all other defendants, with trial expected in mid-2009.

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

Not applicable.

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EXECUTIVE OFFICERS OF THE REGISTRANT

Our current executive officers are as follows:

Name	Positions Held	Age
Mark N. Greene	February 2007-present, Chief Executive Officer of the Company. 1995-2007, various executive positions at IBM Corporation including Vice President, Financial Services-Sales and Distribution, General Manager, Global Banking Industry-Sales and Distribution, Vice President, Financial Services Strategy and Solutions-Sales and Distribution, Vice President, SecureWay-Software Group, and Vice President, Electronic Commerce-Software Group. 1993-1994, Vice President and Practice Area Leader-Capital Markets, Technology Solutions Company. 1989-1992, Senior Vice President, Trading Products and Consulting, Berkeley Investment Technologies. 1987-1989, Director, Fixed Income Products, Citi Corp. 1982-1986, various positions at the Federal Reserve Board.	54
Michael H. Campbell	August 2007-present, Executive Vice President, Chief Operating Officer of the Company. July 2006-July 2007, Vice President — ICN Leader - Financial Services of the Company. April 2005-July 2006, Vice President, Chief Operating Officer, Products of the Company. 2003-2005, CEO of TempoSoft, Inc. 1999-2001, held a variety of senior management positions at SAP America, Inc., including Senior Vice President, Solutions and Marketing Organization, Senior Vice President, Solutions Management Organization, and Senior Vice President, Professional Services Organization. 1989-1999, CEO and Chairman, Campbell Software, Inc. Earlier, he was co-founder of General Optimization, Inc., an optimization software developer.	47
Richard S. Deal	August 2007-present, Senior Vice President, Chief Human Resources Officer of the Company. January 2001-July 2007, Vice President, Human Resources of the Company. 1998-2001, Vice President, Human Resources, Arcadia Financial, Ltd. 1993-1998, managed broad range of human resources corporate and line consulting functions with U.S. Bancorp.	41
John D. Emerick, Jr.	April 2007-present, Vice President, Corporate Development and Treasury of the Company. September 2004-March 2007, Vice President, Treasury of the Company. 1999-2004, Director, Media and Communications Finance, CIT Group, Inc. 1998-1999, Treasurer and Director of Corporate Finance, Ovation Communications, Inc. 1995-1998, Vice President, Media Communications and Finance, Newcourt Capital. 1992-1995, Assistant Vice President, PNC Bank. 1985-1992-various analyst positions at financial institutions.	45
Andrew N. Jennings	October 2007–present, Senior Vice President, Chief Research Officer of the Company. May 2007–September 2007, Vice President, Analytic Research and Development of the Company. May 2006–May 2007, Vice President, EDM Applications of the Company. October 1994–May 2006, various senior management positions of the Company including Vice President of International Operations, Vice President European Operations, Vice President Analytic, Customer Management and Collections Business units. 1991-1994, Head of Credit Risk Management, Abbey National plc. 1987–1991, Head of Credit Risk, Barclaycard, Barclays Bank plc. 1980–1987, Lecturer Economic and Econometrics University of Nottingham.	53
Charles M. Osborne	August 2007-present, Executive Vice President, Chief Financial Officer of the Company. March 2007-July 2007, Vice President, Chief Financial Officer of the Company. November 2006-February 2007, Interim Chief Executive	55

Name	Positions Held	Age
	Officer and Vice President, Chief Financial Officer of the Company. May 2004-November 2006, Vice President, Chief Financial Officer of the Company. 1999-2003, partner and investor, Gateway Alliance venture capital partnership. July-December 2000, Executive Vice President and CFO, 21 North Main, Inc. 2000-2004, Interim CFO and Vice President, Finance, University of Minnesota Foundation. 1998-2000, various executive positions with McLeod USA/Ovation Communications, including Vice President, Corporate, General Manager and Chief Financial Officer. April 1997-May 1998, President and Chief Operating Officer, Graco Inc. 1981-1997, various senior financial executive positions with Deluxe Corporation, including Senior Vice President and CFO and Vice President, Finance. 1975-1981, various accounting positions with Deloitte & Touche LLP.	
Laurent Pacalin	August 2008-present, Senior Vice President, Chief Marketing Officer of the Company. July 2008, Vice President, Acting Chief Marketing Officer of the Company. April 2008-June 2008, Vice President, Product Marketing of the Company. 2007-2008, Founder and CEO, Omnivoria. 2006-2008, Co-founder and Board Member, California Clean Tech Open. 2002-2006, Vice President and General Manager, Siebel Systems. 2000-2002, Vice President, Chief Marketing Officer, Blue Martini Software. 1999-2000, Vice President, Business Development, Corio. 1994-1999, Various Senior Director and Vice President positions, Oracle. 1990-1994, Director, OEM Channel Sales, Novell. 1986-1990, Manager positions, Texas Instruments.	49
Michael J. Pung	August 2004-present, Vice President, Finance of the Company. 2000-2004, Vice President and Controller, Hubbard Media Group, LLC. 1999-2000, Controller, Capella Education, Inc. 1998-1999, Controller, U.S. Satellite Broadcasting, Inc. 1992-1998, various financial management positions with Deluxe Corporation. 1985-1992, various audit positions, including audit manager, at Deloitte & Touche LLP.	45
Mark R. Scadina	June 2007-present, Senior Vice President and General Counsel and Corporate Secretary of the Company. 2003-2007, various senior positions including Executive Vice President, General Counsel and Corporate Secretary, Liberate Technologies, Inc. 1999-2003, various senior positions including Vice President and General Counsel, Intertrust Technologies Corporation. 1994-1999, Associate, Pennie and Edmonds LLP.	39

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Our common stock trades on the New York Stock Exchange under the symbol: FIC. According to records of our transfer agent, at September 30, 2008, we had 527 shareholders of record of our common stock.

The following table shows the high and low closing prices for our stock, as listed on the New York Stock Exchange for each quarter in the last two fiscal years:

	High	Low
Fiscal 2007		
October 1 — December 31, 2006	$42.97	$35.61
January 1 — March 31, 2007	$41.84	$37.45
April 1 — June 30, 2007	$40.83	$34.98
July 1 — September 30, 2007	$40.60	$35.33
Fiscal 2008		
October 1 — December 31, 2007	$39.98	$32.15
January 1 — March 31, 2008	$31.44	$20.83
April 1 — June 30, 2008	$26.70	$20.31
July 1 — September 30, 2008	$26.67	$19.08

Dividends

We paid quarterly dividends of two cents per share, or eight cents per year, during each quarter of fiscal 2008, 2007 and 2006. Our dividend rate is set by the Board of Directors on a quarterly basis taking into account a variety of factors, including among others, our operating results and cash flows, general economic and industry conditions, our obligations, changes in applicable tax laws and other factors deemed relevant by the Board. Although we expect to continue to pay dividends at the current rate, our dividend rate is subject to change from time to time based on the Board's business judgment with respect to these and other relevant factors.

Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Issuer Purchases of Equity Securities (1)

Period	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2008 through July 31, 2008	9,412	$ 22.10	—	$ 148,161,062
August 1, 2008 through August 31, 2008	—	$ —	—	$ 148,161,062
September 1, 2008 through September 30, 2008	1,862	$ 23.92	—	$ 148,161,062
	11,274	$ 22.40	—	$ 148,161,062

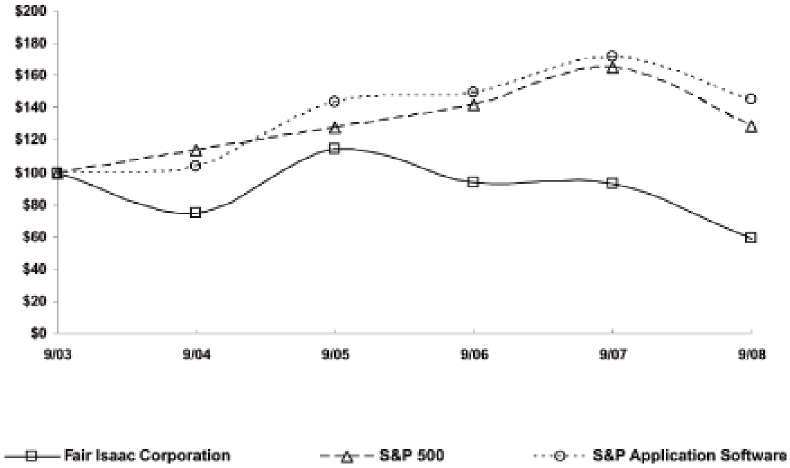
(1) In November 2007, our Board of Directors approved a common stock repurchase program that allows us to purchase shares of our common stock up to an aggregate cost of $250.0 million in the open market or through negotiated transactions. The November 2007 program does not have a fixed expiration date.

(2) Includes 11,274 shares delivered in satisfaction of the tax withholding obligations resulting from the vesting of restricted stock units held by employees during the quarter ended September 30, 2008.

Performance Graph

The follow graph shows the total stockholder return of an investment of $100 in cash on September 30, 2003, in (a) the Company's Common Stock (b) the Standard & Poor's 500 Stock Index and (c) the Standard & Poor's 500 Application Software Index, in each case with reinvestment of dividends. We do not believe there are any publicly traded companies that compete with us across the full spectrum of our product and service offerings.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Fair Isaac Corporation, The S&P 500 Index
And The S&P Application Software Index



*$100 invested on 9/30/03 in stock & index-including reinvestment of dividends. Fiscal year ending September 30.

The Company is listed on the New York Stock Exchange ("NYSE"). As an NYSE-listed company, our Chief Executive Officer must certify annually that he is not aware of any violation by the Company of NYSE corporate governance listing standards as of the date of that certification. The most recent Chief Executive Officer's certification was filed with the NYSE on March 17, 2008.

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Item 6. ***Selected Financial Data***

We acquired London Bridge Software Holdings plc ("London Bridge") in May 2004, Braun Consulting, Inc. ("Braun") in November 2004, RulesPower, Inc. ("RulesPower") in September 2005 and Dash Optimization ("Dash") in January 2008. Results of operations from the acquisitions are included prospectively from the date of each acquisition. As a result of these acquisitions, the comparability of the data below is impacted.

In April 2008, we completed the sale of our Insurance Bill Review business unit. We accounted for this business unit as a discontinued operation and, accordingly, we have reclassified the selected financial data for all periods presented.

	Fiscal Years Ended September 30, (In thousands, except per share data)				
	2008(1)(2)	2007(1) (2)(3)	2006 (1) (2)	2005	2004 (4)
Revenues	$ 744,842	$ 784,188	$ 782,995	$ 748,509	$ 641,249
Operating income	122,283	160,327	154,400	195,018	177,392
Income from continuing operations	81,186	111,851	104,505	135,767	101,285
Income (loss) from discontinued operations	2,766	(7,201)	(1,019)	(1,219)	1,503
Net income	83,952	104,650	103,486	134,548	102,788
Basic earnings (loss) per share:					
Continuing operations	$ 1.66	$ 2.00	$ 1.64	$ 2.04	$ 1.45
Discontinued operations	0.06	(0.13)	(0.01)	(0.02)	0.02
Total	$ 1.72	$ 1.87	$ 1.63	$ 2.02	$ 1.47
Diluted earnings (loss) per share:					
Continuing operations	$ 1.64	$ 1.94	$ 1.60	$ 1.88	$ 1.29
Discontinued operations	0.06	(0.12)	(0.01)	(0.02)	0.02
Total	$ 1.70	$ 1.82	$ 1.59	$ 1.86	$ 1.31
Dividends declared per share	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.08

	At September 30, (In thousands)				
	2008	2007	2006	2005	2004
Working capital (deficit)	$ 229,071	$ (103,173)	$ (123,719)	$ 274,523	$ 345,785
Total assets	1,275,253	1,275,771	1,321,205	1,351,061	1,444,779
Senior convertible notes	—	390,963	400,000	400,000	400,000
Senior Notes	275,000	—	—	—	—
Revolving line of credit	295,000	170,000	—	—	—
Stockholders' equity	561,941	566,314	770,028	805,094	916,471

(1) Results of operations for fiscal years 2008, 2007 and 2006 include pre-tax share-based compensation expense from continuing operations of $27.7 million, $35.5 million and $41.1 million respectively, after our adoption of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, on October 1, 2005.

(2) Results of operations for fiscal years 2008, 2007 and 2006 include pre-tax charges of $10.2 million, $2.5 million and $19.5 million, respectively, in restructuring expenses.

(3) Results of operations for fiscal year 2007 include a $1.5 million gain on the sale of product line assets.

(4) Results of operations for fiscal 2004 include an $11.1 million pre-tax loss on redemption of our convertible subordinated notes.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

OVERVIEW

We are a leader in Decision Management ("DM") solutions that enable businesses to automate, improve and connect decisions to enhance business performance. Our predictive analytics and decision management systems power hundreds of billions of customer decisions each year. We help companies acquire customers more efficiently, increase customer value, reduce fraud and credit losses, lower operating expenses and enter new markets more profitably. Most leading banks and credit card issuers rely on our solutions, as do many insurers, retailers, telecommunications providers, healthcare organizations, pharmaceutical companies and government agencies. We also serve consumers through online services that enable people to purchase and understand their FICO® scores, the standard measure in the United States of credit risk, empowering them to manage their financial health.

Most of our revenues are derived from the sale of products and services within the consumer credit, financial services and insurance industries, and during the year ended September 30, 2008, 71% of our revenues were derived from within these industries. A significant portion of our remaining revenues is derived from the telecommunications and retail industries, as well as the government sector. Our clients utilize our products and services to facilitate a variety of business processes, including customer marketing and acquisition, account origination, credit and underwriting risk management, fraud loss prevention and control, and client account and policyholder management. A significant portion of our revenues is derived from transactional or unit-based software license fees, annual license fees under long-term software license arrangements, transactional fees derived under scoring, network service or internal hosted software arrangements, and annual software maintenance fees. The recurrence of these revenues is, to a significant degree, dependent upon our clients' continued usage of our products and services in their business activities. The more significant activities underlying the use of our products in these areas include: credit and debit card usage or active account levels; lending acquisition, origination and customer management activity; and wireless and wireline calls and subscriber levels. Approximately 73% of our revenues during fiscal 2008 were derived from arrangements with transactional or unit-based pricing. We also derive revenues from other sources which generally do not recur and include, but are not limited to, perpetual or time-based licenses with upfront payment terms, non-recurring professional service arrangements and gain-share arrangements where revenue is derived based on percentages of client revenue growth or cost reductions attributable to our products.

One measure used by management as an indicator of our business performance is the volume of bookings achieved. We define a booking as estimated future contractual revenues, including agreements with perpetual, multi-year and annual terms. Bookings values may include: (i) estimates of variable fee components such as hours to be incurred under new professional services arrangements and customer account or transaction activity for agreements with transactional-based fee arrangements; (ii) additional or expanded business from renewals of contracts; and (iii) to a lesser extent, previous customers that have attrited and been resold only as a result of a significant sales effort. In the fourth quarter of fiscal 2008, we achieved bookings of $71.2 million, including two deals with bookings values of $3.0 million or more. In comparison, bookings in the fourth quarter of fiscal 2007 were $93.3 million, including five deals with bookings values of $3.0 million or more.

Management regards the volume of bookings achieved, among other factors, as an important indicator of future revenues, but they are not comparable to, nor should they be substituted for, an analysis of our revenues, and they are subject to a number of risks and uncertainties, including those described in Item 1A "Risk Factors", above, concerning timing and contingencies affecting product delivery and performance. Although many of our contracts have fixed noncancelable terms, some of our contracts are terminable by the client on short notice or without notice. Accordingly, we do not believe it is appropriate to characterize all of our bookings as backlog that will generate future revenue.

Our revenues derived from clients outside the United States continue to grow, and may in the future grow more rapidly than our revenues from domestic clients. International revenues totaled $246.3 million, $240.5 million and $230.2 million in fiscal 2008, 2007 and 2006, respectively, representing 33%, 31% and 29% of total consolidated revenues in each of these years. In addition to clients acquired via our acquisitions, we believe that our international growth is a product of successful relationships with third parties that assist in international sales efforts and our own increased sales focus internationally, and we expect that the percentage of our revenues derived from international clients will increase in the future.

Reengineering Plan

In April 2008, we announced the details of a reengineering plan designed to grow revenues through strategic resource allocation and improve profitability through cost reduction. Key components of the plan include rationalizing the business portfolio, simplifying management hierarchy, eliminating low-priority positions, consolidating facilities and managing fixed and variable costs. Also in connection with the plan, we sold our Insurance Bill Review business unit and we fully exited our Cortronics neural research and Fast Panel diagnostics product lines.

Once the initiatives under the reengineering plan are completed, which includes exiting the remaining non-strategic product lines, annual revenues are expected to be reduced by approximately $65 million and annual costs are expected to be reduced by approximately $107 million. In addition, we are restricting hiring activities and other anticipated expenditures as part of our cost management activities. A portion of these savings will be reinvested in programs designed to grow revenues.

Current Business Environment

In 2008, the financial markets experienced significant volatility and general economic conditions deteriorated. These conditions have had a substantial impact on our customers, especially financial institutions. This has included an increased number of consolidations among our customers, a significant decline in new account acquisition activities and extension of credit by financial institutions and a general slowing of software purchases by our customers. These unfavorable conditions affected our business in fiscal 2008 and are expected to continue to affect us in fiscal 2009. In particular, our Scoring and Strategy Machine Solutions segments experienced significant revenue declines in fiscal 2008.

As a result of this difficult business environment, we will continue to aggressively manage our expenses in an effort to maintain solid earnings and cash flows. We also plan to continue to invest in our Decision Management solutions as well as our core business operations.

Acquisition and Divestiture Activity

In January 2008, we acquired Dash Optimization Ltd., a leading provider of decision modeling and optimization software, for an aggregate purchase price of $34.1 million in cash. Results of operations from this acquisition are included in our results prospectively from the date of acquisition.

In April 2008, we completed the sale of our Insurance Bill Review business unit for $16.0 million in cash to Mitchell International, Inc. We recorded a $6.9 million pre-tax loss, but a $3.4 million after-tax gain on the sale as the amount of goodwill disposed of for income tax purposes exceeded the amount determined for financial reporting purposes. Revenues from the business were $22.9 million, $38.0 million and $42.4 million in fiscal 2008, 2007 and 2006, respectively. After-tax losses were $0.7 million, $7.2 million and $1.0 million in fiscal 2008, 2007 and 2006, respectively. The Insurance Bill Review business unit is classified as discontinued operations in our consolidated financial statements and in the following management discussion and analysis.

In March 2007, we sold the assets and products associated with our mortgage banking solutions product line, which was included in the Strategy Machines Solutions segment, for $15.8 million in cash. We recognized a $1.5 million pre-tax gain, but a $0.4 million after-tax loss on the sale due to goodwill associated with the product line that was not deductible for income tax purposes. For fiscal 2007 and 2006, we recorded revenues from the mortgage banking solutions product line of $7.7 million and $19.9 million, respectively. The earnings contribution from the mortgage banking solutions product line was not significant to our fiscal 2007 or fiscal 2006 results of operations.

Segment Information

Our reportable segments are: Strategy Machine Solutions, Scoring Solutions, Professional Services and Analytic Software Tools. Although we sell solutions and services into a large number of end user product and industry markets, our reportable business segments reflect the primary method in which management organizes and evaluates internal financial information to make operating decisions and assess performance. Comparative segment revenues, operating income, and related financial information for the years ended September 30, 2008, 2007 and 2006 are set forth in Note 18 to the accompanying consolidated financial statements.

RESULTS OF OPERATIONS

Continuing Operations

Revenues

The following tables set forth certain summary information on a segment basis related to our revenues for the fiscal years indicated.

Segment	Revenues Fiscal Year 2008	2007	2006	Period-to-Period Change 2008 to 2007	2007 to 2006
	(In thousands)			(In thousands)	
Strategy Machine Solutions	$ 388,108	$ 404,881	$ 415,282	$ (16,773)	$ (10,401)
Scoring Solutions	156,816	180,444	177,152	(23,628)	3,292
Professional Services	147,864	147,430	144,830	434	2,600
Analytic Software Tools	52,054	51,433	45,731	621	5,702
Total Revenues	$ 744,842	$ 784,188	$ 782,995	(39,346)	1,193

Segment	Percentage of Revenues Fiscal Year 2008	2007	2006	Period-to-Period Percentage Change 2008 to 2007	2007 to 2006
Strategy Machine Solutions	52%	51%	53%	(4)%	(3)%
Scoring Solutions	21%	23%	23%	(13)%	2%
Professional Services	20%	19%	18%	—	2%
Analytic Software Tools	7%	7%	6%	—	12%
Total Revenues	100%	100%	100%	(5)%	—

Fiscal 2008 Revenues Compared to Fiscal 2007 Revenues

Strategy Machine Solutions segment revenues decreased $16.8 million due partially to the sale last year of our *mortgage banking solutions* product line, which caused a $7.1 million decline in segment revenues. In addition, segment revenues declined due to a $6.5 million decrease in revenues from our *marketing solutions*, a $5.3 million decrease in revenues from our *fraud solutions*, a $4.4 million decrease in revenues from our *analytic solutions* and a $1.7 million decrease in revenues from our other strategy machine solutions. The revenue decrease was partially offset by a $4.7 million increase in revenues from our *customer management solutions* and a $3.5 million increase in revenues from our *consumer solutions*.

The decrease in *marketing solutions* revenues was attributable primarily to a decline in sales volumes resulting from the loss last year of a large customer and pricing pressures. The decrease in *fraud solutions* revenues was attributable primarily to a large license sale that occurred in the prior year and a decline in volumes associated with transactional-based agreements. In addition, we have experienced a delay in a product upgrade, which impacted current year bookings and revenues and may continue to impact *fraud solutions* bookings and revenues in future periods. The decline in *analytic solutions* resulted from a decline in license sales. The increase in *customer management solutions* revenues was due to the sale of several large licenses in the current year and increased maintenance revenues from an increase in our installed base. The increase in *consumer solutions* revenues was attributable to increases in revenues derived from myFICO.com as a result of increased volumes. The higher volumes were driven by increased demand by consumers to access and monitor their credit scores.

Scoring Solutions segment revenues decreased $23.6 million due to a $13.2 million reduction in revenues derived from the credit reporting agencies, which resulted from a decline in prescreen volumes. Volumes declined as financial institutions have significantly reduced new account acquisition activities and extension of credit. Revenues were also impacted by a $9.0 million reduction in revenues from our services sold directly to users, which resulted from increased pricing pressures and a decline in volumes due to a decrease in prescreening initiatives by our customers. We expect that competitive pricing pressures as well as reduced volumes due to weakness in the U.S. financial credit market will continue to adversely affect segment revenues in fiscal 2009.

During fiscal 2008 and 2007, revenues generated from our agreements with Equifax, TransUnion and Experian collectively accounted for approximately 19% and 20%, respectively, of our total revenues, including revenues from these customers that are recorded in our other segments.

Professional Services segment revenues increased $0.4 million due to an increase in implementation services for our collection and recovery products and for Blaze Advisor. The increase was partially offset by a decline in analytic and insurance and healthcare consulting services. In addition, the revenue increase was partially offset by a decline in implementation services for our originations products.

Analytic Software Tools segment revenues increased $0.6 million primarily due to sales of $4.1 million from products acquired in our acquisition of Dash Optimization Ltd. and an increase in maintenance revenues. The increase in maintenance revenues resulted from the overall growth in our installed base of Blaze Advisor. The increase was offset by a decline in sales of Blaze Advisor licenses.

Fiscal 2007 Revenues Compared to Fiscal 2006 Revenues

Strategy Machine Solutions segment revenues decreased $10.4 million due partially to the sale of our *mortgage banking solutions* product line, which resulted in a $10.9 million decline in segment revenues. In addition, segment revenues declined due to a $5.5 million decrease in revenues from our *customer management solutions*, a $5.5 million decrease in revenues from our *originations solutions* and a $0.9 million decrease in revenues from our other strategy machine solutions. The revenue decrease was partially offset by a $9.5 million increase in revenues from our *collection and recovery solutions*, a $1.6 million increase in revenues from our *consumer solutions* and a $1.3 million increase in revenues from our *fraud solutions*.

The decrease in *customer management solutions* revenues was the result of a decline in transactional-based revenues due to the loss of volumes from a significant customer, which resulted from industry consolidation. The decrease in *originations solutions* revenues was the result of a decline in transactional-based revenues, unfavorable pricing on a renewed customer contract and, to a lesser extent, a reduction in sales of software licenses. The increase in *collections and recovery solutions* revenues was attributable primarily to several large license sales and increased volumes associated with transactional-based agreements. The large license sales resulted from successful international sales efforts. The increase in *consumer solutions* revenues was attributable to increases in revenues derived from myfico.com and our strategic alliance partners. The increase in *fraud solutions* revenues was attributable primarily due to increased volumes associated with transactional-based agreements.

Scoring Solutions segment revenues increased $3.3 million primarily due an increase in revenues derived from risk scoring services at the credit reporting agencies. We also had an increase in revenues derived from our FICO® Expansion® score product, which provides scores on U.S. consumers who do not have traditional FICO® scores because they do not have a sufficient number of credit accounts being reported to the credit reporting agencies. The revenue increase was partially offset by a decline in revenues derived from our own prescreening and account management services sold directly to users, which resulted from increased pricing pressures and an unfavorable impact on pricing from the merger of two customers.

During fiscal 2007 and 2006, revenues generated from our agreements with Equifax, TransUnion and Experian, collectively accounted for approximately 20% and 19%, respectively, of our total revenues, including revenues from these customers that are recorded in our other segments.

Professional Services segment revenues increased $2.6 million from consulting and implementation services for customer management products, for services to develop predictive models for a large customer and implementation services for Blaze Advisor. The increase was partially offset by a decline in implementation services for our collection and recovery products and fraud products and a decline in industry consulting services. The decline in implementation services for fraud products was partially the result of a delay in a product upgrade.

Analytic Software Tools segment revenues increased $5.7 million primarily due to an increase in sales of perpetual and term licenses of Blaze Advisor and to a lesser extent sales of Model Builder software applications. This increase reflects a larger number of Blaze Advisor license sales that exceeded $1.0 million in the United States and EMEA region. The increase in revenues was also partially the result of higher maintenance revenues, which resulted from the overall growth in our installed base of Blaze Advisor.

Operating Expenses and Other Income (Expense)

The following tables set forth certain summary information related to our statements of income for the fiscal years indicated.

	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006	Period-to-Period Change 2008 to 2007	Period-to-Period Change 2007 to 2006
	(In thousands, except employees)			(In thousands, except employees)	
Revenues	$ 744,842	$ 784,188	$ 782,995	$ (39,346)	$ 1,193
Operating expenses:					
Cost of revenues	274,917	259,450	247,289	15,467	12,161
Research and development	77,794	69,322	82,951	8,472	(13,629)
Selling, general and administrative	245,639	273,705	256,653	(28,066)	17,052
Amortization of intangible assets	14,043	20,470	22,169	(6,427)	(1,699)
Restructuring and acquisition-related	10,166	2,455	19,533	7,711	(17,078)
Gain on sale of product line assets	—	(1,541)	—	1,541	(1,541)
Total operating expenses	622,559	623,861	628,595	(1,302)	(4,734)
Operating income	122,283	160,327	154,400	(38,044)	5,927
Interest income	8,802	13,527	15,248	(4,725)	(1,721)
Interest expense	(20,335)	(12,766)	(8,569)	(7,569)	(4,197)
Other income (expense), net	2,245	427	(210)	1,818	637
Income from continuing operations before income taxes	112,995	161,515	160,869	(48,520)	646
Provision for income taxes	31,809	49,664	56,364	(17,855)	(6,700)
Income from continuing operations	81,186	111,851	104,505	(30,665)	7,346
Income (loss) from discontinued operations	2,766	(7,201)	(1,019)	9,967	(6,182)
Net income	$ 83,952	$ 104,650	$ 103,486	(20,698)	1,164
Number of employees at fiscal year end	2,480	2,824	2,737	(344)	87

	Percentage of Revenues Fiscal Year 2008	Percentage of Revenues Fiscal Year 2007	Percentage of Revenues Fiscal Year 2006	Period-to-Period Percentage Change 2008 to 2007	Period-to-Period Percentage Change 2007 to 2006
Revenues	100%	100%	100%	(5)%	—
Operating expenses:					
Cost of revenues	37%	33%	31%	6%	5%
Research and development	11%	9%	11%	12%	(16)%
Selling, general and administrative	33%	35%	33%	(10)%	7%
Amortization of intangible assets	2%	3%	3%	(31)%	(8)%
Restructuring and acquisition-related	1%	—	2%	—	(87)%
Gain on sale of product line assets	—	—	—	—	—
Total operating expenses	84%	80%	80%	—	(1)%
Operating income	16%	20%	20%	(24)%	4%
Interest income	1%	2%	2%	(35)%	(11)%
Interest expense	(2)%	(1)%	(1)%	(59)%	(49)%
Other income (expense), net	—	—	—	—	—
Income from continuing operations before income taxes	15%	21%	21%	(30)%	—
Provision for income taxes	4%	7%	8%	(36)%	(12)%
Income from continuing operations	11%	14%	13%	(27)%	7%
Income (loss) from discontinued operations	—	(1)%	—	—	—
Net income	11%	13%	13%	(20)%	1%

Cost of Revenues

Cost of revenues consists primarily of employee salaries and benefits for personnel directly involved in creating, installing and supporting revenue products; travel and related overhead costs; costs of computer service bureaus; internal network hosting costs; amounts payable to credit reporting agencies for scores; software costs; and expenses related to our consumer score services through myfico.com.

Cost of revenues as a percentage of revenues was 37% in fiscal 2008, as compared to 33% in fiscal 2007. The increase was driven by a decline in sales of our higher margin scoring solutions products and an increase in professional services projects, which generally have much lower profit margins. In dollars, cost of revenues increased $15.5 million due to a $7.8 million increase in personnel and other labor-related costs, a $4.0 million increase in facilities and infrastructure costs, a $2.2 million increase in third-party software and data and a $1.5 million net increase in various other expenditures. The increase in personnel and other labor-related costs was attributable primarily to an increase in salary and related benefit costs and an increase in outside staff costs utilized for professional service projects. The increase in personnel and other labor-related costs was partially offset by lower incentive and share-based compensation expense. The decline in share-based compensation expense was due to an overall decline in share-based grants and the impact of forfeitures. The increase in facilities and infrastructure costs was attributable to an increase in allocated costs associated with an increase in professional services activities. The increase in third-party software and data costs was due to an increase in *consumer solutions* costs, which resulted from higher revenues.

The fiscal 2007 over 2006 increase of $12.2 million in cost of revenues includes a $10.3 million increase in personnel and other labor-related costs, a $1.8 million increase in third-party software and data, a $1.0 million increase in facilities and infrastructure costs, and a $0.9 million net decrease in various other expenditures. The increase in personnel and other labor-related costs was attributable primarily to an increase in salary and related benefit costs and an increase in outside staff costs. The increase in third-party software and data costs was due to an increase in *consumer solutions* costs, which resulted from higher revenues, and a change in product mix. The increase in facilities and infrastructure costs was attributable to an increase in allocated costs associated with an increase in professional services activities.

In fiscal 2009, we expect that cost of revenues as a percentage of revenues will be consistent with or slightly greater than the cost of revenues incurred during fiscal 2008 due to an expected continuing decline in revenues associated with our Scoring Solutions products.

Research and Development

Research and development expenses include the personnel and related overhead costs incurred in development of new products and services, including primarily the research of mathematical and statistical models and the development of new versions of Strategy Machine Solutions and Analytic Software Tools.

The fiscal 2008 over 2007 increase of $8.5 million in research and development expenditures was attributable primarily to an increase in personnel and related costs of $5.8 million, a $0.9 million increase in facilities and infrastructure costs and a $1.8 million net increase in other costs. The increase in personnel and related costs was driven by additional staff to support product development initiatives and costs associated with annual salary adjustments. The increase was partially offset by lower incentive expense. The increase in facilities and infrastructure costs was attributable primarily to an increase in allocated facility and information system costs associated with increased development activities. The increase in other costs was partially due to higher costs for data that is used for product development initiatives.

The fiscal 2007 over 2006 decrease of $13.6 million in research and development expenditures was attributable primarily to a decrease in personnel and related costs of $10.4 million, a $3.0 million decrease in facilities and infrastructure costs and a $0.2 million decrease in other costs. The decrease in personnel and related costs was the result of lower salary and benefit costs due to the shift of employees to non-U.S. locations and staff reductions, which occurred in the prior year period. The decrease in facilities and infrastructure costs was attributable to the shift of employees to lower cost non-U.S. locations and a decline in allocated costs due to a staff reduction.

In fiscal 2009, we expect that research and development expenditures as a percentage of revenues will be consistent with or slightly greater than those incurred during fiscal 2008 due to continued investment in our Decision Management solutions.

Selling, General and Administrative

Selling, general and administrative expenses consist principally of employee salaries and benefits, travel, overhead, advertising and other promotional expenses, corporate facilities expenses, legal expenses, business development expenses, and the cost of operating computer systems.

The fiscal 2008 over 2007 decrease of $28.1 million in selling, general and administrative expenses was attributable to a $24.6 million decrease in personnel and other labor-related costs, a $3.6 million decrease in facilities and infrastructure costs, a $2.0 million decrease in travel costs and a $0.9 million net decrease in other costs. The decrease in selling, general and administrative expenses was partially offset by a $3.0 million increase in legal fees. The decrease in personnel and labor-related costs related primarily to lower sales commissions which resulted from the decline in revenues, lower incentive and share-based compensation expense and a decline in salary and benefit costs resulting from staff reductions. The decline in share-based compensation was due to an overall decline in share-based grants and impact of forfeitures. The decline in travel costs was driven by management programs focused on reducing discretionary expenses. The increase in legal fees was primarily due to litigation costs associated with the VantageScore litigation.

The fiscal 2007 over 2006 increase of $17.1 million in selling, general and administrative expenses was attributable to a $9.7 million increase in personnel and other labor-related costs, a $3.3 million increase in our provision for doubtful accounts receivable, a $0.6 million increase in legal fees and a $3.5 million increase in other expenses. The increase in personnel and labor-related costs resulted primarily from an increase in sales staff and commissions, partially offset by a decline in third party staffing costs and share-based compensation expense. The decline in share-based compensation expense was due to an overall decline in share-based grants and an increase in forfeitures in fiscal 2007. The increase in the provision for doubtful accounts resulted from an overall increase in accounts receivable and a related shift in aging of balances due to internal process inefficiencies and slower collections associated with certain international clients.

In fiscal 2009, we expect that selling, general and administrative expenses as a percentage of revenues will be consistent with, or slightly lower than, those incurred during fiscal 2008 due to continued aggressive management of expenses.

Amortization of Intangible Assets

Amortization of intangible assets consists of amortization expense related to intangible assets recorded in connection with acquisitions accounted for by the purchase method of accounting. Our definite-lived intangible assets, consisting primarily of completed technology and customer contracts and relationships, are being amortized using the straight-line method or based on forecasted cash flows associated with the assets over periods ranging from two to fifteen years.

The fiscal 2008 over 2007 decline of $6.4 million in amortization expense was attributable to certain intangible assets associated with our fiscal 2002 acquisition of HNC Software Inc. becoming fully amortized during fiscal 2007. The decline was partially offset by amortization recorded in connection with intangible assets acquired in our purchase of Dash Optimization, Ltd.

The fiscal 2007 over 2006 decline of $1.7 million in amortization expense was attributable to certain intangible assets associated with our fiscal 2002 acquisition of HNC Software Inc. becoming fully amortized during fiscal 2007.

In fiscal 2009, we expect amortization expense will be consistent with the amortization expense incurred in 2008.

Restructuring and Acquisition-Related Expenses

The following table sets forth certain summary information on restructuring and acquisition-related expenses.

	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006
		(In thousands)	
Severance costs	$ 7,353	$ 1,012	$ 5,069
Vacating excess lease space	2,672	1,443	12,954
Abandoned acquisition	—	—	2,184
Restructuring plan adjustment-leased space	141	—	(674)
Total restructuring and acquisition-related expense	$ 10,166	$ 2,455	$ 19,533

In fiscal 2008, we eliminated 280 positions across the company and incurred charges of $7.4 million for severance costs. Cash payments for the majority of the severance costs were paid in fiscal 2008. We also recognized charges of $2.7 million associated with vacating excess leased space primarily located in Colorado and California. The charge represents future cash lease payments, net of estimated sublease income, which will be paid out over the next four years. In addition, we recognized a net charge of $0.1 million as a result of unfavorable sublease arrangements associated with office space we vacated in prior years.

In fiscal 2007, we recorded a charge of $1.0 million for severance costs associated with the elimination of 13 management positions. In addition, we recorded a charge of $1.4 million to vacate excess leased space located in California and Maryland. Included in the $1.4 million charge was $0.2 million to write off fixed assets that were abandoned as part of this action. The remaining charge of $1.2 million was for future cash lease obligations, net of estimated sublease income. Cash payments for the majority of these costs were paid in fiscal 2008.

In connection with a restructuring initiative in fiscal 2006, we incurred charges of $5.0 million for severance costs associated with a reduction of 179 employees primarily in product management, delivery and development functions. As part of this restructuring initiative, we also recognized a $0.1 million charge associated with the abandonment of leased office space representing future cash obligations under the lease.

As a result of vacating excess leased space located in California in fiscal 2006, we incurred a charge of $13.0 million, representing future cash lease obligations, net of estimated sublease income. We expect that the future lease obligations will be paid out over the next three years, which represents the remaining term of the lease.

In fiscal 2006, we recorded costs of $2.2 million in connection with an abandoned acquisition, consisting of third-party legal, accounting and other professional fees.

We recorded a $0.7 million gain in fiscal 2006 due to the sublease of office space that we had exited in fiscal 2002. The gain resulted from an adjustment to the liability established for the exit of the lease space and a refund received for past rent paid to the landlord.

Gain on Sale of Product Line Assets

In March 2007, we completed the sale of the assets and products associated with our *mortgage banking solutions* product line for $15.8 million in cash. We recognized a $1.5 million pre-tax gain on the sale.

Interest Income

Interest income is derived primarily from the investment of funds in excess of our immediate operating requirements.

The fiscal 2008 over 2007 decrease of $4.7 million in interest income was attributable to lower average cash and investment balances and a decline in interest rates and investment income yields due to market conditions. The decrease in average cash and investment balances resulted principally from cash used to repurchase common stock.

The fiscal 2007 over 2006 decrease of $1.7 million in interest income was attributable to lower average cash and investment balances. The decrease in cash and investment balances resulted principally from cash used to repurchase common stock, partially offset by cash provided by operating activities and proceeds received from the exercise of employee stock options.

Interest Expense

In fiscal 2008, interest expense included interest on Senior Notes that were issued in May 2008; interest related to our 1.5% Senior Convertible Notes and interest associated with borrowings under our revolving credit facility. All of our Senior Convertible Notes were repurchased during 2008. In fiscal 2007, interest expense included interest related to our Senior Convertible Notes and revolving credit facility. Interest expense recorded in fiscal 2006 only related to the Senior Convertible Notes.

The increase in interest expense of $7.6 million in fiscal 2008 as compared to fiscal 2007 resulted from increased borrowings under our revolving credit facility and that borrowings outstanding had a higher weighted average interest rate. The increase in the average interest rate was due primarily to the issuance of the Senior Notes, which had a weighted average interest rate of 6.8%.

The increase in interest expense of $4.2 million in fiscal 2007 as compared to fiscal 2006 resulted from borrowings under our revolving credit facility, which we utilized to repurchase common stock.

In fiscal 2009, we expect that interest expense will be greater than what we incurred during fiscal 2008 as our borrowings will have a higher weighted average interest rate.

Other Income (Expense), Net

Other income (expense), net consists primarily of realized investment gains/losses, exchange rate gains/losses resulting from re-measurement of foreign-denominated receivable and cash balances held by our U.S. reporting entities into the U.S. dollar functional currency at period-end market rates, net of the impact of offsetting forward exchange contracts, and other non-operating items.

Other income, net was $2.2 million in fiscal 2008, compared with $0.4 million in fiscal 2007. The change resulted from an increase in foreign exchange gains of $1.2 million due to favorable exchange rate fluctuations and that fiscal 2007 included a $0.5 million loss from the sale of company owned aircraft.

Other income, net was $0.4 million in fiscal 2007, compared with other expense, net of $0.2 million in fiscal 2006. The change was driven by fiscal 2007 dividend income of $1.6 million, a decline in foreign exchange losses of $0.2 million, a $0.5 million loss in fiscal 2007 from the sale of company owned aircraft and gains totaling $0.7 million that were recognized in fiscal 2006 from the disposition of investments.

Provision for Income Taxes

Our effective tax rates were 28.2%, 30.7% and 35.0% in fiscal 2008, 2007 and 2006, respectively.

The decrease in our effective tax rate in fiscal 2008 compared with fiscal 2007 was due to the recognition in fiscal 2008 of $4.6 million of discrete tax benefits, an increase in the domestic production deduction and the impact of higher earnings in certain foreign jurisdictions that have tax rates lower than the U.S. federal statutory rate. The $4.6 million of discrete tax benefits, which reduced our effective tax rate by 4.0%, was primarily related to the reversal of a valuation allowance associated with foreign net operating losses. Excluding these discrete tax benefits, the effective tax rate for fiscal 2008 would have been 32.2%. The decline in the effective tax rate in fiscal 2008 was partially offset by the impact of a delay in the extension of the U.S. federal research tax credit and that fiscal 2007 income tax expense was reduced by favorable tax settlements.

The decrease in our effective tax rate in fiscal 2007 compared with fiscal 2006 was due to the recognition in fiscal 2007 of $8.2 million of discrete tax benefits. The discrete tax benefits included favorable settlements of the fiscal 1998 through 2001 U.S. federal examinations and the fiscal 1999 through 2002 California Franchise Tax Board examinations. Our effective tax rate, however, was adversely impacted by the sale of our mortgage banking solutions product line, due to $3.3 million of goodwill associated with the product line that was not deductible for income tax purposes. These items reduced our effective tax rate in fiscal 2007 by 5.1%. Excluding these discrete tax benefits, the effective tax rate for fiscal 2007 would have been 35.8%. In addition to the discrete tax benefits, our effective tax rate in fiscal 2007 was also affected by the repeal of the Extraterritorial Income Exclusion (“EIE”), which was effective December 31, 2006. The EIE deduction reduced income tax expense by $0.5 million in fiscal 2007 compared with $4.6 million in fiscal 2006.

Operating Income

The following table sets forth certain summary information on a segment basis related to our operating income for the fiscal years indicated.

Segment	Fiscal Year 2008	Fiscal Year 2007	Fiscal Year 2006	Period-to-Period Change 2008 to 2007	Period-to-Period Change 2007 to 2006	Period-to-Period Percentage Change 2008 to 2007	Period-to-Period Percentage Change 2007 To 2006
	(In thousands)			(In thousands)			
Strategy Machine Solutions	$ 61,478	$ 73,409	$ 86,349	$ (11,931)	$ (12,940)	(16)%	(15)%
Scoring Solutions	90,458	115,317	112,413	(24,859)	2,904	(22)%	3%
Professional Services	627	6,904	13,528	(6,277)	(6,624)	(91)%	(49)%
Analytic Software Tools	7,610	1,071	2,749	6,539	(1,678)	—	(61)%
Segment operating income	160,173	196,701	215,039	(36,528)	(18,338)	(19)%	(9)%
Unallocated share-based compensation expense	(27,724)	(35,460)	(41,106)	7,736	5,646	22%	14%
Unallocated restructuring and acquisition-related expense	(10,166)	(2,455)	(19,533)	(7,711)	17,078	—	87%
Unallocated gain on sale of product line assets	—	1,541	—	(1,541)	1,541	(100)%	—
Operating income	$ 122,283	$ 160,327	$ 154,400	(38,044)	5,927	(24)%	4%

The fiscal 2008 over fiscal 2007 decrease of $38.0 million in operating income was attributable to a decline in revenues and an increase in restructuring expenses. The decrease in operating income was partially offset by a reduction in share-based compensation expense. At the segment level, the decline in operating income was driven by decreases of $24.9 million in segment operating income in our Scoring Solutions segment, $11.9 million in segment operating income in our Strategy Machine Solutions segment, and $6.3 million in segment operating income in our Professional Services segment. These decreases were partially offset by a $6.5 million increase in segment operating income within our Analytical Software Tools segment. The decrease in Scoring Solutions segment operating income was attributable primarily to a decline in revenues derived from prescreening services that we provide directly to users in financial services and a decline in revenues derived from the credit reporting agencies. Revenues declined as financial institutions have significantly reduced new account acquisition activities and extension of credit. In addition, segment income declined on higher legal expenses. The decrease in Strategy Machine Solutions segment operating income was attributable to a decline in revenues that was partially offset by lower operating costs. The decrease in operating costs was driven by lower salary and benefit costs that resulted from staff reductions, lower incentive costs and a reduction in amortization expense. The decrease in Professional Services segment operating income was the result of higher personnel costs to support increased professional service activities, including increased use of outside staff costs. In our Analytic Software Tools segment, higher segment operating income was due to an increase in sales of licenses for our DM products and reduced operating costs. The decrease in operating costs was driven by lower salary and benefit costs, which resulted from staff reductions, and lower incentive costs. In addition, internal staff was re-deployed to develop Decision Management solutions associated with our Strategy Machines Solutions segment.

The fiscal 2007 over fiscal 2006 increase of $5.9 million in operating income was attributable to lower share-based compensation expense and the impact of restructuring and acquisition-related costs that were recognized in fiscal 2006. At the segment level, the decrease in segment operating income was driven by decreases of $12.9 million, $6.6 million and $1.7 million in segment operating income within our Strategy Machine Solutions, Professional Services and Analytic Software Tools segments, respectively. The decline was partially offset by a $2.9 million increase in segment operating income within our Scoring Solutions segment. The decrease in Strategy Machine Solutions segment operating income was attributable to a decline in sales of *customer management solutions* and *originations solutions* products and higher operating expenses. The operating expense increase was driven by an increase in marketing costs and higher third party data and software costs. The decrease in Professional Services segment operating income was the result of higher personnel costs to support increased professional services activities, which more than offset the increase in segment revenues. In our Analytic Software Tools segment, the decrease in segment operating results was due to increased personnel costs, partially offset by an increase in sales of licenses of our DM products. The increase in Scoring Solutions segment operating income was attributable primarily to an increase in revenues derived from risk scoring services at the credit reporting agencies, partially offset by higher legal expenses.

Discontinued Operations

On April 30, 2008, we completed the sale of our Insurance Bill Review business unit for $16.0 million in cash. We recorded a $6.9 million pre-tax loss, but a $3.4 million after-tax gain on the sale as the amount of goodwill disposed of for income tax purposes exceeded the amount determined for financial reporting purposes.

Revenues from discontinued operations were $22.9 million, $38.0 million and $42.4 million in fiscal 2008, 2007 and 2006, respectively. After-tax losses from discontinued operations were $0.7 million, $7.2 million and $1.0 million in fiscal 2008, 2007 and 2006, respectively. The increased loss in fiscal 2007 was primarily the result of costs associated with the settlement of a lawsuit.

Capital Resources and Liquidity

Cash Flows from Operating Activities

Our primary method for funding operations and growth has been through cash flows generated from operating activities. Net cash provided by operating activities decreased from $179.2 million in fiscal 2007 to $159.2 million in fiscal 2008. Operating cash flows were negatively impacted by the decline in earnings in fiscal 2008, cash paid for a legal settlement and cash paid for incentive payments that were accrued last year. In addition, operating cash flows were also negatively impacted by $10.9 million paid for restructuring-related liabilities. The decline in operating cash flows was partially offset by a decrease in trade receivables of $20.2 million, which resulted from the timing of cash receipts and improvements made to our collections process.

Net cash provided by operating activities decreased from $199.0 million in fiscal 2006 to $179.2 million in fiscal 2007. Operating cash flows were negatively impacted by an increase in trade receivables of $15.8 million and unfavorable working capital changes. The increase in trade receivables resulted from internal process inefficiencies, slower collections associated with certain international clients and longer payment terms on certain customer contracts. Operating cash flows were also negatively impacted by $6.1 million paid for restructuring-related liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities totaled $31.1 million in fiscal 2008 compared to net cash provided by investing activities of $37.4 million in fiscal 2007. The change in cash flows from investing activities was attributable to $33.3 million of cash paid for our acquisitions of Dash Optimization, Ltd., $15.6 million in cash proceeds received from the disposition of our Insurance Bill Review business unit, and a $46.2 million decline in proceeds from sales and maturities of marketable securities, net of purchases. In addition, the change in cash flows was due to $15.8 million in cash received from the sale of our mortgage banking solutions product line in fiscal 2007 and a $10.0 million investment we made in a company in fiscal 2007 that is developing predictive analytics solutions for healthcare providers.

Net cash provided by investing activities totaled $37.4 million in fiscal 2007, compared to net cash used in investing activities of $17.0 million in fiscal 2006. The change in cash flows from investing activities was primarily attributable to $15.8 million in cash received from the sale of our mortgage banking solutions product line in fiscal 2007, a $40.2 million increase in proceeds from sales and maturities of marketable securities, net of purchases, and an $8.7 million decrease in property and equipment purchases. In addition, cash flows from investing activities also reflect a $10.0 million investment we made in a company in fiscal 2007.

Cash Flows from Financing Activities

Net cash used in financing activities totaled $91.0 million in 2008, compared to $198.7 million in fiscal 2007. The decrease in cash used in financing activities was primarily due to a $334.4 million decline in common stock repurchased. Cash used for investing activities in fiscal 2008 also included the repurchase of all outstanding Senior Convertible Notes, which totaled $390.1 million. In order to fund the repurchase of the Senior Convertible Notes, we borrowed an additional $125.0 million under our revolving credit facility and issued $275 million of new Senior Notes. The change in cash flows used in financing activities was also a result of a $64.3 million decrease in proceeds from the issuance of common stock under employee stock plans and an $11.3 million decrease in excess tax benefits from share-based arrangements.

Net cash used in financing activities totaled $198.7 million in 2007, compared to $190.3 million in fiscal 2006. The increase in cash flows used in financing activities was primarily due to a $194.6 million increase in common stock repurchased and $9.0 million used to repurchase our Senior Convertible Notes. The increase in cash used in financing activities was partially offset by a $170.0 million in cash proceeds received from borrowings under a revolving credit facility, a $19.9 million increase in proceeds from the issuance of common stock under employee stock plans and a $5.5 million increase in excess tax benefits from share-based arrangements. We used cash provided by operations, borrowings under the revolving credit facility and proceeds from stock issued under employee stock plans to fund $451.1 million in common stock repurchased in fiscal 2007.

Repurchases of Common Stock

From time to time, we repurchase our common stock in the open market pursuant to programs approved by our Board of Directors. During fiscal 2008, 2007 and 2006, we expended $116.6 million, $451.1 million and $256.5 million, respectively, in connection with our repurchase of common stock under such programs. In November 2007, our Board of Directors approved a common stock repurchase program that allows us to purchase shares of our common stock up to an aggregate cost of $250.0 million. As of September 30, 2008, we had $148.2 million remaining under this authorization.

Dividends

We paid quarterly dividends of two cents per share, or eight cents per year, during each of fiscal 2008, 2007 and 2006. Our dividend rate is set by the Board of Directors on a quarterly basis taking into account a variety of factors, including among others, our operating results and cash flows, general economic and industry conditions, our obligations, changes in applicable tax laws and other factors deemed relevant by the Board. Although we expect to continue to pay dividends at the current rate, our dividend rate is subject to change from time to time based on the Board's business judgment with respect to these and other relevant factors.

Credit Agreement

In October 2006, we entered into a five-year unsecured revolving credit facility with a syndicate of banks. In July 2007, we entered into an amended and restated credit agreement that increased the revolving credit facility from $300 million to $600 million. Proceeds from the credit facility can be used for working capital and general corporate purposes and may also be used for the refinancing of existing debt, acquisitions, and the repurchase of the Company's common stock. Interest on amounts borrowed under the credit facility is based on (i) a base rate, which is the greater of (a) the prime rate and (b) the Federal Funds rate plus 0.50% or (ii) LIBOR plus an applicable margin. The margin on LIBOR borrowings ranges from 0.30% to 0.55% and is determined based on our consolidated leverage ratio. In addition, we must pay utilization fees if borrowings and commitments under the credit facility exceed 50% of the total credit facility commitment, as well as facility fees. The credit facility contains certain restrictive covenants, including maintenance of consolidated leverage and fixed charge coverage ratios. The credit facility also contains covenants typical of unsecured facilities. As of September 30, 2008, we had $295.0 million of borrowings outstanding under the credit facility at an average interest rate of 3.2%.

Senior Notes

In May 2008, we issued $275 million of Senior Notes in a private placement to a group of institutional investors. The Senior Notes were issued in four series with maturities ranging from 5 to 10 years. The Senior Notes' weighted average interest rate is 6.8% and the weighted average maturity is 7.9 years. The Senior Notes are subject to certain restrictive covenants that are substantially similar to those in the credit agreement for the revolving credit facility including maintenance of consolidated leverage and fixed charge coverage ratios. The purchase agreement for the Senior Notes also includes covenants typical of unsecured facilities.

Capital Resources and Liquidity Outlook

As of September 30, 2008, we had $258.8 million in cash, cash equivalents and marketable security investments. We believe that these balances, as well as borrowings from our $600 million revolving credit facility and anticipated cash flows from operating activities, will be sufficient to fund our working and other capital requirements and scheduled repayments of existing debt over the course of the next twelve months. In the normal course of business, we evaluate the merits of acquiring technology or businesses, or establishing strategic relationships with or investing in these businesses. We may elect to use available cash and cash equivalents and marketable security investments to fund such activities in the future. In the event additional needs for cash arise, we may raise additional funds from a combination of sources, including the potential issuance of debt or equity securities. Additional financing might not be available on terms favorable to us, or at all. If adequate funds were not available or were not available on acceptable terms, our ability to take advantage of unanticipated opportunities or respond to competitive pressures could be limited.

Contractual Obligations

The following is a summary of our contractual obligations at September 30, 2008:

	Fiscal Year						
	2009	2010	2011	2012	2013	Thereafter	Total
	(In thousands)						
Senior Notes (1)	$ —	$ —	$ 8,000	$ 8,000	$ 49,000	$ 210,000	$ 275,000
Revolving line of credit	—	—	—	295,000	—	—	295,000
Interest due on debt obligations (2)	28,233	28,233	27,978	18,545	16,213	30,875	150,077
Operating lease obligations	27,789	25,860	18,701	13,995	10,327	31,522	128,194
Purchase obligations (3)	4,000	5,800	13,100	4,000	2,000	—	28,900
FIN No. 48 unrecognized tax benefits (4)	—	—	—	—	—	—	26,265
Total commitments	$ 60,022	$ 59,893	$ 67,779	$ 339,540	$ 77,540	$ 272,397	$ 903,436

(1) $275 million represents the unpaid principal amount of our Senior Notes issued in May 2008. The Senior Notes were issued in four series in a private placement to a group of institutional investors.

(2) Interest due on debt obligations represents interest payments on our Senior Notes and revolving line of credit. Based on the terms of our revolving credit facility (see Note 9), interest paid is based on variable rates applied to outstanding principal. Borrowings and rates will vary during the term of the credit facility, which has a maturity date of October 20, 2011. As a result, future interest payments are difficult to estimate. Accordingly, interest obligations shown in the table were estimated using a rate of 3.2%, which was the rate that was in effect on borrowings outstanding at September 30, 2008.

(3) Represents amounts associated with agreements that are enforceable, legally binding and specify terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the payments.

(4) Unrecognized tax benefits relate to uncertain tax positions recorded under FIN No. 48, which we adopted on October 1, 2007. As we are not able to reasonably estimate the timing of the payments or the amount by which the liability will increase or decrease over time, the related balances have not been reflected in the section of the table showing payment by fiscal year.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles. These accounting principles require management to make certain judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We periodically evaluate our estimates including those relating to revenue recognition, the allowance for doubtful accounts, goodwill and other intangible assets resulting from business acquisitions, income taxes and contingencies and litigation. We base our estimates on historical experience and various other assumptions that we believe to be reasonable based on the specific circumstances, the results of which form the basis for making judgments about the carrying value of certain assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition

Software license fee revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred at our customer's location, the fee is fixed or determinable and collection is probable. We use the residual method to recognize revenue when an arrangement includes one or more elements to be delivered at a future date and vendor-specific objective evidence ("VSOE") of the fair value of all undelivered elements exists. VSOE of fair value is based on the normal pricing practices for those products and services when sold separately by us and customer renewal rates for post-contract customer support services. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as revenue. If evidence of the fair value of one or more undelivered elements does not exist, the revenue is deferred and recognized when delivery of those elements occurs or when fair value can be established. The determination of whether fees are fixed or determinable and collection is probable involves the use of assumptions. We evaluate contract terms and customer information to ensure that these criteria are met prior to our recognition of license fee revenue. Changes to the elements in a software arrangement, the ability to identify VSOE for those elements, the fair value of the respective elements, and change to a product's estimated life cycle could materially impact the amount of earned and unearned revenue.

When software licenses are sold together with implementation or consulting services, license fees are recognized upon delivery provided that the above criteria are met, payment of the license fees is not dependent upon the performance of the services, and the services do not provide significant customization or modification of the software products and are not essential to the functionality of the software that was delivered. For arrangements with services that are essential to the functionality of the software, the license and related service revenues are recognized using contract accounting as described below.

If at the outset of an arrangement we determine that the arrangement fee is not fixed or determinable, revenue is deferred until the arrangement fee becomes fixed or determinable, assuming all other revenue recognition criteria have been met. If at the outset of an arrangement we determine that collectibility is not probable, revenue is deferred until the earlier of when collectibility becomes probable or the receipt of payment. If there is uncertainty as to the customer's acceptance of our deliverables, revenue is not recognized until the earlier of receipt of customer acceptance, expiration of the acceptance period, or when we can demonstrate we meet the acceptance criteria.

Revenues from post-contract customer support services, such as software maintenance, are recognized on a straight-line basis over the term of the support period. The majority of our software maintenance agreements provide technical support as well as unspecified software product upgrades and releases when and if made available by us during the term of the support period.

Revenues recognized from our credit scoring, data processing, data management and internet delivery services are recognized as these services are performed, provided persuasive evidence of an arrangement exists, fees are fixed or determinable, and collection is reasonably assured. The determination of certain of our credit scoring and data processing revenues requires the use of estimates, principally related to transaction volumes in instances where these volumes are reported to us by our clients on a monthly or quarterly basis in arrears. In these instances, we estimate transaction volumes based on preliminary customer transaction information, if available, or based on average actual reported volumes for an immediate trailing period. Differences between our estimates and actual final volumes reported are recorded in the period in which actual volumes are reported. We have not experienced significant variances between our estimates and actual reported volumes in the past and anticipate that we will be able to continue to make reasonable estimates in the future. If for some reason we were unable to reasonably estimate transaction volumes in the future, revenue may be deferred until actual customer data was received, and this could have a material impact on our results of operations during the period of time that we changed accounting methods.

Transactional or unit-based license fees under software license arrangements, network service and internally-hosted software agreements are recognized as revenue based on system usage or when fees based on system usage exceed monthly minimum license fees, provided persuasive evidence of an arrangement exists, fees are fixed or determinable and collection is probable. The determination of certain of our transactional or unit-based license fee revenues requires the use of estimates, principally related to transaction usage or active account volumes in instances where this information is reported to us by our clients on a monthly or quarterly basis in arrears. In these instances, we estimate transaction volumes based on preliminary customer transaction information, if available, or based on average actual reported volumes for an immediate trailing period. Differences between our estimates and actual final volumes reported are recorded in the period in which actual volumes are reported. We have not experienced significant variances between our estimates and actual reported volumes in the past and anticipate that we will be able to continue to make reasonable estimates in the future. If for some reason we were unable to reasonably estimate customer account or transaction volumes in the future, revenue would be deferred until actual customer data was received, and this could have a material impact on our consolidated results of operations.

We provide consulting, training, model development and software integration services under both hourly-based time and materials and fixed-priced contracts. Revenues from these services are generally recognized as the services are performed. For fixed-price service contracts, we apply the percentage-of-completion method of contract accounting to determine progress towards completion, which requires the use of estimates. In such instances, management is required to estimate the input measures, generally based on hours incurred to date compared to total estimated hours of the project, with consideration also given to output measures, such as contract milestones, when applicable. Adjustments to estimates are made in the period in which the facts requiring such revisions become known and, accordingly, recognized revenues and profits are subject to revisions as the contract progresses to completion. Estimated losses, if any, are recorded in the period in which current estimates of total contract revenue and contract costs indicate a loss. If substantive uncertainty related to customer acceptance of services exists, we apply the completed contract method of accounting and defer the associated revenue until the contract is completed. If we are unable to accurately estimate the input measures used for percentage-of-completion accounting, revenue would be deferred until the contract is complete, and this could have a material impact on our consolidated results of operations.

Revenue recognized under the percentage-of-completion method in excess of contract billings is recorded as an unbilled receivable. Such amounts are generally billable upon reaching certain performance milestones as defined by individual contracts. Billings collected in advance of performance and recognition of revenue under contracts are recorded as deferred revenue.

In certain of our non-software arrangements, we enter into contracts that include the delivery of a combination of two or more of our service offerings. Typically, such multiple element arrangements incorporate the design and development of data management tools or systems and an ongoing obligation to manage, host or otherwise run solutions for our customer. Such arrangements are divided into separate units of accounting provided that the delivered item has stand-alone value and there is objective and reliable evidence of the fair value of the undelivered items. The total arrangement fee is allocated to the undelivered elements based on their fair values and to the initial delivered elements using the residual method. Revenue is recognized separately, and in accordance with our revenue recognition policy, for each element.

As described above, sometimes our customer arrangements have multiple deliverables, including service elements. Generally, our multiple element arrangements fall within the scope of specific accounting standards that provide guidance regarding the separation of elements in multiple-deliverable arrangements and the allocation of consideration among those elements (e.g., American Institute of Certified Public Accountants Statement of Position (“SOP”) No. 97-2, *Software Revenue Recognition*, as amended). If not, we apply the separation provisions of Emerging Issues Task Force (“EITF”) Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. The provisions of EITF Issue No. 00-21 require us to unbundle multiple element arrangements into separate units of accounting when the delivered element(s) has stand-alone value and fair value of the undelivered element(s) exists. When we are able to unbundle the arrangement into separate units of accounting, we apply one of the accounting policies described above to each unit. If we are unable to unbundle the arrangement into separate units of accounting, we apply one of the accounting policies described above to the entire arrangement. Sometimes this results in recognizing the entire arrangement fee when delivery of the last element in a multiple element arrangement occurs. For example, if the last undelivered element is a service, we recognize revenue for the entire arrangement fee as the service is performed, or if no pattern of performance is discernable, we recognize revenue on a straight-line basis over the term of the arrangement.

We record revenue on a net basis for those sales in which we have in substance acted as an agent or broker in the transaction.

Allowance for Doubtful Accounts

We make estimates regarding the collectibility of our accounts receivable. When we evaluate the adequacy of our allowance for doubtful accounts, we analyze specific accounts receivable balances, historical bad debts, customer creditworthiness, current economic trends and changes in our customer payment cycles. Material differences may result in the amount and timing of expense for any period if we were to make different judgments or utilize different estimates. If the financial condition of our customers deteriorates resulting in an impairment of their ability to make payments, additional allowances might be required. We have not experienced significant variances in the past between our estimated and actual doubtful accounts and anticipate that we will be able to continue to make reasonable estimates in the future. If for some reason we did not reasonably estimate the amount of our doubtful accounts in the future, it could have a material impact on our consolidated results of operations.

Business Acquisitions; Valuation of Goodwill and Other Intangible Assets

Our business acquisitions typically result in the recognition of goodwill and other intangible assets, and in certain cases non-recurring charges associated with the write-off of in-process research and development ("IPR&D"), which affect the amount of current and future period charges and amortization expense. Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including identified intangible assets, in connection with our business combinations accounted for by the purchase method of accounting. We amortize our definite-lived intangible assets using the straight-line method or based on forecasted cash flows associated with the assets over the estimated useful lives, while IPR&D is recorded as a non-recurring charge on the acquisition date. Goodwill is not amortized, but rather is periodically assessed for impairment.

The determination of the value of these components of a business combination, as well as associated asset useful lives, requires management to make various estimates and assumptions. Critical estimates in valuing certain of the intangible assets include but are not limited to: future expected cash flows from product sales and services, maintenance agreements, consulting contracts, customer contracts, and acquired developed technologies and patents or trademarks; expected costs to develop the IPR&D into commercially viable products and estimating cash flows from the projects when completed; the acquired company's brand awareness and market position, as well as assumptions about the period of time the acquired products and services will continue to be used in our product portfolio; and discount rates. Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. Unanticipated events and circumstances may occur and assumptions may change. Estimates using different assumptions could also produce significantly different results.

We continually review the events and circumstances related to our financial performance and economic environment for factors that would provide evidence of the impairment of our intangible assets. When impairment indicators are identified with respect to our previously recorded intangible assets, then we test for impairment using undiscounted cash flows. If such tests indicate impairment, then we measure the impairment as the difference between the carrying value of the asset and the fair value of the asset, which is measured using discounted cash flows. Significant management judgment is required in forecasting of future operating results, which are used in the preparation of the projected discounted cash flows and should different conditions prevail, material write downs of net intangible assets and other long-lived assets could occur. We periodically review the estimated remaining useful lives of our acquired intangible assets. A reduction in our estimate of remaining useful lives, if any, could result in increased amortization expense in future periods.

We test goodwill for impairment at the reporting unit level at least annually during the fourth quarter of each fiscal year and more frequently if impairment indicators are identified. We have determined that our reporting units are the same as our reportable segments. The first step of the goodwill impairment test is a comparison of the fair value of a reporting unit to its carrying value. We estimate the fair values of our reporting units using discounted cash flow valuation models and by comparing our reporting units to guideline publicly-traded companies. These methods require estimates of our future revenues, profits, capital expenditures, working capital, and other relevant factors, as well as selecting appropriate guideline publicly-traded companies for each reporting unit. We estimate these amounts by evaluating historical trends, current budgets, operating plans, industry data, and other relevant factors. The estimated fair value of each of our reporting units exceeded its respective carrying value in fiscal 2008, indicating the underlying goodwill of each reporting unit was not impaired as of our most recent testing date. Accordingly, we were not required to complete the second step of the goodwill impairment test. The timing and frequency of our goodwill impairment test is based on an ongoing assessment of events and circumstances that would more than likely reduce the fair value of a reporting unit below its carrying value. There are various assumptions and estimates underlying the determination of an impairment loss, and estimates using different, but each reasonable, assumptions could produce significantly different results and materially affect the determination of fair value and/or goodwill impairment for each reporting unit. We believe that the assumptions and estimates utilized were appropriate based on the information available to management. The timing and recognition of impairment losses by us in the future, if any, may be highly dependent upon our estimates and assumptions.

Due to ongoing uncertainty in economic conditions and weakness in financial credit markets, which have adversely affected the fair value of our reporting units, we will continue to carefully monitor and evaluate the carrying value of goodwill. We had $686.1 million of goodwill recorded on our consolidated balance sheet as of September 30, 2008. As of the most recent testing date, the fair value of our reporting units exceeded their respective carrying values by between $31 million and $523 million. However, if difficult market and economic conditions continue over a sustained period, we may experience a further decline in the fair value of one or more of our reporting units as compared to fiscal 2008 year-end levels. Such further declines in fair value may require us to record an impairment charge related to goodwill.

Share-Based Compensation

We account for share-based compensation using the fair value recognition provisions of SFAS 123(R), *Share-Based Payment*. We estimate the fair value of options granted using the Black-Scholes option valuation model and the assumptions shown in Note 17 to the accompanying consolidated financial statements. We estimate the volatility of our common stock at the date of grant based on a combination of the implied volatility of publicly traded options on our common stock and our historical volatility rate, consistent with SFAS No. 123(R) and Securities and Exchange Commission Staff Accounting Bulletin No. 107 ("SAB 107"). Our decision to use implied volatility was based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility. Beginning in fiscal 2008, we estimated the expected term of options granted based on historical exercise patterns. In fiscal 2006 and 2007, we estimated the expected term consistent with the simplified method identified in SAB 107 for share-based awards. We elected to use the simplified method as we changed the contractual life for share-based awards from ten to seven years starting in fiscal 2006. The simplified method calculates the expected term as the average of the vesting and contractual terms of the award. Prior to fiscal 2006, we estimated expected term based on historical exercise patterns. The dividend yield assumption is based on historical dividend payouts. The risk-free interest rate assumption is based on observed interest rates appropriate for the term of our employee options. We use historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest. For options granted, we amortize the fair value on a straight-line basis. All options are amortized over the requisite service periods of the awards, which are generally the vesting periods. If factors change we may decide to use different assumptions under the Black-Scholes option valuation model in the future, which could materially affect our share-based compensation expense, net income and earnings per share.

Income Taxes

We use the asset and liability approach to account for income taxes. This methodology recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax base of assets and liabilities and operating loss and tax credit carryforwards. We then record a valuation allowance to reduce deferred tax assets to an amount that more likely than not will be realized. We consider future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, which requires the use of estimates. If we determine during any period that we could realize a larger net deferred tax asset than the recorded amount, we would adjust the deferred tax asset to increase income for the period or reduce goodwill if such deferred tax asset relates to an acquisition. Conversely, if we determine that we would be unable to realize a portion of our recorded deferred tax asset, we would adjust the deferred tax asset to record a charge to income for the period or increase goodwill if such deferred tax asset relates to an acquisition. Although we believe that our estimates are reasonable, there is no assurance that our the valuation allowance will not need to be increased to cover additional deferred tax assets that may not be realizable, and such an increase could have a material adverse impact on our income tax provision and results of operations in the period in which such determination is made. In addition, the calculation of tax liabilities also involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could also have a material impact on our income tax provision and results of operations in the period in which such determination is made.

We adopted the provisions of FASB Interpretation No. 48 ("FIN No. 48"), *Accounting for Uncertainty in Income Taxes*, on October 1, 2007. The cumulative effect of the change did not result in an adjustment to the beginning balance of retained earnings. Following implementation, the ongoing recognition of changes in measurement of uncertain tax positions will be reflected as a component of income tax expense.

Contingencies and Litigation

We are subject to various proceedings, lawsuits and claims relating to products and services, technology, labor, shareholder and other matters. We are required to assess the likelihood of any adverse outcomes and the potential range of probable losses in these matters. If the potential loss is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss. If the potential loss is considered less than probable or the amount cannot be reasonably estimated, disclosure of the matter is considered. The amount of loss accrual or disclosure, if any, is determined after analysis of each matter, and is subject to adjustment if warranted by new developments or revised strategies. Due to uncertainties related to these matters, accruals or disclosures are based on the best information available at the time. Significant judgment is required in both the assessment of likelihood and in the determination of a range of potential losses. Revisions in the estimates of the potential liabilities could have a material impact on our consolidated financial position or consolidated results of operations.

New Accounting Pronouncements Not Yet Adopted

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measures* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. The statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are in the process of determining what effect the adoption of SFAS No. 157 will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets & Financial Liabilities — Including an Amendment of SFAS No. 115* ("SFAS 159"). SFAS 159 permits companies to choose to measure certain financial instruments and other items at fair value. The standard requires that unrealized gains and losses are reported in earnings for items measured using the fair value option. SFAS 159 will become effective for fiscal years beginning after November 15, 2007. We are in the process of determining what effect, if any, the adoption of SFAS 159 will have on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS 141(R)"). SFAS 141(R) states that business combinations will result in all assets and liabilities of an acquired business being recorded at their fair values. Certain forms of contingent consideration and acquired contingencies will be recorded at fair value at the acquisition date. SFAS 141(R) also states acquisition costs will generally be expensed as incurred and restructuring costs will be expensed in periods after the acquisition date. This statement is effective for financial statement issued for fiscal years beginning after December 15, 2008. We are in the process of determining what effect, if any, the adoption of SFAS 141(R) will have on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS 160"). SFAS 160 clarifies that a noncontrolling or minority interest in a subsidiary is considered an ownership interest and, accordingly, requires all entities to report such interests in subsidiaries as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We are in the process of determining what effect, if any, the adoption of SFAS 160 will have on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB statement No. 133* ("SFAS 161"). SFAS 161 expands the disclosure requirements about an entity's derivative instruments and hedging activities. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are in the process of determining what effect the adoption of SFAS No. 161 will have on our consolidated financial statements.

In May 2008, the FASB issued FASB Staff Position ("FSP") APB 14-a, *Accounting for Convertible Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. The FSP requires that proceeds from the issuance of convertible debt instruments be allocated between debt (at a discount) and an equity component. The debt discount will be amortized over the period the convertible debt is expected to be outstanding as additional non-cash interest expense. This FSP is effective for fiscal years beginning after December 15, 2008, and will be applied retrospectively to prior periods. This FSP changes the accounting treatment for our Senior Convertible Notes, which were issued in August 2003. Even though we retired our Senior Convertible Notes during fiscal 2008, this new accounting treatment still requires us to retrospectively record a significant amount of non-cash interest expense in the periods when these notes were outstanding. We are in the process of determining what effect the adoption of this FSP will have on our consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position ("FSP") SFAS 142-3, "*Determination of the Useful Life of Intangible Assets.*" FSP SFAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142, "*Goodwill and Other Intangible Assets.*" This new staff position is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R), "*Business Combinations*." FSP SFAS 142-3 is effective for fiscal years beginning after December 15, 2008. We are in the process of determining what effect, if any, the adoption of FSP SFAS 142-3 will have on our consolidated financial statements.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Market Risk Disclosures

We are exposed to market risk related to changes in interest rates, equity market prices, and foreign currency exchange rates. We do not use derivative financial instruments for speculative or trading purposes.

Interest Rate Risk

We maintain an investment portfolio consisting mainly of income securities with an average maturity of three years or less. These available-for-sale securities are subject to interest rate risk and will fall in value if market interest rates increase. We have the ability to hold our fixed income investments until maturity, and therefore we would not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates on our securities portfolio. The following table presents the principal amounts and related weighted-average yields for our investments with interest rate risk at September 30, 2008 and 2007:

	September 30, 2008			September 30, 2007		
	Cost Basis	Carrying Amount	Average Yield	Cost Basis	Carrying Amount	Average Yield
	(Dollars in thousands)					
Cash and cash equivalents	$129,678	$129,678	2.56%	$ 95,286	$ 95,284	4.43%
Short-term investments	57,065	57,049	3.42%	125,293	125,327	5.21%
Long-term investments	67,274	67,397	3.55%	7,517	7,530	5.33%
	$254,017	$254,124	3.01%	$228,096	$228,141	4.89%

In May 2008, we issued $275 million of Senior Notes to a group of institutional investors in a private placement. The fair value of our Senior Notes may increase or decrease due to various factors, including fluctuations in market interest rates and fluctuations in general economic conditions. See Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Resources and Liquidity, above, for additional information on these notes. The following table presents the principal amounts, carrying amounts, and fair values for our Senior Notes at September 30, 2008:

	September 30, 2008		
	Principal	Carrying Amount	Fair Value
	(In thousands)		
Senior Notes	$275,000	$275,000	$239,153

We have interest rate risk with respect to our five-year $600 million unsecured revolving credit facility. Interest on amounts borrowed under the credit facility is based on (i) a base rate, which is the greater of (a) the prime rate and (b) the Federal Funds rate plus 0.50% or (ii) LIBOR plus an applicable margin. The margin on LIBOR borrowings ranges from 0.30% to 0.55% and is determined based on our consolidated leverage ratio. A change in interest rates on this variable rate debt impacts the interest incurred and cash flows, but does not impact the fair value of the instrument. We had $295.0 million and $170.0 million of borrowings outstanding on this facility as of September 30, 2008 and 2007, respectively.

Forward Foreign Currency Contracts

We maintain a program to manage our foreign currency exchange rate risk on existing foreign currency receivable and bank balances by entering into forward contracts to sell or buy foreign currency. At period end, foreign-denominated receivables and cash balances held by our U.S. reporting entities are remeasured into the U.S. dollar functional currency at current market rates. The change in value from this remeasurement is then reported as a foreign exchange gain or loss for that period in our accompanying consolidated statements of income and the resulting gain or loss on the forward contract mitigates the exchange rate risk of the associated assets. All of our forward foreign currency contracts have maturity periods of less than three months. Such derivative financial instruments are subject to market risk.

The following table summarizes our outstanding forward foreign currency contracts, by currency at September 30, 2008:

	Contract Amount			Fair Value
	Foreign Currency		US$	US$
		(In thousands)		
Sell foreign currency:				
Canadian Dollar (CAD)	CAD	900	$ 859	$—
EURO (EUR)	EURO	8,680	12,390	—
Japanese Yen (YEN)	YEN	30,800	295	—
Buy foreign currency:				
British Pound (GBP)	GBP	2,190	3,970	—

The forward foreign currency contracts were all entered into on September 30, 2008, therefore, the fair value was $0 on that date.

Item 8. ***Financial Statements and Supplementary Data***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Fair Isaac Corporation
Minneapolis, Minnesota

We have audited the accompanying consolidated balance sheets of Fair Isaac Corporation and subsidiaries (the "Company") as of September 30, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended September 30, 2008. We have also audited the Company's internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in Note 13 to the consolidated financial statements, on October 1, 2007, the Company adopted Statement of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*. As discussed in Note 17 to the consolidated financial statements, on October 1, 2005, the Company changed its method of accounting for share-based payments to conform to Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota
November 25, 2008

FAIR ISAAC CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value data)

	September 30, 2008	September 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 129,678	$ 95,284
Marketable securities available for sale, current portion	57,049	125,327
Accounts receivable, net	141,571	169,293
Prepaid expenses and other current assets	23,404	23,008
Current assets of discontinued operations	—	9,839
Total current assets	351,702	422,751
Marketable securities available for sale, less current portion	72,101	13,776
Other investments	12,374	12,374
Property and equipment, net	46,360	51,007
Goodwill	686,082	685,452
Intangible assets, net	52,468	54,733
Deferred income taxes	45,786	14,828
Other assets	8,380	4,040
Long-term assets of discontinued operations	—	16,810
	$ 1,275,253	$ 1,275,771
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 11,172	$ 15,204
Senior convertible notes	—	390,963
Accrued compensation and employee benefits	29,551	43,418
Other accrued liabilities	43,665	30,119
Deferred revenue	38,243	42,010
Current liabilities of discontinued operations	—	4,210
Total current liabilities	122,631	525,924
Revolving line of credit	295,000	170,000
Senior notes	275,000	—
Other liabilities	20,681	13,533
Total liabilities	713,312	709,457
Commitments and contingencies		
Stockholders' equity:		
Preferred stock ($0.01 par value; 1,000 shares authorized; none issued and outstanding)	—	—
Common stock ($0.01 par value; 200,000 shares authorized, 88,857 shares shares issued and 48,473 and 51,064 shares outstanding at September 30, 2008 and 2007, respectively)	485	511
Paid-in-capital	1,110,165	1,097,327
Treasury stock, at cost (40,384 and 37,793 shares at September 30, 2008 and 2007, respectively)	(1,374,455)	(1,290,393)
Retained earnings	825,109	745,054
Accumulated other comprehensive income	637	13,815
Total stockholders' equity	561,941	566,314
	$ 1,275,253	$ 1,275,771

See accompanying notes to consolidated financial statements.

FAIR ISAAC CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Years Ended September 30, 2008	2007	2006
Revenues	$ 744,842	$ 784,188	$ 782,995
Operating expenses:			
Cost of revenues (1)	274,917	259,450	247,289
Research and development	77,794	69,322	82,951
Selling, general and administrative (1)	245,639	273,705	256,653
Amortization of intangible assets (1)	14,043	20,470	22,169
Restructuring and acquisition-related	10,166	2,455	19,533
Gain on sale of product line assets	—	(1,541)	—
Total operating expenses	622,559	623,861	628,595
Operating income	122,283	160,327	154,400
Interest income	8,802	13,527	15,248
Interest expense	(20,335)	(12,766)	(8,569)
Other income (expense), net	2,245	427	(210)
Income from continuing operations before income taxes	112,995	161,515	160,869
Provision for income taxes	31,809	49,664	56,364
Income from continuing operations	81,186	111,851	104,505
Income (loss) from discontinued operations	2,766	(7,201)	(1,019)
Net income	$ 83,952	$ 104,650	$ 103,486
Basic earnings (loss) per share:			
Continuing operations	$ 1.66	$ 2.00	$ 1.64
Discontinued operations	0.06	(0.13)	(0.01)
Total	$ 1.72	$ 1.87	$ 1.63
Diluted earnings (loss) per share:			
Continuing operations	$ 1.64	$ 1.94	$ 1.60
Discontinued operations	0.06	(0.12)	(0.01)
Total	$ 1.70	$ 1.82	$ 1.59
Shares used in computing earnings per share:			
Basic	48,940	56,054	63,579
Diluted	49,373	57,548	65,125

(1) Cost of revenues and selling, general and administrative expenses exclude the amortization of intangible assets. See Note 7 to consolidated financial statements.

See accompanying notes to consolidated financial statements.

FAIR ISAAC CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
Years Ended September 30, 2008, 2007 and 2006
(In thousands)

	Common Stock Shares	Common Stock Par Value	Paid-In-Capital	Treasury Stock	Unearned Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Comprehensive Income
Balance at September 30, 2005	**63,836**	**$ 638**	**$ 1,037,524**	**$ (775,746)**	**$ (1,284)**	**$ 546,450**	**$ (2,488)**	**$ 805,094**	
Share-based compensation	—	—	42,085	—	—	—	—	42,085	
Exercise of stock options	2,104	21	(10,993)	65,888	—	—	—	54,916	
Tax benefit from exercised stock options	—	—	10,571	—	—	—	—	10,571	
Reclassification due to the adoption of SFAS No. 123(R)	—	—	(1,284)	—	1,284	—	—	—	
Forfeitures of restricted stock	(22)	—	51	(51)	—	—	—	—	
Repurchases of common stock	(6,971)	(69)	—	(256,418)	—	—	—	(256,487)	
Issuance of ESPP shares from treasury	300	3	(185)	9,466	—	—	—	9,284	
Issuance of restricted stock to employees from treasury	122	1	(3,883)	3,882	—	—	—	—	
Dividends paid	—	—	—	—	—	(5,100)	—	(5,100)	
Net income	—	—	—	—	—	103,486	—	103,486	$ 103,486
Unrealized gains on investments, net of tax of $206	—	—	—	—	—	—	368	368	368
Cumulative translation adjustments, net of tax of $3,441	—	—	—	—	—	—	5,811	5,811	5,811
Balance at September 30, 2006	**59,369**	**594**	**1,073,886**	**(952,979)**	—	**644,836**	**3,691**	**770,028**	**$ 109,665**
Share-based compensation			36,261	—	—	—	—	36,261	
Exercise of stock options	3,137	31	(29,262)	104,357	—	—	—	75,126	
Tax benefit from exercised stock options	—	—	16,684	—	—	—	—	16,684	
Forfeitures of restricted stock	(23)	—	732	(732)	—	—	—	—	
Repurchases of common stock	(11,716)	(117)	—	(450,971)	—	—	—	(451,088)	
Issuance of ESPP shares from treasury	277	3	(328)	9,286	—	—	—	8,961	
Issuance of restricted stock to employees from treasury	20	—	(646)	646	—	—	—	—	
Dividends paid	—	—	—	—	—	(4,432)	—	(4,432)	
Net income	—	—	—	—	—	104,650	—	104,650	$ 104,650
Unrealized gains on investments, net of tax of $165	—	—	—	—	—	—	261	261	261
Cumulative translation adjustments, net of tax of $6,622	—	—	—	—	—	—	9,863	9,863	9,863
Balance at September 30, 2007	**51,064**	**511**	**1,097,327**	**(1,290,393)**	**—**	**745,054**	**13,815**	**566,314**	$ 114,774
Share-based compensation			27,981	—	—	—	—	27,981	
Exercise of stock options	523	5	(5,594)	17,878	—	—	—	12,289	
Tax effect from share-based payment arrangements	—	—	(2,375)	—	—	—	—	(2,375)	
Forfeitures of restricted stock	(35)	—	1,114	(1,114)	—	—	—	—	
Repurchases of common stock	(3,540)	(35)	—	(116,607)	—	—	—	(116,642)	
Issuance of ESPP shares from treasury	384	3	(4,691)	13,142	—	—	—	8,454	
Issuance of restricted stock to employees from treasury	77	1	(3,597)	2,639	—	—	—	(957)	
Dividends paid	—	—	—	—	—	(3,897)	—	(3,897)	
Net income	—	—	—	—	—	83,952	—	83,952	$ 83,952
Unrealized gains on investments, net of tax of $25	—	—	—	—	—	—	38	38	38
Cumulative translation adjustments, net of tax of $8,910	—	—	—	—	—	—	(13,216)	(13,216)	(13,216)
Balance at September 30, 2008	**48,473**	**$ 485**	**$ 1,110,165**	**$ (1,374,455)**	**$ —**	**$ 825,109**	**$ 637**	**$ 561,941**	$ 70,774

See accompanying notes to consolidated financial statements.

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FAIR ISAAC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended September 30, 2008	2007	2006
Cash flows from operating activities:			
Net income	$ 83,952	$ 104,650	$ 103,486
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	39,494	50,224	48,805
Share-based compensation	27,981	36,261	42,085
Deferred income taxes	(23,095)	3,800	1,125
Tax effect from share-based payment arrangements	(2,375)	16,684	10,571
Excess tax benefits from share-based payment arrangements	(1,342)	(12,623)	(7,094)
Gain on repurchase of senior convertible notes	(896)	—	—
Net amortization (accretion) of premium (discount) on marketable securities	579	(1,098)	(110)
Provision for doubtful accounts	3,414	4,972	2,200
Loss on sale of business unit	6,952	—	—
Gain on sale of product line assets	—	(1,541)	—
Net loss on sales of property and equipment	39	693	70
Changes in operating assets and liabilities, net of acquisition and disposition effects:			
Accounts receivable	20,153	(15,837)	(9,686)
Prepaid expenses and other assets	1,766	(3,400)	4,489
Accounts payable	(1,569)	1,584	126
Accrued compensation and employee benefits	(13,363)	8,864	3,326
Other liabilities	14,033	(9,492)	7,686
Deferred revenue	3,427	(4,578)	(8,037)
Net cash provided by operating activities	159,150	179,163	199,042
Cash flows from investing activities:			
Purchases of property and equipment	(22,780)	(22,735)	(31,409)
Cash proceeds from sales of property and equipment	1,527	566	—
Cash proceeds from sales of product line assets	—	15,758	500
Cash paid for acquisition, net of cash acquired	(33,336)	—	—
Cash proceeds from sale of business unit	15,581	—	—
Purchases of marketable securities	(161,803)	(180,951)	(176,251)
Proceeds from sales of marketable securities	2,008	14,250	53,390
Proceeds from maturities of marketable securities	167,684	220,763	136,743
Investment in cost-method investees	—	(10,213)	—
Net cash provided by (used in) investing activities	(31,119)	37,438	(17,027)
Cash flows from financing activities:			
Proceeds from revolving line of credit	300,000	170,000	—
Payments on revolving line of credit	(175,000)	—	—
Proceeds from issuance of senior notes	275,000	—	—
Payments for repurchases of senior convertible notes	(390,067)	(9,037)	—
Debt issuance costs	(1,477)	(858)	—
Proceeds from issuances of common stock under employee stock option and purchase plans	19,786	84,087	64,200
Dividends paid	(3,897)	(4,432)	(5,100)
Repurchases of common stock	(116,642)	(451,088)	(256,487)
Excess tax benefits from share-based payment arrangements	1,342	12,623	7,094
Net cash used in financing activities	(90,955)	(198,705)	(190,293)
Effect of exchange rate changes on cash	(2,682)	2,234	552
Increase (decrease) in cash and cash equivalents	34,394	20,130	(7,726)
Cash and cash equivalents, beginning of year	95,284	75,154	82,880
Cash and cash equivalents, end of year	$ 129,678	$ 95,284	$ 75,154
Supplemental disclosures of cash flow information:			
Cash paid for income taxes, net of refunds of $1,447, $30, and $2,378 during the years ended September 30, 2008, 2007 and 2006, respectively	$ 20,074	$ 38,127	$ 37,586
Cash paid for interest	$ 13,009	$ 9,580	$ 6,000

See accompanying notes to consolidated financial statements.

FAIR ISAAC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended September 30, 2008, 2007 and 2006

1. Nature of Business and Summary of Significant Accounting Policies

Fair Isaac Corporation

Incorporated under the laws of the State of Delaware, Fair Isaac Corporation is a provider of analytic, software and data management products and services that enable businesses to automate, improve and connect decisions. Fair Isaac Corporation provides a range of analytical solutions, credit scoring and credit account management products and services to banks, credit reporting agencies, credit card processing agencies, insurers, retailers, telecommunications providers, healthcare organizations and government agencies.

In these consolidated financial statements, Fair Isaac Corporation is referred to as “we,” “us,” “our,” and “Fair Isaac.”

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of Fair Isaac and its subsidiaries. All intercompany accounts and transactions have been eliminated. Certain reclassifications of prior period balances have been made for consistent presentation with the current period. These changes consisted of reclassifications to separate discontinued operations from continuing operations on the Company’s consolidated statements of income, balance sheets, and related footnotes. Those reclassifications did not impact previously reported net income, total assets, total liabilities, or stockholders’ equity.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. These estimates and assumptions include, but are not limited to, assessing the following: the recoverability of accounts receivable, goodwill and other intangible assets, software development costs and deferred tax assets; the benefits related to uncertain tax positions, the ability to estimate hours in connection with fixed-fee service contracts, the ability to estimate transactional-based revenues for which actual transaction volumes have not yet been received, and the determination of whether fees are fixed or determinable and collection is probable or reasonably assured.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and investments with a maturity of 90 days or less at time of purchase.

Fair Value of Financial Instruments

The fair value of certain of our financial instruments, including cash and cash equivalents, receivables, and other current assets, accounts payable, accrued compensation and employee benefits, other accrued liabilities and amounts outstanding under our revolving line of credit, approximate their carrying amounts because of the short-term maturity of these instruments. The fair values of our cash and cash equivalents, marketable security investments are disclosed in Note 5. The fair value of our cost-method investments approximate their recorded value. The fair value of our senior notes is disclosed in Note 10.

Investments

Management determines the appropriate classification of our investments in marketable debt and equity securities at the time of purchase, and re-evaluates this designation at each balance sheet date. While it is our intent to hold debt securities to maturity, our investments in U.S. government obligations and marketable equity and debt securities that have readily determinable fair values are classified as available-for-sale, as the sale of such securities may be required prior to maturity to implement management strategies. Therefore, such securities are carried at fair value with unrealized gains or losses related to these securities included in comprehensive income (loss). The fair value of marketable securities is based upon inputs including quoted prices for identical or similar assets. Realized gains and losses are included in other income (expense), net. The cost of investments sold is based on the specific identification method. Losses resulting from other than temporary declines in fair value are charged to operations. Investments with remaining maturities over one year are classified as long-term investments.

FAIR ISAAC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended September 30, 2008, 2007 and 2006

Our investments in equity securities of companies over which we do not have significant influence are accounted for under the cost method. Investments in which we own 20% to 50% and exercise significant influence over operating and financial policies are accounted for using the equity method. Under the equity method, the investment is originally recorded at cost and adjusted to recognize our share of net earnings or losses of the investee, limited to the extent of our investment in, advances to, and financial guarantees for the investee. Under the cost method, the investment is originally recorded at cost and adjusted for additional contributions or distributions. Management periodically reviews equity-method and cost-method investments for instances where fair value is less than the carrying amount and the decline in value is determined to be other than temporary. If the decline in value is judged to be other than temporary, the carrying amount of the security is written down to fair value and the resulting loss is charged to operations.

Concentration of Risk

Financial instruments that potentially expose us to concentrations of risk consist primarily of cash and cash equivalents, marketable securities and accounts receivable, which are generally not collateralized. Our policy is to place our cash, cash equivalents, and marketable securities with high credit quality financial institutions, commercial corporations and government agencies in order to limit the amount of credit exposure. We have established guidelines relative to diversification and maturities for maintaining safety and liquidity. We generally do not require collateral from our customers, but our credit extension and collection policies include analyzing the financial condition of potential customers, establishing credit limits, monitoring payments, and aggressively pursuing delinquent accounts. We maintain allowances for potential credit losses.

A significant portion of our revenues are derived from the sales of products and services to the consumer credit, financial services and insurance industries.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and amortization. Major renewals and improvements are capitalized, while repair and maintenance costs are expensed as incurred. Depreciation and amortization charges are calculated using the straight-line method over the following estimated useful lives:

	Estimated Useful Life
Data processing equipment and software	2 to 3 years
Office furniture, vehicles and equipment	3 to 7 years
Leasehold improvements	Shorter of estimated useful life or lease term

The cost and accumulated depreciation for property and equipment sold, retired or otherwise disposed of are removed from the accounts and resulting gains or losses are recorded in operations. Depreciation and amortization on property and equipment totaled $24.1 million, $26.2 million and $23.0 million during fiscal 2008, 2007 and 2006, respectively.

Internal-use Software

Costs incurred to develop internal-use software during the application development stage are capitalized and reported at cost, subject to an impairment test as described below. Application development stage costs generally include costs associated with internal-use software configuration, coding, installation and testing. Costs of significant upgrades and enhancements that result in additional functionality are also capitalized whereas costs incurred for maintenance and minor upgrades and enhancements are expensed as incurred. Capitalized costs are amortized using the straight-line method over two to three years.

We assess potential impairment of capitalized internal-use software whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows that are expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. We capitalized $0.3 million, $0.2 million and $0.8 million in fiscal 2008, 2007 and 2006, respectively. Amortization expense related to internal-use software was $0.6 million, $2.0 million and $2.5 million in fiscal 2008, 2007 and 2006, respectively.

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Goodwill and Intangible Assets

Goodwill and intangible assets with indefinite lives are tested for impairment at least annually or more frequently if impairment indicators arise. Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including identified intangible assets, in connection with our business combinations accounted for by the purchase method of accounting (see Note 7).

We amortize our intangible assets, which result from our acquisitions accounted for under the purchase method of accounting, using the straight-line method or based on the forecasted cash flows associated with the assets over the following estimated useful lives:

	Estimated Useful Life
Completed technology	4 to 6 years
Customer contracts and relationships	2 to 15 years
Trade names	5 years

Revenue Recognition

Software license fee revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred at our customer's location, the fee is fixed or determinable and collection is probable. We use the residual method to recognize revenue when an arrangement includes one or more elements to be delivered at a future date and vendor-specific objective evidence ("VSOE") of the fair value of all undelivered elements exists. VSOE of fair value is based on the normal pricing practices for those products and services when sold separately by us and customer renewal rates for post-contract customer support services. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is recognized as revenue. If evidence of the fair value of one or more undelivered elements does not exist, the revenue is deferred and recognized when delivery of those elements occurs or when fair value can be established. The determination of whether fees are fixed or determinable and collection is probable involves the use of assumptions. We evaluate contract terms and customer information to ensure that these criteria are met prior to our recognition of license fee revenue. Changes to the elements in a software arrangement, the ability to identify VSOE for those elements, the fair value of the respective elements, and change to a product's estimated life cycle could materially impact the amount of earned and unearned revenue.

When software licenses are sold together with implementation or consulting services, license fees are recognized upon delivery provided that the above criteria are met, payment of the license fees is not dependent upon the performance of the services, and the services do not provide significant customization or modification of the software products and are not essential to the functionality of the software that was delivered. For arrangements with services that are essential to the functionality of the software, the license and related service revenues are recognized using contract accounting as described below.

If at the outset of an arrangement we determine that the arrangement fee is not fixed or determinable, revenue is deferred until the arrangement fee becomes fixed or determinable, assuming all other revenue recognition criteria have been met. If at the outset of an arrangement we determine that collectibility is not probable, revenue is deferred until the earlier of when collectibility becomes probable or the receipt of payment. If there is uncertainty as to the customer's acceptance of our deliverables, revenue is not recognized until the earlier of receipt of customer acceptance, expiration of the acceptance period, or when we can demonstrate we meet the acceptance criteria.

Revenues from post-contract customer support services, such as software maintenance, are recognized on a straight-line basis over the term of the support period. The majority of our software maintenance agreements provide technical support as well as unspecified software product upgrades and releases when and if made available by us during the term of the support period.

Revenues recognized from our credit scoring, data processing, data management and internet delivery services are recognized as these services are performed, provided persuasive evidence of an arrangement exists, fees are fixed or determinable, and collection is reasonably assured. The determination of certain of our credit scoring and data processing revenues requires the use of estimates, principally related to transaction volumes in instances where these volumes are reported to us by our clients on a monthly or quarterly basis in arrears. In these instances, we estimate transaction volumes based on preliminary customer transaction information, if available, or based on average actual reported volumes for an immediate trailing period. Differences between our estimates and actual final volumes reported are recorded in the period in which actual volumes are reported. We have not experienced significant variances between our estimates and actual reported volumes in the past and anticipate that we will be able to continue to make

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reasonable estimates in the future. If for some reason we were unable to reasonably estimate transaction volumes in the future, revenue may be deferred until actual customer data was received, and this could have a material impact on our results of operations during the period of time that we changed accounting methods.

Transactional or unit-based license fees under software license arrangements, network service and internally-hosted software agreements are recognized as revenue based on system usage or when fees based on system usage exceed monthly minimum license fees, provided persuasive evidence of an arrangement exists, fees are fixed or determinable and collection is probable. The determination of certain of our transactional or unit-based license fee revenues requires the use of estimates, principally related to transaction usage or active account volumes in instances where this information is reported to us by our clients on a monthly or quarterly basis in arrears. In these instances, we estimate transaction volumes based on preliminary customer transaction information, if available, or based on average actual reported volumes for an immediate trailing period. Differences between our estimates and actual final volumes reported are recorded in the period in which actual volumes are reported. We have not experienced significant variances between our estimates and actual reported volumes in the past and anticipate that we will be able to continue to make reasonable estimates in the future. If for some reason we were unable to reasonably estimate customer account or transaction volumes in the future, revenue would be deferred until actual customer data was received, and this could have a material impact on our consolidated results of operations.

We provide consulting, training, model development and software integration services under both hourly-based time and materials and fixed-priced contracts. Revenues from these services are generally recognized as the services are performed. For fixed-price service contracts, we apply the percentage-of-completion method of contract accounting to determine progress towards completion, which requires the use of estimates. In such instances, management is required to estimate the input measures, generally based on hours incurred to date compared to total estimated hours of the project, with consideration also given to output measures, such as contract milestones, when applicable. Adjustments to estimates are made in the period in which the facts requiring such revisions become known and, accordingly, recognized revenues and profits are subject to revisions as the contract progresses to completion. Estimated losses, if any, are recorded in the period in which current estimates of total contract revenue and contract costs indicate a loss. If substantive uncertainty related to customer acceptance of services exists, we apply the completed contract method of accounting and defer the associated revenue until the contract is completed. If we are unable to accurately estimate the input measures used for percentage-of-completion accounting, revenue would be deferred until the contract is complete, and this could have a material impact on our consolidated results of operations.

Revenue recognized under the percentage-of-completion method in excess of contract billings is recorded as an unbilled receivable. Such amounts are generally billable upon reaching certain performance milestones as defined by individual contracts. Billings collected in advance of performance and recognition of revenue under contracts are recorded as deferred revenue.

In certain of our non-software arrangements, we enter into contracts that include the delivery of a combination of two or more of our service offerings. Typically, such multiple element arrangements incorporate the design and development of data management tools or systems and an ongoing obligation to manage, host or otherwise run solutions for our customer. Such arrangements are divided into separate units of accounting provided that the delivered item has stand-alone value and there is objective and reliable evidence of the fair value of the undelivered items. The total arrangement fee is allocated to the undelivered elements based on their fair values and to the initial delivered elements using the residual method. Revenue is recognized separately, and in accordance with our revenue recognition policy, for each element.

As described above, sometimes our customer arrangements have multiple deliverables, including service elements. Generally, our multiple element arrangements fall within the scope of specific accounting standards that provide guidance regarding the separation of elements in multiple-deliverable arrangements and the allocation of consideration among those elements (e.g., American Institute of Certified Public Accountants Statement of Position (“SOP”) No. 97-2, *Software Revenue Recognition*, as amended). If not, we apply the separation provisions of Emerging Issues Task Force (“EITF”) Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*. The provisions of EITF Issue No. 00-21 require us to unbundle multiple element arrangements into separate units of accounting when the delivered element(s) has stand-alone value and fair value of the undelivered element(s) exists. When we are able to unbundle the arrangement into separate units of accounting, we apply one of the accounting policies described above to each unit. If we are unable to unbundle the arrangement into separate units of accounting, we apply one of the accounting policies described above to the entire arrangement. Sometimes this results in recognizing the entire arrangement fee when delivery of the last element in a multiple element arrangement occurs. For example, if the last undelivered element is a service, we recognize revenue for the entire arrangement fee as the service is performed, or if no pattern of performance is discernable, we recognize revenue on a straight-line basis over the term of the arrangement.

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We record revenue on a net basis for those sales in which we have in substance acted as an agent or broker in the transaction.

Allowance for Doubtful Accounts

We make estimates regarding the collectibility of our accounts receivable. When we evaluate the adequacy of our allowance for doubtful accounts, we analyze specific accounts receivable balances, historical bad debts, customer creditworthiness, current economic trends and changes in our customer payment cycles. Material differences may result in the amount and timing of expense for any period if we were to make different judgments or utilize different estimates. If the financial condition of our customers deteriorates resulting in an impairment of their ability to make payments, additional allowances might be required.

Income Taxes

Income taxes are recognized during the year in which transactions enter into the determination of financial statement income, with deferred taxes being provided for temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. A deferred income tax asset or liability is computed for the expected future impact of differences between the financial reporting and tax bases of assets and liabilities as well as the expected future tax benefit to be derived from tax loss and tax credit carryforwards. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount “more likely than not” to be realized in future tax returns. Tax rate changes are reflected in income during the period the changes are enacted.

We adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on October 1, 2007. The cumulative effect of the change did not result in an adjustment to the beginning balance of retained earnings. Following implementation, the ongoing recognition of changes in measurement of uncertain tax positions will be reflected as a component of income tax expense.

Earnings per Share

Diluted earnings per share are based on the weighted-average number of common shares outstanding and potential common shares. Potential common shares result from the assumed exercise of outstanding stock options or other potentially dilutive equity instruments, including our outstanding senior convertible notes, when they are dilutive under the treasury stock method or the if-converted method. Basic earnings per share are computed on the basis of the weighted-average number of common shares outstanding.

Comprehensive Income

Comprehensive income is the change in our equity (net assets) during each period from transactions and other events and circumstances from non-owner sources. It includes net income, foreign currency translation adjustments and unrealized gains and losses, net of tax, on our investments in marketable securities.

Foreign Currency

We have determined that the functional currency of each foreign operation is the local currency. Assets and liabilities denominated in their local foreign currencies are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at average rates of exchange prevailing during the period. Translation adjustments are accumulated as a separate component of stockholders’ equity.

From time to time, we utilize forward contract instruments to manage market risks associated with fluctuations in certain foreign currency exchange rates as they relate to specific balances of accounts receivable and cash denominated in foreign currencies. It is our policy to use derivative financial instruments to protect against market risks arising in the normal course of business. Our policies prohibit the use of derivative instruments for the sole purpose of trading for profit on price fluctuations or to enter into contracts that intentionally increase our underlying exposure. All of our forward foreign currency contracts have maturity periods of less than three months.

At the end of the reporting period, foreign currency denominated receivable and cash balances are remeasured into the functional currency of the reporting entities at current market rates. The change in value from this remeasurement is reported as a foreign exchange gain or loss for that period in other income (expense) in the accompanying consolidated statements of income. The resulting gains or losses from the forward foreign currency contracts described above, which are also included in other income (expense), mitigate the exchange rate risk of the associated assets.

Share-Based Compensation Expense

Effective October 1, 2005, we adopted the fair value recognition provisions of SFAS No. 123(R), *Share-Based Payment*, using the modified prospective transition method. Under that transition method, compensation expense that we recognize beginning on that date includes expense associated with the fair value of all awards granted on and after October 1, 2005, and expense for the unvested portion of previously granted awards outstanding on October 1, 2005. We amortize the fair value of share-based awards on a straight-line basis over the vesting period. Results for prior periods have not been restated. See Note 17 for further discussion of our share-based employee benefit plans.

Impairment of Long-Lived Assets

We assess potential impairment to long-lived assets and certain identifiable intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows that are expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. We determined that our long-lived intangible assets were not impaired at September 30, 2008, 2007 and 2006. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred. Advertising and promotion costs totaled $1.9 million, $1.2 million and $4.3 million in fiscal 2008, 2007 and 2006, respectively, and are included in selling, general and administrative expenses in the accompanying consolidated statements of income.

New Accounting Pronouncements Not Yet Adopted

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measures* (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. The statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are in the process of determining what effect the adoption of SFAS No. 157 will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets & Financial Liabilities — Including an Amendment of SFAS No. 115* (“SFAS 159”). SFAS 159 permits companies to choose to measure certain financial instruments and other items at fair value. The standard requires that unrealized gains and losses are reported in earnings for items measured using the fair value option. SFAS 159 will become effective for fiscal years beginning after November 15, 2007. We are in the process of determining what effect, if any, the adoption of SFAS 159 will have on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (“SFAS 141(R)”). SFAS 141(R) states that business combinations will result in all assets and liabilities of an acquired business being recorded at their fair values. Certain forms of contingent consideration and acquired contingencies will be recorded at fair value at the acquisition date. SFAS 141(R) also states acquisition costs will generally be expensed as incurred and restructuring costs will be expensed in periods after the acquisition date. This statement is effective for financial statement issued for fiscal years beginning after December 15, 2008. We are in the process of determining what effect, if any, the adoption of SFAS 141(R) will have on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (“SFAS 160”). SFAS 160 clarifies that a noncontrolling or minority interest in a subsidiary is considered an ownership interest and, accordingly, requires all entities to report such interests in subsidiaries as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We are in the process of determining what effect, if any, the adoption of SFAS 160 will have on our consolidated financial statements.

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In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB statement No. 133* ("SFAS 161"). SFAS 161 expands the disclosure requirements about an entity's derivative instruments and hedging activities. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are in the process of determining what effect the adoption of SFAS No. 161 will have on our consolidated financial statements.

In May 2008, the FASB issued FASB Staff Position ("FSP") APB 14-a, *Accounting for Convertible Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. The FSP requires that proceeds from the issuance of convertible debt instruments be allocated between debt (at a discount) and an equity component. The debt discount will be amortized over the period the convertible debt is expected to be outstanding as additional non-cash interest expense. This FSP is effective for fiscal years beginning after December 15, 2008, and will be applied retrospectively to prior periods. This FSP changes the accounting treatment for our Senior Convertible Notes, which were issued in August 2003. Even though we retired our Senior Convertible Notes during fiscal 2008, this new accounting treatment still requires us to retrospectively record a significant amount of non-cash interest expense in the periods when the notes were outstanding. We are in the process of determining what effect the adoption of this FSP will have on our consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position ("FSP") SFAS 142-3, "*Determination of the Useful Life of Intangible Assets.*" FSP SFAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142, "*Goodwill and Other Intangible Assets.*" This new staff position is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R), "*Business Combinations*." FSP SFAS 142-3 is effective for fiscal years beginning after December 15, 2008. We are in the process of determining what effect, if any, the adoption of FSP SFAS 142-3 will have on our consolidated financial statements.

2. Acquisition

On January 21, 2008, we acquired Dash Optimization ("Dash"), a leading provider of decision modeling and optimization software, for an aggregate cash purchase price of approximately $34.1 million. The acquisition of Dash was consummated principally to augment our decision management analytic tools. We accounted for this transaction using the purchase method of accounting. The results of Dash have been included in our operating results since the date of acquisition.

The total purchase price is summarized as follows (in thousands):

Total cash consideration	$ 33,835
Acquisition-related costs	303
Total purchase price	$ 34,138

Our allocation of the purchase price was as follows (in thousands):

Assets:	
Cash and cash equivalents	$ 499
Receivables, net	2,094
Prepaid expenses and other current assets	414
Goodwill	18,594
Intangible assets:	
Completed technology	9,097
Customer contracts and relationships	3,437
Trade names	691
Total assets	34,826
Liabilities:	
Current liabilities	371
Deferred revenue	317
Total liabilities	688
Net assets	$ 34,138

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The acquired intangible assets have a weighted average useful life of approximately 4.3 years and are being amortized using the straight-line method over their estimated useful lives as follows: completed technology, four years; customer contracts and relationships, five years and trade names; five years. The goodwill was allocated to our Analytical Software Tools segment, and is deductible for tax purposes. The pro forma effects of this acquisition on our Consolidated Financial Statements were not material.

3. Discontinued Operations

On April 30, 2008, we completed the sale of our Insurance Bill Review business unit for $16.0 million in cash. We recorded a $6.9 million pre-tax loss, but a $3.4 million after-tax gain on the sale as the amount of goodwill disposed of for income tax purposes exceeded the amount determined for financial reporting purposes.

The decision to sell the Insurance Bill Review business was the result of management's decision to divest non-strategic businesses and focus resources on our core products and services. Insurance Bill Review was part of the Strategy Machine Solutions and Professional Services segments.

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we determined that the Insurance Bill Review business was a discontinued operation. We have segregated the net assets, net liabilities and operating results from continuing operations in our balance sheets and statements of income for all periods prior to the sale. Revenues from discontinued operations were $22.9 million, $38.0 million and $42.4 million for the years ended September 30, 2008, 2007, and 2006, respectively. Pre-tax losses from discontinued operations were $1.1 million, $11.9 million and $1.7 million for the years ended September 30, 2008, 2007 and 2006, respectively.

The following table presents balance sheet information for discontinued operations as of September 30, 2007:

	September 30, 2007 (In thousands)
Accounts receivable, net	$ 8,109
Prepaid expenses and other current assets	1,730
Total current assets	9,839
Property and equipment, net	1,150
Goodwill	7,470
Intangible assets, net	8,190
Total assets	$ 26,649
Accounts payable	$ 1,096
Accrued compensation and employee benefits	784
Other accrued liabilities	1,768
Deferred revenue	562
Total liabilities	$ 4,210

4. Sales of Product Line Assets

In March 2007, we sold the assets and products associated with our mortgage banking solutions product line for $15.8 million in cash. The assets sold include accounts receivable, certain identifiable intangible assets and goodwill. We recognized a $1.5 million pre-tax gain, but a $0.4 million after-tax loss on the sale due to goodwill associated with the mortgage banking solutions product line that was not deductible for income tax purposes. We acquired the mortgage banking solutions through our May 2004 acquisition of London Bridge Software Holdings plc ("London Bridge"). The product line sold includes software and e-commerce services used in the origination processing, underwriting, pricing, product definition, closing, secondary marketing, servicing, and default management of mortgage and construction loans, and BridgeLinkTM e-Services for the mortgage industry. Revenues attributable to the mortgage banking solutions product line for the years ended September 30, 2007 and 2006 were $7.7 million and $19.9 million, respectively.

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5. Cash, Cash Equivalents and Marketable Securities Available for Sale

The following is a summary of cash, cash equivalents and marketable securities available for sale at September 30, 2008 and 2007:

	2008				2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)							
Cash and Cash Equivalents:								
Cash	$ 56,979	$ —	$ —	$ 56,979	$ 50,260	$ —	$ —	$ 50,260
Money market funds	72,699	—	—	72,699	40,029	—	—	40,029
Commercial paper	—	—	—	—	4,997	—	(2)	4,995
	$ 129,678	$ —	$	$ 129,678	$ 95,286	$ —	$ (2)	$ 95,284
Short-term Marketable Securities:								
U.S. government obligations	$ 55,564	$ 54	$ (65)	$ 55,553	$ 93,054	$ 32	$ (5)	$ 93,081
Corporate debt	1,501	—	(5)	1,496	32,239	15	(8)	32,246
	$ 57,065	$ 54	$ (70)	$ 57,049	$ 125,293	$ 47	$ (13)	$ 125,327
Long-term Marketable Securities:								
U.S. government obligations	$ 62,175	$ 190	$ (64)	$ 62,301	$ 5,999	$ 13	$ —	$ 6,012
Corporate debt	5,099	—	(3)	5,096	1,517	—	—	1,517
Marketable equity securities	5,679	—	(975)	4,704	5,581	666	—	6,247
	$ 72,953	$ 190	$ (1,042)	$ 72,101	$ 13,097	$ 679	$ —	$ 13,776

Short-term marketable securities mature at various dates over the course of the next twelve months. Our long-term U.S. government obligations and corporate debt investments mature at various dates over the next one to three years. During fiscal 2008, 2007 and 2006, we recognized no realized gains or losses on investments.

The long-term marketable equity securities represent securities held under a supplemental retirement and savings plan for certain officers and senior management employees, which are distributed upon termination or retirement of the employees.

The following table shows the gross unrealized losses and fair value of our investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2008 and 2007:

	2008					
	Less than 12 months		12 months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Description of Securities						
U.S. government obligations	$ 48,144	$ (128)	$ —	$ —	$ 48,144	$ (128)
Corporate debt	6,592	(9)	—	—	6,592	(9)
	$ 54,736	$ (137)	$ —	$ —	$ 54,736	$ (137)

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	2007					
	Less than 12 months		12 months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Description of Securities						
Commercial paper	$ 4,995	$ (2)	$ —	$ —	$ 4,995	$ (2)
U.S. government obligations	—	—	5,494	(5)	5,494	(5)
Corporate debt	1,982	(3)	3,488	(5)	5,470	(8)
	$ 6,977	$ (5)	$ 8,982	$ (10)	$ 15,959	$ (15)

6. Receivables

Receivables at September 30, 2008 and 2007 consisted of the following:

	2008	2007
	(In thousands)	
Billed	$ 115,556	$ 122,245
Unbilled	34,122	54,623
	149,678	176,868
Less allowance for doubtful accounts	(8,107)	(7,575)
Receivables, net	$ 141,571	$ 169,293

Unbilled receivables represent revenue recorded in excess of amounts billable pursuant to contract provisions and generally become billable at contractually specified dates or upon the attainment of milestones. Unbilled amounts are expected to be realized within one year. During fiscal 2008, 2007 and 2006, we increased our allowance for the provision for doubtful accounts by $3.4 million, $4.8 million and $1.5 million, respectively, and wrote off receivables (net of recoveries) of $2.8 million, $1.8 million and $2.7 million, respectively.

7. Goodwill and Intangible Assets

Goodwill and intangible assets with indefinite lives are tested for impairment at least annually or more frequently if impairment indicators arise. Our other intangible assets have definite lives and are being amortized using the straight-line method or based on the forecasted cash flows associated with the assets over their estimated useful lives.

As prescribed by SFAS No. 142, *Goodwill and Other Intangible Assets*, we have determined that our reporting units are the same as our reportable segments (see Note 18). We selected the fourth quarter to perform our annual goodwill impairment test, and determined that goodwill was not impaired as of July 1, 2008 and 2007.

Intangible assets that are subject to amortization consisted of the following at September 30, 2008 and 2007:

	2008	2007
	(In thousands)	
Completed technology	$ 78,967	$ 69,870
Customer contracts and relationships	65,336	63,126
Trade names	9,291	8,600
Foreign currency translation adjustments	568	4,023
	154,162	145,619
Less accumulated amortization	(101,694)	(90,886)
	$ 52,468	$ 54,733

Amortization expense associated with our intangible assets, which has been reflected as a separate operating expense caption within the accompanying consolidated statements of income, consisted of the following during fiscal 2008, 2007 and 2006:

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	2008	2007 (In thousands)	2006
Cost of revenues	$ 7,358	$ 12,570	$ 13,958
Selling, general and administrative expenses	6,685	7,900	8,211
	$ 14,043	$ 20,470	$ 22,169

In the table above, cost of revenues reflects our amortization of completed technology, and selling, general and administrative expenses reflect our amortization of other intangible assets.

Estimated future intangible asset amortization expense associated with intangible assets existing at September 30, 2008, was as follows (in thousands):

Fiscal Year	
2009	$ 13,455
2010	11,307
2011	7,894
2012	6,317
2013	4,251
Thereafter	9,244
	$ 52,468

The following table summarizes changes to goodwill during fiscal 2008 and 2007, both in total and as allocated to our operating segments.

	Strategy Machine Solutions	Scoring Solutions	Professional Services (In thousands)	Analytic Software Tools	Total
Balance at September 30, 2006	$ 542,549	$ 88,254	$ 12,451	$ 51,908	$ 695,162
Purchase accounting adjustments	(4,895)	(140)	494	(851)	(5,392)
Disposition of mortgage product line assets	(7,221)	—	—	—	(7,221)
Foreign currency translation adjustments	8,709	—	—	1,664	10,373
Balance at September 30, 2007	539,142	88,114	12,945	52,721	692,922
Purchase accounting adjustments	(2,985)	78	—	(618)	(3,525)
Goodwill acquired in acquisition	—	—	—	18,594	18,594
Sale of business unit	(7,390)	—	(80)	—	(7,470)
Foreign currency translation adjustments	(11,982)	—	—	(2,457)	(14,439)
Balance at September 30, 2008	$ 516,785	$ 88,192	$ 12,865	$ 68,240	$ 686,082

During fiscal 2008, we reduced goodwill related to the London Bridge acquisition due to the realization of certain deferred tax benefits that had valuation allowances recorded on them. During fiscal 2007, we reduced goodwill related to the London Bridge and HNC Software Inc. acquisition due to the realization of certain deferred tax benefits that had valuation allowances recorded on them and other adjustments to deferred income taxes on acquired entities.

8. Composition of Certain Financial Statement Captions

	September 30, 2008	September 30, 2007
	(In thousands)	
Property and equipment:		
Data processing equipment and software	$ 151,795	$ 135,949
Office furniture and equipment	21,721	22,132
Leasehold improvements	29,720	31,024
Less accumulated depreciation and amortization	(156,876)	(138,098)
	$ 46,360	$ 51,007

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	September 30, 2008	September 30, 2007
	(In thousands)	
Other accrued liabilities:		
Income taxes payable	$ 19,212	$ —
Interest payable	8,666	1,664
Other	15,787	28,455
	$ 43,665	$ 30,119

9. Credit Agreement

In October 2006, we entered into a five-year unsecured revolving credit facility with a syndicate of banks. In July 2007, we entered into an amended and restated credit agreement that increased the revolving credit facility from $300 million to $600 million. Proceeds from the credit facility can be used for working capital and general corporate purposes and may also be used for the refinancing of existing debt, acquisitions, and the repurchase of the Company’s common stock. Interest on amounts borrowed under the credit facility is based on (i) a base rate, which is the greater of (a) the prime rate and (b) the Federal Funds rate plus 0.50% or (ii) LIBOR plus an applicable margin. The margin on LIBOR borrowings ranges from 0.30% to 0.55% and is determined based on our consolidated leverage ratio. In addition, we must pay utilization fees if borrowings and commitments under the credit facility exceed 50% of the total credit facility commitment, as well as facility fees. The credit facility contains certain restrictive covenants, including maintenance of consolidated leverage and fixed charge coverage ratios. The credit facility also contains covenants typical of unsecured facilities. As of September 30, 2008, we had $295.0 million of borrowings outstanding under the credit facility at an average interest rate of 3.2%.

10. Senior Notes

In August 2003, we issued $400.0 million of Senior Convertible Notes that mature in August 2023 and bear interest at an annual rate of 1.5%. During fiscal 2008, we retired all the outstanding Senior Convertible Notes.

On May 7, 2008, we issued $275 million of Senior Notes in a private placement to a group of institutional investors. The Senior Notes were issued in four series as follows:

Series	Amount	Interest Rate	Maturity Date
A	$41 million	6.37%	May 7, 2013
B	$40 million	6.37%	May 7, 2015
C	$63 million	6.71%	May 7, 2015
D	$131 million	7.18%	May 7, 2018

We are required to pay the entire unpaid principal balances of each note series on its maturity date except for Series B notes, which requires five annual principal payments of $8.0 million starting on May 7, 2011. Future principal payments are as follows (in thousands):

Years Ended September 30,	
2009	$ —
2010	—
2011	8,000
2012	8,000
2013	49,000
Thereafter	210,000
	$ 275,000

Interest is paid semi-annually on May 7 and November 7 of each year starting on November 7, 2008. Total debt issuance costs were $1.5 million. The Senior Notes are subject to certain restrictive covenants that are substantially similar to those in the credit agreement for the revolving credit facility including maintenance of consolidated leverage and fixed charge coverage ratios. The issuance of the Senior Notes also required us to make certain covenants typical of unsecured facilities. The fair value of the Senior Notes at September 30, 2008 was $239.2 million. We determined fair value based on issuing similar notes using current interest rates.

11. Related Party Transactions

We have a $10 million investment in convertible preferred stock in a private company. The company is developing a range of products focused on revenue cycle activities for hospitals and healthcare providers. Related party revenues for the year ended September 30, 2008 included $2.5 million in software license revenue, $0.1 million in maintenance revenue and $2.4 million in professional services revenue. The accounts receivable balance from this company was $0.6 million as of September 30, 2008.

12. Restructuring and Acquisition-Related Expenses

In fiscal 2008, we eliminated 280 positions across the company and incurred charges of $7.4 million for severance costs. Cash payments for the majority of the severance costs were paid in fiscal 2008. We also recognized charges of $2.7 million associated with vacating excess leased space primarily located in Colorado and California. The charge represents future cash lease payments, net of sublease income, which will be paid out over the next four years. In addition, we recognized a net charge of $0.1 million as a result of unfavorable sublease arrangements associated with office space we vacated in prior years.

During fiscal 2007, we vacated excess lease space located in California and Maryland and recorded a lease exit accrual of $1.2 million, representing future cash lease obligations net of estimated sublease income, and a $0.2 million write off of fixed assets abandoned as a part of this action. We also recorded a $1.0 million charge for severance costs associated with the elimination of certain management positions. Cash payments for the majority of these severance costs were paid in fiscal 2008.

During fiscal 2006, we vacated excess lease space primarily located in California and recorded a lease exit accrual of $13.0 million, representing future cash lease obligations, net of estimated sublease income. In connection with a restructuring initiative, we incurred charges of $5.0 million for severance costs associated with a reduction of 179 employees primarily in product management, delivery and development functions. Cash payments for the majority of these severance costs were paid in fiscal 2006. We also recorded a $0.2 million gain in fiscal 2006 due to the adjustment of liabilities established for the exit of certain leased spaces.

During fiscal 2006, we also recorded a $0.5 million gain from past rent paid that was refunded to us from the landlord and we wrote off deferred acquisition costs totaling $2.2 million in connection with abandoned acquisitions, consisting principally of third-party legal, accounting and other professional fees. These amounts are recorded in restructuring and acquisition-related expenses in the accompanying consolidated statements of income, but are not included in the tables below as they do not relate to future cash payments.

The following table summarizes our restructuring and acquisition-related accruals associated with the above actions. The current portion and non-current portion was recorded in other accrued current liabilities and other long-term liabilities within the accompanying consolidated balance sheets.

	Accrual at September 30, 2005	Expense Additions	Cash Payments	Expense Reversals	Accrual at September 30, 2006
			(In thousands)		
Facilities charges	$ 6,361	$ 13,014	$ (4,117)	$ (164)	$ 15,094
Employee separation	—	5,010	(4,920)	—	90
	6,361	$ 18,024	$ (9,037)	$ (164)	15,184
Less: current portion	(3,721)				(6,161)
Non-current	$ 2,640				$ 9,023

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	Accrual at September 30, 2006	Expense Additions	Cash Payments (In thousands)	Expense Reversals	Accrual at September 30, 2007
Facilities charges	$ 15,094	$ 1,206	$ (6,006)	$ —	$ 10,294
Employee separation	90	1,012	(90)	—	1,012
	15,184	$ 2,218	$ (6,096)	$ —	11,306
Less: current portion	(6,161)				(4,051)
Non-current	$ 9,023				$ 7,255

	Accrual at September 30, 2007	Expense Additions	Cash Payments (In thousands)	Expense Reversals	Accrual at September 30, 2008
Facilities charges	$ 10,294	$ 3,258	$ (3,419)	$ (445)	$ 9,688
Employee separation	1,012	7,353	(7,435)	—	930
	11,306	$ 10,611	$ (10,854)	$ (445)	10,618
Less: current portion	(4,051)				(4,224)
Non-current	$ 7,255				$ 6,394

13. Income Taxes

The provision for income taxes was as follows during fiscal 2008, 2007 and 2006:

	2008	2007 (In thousands)	2006
Current:			
Federal	$ 42,070	$ 37,414	$ 45,490
State	6,816	4,183	8,346
Foreign	6,018	4,267	1,403
	54,904	45,864	55,239
Deferred:			
Federal	(26,203)	4,423	2,336
State	(2,032)	(623)	(1,211)
Foreign	5,140	—	—
	(23,095)	3,800	1,125
Total provision	$ 31,809	$ 49,664	$ 56,364

The foreign provision was based on foreign pretax earnings of $25.3 million, $2.7 million and $3.8 million in fiscal 2008, 2007 and 2006, respectively. Current foreign tax expense related to foreign tax withholdings was $4.8 million, $2.3 million and $4.1 million in fiscal year 2008, 2007 and 2006, respectively.

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Deferred tax assets and liabilities at September 30, 2008 and 2007 were as follows:

	2008	2007
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards (NOL)	$ 17,203	$ 26,000
Research credit carryforwards	3,040	4,357
Capital loss carryforward	8,630	7,358
Investments	760	789
Accrued compensation	3,302	4,161
Share-based compensation	26,712	23,686
Deferred revenue	2,422	1,280
Accrued lease costs	4,667	5,000
Property and equipment	5,134	3,872
Capitalized R&D	2,863	4,133
Other	13,429	10,182
	88,162	90,818
Less valuation allowance	(10,373)	(14,301)
	77,789	76,517
Deferred tax liabilities:		
Intangible assets	(19,876)	(23,579)
Convertible notes	—	(23,904)
Prepaid expense	(3,296)	(4,132)
Other	(2,865)	(13,062)
	(26,037)	(64,677)
Deferred tax assets, net	$ 51,752	$ 11,840

Based upon the level of historical taxable income and projections for future taxable income over the periods that the deferred tax assets will reverse, management believes it is more likely than not that we will realize the benefits of the deferred tax asset, net of the existing valuation allowance at September 30, 2008. As a result of the adoption of FIN 48, certain amounts previously included in the valuation allowance have been reclassified to reduce the associated deferred tax asset.

For fiscal 2008, the change in the balance of the valuation allowance was due to a reevaluation of benefits associated with foreign losses. As a result of improved historical operating performance in certain foreign jurisdictions and projected future taxable income, management believes it is more likely than not that certain foreign tax assets will be realized. Accordingly, the valuation allowance of $7.9 million was reversed, which decreased goodwill by $3.9 million and income tax expense by $4.0 million. The remaining valuation allowance is associated with foreign operations where the company has start-up activities and capital loss carryforwards where realization remains uncertain.

For fiscal 2008, the change in the balance of the NOL and research credit carryforwards was due to utilization. We acquired NOL and research credit carryforwards in connection with our acquisitions of Braun, London Bridge, and HNC in fiscal 2005, 2004 and 2002, respectively. As of September 30, 2008, we had available U.S. federal, state and foreign NOL carryforwards of approximately $29.9 million, $7.8 million, and $11.3 million, respectively. We also have available U.S. federal and state research credit carryforwards of approximately $9.2 million and $2.0 million, respectively. The U.S. federal NOL carryforwards will expire at various dates beginning in fiscal 2010 through fiscal 2024, if not utilized. The state NOL carryforwards will begin to expire in fiscal 2009 through fiscal 2024, if not utilized. The U.S. federal research credit carryforwards will begin to expire in fiscal 2009 through 2022, if not utilized. Utilization of the U.S. federal and state NOL and research credit carryforwards are subject to an annual limitation due to the “change in ownership” provisions of the Internal Revenue Code of 1986 (the “Code”), as amended, and similar state provisions.

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The reconciliation between the U.S. federal statutory income tax rate of 35% and our effective tax rate is shown below for fiscal 2008, 2007 and 2006:

	2008	2007	2006
		(In thousands)	
Income tax provision at U.S. federal statutory rate	$ 39,549	$ 56,529	$ 56,304
State income taxes, net of U.S. federal benefit	2,723	3,343	4,709
Foreign taxes	(4,205)	(1,944)	(1,472)
Extraterritorial income exclusion	—	(491)	(4,600)
Research credits	(2,365)	(7,454)	(183)
Domestic production deduction	(2,202)	(944)	(1,058)
Reduction in valuation allowance	(2,604)	—	138
Other	913	625	2,526
Recorded income tax provision	$ 31,809	$ 49,664	$ 56,364

The decrease in our effective tax rate in fiscal 2008 compared with fiscal 2007 was largely due to the improved operating results in certain foreign jurisdictions and an increase in the domestic production deduction. In addition, there was a discrete tax benefit associated with the reversal of the foreign net operating loss valuation allowance. The effective tax rate, however, was adversely impacted by a delay in the extension of the U.S. federal research credit.

Adoption of FIN 48

FIN 48 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. On October 1, 2007, we adopted FIN 48 as a change in accounting principle. The cumulative effect of the change did not result in an adjustment to the beginning balance of retained earnings. The cumulative effects of applying this interpretation have been recorded as an increase of $4.5 million to current tax liabilities, $4.1 million to deferred income tax assets and an increase of $0.4 million to goodwill as of October 1, 2007. Upon adoption at October 1, 2007, we had $26.5 million of total unrecognized tax benefits. Following implementation, the ongoing recognition of changes in recognition and measurement of uncertain tax positions will be reflected as a component of income tax expense.

We conduct business globally and, as a result, file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities. With few exceptions, we are no longer subject to U.S. federal, state, local, or foreign income tax examinations for fiscal years prior to 2002. We are currently under audit by the IRS for tax returns filed for fiscal 2002 through 2006 and by California Franchise Tax Board for fiscal 2003 through 2005. We do not anticipate any adjustments related to those audits will result in a material change to our financial position. However, due to the potential resolution of Federal, state and foreign examinations it is reasonably possible that our total unrecognized tax benefits could decrease by $14 million to $16 million within the next 12 months.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	(In thousands)
Gross unrecognized tax benefits upon adoption on October 1, 2007	$ 26,465
Gross increases for tax positions in prior periods	754
Gross decreases for tax positions in prior periods	(990)
Gross increases based on tax positions related to the current year	2,099
Decreases for settlements and payments	(2,063)
Gross unrecognized tax benefits at September 30, 2008	$ 26,265

We had $26.3 million of total unrecognized tax benefits as of September 30, 2008. Included in the $26.3 million of total gross unrecognized tax benefits as of September 30, 2008 was $16.1 million of tax benefits that, if recognized, would impact the effective tax rate.

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We recognize interest expense related to unrecognized tax benefits and penalties as part of the provision for income taxes in our consolidated statements of income. We recognize interest earned related to income tax matters as interest income in our consolidated statements of income. As of September 30, 2008, we have accrued interest of $3.3 million related to the unrecognized tax benefits.

14. Earnings Per Share

The following reconciles the numerators and denominators of basic and diluted earnings per share ("EPS") from continuing operations during fiscal 2008, 2007 and 2006:

	2008	2007	2006
	(In thousands, except per share data)		
Numerator for basic earnings per share: income from continuing operations	$ 81,186	$ 111,851	$ 104,505
Interest expense on senior convertible notes, net of tax	3	4	4
Numerator for diluted earnings per share from continuing operations	$ 81,189	$ 111,855	$ 104,509
Denominator — shares:			
Basic weighted-average shares	48,940	56,054	63,579
Effect of dilutive securities	433	1,494	1,546
Diluted weighted-average shares	49,373	57,548	65,125
Earnings per share from continuing operations:			
Basic	$ 1.66	$ 2.00	$ 1.64
Diluted	$ 1.64	$ 1.94	$ 1.60

The computation of diluted EPS for fiscal 2008, 2007 and 2006 excludes options to purchase approximately 7,769,000, 3,660,000 and 3,194,000 shares of common stock, respectively, because the options' exercise prices exceeded the average market price of our common stock in these fiscal years and their inclusion would be antidilutive.

15. Stockholders' Equity

Common Stock

From time to time, we repurchase our common stock in the open market pursuant to programs approved by our Board of Directors. During fiscal 2008, 2007 and 2006, we expended $116.6 million, $451.1 million and $256.5 million, respectively, in connection with our repurchase of common stock under such programs.

We paid quarterly dividends on common stock of two cents per share, or eight cents per year, during each of fiscal 2008, 2007 and 2006.

Stockholder Rights Plan

We maintain a stockholder rights plan pursuant to which one right to purchase preferred stock was distributed for each outstanding share of common stock held of record on August 21, 2001. Since this distribution, all newly issued shares of common stock have been accompanied by a preferred stock purchase right. In general, the rights will become exercisable and trade independently from the common stock if a person or group acquires or obtains the right to acquire 15 percent or more of the outstanding shares of common stock or commences a tender or exchange offer that would result in that person or group acquiring 15 percent or more of the outstanding shares of common stock, either event occurring without the consent of the Board of Directors. Each right represents a right to purchase Series A Participating Preferred Stock in an amount and at an exercise price that are subject to adjustment. The person or group who acquired 15 percent or more of the outstanding shares of common stock would not be entitled to make this purchase. The rights will expire in August 2011, or they may be redeemed by the Company at a price of $0.001 per right prior to that date.

16. Employee Benefit Plans

Defined Contribution Plans

We sponsor a Fair Isaac 401(k) plan for eligible employees. Under this plan, eligible employees may contribute up to 25% of compensation, not to exceed statutory limits. We also provide a company matching contribution. Investment in Fair Isaac common stock is not an option under this plan. Our contributions into all 401(k) plans, including former acquired company sponsored plans that have since merged into the Fair Isaac 401(k) plan or have been frozen, totaled $7.1 million $7.0 million and $6.8 million during fiscal 2008, 2007 and 2006, respectively.

Employee Incentive Plans

We maintain various employee incentive plans for the benefit of eligible employees, including officers. The awards generally are based on the achievement of certain financial and performance objectives subject to the discretion of management. Total expenses under our employee incentive plans were $2.1 million, $12.5 million and $8.4 million during fiscal 2008, 2007 and 2006, respectively.

17. Stock-Based Employee Benefit Plans

Description of Stock Option and Share Plans

We maintain the 1992 Long-term Incentive Plan (the “1992 Plan”) under which we may grant stock options, stock appreciation rights, restricted stock, restricted stock units and common stock to officers, key employees and non-employee directors. As of September 30, 2008, 5,326,848 shares remained available for grants under this plan. The 1992 Plan will terminate in February 2012. In November 2003, our Board of Directors approved the adoption of the 2003 Employment Inducement Award Plan (the “2003 Plan”). The 2003 Plan reserves 2,250,000 shares of common stock solely for the granting of inducement stock options and other awards, as defined, that meet the “employment inducement award” exception to the New York Stock Exchange’s listing standards requiring shareholder approval of equity-based inducement incentive plans. Except for the employment inducement award criteria, awards under the 2003 Plan will be generally consistent with those made under our 1992 Plan. As of September 30, 2008, 1,666,197 shares remained available for grants under this plan. The 2003 Plan shall remain in effect until terminated by the Board of Directors. Stock option awards granted during fiscal 2008 typically had a maximum term of seven years and vested ratably over four years. Stock option awards granted prior to October 1, 2005, typically had a maximum term of ten years and vested ratably over four years.

We assumed all outstanding stock options held by former employees and non-employee directors of HNC, who as of our acquisition date, held unexpired and unexercised stock option grants under the various HNC stock option plans. As of September 30, 2008, 922,426 shares remained available for future grant under these option plans.

Description of Employee Stock Purchase Plan

Under our Employee Stock Purchase Plan (“Purchase Plan”), we are authorized to issue up to 5,062,500 shares of common stock to eligible employees. Employees may have up to 10% of their base salary withheld through payroll deductions to purchase Fair Isaac common stock during semi-annual offering periods. The purchase price of the stock is 85% of the fair market value on the exercise date (the last day of each offering period). Offering period means approximately six-month periods commencing (a) on the first trading day on or after January 1 and terminating on the last trading day in the following June, and (b) on the first trading day on or after July 1 and terminating on the last trading day in the following December.

A total of approximately 384,000, 276,000 and 300,000 shares of our common stock with a weighted average purchase price of $21.98, $32.33 and $30.88 per share were issued under the Purchase Plan during fiscal 2008, 2007 and 2006, respectively. At September 30, 2008, 2,900,105 shares remained available for issuance.

Share-Based Compensation Expense

In accordance with SFAS No. 123(R), we recorded $27.7 million, $35.5 million and $41.1 million of share-based compensation expense for stock options, restricted stock units, non-vested shares and purchases under the Purchase Plan in fiscal years 2008, 2007 and 2006, respectively. The total tax benefit related to this share-based compensation expense was $10.3 million, $13.1 million and $15.1 million in fiscal 2008, 2007 and 2006, respectively. As of September 30, 2008, there was $42.1 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under all equity compensation plans. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures. We expect to recognize that cost over a weighted average period of 2.5 years.

SFAS No. 123(R) requires companies to calculate an initial “pool” of excess tax benefits available to absorb any tax deficiencies that may be recognized under SFAS No. 123(R). The pool includes the net excess tax benefits that would have been recognized if we had adopted SFAS No. 123 for recognition purposes on its effective date. We have elected to calculate the pool of excess tax benefits under the alternative transition method described in FASB Staff Position 123(R)-3, *Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards,* which also specifies the method we must use to calculate excess tax benefits reported on the statement of cash flows.

Determining Fair Value

We estimate the fair value of stock options granted using the Black-Scholes option valuation model and we amortize the fair value on a straight-line basis over the vesting period. We used the following assumptions to estimate the fair value of our stock options during fiscal 2008, 2007 and 2006:

	2008	2007	2006
Stock Options:			
Average expected term (years)	4.89	4.79	4.75
Expected volatility (range)	32–44%	28–31%	28–30%
Weighted average volatility	34%	29%	29%
Risk-free interest rate (range)	2.5–4.4%	3.9–5.0%	4.2–5.2%
Average expected dividend yield	0.2%	0.2%	0.2%
Expected dividend yield (range)	0.2–0.3%	0.2%	0.2%

During fiscal 2008 we changed the terms of Purchase Plan to eliminate the provision to purchase shares at the lower of the fair market value of the stock on the enrollment date (the first day of the offering period) or the fair market value on the exercise date (the last date of an offering period). The purchase price of the stock is 85% of the fair market value on the exercise date. The fair value of the shares purchased was calculated as the difference between the stock price at date of exercise and the employee purchase price. We used the following assumptions to estimate the fair value of shares purchased under our Employee Stock Purchase Plans during fiscal 2007 and 2006.

	2007	2006
Employee Stock Purchase Plan:		
Average expected term (years)	0.5	0.5
Expected volatility (range)	21–23%	22–23%
Weighted average volatility	23%	23%
Risk-free interest rate (range)	4.9–5.3%	4.4–5.3%
Expected dividend yield (range)	0.2%	0.2%

The fair value of restricted stock units and non-vested shares granted is the fair value of our common stock on the date of grant. We amortize the fair value on a straight-line basis over the vesting period.

Expected Volatility. We estimate the volatility of our common stock at the date of grant based on a combination of the implied volatility of publicly traded options on our common stock and our historical volatility rate, consistent with SFAS No. 123(R) and Securities and Exchange Commission Staff Accounting Bulletin No. 107 (“SAB 107”). Our decision to use implied volatility was based upon the availability of actively traded options on our common stock and our assessment that implied volatility is more representative of future stock price trends than historical volatility.

Expected Term. The expected term represents the period that our stock option are expected to be outstanding. In fiscal 2008, we estimated expected term based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. In fiscal 2007 and 2006, we estimated expected term consistent with the simplified method identified in SAB 107. We elected to use the simplified method as we changed the contractual life for share-based awards from ten to seven years starting in fiscal 2006. The simplified method calculates the expected term as the average of the vesting and contractual terms of the award.

Dividends. The dividend yield assumption is based on historical dividend payouts.

Risk-Free Interest Rate. The risk-free interest rate assumption is based on observed interest rates appropriate for the term of our employee options.

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Forfeitures. We use historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest.

Stock-Based Activity

The following table summarizes option activity during fiscal 2008:

	Shares (In thousands)	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at October 1, 2007	10,615	$ 34.61		
Granted	700	31.54		
Exercised	(523)	23.50		
Forfeited	(909)	38.18		
Expired	(1,323)	35.73		
Outstanding at September 30, 2008	8,560	34.50	4.44	$ 4,632
Options exercisable at September 30, 2008	6,094	33.04	4.16	$ 4,601

The weighted average fair value of options granted during fiscal 2008, 2007 and 2006 were $10.72, $13.23 and $13.79, respectively. The aggregate intrinsic value of options outstanding at September 30, 2008 was calculated as the difference between the exercise price of the underlying options and the market price of our common stock for the 0.7 million shares that had exercise prices that were lower than the $23.05 market price of our common stock at September 30, 2008. The total intrinsic value of options exercised during fiscal 2008, 2007 and 2006 was $5.1 million, $49.6 million and $35.8 million, respectively, determined as of the date of exercise.

The following table summarizes non-vested share activity during fiscal 2008:

	Shares (In thousands)	Weighted-average Price
Outstanding at October 1, 2007	91	$ 36.84
Released	(34)	39.05
Forfeited	(35)	35.49
Outstanding at September 30, 2008	22	35.61

The following table summarizes restricted stock unit activity during fiscal 2008:

	Shares (In thousands)	Weighted-average Price
Outstanding at October 1, 2007	468	$ 39.92
Granted	797	26.32
Released	(111)	40.03
Forfeited	(166)	36.49
Outstanding at September 30, 2008	988	29.51

The weighted average fair value of restricted stock units and non-vested shares granted during fiscal 2008, 2007 and 2006 were $26.32, $40.12 and $35.56, respectively. The total intrinsic value of restricted stock units and non-vested shares that vested during fiscal 2008, 2007 and 2006 was $4.1 million, $1.1 million and $1.3 million, respectively, determined as of the date of exercise.

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We received $19.8 million in cash from option exercises and issuances of stock under the Purchase Plan in fiscal 2008. The actual tax benefit that we realized for the tax deductions from option exercises totaled $5.1 million for that period.

Due primarily to our ongoing program of repurchasing shares on the open market, we had approximately 40.4 million treasury shares at September 30, 2008. We satisfy stock option exercises, Purchase Plan issuances and vesting of restricted stock units from this pool of treasury shares.

18. Segment Information

We are organized into the following four reportable segments, to align with the internal management of our worldwide business operations based on product and service offerings:

- *Strategy Machine™ Solutions.* These are pre-configured Decision Management applications designed for a specific type of business problem or process, such as marketing, account origination, customer management, fraud and insurance claims management. This segment also includes our myFICO solutions for consumers.
- *Scoring Solutions.* Our scoring solutions give our clients access to analytics that can be easily integrated into their transaction streams and decision-making processes. Our scoring solutions are distributed through major credit reporting agencies, as well as services through which we provide our scores to clients directly.
- *Professional Services.* Through our professional services, we tailor our Decision Management products to our clients' environments, and we design more effective decisioning environments for our clients. This segment includes revenues from custom engagements, business solution and technical consulting services, systems integration services, and data management services.
- *Analytic Software Tools.* This segment is composed of software tools that clients can use to create their own custom Decision Management applications.

Our Chief Executive Officer evaluates segment financial performance based on segment revenues and operating income. Segment operating expenses consist of direct and indirect costs principally related to personnel, facilities, consulting, travel, depreciation and amortization. Indirect costs are allocated to the segments generally based on relative segment revenues, fixed rates established by management based upon estimated expense contribution levels and other assumptions that management considers reasonable. We do not allocate share-based compensation expense, restructuring and acquisition-related expense and certain other income and expense measures to our segments. These income and expense items are not allocated because they are not considered in evaluating the segment's operating performance. Our Chief Executive Officer does not evaluate the financial performance of each segment based on its respective assets or capital expenditures; rather, depreciation and amortization amounts are allocated to the segments from their internal cost centers as described above.

The following tables summarize segment information for fiscal 2008, 2007 and 2006:

	2008				
	Strategy Machine Solutions	Scoring Solutions	Professional Services	Analytic Software Tools	Total
			(In thousands)		
Revenues	$ 388,108	$ 156,816	$ 147,864	$ 52,054	$ 744,842
Operating expenses	(326,630)	(66,358)	(147,237)	(44,444)	(584,669)
Segment operating income	$ 61,478	$ 90,458	$ 627	$ 7,610	160,173
Unallocated share-based compensation expense					(27,724)
Unallocated restructuring and acquisition-related expense					(10,166)
Operating income					122,283
Unallocated interest income					8,802
Unallocated interest expense					(20,335)
Unallocated other income, net					2,245
Income before income taxes					$ 112,995
Depreciation and amortization	$ 24,494	$ 5,443	$ 5,504	$ 2,700	$ 38,141

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	2007				
	Strategy Machine Solutions	Scoring Solutions	Professional Services (In thousands)	Analytic Software Tools	Total
Revenues	$ 404,881	$ 180,444	$ 147,430	$ 51,433	$ 784,188
Operating expenses	(331,472)	(65,127)	(140,526)	(50,362)	(587,487)
Segment operating income	$ 73,409	$ 115,317	$ 6,904	$ 1,071	196,701
Unallocated share-based compensation expense					(35,460)
Unallocated restructuring and acquisition-related expense					(2,455)
Unallocated gain on sale of product line assets					1,541
Operating income					160,327
Unallocated interest income					13,527
Unallocated interest expense					(12,766)
Unallocated other income, net					427
Income before income taxes					$ 161,515
Depreciation and amortization	$ 28,081	$ 8,301	$ 7,039	$ 3,229	$ 46,650

	2006				
	Strategy Machine Solutions	Scoring Solutions	Professional Services (In thousands)	Analytic Software Tools	Total
Revenues	$ 415,282	$ 177,152	$ 144,830	$ 45,731	$ 782,995
Operating expenses	(328,933)	(64,739)	(131,302)	(42,982)	(567,956)
Segment operating income	$ 86,349	$ 112,413	$ 13,528	$ 2,749	215,039
Unallocated share-based compensation expense					(41,106)
Unallocated restructuring and acquisition-related expense					(19,533)
Operating income					154,400
Unallocated interest income					15,248
Unallocated interest expense					(8,569)
Unallocated other expense, net					(210)
Income before income taxes					$ 160,869
Depreciation and amortization	$ 27,537	$ 7,887	$ 6,669	$ 3,036	$ 45,129

Our revenues and percentage of revenues by reportable market segments were as follows for fiscal 2008, 2007 and 2006, the majority of which were derived from the sale of products and services within the consumer credit, financial services and insurance industries:

	2008		2007 (Dollars in thousands)		2006	
Strategy Machine Solutions	$ 388,108	52%	$ 404,881	51%	$ 415,282	53%
Scoring Solutions	156,816	21%	180,444	23%	177,152	23%
Professional Services	147,864	20%	147,430	19%	144,830	18%
Analytic Software Tools	52,054	7%	51,433	7%	45,731	6%
	$ 744,842	100%	$ 784,188	100%	$ 782,995	100%

Within our Strategy Machine Solutions segment our customer management solutions accounted for 9%, 8% and 9% of total revenues in each of fiscal 2008, 2007 and 2006, respectively, and our fraud solutions accounted for 15% of total revenues in each of these periods.

Our revenues and percentage of revenues on a geographical basis are summarized below for fiscal 2008, 2007 and 2006. No individual country outside of the United States and the United Kingdom accounted for 10% or more of revenue in any of these years.

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	2008		2007		2006	
			(Dollars in thousands)			
United States	$498,526	67%	$543,243	69%	$552,832	71%
United Kingdom	68,500	9%	79,326	10%	73,637	9%
Other International	177,816	24%	161,619	21%	156,526	20%
	$744,842	100%	$784,188	100%	$782,995	100%

During fiscal 2008, 2007 and 2006, no individual customer accounted for 10% or more of our total revenues, however, we derive a substantial portion of our revenues from our contracts with the three major credit reporting agencies, TransUnion, Equifax and Experian. Revenues collectively generated by agreements with these customers accounted for 19% of our total revenues in fiscal 2008. At September 30, 2008 and 2007, no individual customer accounted for 10% or more of total consolidated receivables.

Our property and equipment, net, on a geographical basis are summarized below at September 30, 2008 and 2007. At September 30, 2008 and 2007, no individual country outside of the United States accounted for 10% or more of total consolidated net property and equipment.

	2008		2007	
		(Dollars in thousands)		
United States	$ 41,628	90%	$ 45,842	90%
International	4,732	10%	5,165	10%
	$ 46,360	100%	$ 51,007	100%

19. Commitments

Minimum future commitments under non-cancelable operating leases and other obligations were as follows at September 30, 2008:

Fiscal Year	Future Minimum Lease Commitments (In thousands)	Other Commitments (In thousands)
2009	$ 27,789	$ 4,000
2010	25,860	5,800
2011	18,701	13,100
2012	13,995	4,000
2013	10,327	2,000
Thereafter	31,522	—
	$ 128,194	$ 28,900

Lease Commitments

The above amounts have been reduced by contractual sublease commitments totaling $2.8 million, $2.4 million, $2.4 million, $1.6 million and $0.3 million in fiscal 2009 through 2013, respectively. We occupy the majority of our facilities under non-cancelable operating leases with lease terms in excess of one year. Such facility leases generally provide for annual increases based upon the Consumer Price Index or fixed increments. Rent expense under operating leases, including month-to-month leases, totaled $28.6 million, $24.1 million and $27.3 million during fiscal 2008, 2007 and 2006, respectively.

Other Commitments

In the ordinary course of business, we enter into contractual purchase obligations and other agreements that are legally binding and specify certain minimum payment terms.

We are also a party to a management agreement with 26 of our executives providing for certain payments and other benefits in the event of a qualified change in control of Fair Isaac, coupled with a termination of the officer during the following year.

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20. Contingencies

We are in disputes with certain customers regarding amounts owed in connection with the sale of certain of our products and services. We also have had claims asserted by former employees relating to compensation and other employment matters. We are also involved in various other claims and legal actions arising in the ordinary course of business. We believe that none of these aforementioned claims or actions will result in a material adverse impact to our consolidated results of operations, liquidity or financial condition. However, the amount or range of any potential liabilities associated with these claims and actions, if any, cannot be determined with certainty. Set forth below are additional details concerning certain ongoing litigation.

Braun Consulting, Inc.

Braun (which we acquired in November 2004) was a defendant in a lawsuit filed on November 26, 2001, in the United States District Court for the Southern District of New York (Case No. 01 CV 10629) that alleges violations of federal securities laws in connection with Braun's initial public offering in August 1999. This lawsuit is among approximately 300 coordinated putative class actions against certain issuers, their officers and directors, and underwriters with respect to such issuers' initial public offerings. As successor-in-interest to Braun, we entered into a Stipulation and Agreement of Settlement along with most of the other defendant issuers in this coordinated litigation, where such issuers and their officers and directors would be dismissed with prejudice, subject to the satisfaction of certain conditions, including approval of the Court. Under the terms of this Agreement, we would not pay any amount of the settlement. However, since December 2006, certain procedural matters concerning the class status have been decided in the district and appellate courts of the Second Circuit, ultimately determining that no class status exists for the plaintiffs. Since there is no class status, there could be no agreement, thus the District Court entered an order formally denying the motion for final approval of the settlement agreement.

The issuers and their insurers have recently reached a preliminary settlement agreement, which they believe to be consistent with the earlier court rulings and which has been presented to all parties for approval. The Company has given consent to the terms of the proposed settlement. Under the terms of this Agreement, we would not pay any amount of the settlement. We expect that the parties to the consolidated action will begin preparing formal settlement documents shortly. However, due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of this matter.

21. Guarantees

In the ordinary course of business, we are not subject to potential obligations under guarantees that fall within the scope of FASB Interpretation ("FIN") No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,* except for standard indemnification and warranty provisions that are contained within many of our customer license and service agreements and certain supplier agreements, including underwriter agreements, as well as standard indemnification agreements that we have executed with certain of our officers and directors, and give rise only to the disclosure requirements prescribed by FIN No. 45. In addition, under previously existing accounting principles generally accepted in the United States of America, we continue to monitor the conditions that are subject to the guarantees and indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under the guarantees and indemnifications when those losses are estimable.

Indemnification and warranty provisions contained within our customer license and service agreements and certain supplier agreements are generally consistent with those prevalent in our industry. The duration of our product warranties generally does not exceed 90 days following delivery of our products. We have not incurred significant obligations under customer indemnification or warranty provisions historically and do not expect to incur significant obligations in the future. Accordingly, we do not maintain accruals for potential customer indemnification or warranty-related obligations. The indemnification agreements that we have executed with certain of our officers and directors would require us to indemnify such officers and directors in certain instances. We have not incurred obligations under these indemnification agreements historically and do not expect to incur significant obligations in the future. Accordingly, we do not maintain accruals for potential officer or director indemnification obligations. The maximum potential amount of future payments that we could be required to make under the indemnification provisions in our customer license and service agreements, and officer and director agreements is unlimited.

22. Supplementary Financial Data (Unaudited)

The following table presents selected unaudited consolidated financial results for each of the eight quarters in the two-year period

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ended September 30, 2008. In the opinion of management, this unaudited information has been prepared on the same basis as the audited information and includes all adjustments (consisting of only normal recurring adjustments, except as noted below) necessary for a fair statement of the consolidated financial information for the period presented.

	Dec. 31, 2007	Mar. 31, 2008	Jun. 30, 2008	Sept. 30, 2008
	(In thousands, except per share data)			
Revenues	$ 190,106	$ 193,234	$ 183,315	$ 178,187
Cost of revenues	66,972	72,946	68,709	66,290
Gross profit	123,134	120,288	114,606	111,897
Income from continuing operations	20,836	17,774	18,798	23,778
Income (loss) from discontinued operations	(650)	(4,287)	7,703	—
Net income	$ 20,186	$ 13,487	$ 26,501	$ 23,778
Basic earnings (loss) per share (1):				
Continuing operations	$ 0.42	$ 0.36	$ 0.39	$ 0.49
Discontinued operations	(0.02)	(0.08)	0.16	—
Total	$ 0.40	$ 0.28	$ 0.55	$ 0.49
Diluted earnings (loss) per share (1):				
Continuing operations	$ 0.41	$ 0.36	$ 0.38	$ 0.49
Discontinued operations	(0.02)	(0.08)	0.16	—
Total	$ 0.39	$ 0.28	$ 0.54	$ 0.49
Shares used in computing earnings per share:				
Basic	50,042	48,760	48,521	48,431
Diluted	51,200	48,961	48,727	48,596

	Dec. 31, 2006	Mar. 31, 2007	Jun. 30, 2007	Sept. 30, 2007
	(In thousands, except per share data)			
Revenues	$ 198,164	$ 190,675	$ 196,627	$ 198,722
Cost of revenues	62,276	65,239	65,291	66,644
Gross profit	135,888	125,436	131,336	132,078
Income from continuing operations	31,610	21,631	26,112	32,498
Income (loss) from discontinued operations	(385)	(193)	(2,344)	(4,279)
Net income	$ 31,225	$ 21,438	$ 23,768	$ 28,219
Basic earnings (loss) per share (1):				
Continuing operations	$ 0.54	$ 0.38	$ 0.47	$ 0.61
Discontinued operations	—	—	(0.04)	(0.08)
Total	$ 0.54	$ 0.38	$ 0.43	$ 0.53
Diluted earnings (loss) per share (1):				
Continuing operations	$ 0.53	$ 0.37	$ 0.46	$ 0.59
Discontinued operations	(0.01)	—	(0.04)	(0.07)
Total	$ 0.52	$ 0.37	$ 0.42	$ 0.52
Shares used in computing earnings per share				
Basic	58,057	56,940	55,776	53,459
Diluted	59,985	58,659	56,896	54,669

(1) Earnings per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly per share amounts may not equal the totals for the respective years.

(2) Restructuring expenses for the quarters ended September 30, 2007, March 31, 2008, June 30, 2008 and September 30, 2008 were $2.5 million, $6.1 million, $2.2 million and $2.3 million, respectively.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

Item 9A. ***Controls and Procedures***

An evaluation was carried out under the supervision and with the participation of Fair Isaac's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of Fair Isaac's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this annual report. Based on that evaluation, the CEO and CFO have concluded that Fair Isaac's disclosure controls and procedures are effective to ensure that information required to be disclosed by Fair Isaac in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. In addition, the disclosure controls and procedures ensure that information required to be disclosed is accumulated and communicated to management, including the chief executive officer and chief financial officer, allowing timely decisions regarding required disclosure.

No change in Fair Isaac's internal control over financial reporting was identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the quarter ended September 30, 2008, that has materially affected, or is reasonably likely to materially affect, Fair Isaac's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal controls over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation management has concluded that our internal control over financial reporting was effective as of September 30, 2008.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of our internal control over financial reporting as of September 30, 2008, as stated in their attestation report included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The required information regarding our Directors is incorporated by reference from the information under the caption "Director Nominees" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on February 3, 2009.

The required information regarding our Executive Officers is contained in Part I of this Annual Report on Form 10-K.

The required information regarding compliance with Section 16(a) of the Securities Exchange Act is incorporated by reference from the information under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on February 3, 2009.

Fair Isaac has adopted a Code of Ethics for Senior Financial Management that applies to the Company's Chief Executive Officer, Chief Financial Officer, Controller and other employees performing similar functions who have been identified by the Chief Executive Officer. We have posted the Code of Ethics on our web site located at www.fairisaac.com. Fair Isaac intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, this Code of Ethics by posting such information on its web site. Fair Isaac also has a Code of Conduct and Business Ethics applicable to all directors, officers and employees, which is also available at the web site cited above. The required information regarding the Company's corporate governance guidelines and committee charters is incorporated by reference from the information under the caption "Board Meetings, Committees and Attendance" in our definitive proxy statement for the Annual Meeting of Shareholders to be held on February 3, 2009.

Item 11. ***Executive Compensation***

The information required by this Item is incorporated by reference from the information under the captions "Director Compensation," "Executive Compensation," and "Compensation Committee Interlocks and Insider Participation" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on February 3, 2009.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this Item is incorporated by reference from the information under the caption "Security Ownership Of Certain Beneficial Owners and Management" and "Executive Compensation" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on February 3, 2009.

Item 13. ***Certain Relationships, Related Transactions, and Director Independence***

The information required by this Item is incorporated by reference from the information under the captions "Certain Relationships and Related Transactions" and "Director Independence" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on February 3, 2009.

Item 14. ***Principal Accountant Fees and Services***

The information required by this Item is incorporated by reference from the information under the caption "Audit and Non-Audit Fees" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on February 3, 2009.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

1. Consolidated Financial Statements:

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Reports of independent registered public accounting firm	49
Consolidated balance sheets as of September 30, 2008 and 2007	51
Consolidated statements of income for the years ended September 30, 2008, 2007, and 2006	52
Consolidated statements of stockholders' equity and comprehensive income for the years ended September 30, 2008, 2007, and 2006	53
Consolidated statements of cash flows for the years ended September 30, 2008, 2007, and 2006	54
Notes to consolidated financial statements	55

2. Financial Statement Schedules

All financial statement schedules are omitted as the required information is not applicable or as the information required is included in the consolidated financial statements and related notes.

3. Exhibits:

Exhibit Number	Description
3.1	By-laws of the Company. (Incorporated by reference to Exhibit 4.2 to the Company's Form S-8 Registration Statement, File No. 333-114364, filed April 9, 2004, and Exhibit 3.1 to the Company's Form 8-K filed on December 11, 2007.)

Exhibit Number	Description
3.2	Composite Certificate of Incorporation of Fair Isaac Corporation. (Incorporated by reference to Exhibit 4.1 to the Company's Form S-8 Registration Statement, File No. 333-114364, filed April 9, 2004.)
4.1	Rights Agreement dated as of August 8, 2001, between Fair, Isaac and Company, Incorporated and Mellon Investor Services LLC, which includes as Exhibit B the form of Rights Certificate and as Exhibit C the Summary of Rights. (Incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form 8-A relating to the Series A Participating Preferred Stock Purchase Rights filed August 10, 2001.)
4.2	Form of Rights Certificate. (Included in Exhibit 4.1.)
10.1	HNC's 2001 Equity Incentive Plan and related form of Stock Option Agreement. (Incorporated by reference to Exhibit 4.01 to HNC's Form S-8 Registration Statement, File No. 333-62492, filed June 7, 2001.) (1)
10.2	HNC's 1995 Directors Stock Option Plan, as amended through April 30, 2000. (Incorporated by reference to Exhibit 4.05 to HNC's Form S-8 Registration Statement, File No. 333-40344, filed June 28, 2000.) (1)
10.3	HNC's Form of 1995 Directors Stock Option Plan Option Agreement and Stock Option Exercise Agreement. (Incorporated by reference to Exhibit 10.01 to HNC's Form 10-Q for the quarter ended June 30, 1999.) (1)
10.4	HNC's 1998 Stock Option Plan, as amended through September1, 2000, and related form of option agreement. (Incorporated by reference to Exhibit 4.05 to HNC's Form S-8 Registration Statement, File No. 333-45442, filed September 8, 2000.) (1)
10.5	Aptex Software Inc. 1996 Equity Incentive Plan assumed by HNC. (Incorporated by reference to Exhibit 4.03 to HNC's Form S-8 Registration Statement, File No. 333-71923, filed February 5, 1999.) (1)
10.6	Form of Aptex Software Inc. 1996 Equity Incentive Plan Stock Option Agreement and Stock Option Exercise Agreement. (Incorporated by reference to Exhibit 4.04 to HNC's Form S-8 Registration Statement, File No. 333-71923, filed February 5, 1999.) (1)
10.7	Form of Advanced Information Management Solutions, Inc. Stock Option Agreement. (Incorporated by reference to Exhibit 4.02 to HNC's Form S-8 Registration Statement, File No. 333-33952, filed April 4, 2000.) (1)
10.8	ONYX Technologies, Inc. 1999 Stock Plan assumed by HNC. (Incorporated by reference to Exhibit 4.03 to HNC's Form S-8 Registration Statement, File No. 333-33952, filed April 4, 2000.) (1)
10.9	Form of ONYX Technologies, Inc. Stock Option Agreement. (Incorporated by reference to Exhibit 4.04 to HNC's Form S-8 Registration Statement, File No. 333-33952, filed April 4, 2000.) (1)
10.10*	Fair, Isaac Supplemental Retirement and Savings Plan (As amended and restated effective January 1, 2009) (1)
10.11	The Center for Adaptive Systems Applications, Inc. 1995 Stock Option Plan assumed by HNC. (Incorporated by reference to Exhibit 4.05 to HNC's Form S-8 Registration Statement, File No. 333-33952, filed April 4, 2000.) (1)
10.12	Forms of The Center for Adaptive Systems Applications, Inc. Stock Option Agreements. (Incorporated by reference to Exhibit 4.06 to HNC's Form S-8 Registration Statement, File No. 333-33952, filed April 4, 2000.) (1)
10.13	eHNC Inc. 1999 Equity Incentive Plan, as amended, assumed by HNC. (Incorporated by reference to Exhibit 4.01 to HNC's Form S-8 Registration Statement, File No. 333-41388, filed July 13, 2000.) (1)
10.14	Forms of eHNC Inc. Stock Option Agreements and Stock Option Exercise Agreements under the eHNC Inc. 1999 Equity Incentive Plan. (Incorporated by reference to Exhibit 4.02 to HNC's Form S-8 Registration Statement, File No. 333-41388, filed July 13, 2000.) (1)
10.15	eHNC Inc. 1999 Executive Equity Incentive Plan assumed by HNC. (Incorporated by reference to Exhibit 4.03 to HNC's Form S-8 Registration Statement, File No. 333-41388, filed July 13, 2000.) (1)
10.16	Forms of eHNC Inc. Stock Option Agreements and Stock Option Exercise Agreements under the eHNC Inc. 1999 Executive Equity Incentive Plan. (Incorporated by reference to Exhibit 4.04 to HNC's Form S-8 Registration Statement, File No. 333-41388, filed July 13, 2000.) (1)

Exhibit Number	Description
10.17	Systems/Link Corporation 1999 Stock Option Plan assumed by HNC and related forms of agreements. (Incorporated by reference to Exhibit 4.04 to HNC's Form S-8 Registration Statement, File No. 333-45442, filed September 8, 2000.) (1)
10.18*	Form of Management Agreement entered into with each of the Company's executive officers (except Dr. Mark N. Greene, Mark R. Scadina and Laurent F. Pacalin). (1)
10.19	Strategic Partnership Agreement dated as of October 23, 2000, between HNC and GeoTrust, Inc., as amended by Amendment No. 1 dated March 6, 2001. (Incorporated by reference to Exhibit 10.35 to HNC's Form 10-K, as amended, for the year ended December 31, 2000.)
10.20	Form of Indemnity Agreement entered into by the Company with the Company's directors and executive officers. (Incorporated by reference to Exhibit 10.49 to the Company's report on Form 10-K for the fiscal year ended September 30, 2002.)
10.21	Agreement dated December 7, 2007, between the Company and the Sandell Group. (Incorporated by reference to Exhibit 10.1 to Fair Isaac's Form 10-Q for the fiscal quarter ended December 31, 2007.)
10.22	Form of Note Purchase Agreement, dated May 7, 2008, between Fair Isaac Corporation and the Purchasers listed on Schedule A thereto, which includes as Exhibits 1-4 the form of Senior Note for each of Series A, B, C and D (excluding certain schedules and exhibits thereto, which Fair Isaac Corporation agrees to furnish to the Securities and Exchange Commission upon request). (Incorporated by reference to Exhibit 10.1 to Fair Isaac's Form 10-Q for the fiscal quarter ended June 30, 2008.)
10.23	2002 Stock Bonus Plan of the Company. (Incorporated by reference to Exhibit 99.1 of the Company's Form S-8 Registration Statement, File No. 333-97695, filed August 6, 2002.) (1)
10.24	Stock Option Agreement with A. George Battle entered into as of February 5, 2002. (Incorporated by reference to Exhibit 10.58 to the Company's report on Form 10-K for the fiscal year ended September 30, 2002.) (1)
10.25	Form of Non-Qualified Stock Option Agreement under 1992 Long-term Incentive Plan, as amended effective July 18, 2007. (Incorporated by reference to Exhibit 10.42 to Fair Isaac's Form 10-Q for the fiscal quarter ended December 31, 2007.) (1)
10.26	Form of Restricted Stock Unit Agreement under 1992 Long-term Incentive Plan, as amended effective July 18, 2007. (Incorporated by reference to Exhibit 10.49 to Fair Isaac's Form 10-Q for the fiscal quarter ended December 31, 2007.) (1)
10.28	Braun's Amended and Restated 1995 Director Stock Option Plan. (Incorporated by reference to Exhibit 10.6 to Braun's Form S-1 Registration Statement, File No. 333-31824, filed March 6, 2000.) (1)
10.29	Braun's 1998 Employee Long-Term Stock Investment Plan. (Incorporated by reference to Exhibit 10.7 to Braun's Form S-1 Registration Statement, File No. 333-79251, filed May 25, 1999.) (1)
10.30	Braun's 1998 Executive Long-Term Stock Investment Plan. (Incorporated by reference to Exhibit 10.8 to Braun's Form S-1 Registration Statement, File No. 333-79251, filed May 25, 1999.) (1)
10.31	Braun's 1999 Independent Director Stock Option Plan. (Incorporated by reference to Exhibit 10 to Braun's Form 10-Q for the fiscal quarter ended September 30, 1999.) (1)
10.32	Braun's Non Qualified Stock Option Plan of Emerging Technologies Consultants, Inc. (Incorporated by reference to Exhibit 99.5 to Braun's Form S-8 Registration Statement, File No. 333-30788, filed February 18, 2000.) (1)
10.33	Braun's 2002 Employee Long-Term Stock Investment Plan, as amended. (Incorporated by reference to Exhibit 99.1 to Braun's Form S-8 Registration Statement, File No. 333-110448, filed November 11, 2003.) (1)
10.36	Letter providing terms of offer of employment by the Company to Michael H. Campbell dated April 15, 2005. (Incorporated by reference to Exhibit 10.01 to Fair Isaac's Form 8-K filed on April 21, 2005.) (1)
10.37	2001 Equity Incentive Plan as adopted April 10, 2001, and amended May 15, 2005. (Incorporated by reference to

Exhibit Number	Description
	Exhibit 10.1 to Fair Isaac's Form 10-Q for the fiscal quarter ended June 30, 2005.) (1)
10.38	2003 Employment Inducement Award Plan as amended effective May 15, 2005. (Incorporated by reference to Exhibit 10.2 to Fair Isaac's Form 10-Q for the fiscal quarter ended June 30, 2005.) (1)
10.39*	1992 Long-Term Incentive Plan as amended effective August 26, 2008. (1)
10.40	Description of Outside Director compensation program. (Incorporated by reference to Item 1.01 of Fair Isaac's Form 8-K filed on September 1, 2005.)
10.43	Form of Restricted Stock Agreement under 1992 Long-Term Incentive Plan. (Incorporated by reference to Exhibit 10.43 to the Company's Annual Report of Form 10-K for the period ended September 30, 2006.) (1)
10.45	Credit Agreement among Fair Isaac, Wells Fargo Bank, National Association, U.S. Bank National Association, Bank of America, N.A., and JPMorgan Chase Bank, N.A., dated October 20, 2006. (Incorporated by reference to Exhibit 10.1 to Fair Isaac's Form 8-K filed on October 23, 2006.)
10.46*	Management Incentive Plan, Fiscal 2009. (1)
10.50	Employment Agreement dated February 13, 2007, by and between Fair Isaac and Dr. Mark Greene (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2007). (1)
10.51*	Management Agreement entered into with Dr. Mark N. Greene (1)
10.52	Amended and Restated Credit Agreement among Fair Isaac, Wells Fargo Bank, N.A., U.S. Bank N.A., Bank of America, N.A., JPMorgan Chase Bank, N.A. and Deutsche Bank AG, NY Branch, dated July 23, 2007 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on July 25, 2007).
10.53	Letter Agreement entered into on October 18, 2007 by and between Fair Isaac Corporation and Michael H. Campbell (Incorporated by reference to Exhibit 10 to the Company's Form 8-K filed with the SEC on October 22, 2007). (1)
10.55*	Management Agreement entered into with Mark R. Scadina (1)
10.56*	Management Agreement entered into with Laurent F. Pacalin (1)
10.58*	Letter Agreement entered into on June 30, 2008 by and between Fair Isaac Corporation and Michael H. Campbell. (1)
10.59*	Letter Agreement entered into on June 30, 2008 by and between Fair Isaac Corporation and Dr. Mark N. Greene. (1)
10.61*	Offer Letter entered into on May 29, 2007 with Mark R. Scadina. (1)
12.1*	Computations of ratios of earnings to fixed charges.
21.1*	List of Company's subsidiaries.
23.1*	Consent of Deloitte & Touche LLP, independent registered public accounting firm.
31.1*	Rule 13a-14(a)/15d-14(a) Certifications of CEO.
31.2*	Rule 13a-14(a)/15d-14(a) Certifications of CFO.
32.1*	Section 1350 Certification of CEO.
32.2*	Section 1350 Certification of CFO.

(1) Management contract or compensatory plan or arrangement.

* Filed herewith.

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 report to be signed on its behalf by the undersigned, thereunto duly authorized.

FAIR ISAAC CORPORATION

By /s/ CHARLES M. OSBORNE
Charles M. Osborne
Executive Vice President
and Chief Financial Officer

DATE: November 26, 2008

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints CHARLES M. OSBORNE his attorney-in-fact, with full power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

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 and in the capacities and on the dates indicated.

/s/ DR. MARK N. GREENE Dr. Mark N. Greene	Chief Executive Officer (Principal Executive Officer) and Director	November 26, 2008
/s/ CHARLES M. OSBORNE Charles M. Osborne	Executive Vice President. Chief Financial Officer (Principal Financial Officer)	November 26, 2008
/s/ MICHAEL J. PUNG Michael J. Pung	Vice President, Finance (Principal Accounting Officer)	November 26, 2008
/s/ A. GEORGE BATTLE A. George Battle	Director	November 26, 2008
/s/ TONY J. CHRISTIANSON Tony J. Christianson	Director	November 26, 2008
/s/ NICHOLAS F. GRAZIANO Nicholas F. Graziano	Director	November 26, 2008
/s/ ALEX W. HART Alex W. Hart	Director	November 26, 2008
/s/ GUY R. HENSHAW Guy R. Henshaw	Director	November 26, 2008
/s/ JAMES D. KIRSNER JAMES KIRSNER	Director	November 26, 2008
/s/ WILLIAM J. LANSING William J. Lansing	Director	November 26, 2008
/s/ MARGARET L. TAYLOR Margaret L. Taylor	Director	November 26, 2008

/s/ ALLAN Z. LOREN Allan Z. Loren	Director	November 26, 2008

EXHIBIT INDEX

To Fair Isaac Corporation
Report On Form 10-K For The Fiscal Year Ended September 30, 2008

Exhibit Number	Description	
3.1	By-laws of the Company.	Incorporated by Reference
3.2	Composite Certificate of Incorporation of Fair Isaac Corporation.	Incorporated by Reference
4.1	Rights Agreement dated as of August 8, 2001, between Fair, Isaac and Company, Incorporated and Mellon Investor Services LLC, which includes as Exhibit B the form of Rights Certificate and as Exhibit C the Summary of Rights.	Incorporated by Reference
4.2	Form of Rights Certificate. (Included in Exhibit 4.1.)	Incorporated by Reference
10.1	HNC's 2001 Equity Incentive Plan and related form of Stock Option Agreement.	Incorporated by Reference
10.2	HNC's 1995 Directors Stock Option Plan, as amended through April 30, 2000.	Incorporated by Reference
10.3	HNC's Form of 1995 Directors Stock Option Plan Option Agreement and Stock Option Exercise Agreement.	Incorporated by Reference
10.4	HNC's 1998 Stock Option Plan, as amended through September 1, 2000, and related form of option agreement.	Incorporated by Reference
10.5	Aptex Software Inc. 1996 Equity Incentive Plan assumed by HNC.	Incorporated by Reference
10.6	Form of Aptex Software Inc. 1996 Equity Incentive Plan Stock Option Agreement and Stock Option Exercise Agreement.	Incorporated by Reference
10.7	Form of Advanced Information Management Solutions, Inc. Stock Option Agreement.	Incorporated by Reference
10.8	ONYX Technologies, Inc. 1999 Stock Plan assumed by HNC.	Incorporated by Reference
10.9	Form of ONYX Technologies, Inc. Stock Option Agreement.	Incorporated by Reference
10.10	Fair, Isaac Supplemental Retirement and Savings Plan effective January 1, 2009.	Filed Electronically
10.11	The Center for Adaptive Systems Applications, Inc. 1995 Stock Option Plan assumed by HNC.	Incorporated by Reference
10.12	Forms of The Center for Adaptive Systems Applications, Inc. Stock Option Agreements.	Incorporated by Reference
10.13	eHNC Inc. 1999 Equity Incentive Plan, as amended, assumed by HNC.	Incorporated by Reference
10.14	Forms of eHNC Inc. Stock Option Agreements and Stock Option Exercise Agreements under the eHNC Inc. 1999 Equity Incentive Plan.	Incorporated by Reference

Exhibit Number	Description	
10.15	eHNC Inc. 1999 Executive Equity Incentive Plan assumed by HNC.	Incorporated by Reference
10.16	Forms of eHNC Inc. Stock Option Agreements and Stock Option Exercise Agreements under the eHNC Inc. 1999 Executive Equity Incentive Plan.	Incorporated by Reference
10.17	Systems/Link Corporation 1999 Stock Option Plan assumed by HNC and related forms of agreements.	Incorporated by Reference
10.18	Form of Management Agreement entered into with each of the Company's executive officers (except Dr. Mark N. Greene, Mark R. Scadina and Laurent F. Pacalin).	Filed Electronically
10.19	Strategic Partnership Agreement dated as of October 23, 2000, between HNC and GeoTrust, Inc., as amended by Amendment No. 1 dated March 6, 2001.	Incorporated by Reference
10.20	Form of Indemnity Agreement entered into by the Company with the Company's directors and executive officers.	Incorporated by Reference
10.21	Agreement dated December 7, 2007, between the Company and the Sandell Group	Incorporated by Reference
10.22	Note Purchase Agreement	Incorporated by Reference
10.23	2002 Stock Bonus Plan of the Company.	Incorporated by Reference
10.24	Stock Option Agreement with A. George Battle entered into as of February 5, 2002.	Incorporated by Reference
10.25	Form of Non-Qualified Stock Option Agreement effective July 18, 2007.	Incorporated by Reference
10.26	Form of Restricted Stock Unit Agreement effective July 18, 2007	Incorporated by Reference
10.28	Braun's Amended and Restated 1995 Director Stock Option Plan.	Incorporated by Reference
10.29	Braun's 1998 Employee Long-Term Stock Investment Plan.	Incorporated by Reference
10.30	Braun's 1998 Executive Long-Term Stock Investment Plan.	Incorporated by Reference
10.31	Braun's 1999 Independent Director Stock Option Plan.	Incorporated by Reference
10.32	Braun's Non Qualified Stock Option Plan of Emerging. Technologies Consultants, Inc.	Incorporated by Reference
10.33	Braun's 2002 Employee Long-Term Stock Investment Plan, as amended.	Incorporated by Reference
10.36	Letter providing terms of offer of employment by the Company to Michael H. Campbell dated April 15, 2005.	Incorporated by Reference
10.37	2001 Equity Incentive Plan as adopted April 10, 2001, and amended May 15, 2005.	Incorporated by Reference
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32.2	Section 1350 Certifications of CFO.	Filed Electronically

Exhibit 10.10

**FAIR ISAAC SUPPLEMENTAL
RETIREMENT AND SAVINGS PLAN
(As Amended and Restated Effective January 1, 2009)**

TABLE OF CONTENTS

FAIR ISAAC SUPPLEMENTAL
RETIREMENT AND SAVINGS PLAN

ARTICLE I

INTRODUCTION

1.1 **Purpose of the Plan.** The **FAIR ISAAC SUPPLEMENTAL RETIREMENT AND SAVINGS PLAN** (the "Plan") is sponsored by Fair Isaac and its Participating Affiliates to attract high quality executives and to provide eligible executives with an opportunity to save on a pre-tax basis and accumulate tax-deferred earnings to achieve their financial goals.

1.2 **Non-Qualified "Top-Hat" Plan.**

1.2.1 ERISA Status. The Plan is a "top-hat" plan – that is, an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of ERISA §§ 201(2), 301(a)(3) and 401(a)(1), and therefore is exempt from Parts 2, 3 and 4 of Title I of ERISA.

1.2.2 Compliance with Code § 409A. The Plan also is a nonqualified deferred compensation plan that is intended to meet the requirements of paragraph (2), (3) and (4) of Code § 409A(a) and the terms and provisions of the Plan should be interpreted and applied in a manner consistent with such requirements, including the regulations and other guidance issued under Code § 409A. While certain Accounts under this Plan reflect deferrals that were made and vested prior to January 1, 2005 (which is the effective date of Code § 409A), the intent generally is to treat such amounts as subject to Code § 409A notwithstanding the possible availability of "grandfather" treatment under Code § 409A.

1.3 **Plan Document.**

1.3.1 Plan Documents. The Plan document consists of this document, any appendix to this document and any document that is expressly incorporated by reference into this document.

1.3.2 Modifications by Employment or Similar Agreement. Fair Isaac or an Affiliate may be a party to an employment or similar agreement with a Participant, the terms of which may enhance or modify in some respect the benefits provided under this Plan, including, but not necessarily limited to, an enhancement to or modification of the benefit amount, payment forms and/or other rights and features of the Plan. The Plan consists only of this document and the core documents referenced in Sec. 1.3.1. Accordingly, any contractual rights that a Participant may have to any enhancement or modification called for under an employment or similar agreement are rights that derive from such agreement and not directly from the Plan. Nonetheless, the Plan will be applied in a manner that takes into account any enhancements or modifications called for under an enforceable employment or similar agreement as if such provisions were part of the Plan; *provided that*, no change can be made to the Plan by means of an employment or similar agreement that would not have been allowed by means of an amendment to the Plan (for example, an amendment inconsistent with Code § 409A).

1.4 **Effective Date of Document.** The Plan (as amended and restated in this document) is effective January 1, 2009. Prior to January 1, 2009, the terms of the Plan were set forth in unadopted versions of this document and prior documents which reflect good faith compliance with the requirements of Code § 409A, and those provisions generally control prior to January 1, 2009.

ARTICLE II

DEFINITIONS AND CONSTRUCTION

2.1 **Definitions.**

2.1.1 "Account" means an account established for a Participant pursuant to Article IV.

2.1.2 "Affiliate" means any business entity that is required to be aggregated and treated as one employer with Fair Isaac under Code § 414(b) or (c) (and for purposes of determining whether a Separation from Service has occurred, a standard of "at least 80 percent" will be used to identify an affiliate under Code § 414(b) and (c) notwithstanding the default standard of "at least 50 percent" found in Treas. Reg. § 1.409A-1(h)(3)).

2.1.3 "Aggregated Account Balance Plan" means any other "account balance plan" (as such term is defined in Treasury Regulation § 1.409A-1(c)(2)(i)(A)) that allows deferrals at the election of the Participant, is maintained by Fair Isaac or an Affiliate, and is subject to Code § 409A.

2.1.4 "Beneficiary" means a person or persons designated as such pursuant to Sec. 7.2.

2.1.5 "Board" means the Board of Directors of Fair Isaac.

2.1.6 "Code" means the Internal Revenue Code of 1986, as amended.

2.1.7 "Company Match Credit" means a credit to the Account of a Participant pursuant to Sec. 3.3.

2.1.8 "Deferral Eligible Amounts" means a Participant's base salary, incentive pay, bonuses and sales commission compensation from Fair Isaac and its Affiliates, plus any other payment that Fair Isaac (acting in its corporate capacity) determines in its sole discretion to be eligible for a deferral election under this Plan; *provided that*, incentive pay and bonuses for the performance period in which an Employee first is eligible to enroll as an Active Participant will not be included in Deferral Eligible Amounts. Fair Isaac will make a determination to include or exclude a given type of pay from being a Deferral Eligible Amount prior to the start of a given Plan Year as reflected in the payroll system starting with the first payroll date within the Plan Year, and such determination will not be modified during the Plan Year.

An Employee's "sales commission compensation" for this purpose means compensation paid to an Employee that consists of either a portion of the purchase price for a product or service sold to an unrelated customer or an amount substantially all of which is calculated by reference to the volume of sales; *provided that*, compensation is sales commission compensation only if payment of the compensation is contingent on receipt of payment from the customer or the closing of the sales transaction.

2.1.9 "Disability" means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

2.1.10 "Earnings Credit" means the gains and losses credited on the balance of an Account based on the choice made by the Participant (or Beneficiary after the death of the Participant) among the investment options made available under the Plan.

2.1.11 "Eligible Employee" means an Employee of Fair Isaac or a Participating Affiliate (while it is a Participating Affiliate):

(a) Who is in salary band F; and

(b) Who is on payroll in the United States.

The Compensation Committee of the Board, in its sole and absolute discretion, may determine that an Employee described above will not be an Eligible Employee, or may determine that an Employee not described above will be an Eligible Employee. However, the Plan is intended to cover only those Employees who are in a select group of management or highly compensated employees within the meaning of ERISA §§ 201(2), 301(a)(3) and 401(a)(1); and, accordingly, if any interpretation is issued by the Department of Labor that would exclude any Employee from satisfying that requirement, such Employee immediately will cease to be an Eligible Employee (and will cease to be an Active Participant as provided in Sec. 3.1.3).

2.1.12 "Employee" means any common-law employee of Fair Isaac or an Affiliate (while it is an Affiliate).

2.1.13 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.1.14 “<u>Fair Isaac</u>” means Fair Isaac Corporation, or any successor in interest by reason of a reorganization, merger or similar corporate transaction.

2.1.15 “<u>Participant</u>” means an Active Participant, or a current or former Eligible Employee who is not enrolled but who has a balance remaining in an Account under the Plan. “<u>Active Participant</u>” means an Eligible Employee who has enrolled in the Plan (or who previously enrolled, but without regard to whether a deferral election is currently in place) and who remains an Active Participant under Sec. 3.1.3.

2.1.16 “<u>Participating Affiliate</u>” means any Affiliate (while it is an Affiliate) which employs one or more Eligible Employees.

2.1.17 “<u>Plan</u>” means the Fair Isaac Supplemental Retirement and Savings Plan.

2.1.18 “<u>Plan Year</u>” means the calendar year.

2.1.19 “<u>Retirement</u>” means any Separation from Service on or after the date on which the Employee:

(a) Has attained age sixty-five (65) (referred to as “<u>Normal Retirement</u>”); or

(b) Has both attained age fifty-five (55) and completed at least ten (10) Years of Service for Vesting (referred to as “<u>Early Retirement</u>”).

2.1.20 “<u>Separation from Service</u>” means that Fair Isaac and the Participant anticipate that the Participant will perform no future services (as an Employee or contractor) for Fair Isaac and its Affiliates or that the level of services the Participant will perform for Fair Isaac and its Affiliates (as an Employee or contractor) will permanently decrease to twenty percent (20%) or less of the average level of services performed over the immediately preceding thirty-six (36) month period (or the full period of services if the Participant has been providing services for less than thirty-six (36) months). In the event of a bona fide leave of absence, a Separation from Service will be deemed to have occurred on the date that is six (6) months (or in the case of a disability leave, twenty-nine (29) months) following the start of such leave; *provided that*, if the Participant has a statutory or contractual right to return to active employment that extends beyond the end of such leave period, the Separation from Service will be deemed to have occurred upon the expiration of such statutory or contractual right, and if the individual has a Termination of Employment during such leave period, the Separation from Service will be deemed to have occurred on such Termination of Employment. A “disability” leave for this purpose means an absence due to a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, where such impairment causes the Participant to be unable to perform the duties of his/her position of employment or any substantially similar position.

In the case of a sale or other disposition of stock or substantial assets, or other corporate transaction, whether a Separation from Service has occurred may be affected by the provisions of Sec. 8.1.3.

2.1.21 “<u>Specified Employee</u>” means an Employee who at any time during the twelve-(12) month period ending on the identification date was a “key employee” as defined under Code § 416(i) (applied in accordance with the regulations thereunder, but without regard to paragraph (5) thereof); *provided that*, an Employee will be a Specified Employee only if stock of Fair Isaac or an Affiliate is publicly traded (on an established securities market or otherwise) on the date of the Employee’s Separation from Service.

Fair Isaac may adopt a Specified Employee Identification Policy which specifies the identification date, the effective date of any change in the key employee group, compensation definition and other variables that are relevant in identifying Specified Employees, and which may include an alternative method of identifying Specified Employees consistent with the regulations under Code § 409A. In the absence of any such policy or policy provision, for purposes of the above, the “identification date” is each December 31st, and an Employee who satisfies the above conditions will be considered to be a “Specified Employee” from April 1st following the identification date to March 31st of the following year, and the compensation and other variables, and special rules for corporate events and special rules relating to nonresident aliens, that is necessary in identifying Specified Employees will be determined and applied in accordance with the defaults specified in the regulations under Code § 409A.

Any Specified Employee Identification Policy will apply uniformly to all nonqualified deferred compensation plans subject to Code § 409A that are maintained by Fair Isaac or an Affiliate.

2.1.21 "Spouse" means a person of the opposite sex to whom the Participant is legally married as of the determination date (including a common-law spouse in any state that recognizes common-law marriage, provided that acceptable proof and certification of common-law marriage has been received by Fair Isaac).

2.1.22 "Termination of Employment" means that the common-law employer-employee relationship has ended between the individual and Fair Isaac and its Affiliates, as determined under the employment policies and practices of Fair Isaac (including by reason of voluntary or involuntary termination, retirement, death, expiration of and failure to return from a recognized leave of absence, or otherwise). A Termination of Employment does not occur merely as a result of transfer of employment from one Affiliate to another Affiliate, or from Fair Isaac to an Affiliate or from an Affiliate to Fair Isaac. In the case of an Employee working for an Affiliate, a Termination of Employment will not occur upon the sale of the stock of such employer such that it no longer satisfies the definition of an Affiliate (assuming the individual continues in the employ of that employer or a new affiliate of that employer after the sale).

2.1.23 "Trustee" means the trustee of a trust established pursuant to Sec. 8.2.

2.1.24 "Valuation Date" means the last day of each calendar month on which trading occurs on the New York Stock Exchange.

2.1.25 "Years of Service for Vesting" means the number of years determined by:

(a) First, measuring the number of days in the period from the date on which the Employee is hired by Fair Isaac or an Affiliate (or, if the Employee previously had a Termination of Employment at a time when he/she was not vested in the Plan and he/she had a recognized break in service, measured from the date he/she is again hired by Fair Isaac or an affiliate after the recognized break in service) to the date of his/her most recent Termination of Employment. In the case of an employer that becomes an Affiliate as a result of a stock acquisition, merger or similar corporate transaction, the measuring date will start on the date on which the employer becomes an Affiliate, unless agreed otherwise by Fair Isaac.

A "recognized break in service for this purpose" means a period of five (5) or more consecutive years during which an individual is not an Employee measured from the date after his/her Termination of Employment.

(b) Then, reducing that number by the number of days of any absence from employment of twelve (12) months or more that results because of a Termination of Employment (shorter absences are not subtracted).

(c) Then, dividing that number by three-hundred and sixty five (365).

(d) Finally, rounding the result down to the next lowest whole number (that is, fractional years are not counted).

2.2 Choice of Law. The Plan will be governed by the laws of the State of Minnesota to the extent that such laws are not preempted by the laws of the United States. All controversies, disputes, and claims arising hereunder must be submitted to the United States District Court for the District of Minnesota.

ARTICLE III

PARTICIPATION AND CONTRIBUTION CREDITS

3.1 Participation.

3.1.1 Eligible Employees. All Eligible Employees will be eligible to participate in the Plan.

3.1.2 Enrollment. An Eligible Employee who is not a participant in any other Aggregated Account Balance Plan will be allowed to enroll in the Plan during the thirty (30) day period following the date he/she is notified of eligibility for the Plan, with enrollment to be effective as of the first payroll period that starts following the close of such enrollment period. Otherwise, an Eligible Employee may elect to enroll for a Plan Year during the annual enrollment period established by Fair Isaac for such Plan Year, which annual enrollment period will be a period of not less than thirty (30) days that ends not later than the last day of the prior Plan Year.

Enrollment is required and must be made in such manner and in accordance with such rules as may be prescribed for this purpose by Fair Isaac (including by means of a voice response or other electronic system under circumstances authorized by Fair Isaac).

3.1.3 End of Active Participation and Participation. An Active Participant will continue as an Active Participant until the earliest of the following:

(a) The date of his/her Separation from Service;

(b) The date on which the Plan is terminated and liquidated pursuant to Sec. 9.2.2; or

(c) The last day of the Plan Year in which the Participant ceases to be an Eligible Employee (other than as a result of Separation from Service) or the Plan Year in which the Plan is terminated other than pursuant to Sec. 9.2.3.

A Participant will continue as a Participant until having received a full distribution of the benefit due under the Plan.

3.2 ELECTIVE DEFERRAL CREDITS.

3.2.1 Elective Deferral Credits. Elective Deferral Credits will be made for each pay date on behalf of each Active Participant who has enrolled in the Plan and who thereby elects to have his/her Deferral Eligible Amounts reduced in order to receive Elective Deferral Credits. The Elective Deferral Credits for a pay date will be credited to the appropriate Account on or as soon as administratively practicable after the pay date in an amount equal to the amount of the reduction in Deferral Eligible Amounts.

An Eligible Employee may elect to reduce his/her Deferral Eligible Amounts as follows for any pay date:

(a) In the case of base pay or sales commission compensation, any whole percent, but not more than twenty-five percent (25%).

(b) In the case of incentive pay or bonuses, any whole percent, but not more than seventy-five percent (75%).

(c) Any election against other Deferral Eligible Amounts will be subject to such minimum and/or maximums as may be determined by Fair Isaac.

An election must be made in such manner and in accordance with such rules as may be prescribed for this purpose by Fair Isaac (including by means of a voice response or other electronic system under circumstances authorized by Fair Isaac). An election must be made as part the of enrollment process described in Sec. 3.1.2 and may specify an investment election for purposes of Sec. 4.3.2 and a payment form election for purposes of Sec. 6.2.2.

Deferral Eligible Amounts will be reduced first to provide Elective Deferral Credits under this Plan, prior to any reduction for any contribution or other amount drawn from compensation. However, the FICA taxes due on Elective Deferral Credits, plus pyramided income taxes on such FICA amounts will be drawn from the Plan and will reduce the net Elective Deferral Credit to the extent other compensation is not available to provide for FICA.

3.2.2 Elections Relate to Services Performed After the Election. An election applicable to base pay or sales commission compensation must be made by December 31st of the Plan Year prior to the Plan Year in which the services are performed that give rise to the right to receive such Deferral Eligible Amounts. For this purpose, the services that give rise to sales commission compensation are treated as being performed in the Plan Year in which the customer remits payment to Fair Isaac or an Affiliate that gives rise to the sales commission compensation to the Participant.

An election applicable to any incentive pay or bonus that is attributable to a performance or service period of less than twelve (12) months (for example, the six (6) month performance periods contemplated under the incentive plans maintained by Fair Isaac for 2007 – the Management Incentive Plan and Broad-Based Incentive Plan) must be made by December 31st of the Plan Year prior to the Plan Year in which such performance or service period begins.

Notwithstanding the above, for the Plan Year in which an Eligible Employee is first notified of eligibility for the Plan, an election made within the thirty (30) day period referenced in Sec. 3.1.2 (if applicable to the Eligible Employee) may apply to base pay and sales commission compensation attributable to pay periods, and any incentive pay or bonus attributable to a performance or service period, that starts on or after the effective date of enrollment as provided in Sec. 3.1.2.

3.2.3 Elections are Irrevocable for the Plan Year. An election will not be "evergreen" – that is, an election made for a given Plan Year (including for any incentive pay or bonus for a fiscal year that starts within such Plan Year) will not automatically be carried over and applied to the next Plan Year. An election will be irrevocable for a given Plan Year (or fiscal year) after the December 31st by which such election is required to made under Sec. 3.2.2; *except that*, Elective Deferrals will automatically stop if the Participant receives a hardship withdrawal prior to age fifty-nine and one-half (59½) from his/her elective deferral account under the Fair Isaac 401(k) Plan (or comparable account under any other 401(k) arrangement maintained by Fair Isaac or an Affiliate), or if the Participant ceases to be an Active Participant during the Plan Year (or fiscal year).

3.2.4 Final Payroll Period Within Year. An election in effect for a given Plan Year (or portion thereof) with respect to base pay or sales commission compensation that is paid as part of payroll will apply only to payroll periods ending within the Plan Year – that is, in the case of the final payroll period starting within a Plan Year, if such payroll period ends in the following Plan Year, the election in effect for the following Plan Year will apply to amounts payable for such payroll period.

3.2.5 Limits. Fair Isaac may, in its sole discretion, limit the minimum or maximum amount of Elective Deferrals that are allowed under the Plan by any Participant or any group of Participants provided that such limit is established prior to the beginning of the Plan Year or prior to enrollment of the affected Participant.

3.3 COMPANY MATCH CREDITS. The Compensation Committee of the Board will determine whether Company Match Credits will be made for a Plan Year, and the amount or formula for such Company Match Credits; *provided that*, in no event will the Company Match Credit for a Plan Year on behalf of any Participant exceed seven thousand five hundred dollars ($7,500).

ARTICLE IV

ACCOUNTS AND INVESTMENT ADJUSTMENTS

4.1 ACCOUNTS.

4.1.1 Types of Accounts. The following Accounts will be maintained under the Plan on behalf of each Participant:

(a) "Elective Deferral Account" to reflect any Elective Deferral Credits for a Plan Year beginning on or after January 1, 2005 (plus applicable Earnings Credits), with a separate such Account maintained for each Plan Year (or for each Plan Year for which a unique form of distribution election is made by the Participant).

(b) "Company Match Account" to reflect any Company Match Credits for a Plan Year beginning on or after January 1, 2005 (plus applicable Earnings Credits), with a separate such Account maintained for each Plan Year (or for each Plan Year for which a unique form of distribution election is made by the Participant).

(c) "Accumulation Account" to reflect all Elective Deferral Credits and Company Match Credits for Plan Years prior to January 1, 2005 (plus applicable Earnings Credits).

Additional Accounts may also be maintained if considered appropriate by Fair Isaac in the administration of the Plan.

4.1.2 Balance of Accounts. Accounts will have a cash balance expressed in United States Dollars.

4.1.3 Accounts for Bookkeeping Only. Accounts are for bookkeeping purposes only and the maintenance of Accounts will not require any segregation of assets of Fair Isaac or any Participating Affiliate. Neither Fair Isaac nor any Participating Affiliate will have any obligation whatsoever to set aside funds for the Plan or for the benefit of any Participant or Beneficiary, and no Participant or Beneficiary will have any rights to any amounts that may be set aside other than the rights of an unsecured general creditor of Fair Isaac or a Participating Affiliate that employs (or employed) the Participant.

4.2 VALUATION OF ACCOUNTS.

4.2.1 Daily Adjustments. Accounts will be adjusted from time to time as follows:

(a) Elective Deferral and Company Match Credits. Elective Deferral Credits and Company Match Credits will be added to the balance of the Account as of the date specified in Secs. 3.2 and 3.3.

(b) Earnings Credits. Earnings Credits will be added to (or subtracted) from the balance of the Account as of each Valuation Date as provided in Sec. 4.3.

(c) Distributions. The distributions made from an Account will be subtracted from the balance of the Account as of the date the distribution is made from the Plan.

4.2.2 Processing Transactions Involving Accounts. Accounts generally will be adjusted to reflect Elective Deferral Credits, Company Match Credits, Earnings Credits, distributions and other transactions as provided in Sec. 4.2.1. However, all information necessary to properly reflect a given transaction in an Account may not be immediately available, in which case the transaction will be reflected in the Account when such information is received and processed. Further, Fair Isaac reserves the right to delay the processing of any Elective Deferral Credit, Company Match Credit, Earnings Credit, distribution or other transaction for any legitimate administrative reason (including, but not limited to, failure of systems or computer programs, failure of the means of the transmission of data, force majeure, the failure of a service provider to timely receive net asset values or prices, or to correct for its errors or omissions or the errors or omissions of any service provider).

4.3 EARNINGS CREDITS.

4.3.1 Adjustment to Reflect Earnings Credits. Accounts will be adjusted (increased or decreased) as of each Valuation Date to reflect Earnings Credits as determined under Sec. 4.3.2.

4.3.2 Earnings Credits. Fair Isaac will establish a procedure by which a Participant (or Beneficiary following the death of a Participant) may elect to have his/her Earnings Credits determined based the performance of one or more investment options deemed to be available under the Plan. The Investment Committee of Fair Isaac, in its sole discretion, will determine the investment options that will be available as benchmarks for determining the Earnings Credit, which may include mutual funds, common or commingled investment funds or any other investment option deemed appropriate by Fair Isaac. The Investment Committee of Fair Isaac may at any time and from time to time add to or remove from the investment options deemed to be available under the Plan.

A Participant (or Beneficiary following the death of the Participant) will be allowed on a hypothetical basis to direct the investment of his/her Account among the investment options available under the Plan. Hypothetical investment directions may be given with such frequency as is deemed appropriate by Fair Isaac, and must be made in such percentage or dollar increments, in such manner and in accordance with such rules as may be prescribed for this purpose by Fair Isaac (including by means of a voice response or other electronic system under circumstances so authorized by Fair Isaac). If an investment option has a loss, the Earnings Credit attributable to such investment option will serve to reduce the Account; similarly, if an investment option has a gain, the Earnings Credit attributable to such investment option will serve to increase the Account. If the Participant fails to elect an investment option, the Earnings Credit will be based on a money market investment option or such other investment option as may be selected for this purpose by the Investment Committee of Fair Isaac.

4.3.3 Hypothetical Investments. All investment directions of a Participant or Beneficiary will be on a "hypothetical" basis for the sole purpose of establishing the Earnings Credit for his/her Account – that is, the Account will be adjusted for Earnings Credits as if the Account were invested pursuant to the investment directions of the Participant or Beneficiary, but actual investments need not be made pursuant to such directions. However, Fair Isaac, in its sole discretion and without any obligation, may direct that investments be made per the investment directions of Participants and Beneficiaries.

4.4 STATEMENTS.

4.4.1 Statements. Fair Isaac may cause benefit statements to be issued from time to time advising Participants and Beneficiaries of the balance and/or investment of their Accounts, but it is not required to issue benefits statements.

4.4.2 Errors on Statements and Responsibility to Review. Fair Isaac may correct errors that appear on benefit statements at any time, and the issuance of a benefit statement (and any errors that may appear on a statement) will not in any way alter or affect the rights of a Participant or a Beneficiary with respect to the Plan.

Each Participant or Beneficiary has a duty to promptly review each benefit statement and to notify Fair Isaac of any error that appears on such statement as provided in Sec. 10.2.2.

ARTICLE V

VESTING

A Participant will at all times have a fully vested interest in his/her Accounts under the Plan.

ARTICLE VI

DISTRIBUTIONS AFTER SEPARATION OR DISABILITY

6.1 BENEFIT ON SEPARATION FROM SERVICE OR DISABILITY. A Participant will receive a distribution of the full balance of his/her Accounts following his/her Separation from Service or Disability in accordance with the terms of this Article.

6.2 TIME AND FORM OF DISTRIBUTION.

6.2.1 Time of Distribution. A distribution will be made (or installment distributions will commence, if installments are available and elected) at the following time:

(a) Specified Employees. In the case of a Participant who is a Specified Employee:

(1) In the case of Disability, a distribution will be made (or installments distributions will commence) as of the first day of the third (3rd) calendar month following the Participant's Disability.

(2) In the case of Separation from Service, a distribution will be made (or installment distributions will commence) as of the first day of the seventh (7th) calendar month following the Participant's Separation from Service. A distribution to a Specified Employee made due to Separation from Service will not under any circumstances be made prior to the date specified above following Separation from Service, except in the case of the intervening death of the Participant as provided in Sec. 7.1.1.

(b) Participants Other than Specified Employees. In the case of any other Participant, a distribution will be made (or installment distributions will commence) as of the first day of the third (3rd) calendar month following the Participant's Separation from Service or Disability.

However, any payment may be delayed if necessary for administrative reasons, at the sole discretion of Fair Isaac, to a later date within the calendar year or, if later, to the fifteenth (15th) day of the third calendar month following the scheduled payment date.

6.2.2 Form of Distribution. A distribution will be made in the following form:

(a) Retirement or Disability. In the case of Retirement or Disability, a distribution will be made in either of the following forms as elected by the Participant:

(1) A single-sum distribution of the full balance of the Participant's Accounts; or

(2) Annual installments over a period certain not to exceed ten (10) years as elected by the Participant, with the period certain specified in the Participant's first deferral election that specifies installment distributions applying to all subsequent elections of distributions under the installment method.

In the case of installments, the first annual installment will be made as of the date specified in Sec. 6.2.1, and subsequent annual installments will be made on each anniversary date of the first installment payment date. However, any payment may be delayed if necessary for administrative reasons, at the sole discretion of Fair Isaac, to a later date within the calendar year or, if later, to the fifteenth (15th) day of the third calendar month following the scheduled payment date.

A Participant can make a separate distribution election with respect to each Account maintained on his/her behalf under the Plan.

A right to each installment payment is to be treated as a right to a separate payment for purposes of Code § 409A.

(b) Other Terminations. In the case of a Separation from Service other than Retirement, a distribution will be in the form of a single-sum distribution of the full balance of the Participant's Account; *provided that*, in the case of an Accumulation Account, a distribution may be made in a different form pursuant to an election under Sec. 6.2.4.

6.2.3 Distribution Election Procedures. A distribution election must be made in such manner and in accordance with such rules as may be prescribed for this purpose by Fair Isaac (including by means of a voice response or other electronic system under circumstances authorized by Fair Isaac).

A distribution election will be effective only if it is received in properly completed form by Fair Isaac as part of the enrollment for the Plan Year for which the Account being distributed is established, and thereafter may not be modified, except as provided in Sec. 6.2.4.

6.2.4 Special Distribution Election for Accumulation Account Prior to December 31, 2006. Notwithstanding any contrary provision, a Participant will be allowed to make a distribution election for his/her Accumulation Account and/or his/her Elective Deferral and Company Match Accounts for the 2005 and 2006 Plan Years by December 31, 2006, consistent with the transition rules allowed under Code § 409A as specified in IRS Notice 2005-1, Q&A-19(c), and as modified by the Notice of Proposed Rulemaking published in the Federal Register on October 4, 2005. Such election will be irrevocable after December 31, 2006, but will not be effective with respect to any amount that would otherwise be payable in 2006, and will not be effective to cause any amount payable in a year after 2006 to be paid in 2006.

A Participant will be allowed to elect one of the forms of distribution allowed under Sec. 6.2.2(a) (but subject to the cash-out rule of Sec. 6.3), to apply to his/her Accumulation Account upon any Separation from Service, regardless of whether the Separation is a Retirement or due to Disability. Such distribution will be made (or installment distributions will commence) at the time specified in Sec. 6.2.1.

6.2.5 Elections Required. A Participant will be required to file or have filed a form of distribution election as a condition of participation in the Plan for a given Plan Year (or the remaining portion thereof).

6.3 Cash-Out of Small Accounts.

6.3.1 Mandatory Cash-Out. If the balance of a Participant's Accounts does not exceed ten thousand dollars ($10,000) as of the scheduled payment date under Sec. 6.2.1, then, notwithstanding that the Participant may otherwise be eligible for installments under Sec. 6.2.2, the full balance of such Accounts will be paid in a single-sum distribution in full settlement of all obligations under the Plan.

6.3.2 Discretionary Cash-Out at the Direction of Fair Isaac. If the balance (or remaining balance) of a Participant's Accounts, together with his/her interest under all other Aggregated Account Balance Plans does not exceed the applicable dollar amount then in effect under Code § 402(g)(1)(B) as of the scheduled payment date under Sec. 6.2.1 or as of any date thereafter while the Participant is receiving installment payments under Sec. 6.2.2, then Fair Isaac may, in its sole discretion, direct that the Participant be paid the balance (or remaining balance) of his/her Accounts under this Plan, plus his/her entire interest under all other Aggregated Account Balance Plans be distributed to the Participant in a single-sum distribution in full settlement of all obligations under the Plan and other Aggregated Account Balance Plans maintained by Fair Isaac and its Affiliates.

6.4 Valuation of Accounts Following Separation from Service. An Account will continue to be credited with Earnings Credits in accordance with Article IV until it is paid in full to the Participant or Beneficiary.

ARTICLE VII

DISTRIBUTIONS AFTER DEATH

7.1 Survivor Benefits.

7.1.1 Survivor Benefits – General. If a Participant dies prior to the full distribution of his/her Accounts (including any death during the delayed payment period specified in Sec. 6.2.1(a)(2)), his/her Beneficiary will be entitled to a survivor benefit under the Plan. The survivor benefit will consist of a single lump-sum payment in an amount equal to the total balance (or total remaining balance) in the Accounts. The survivor benefit will be paid on or as soon as administratively practicable after Fair Isaac determines that a survivor benefit is payable under the Plan – that is, the date Fair Isaac is provided with the documentation necessary to establish the fact of death of the Participant and the identity and entitlement of the Beneficiary.

7.1.2 Special Rule if Death Occurs During Installment Pay-out. Notwithstanding any contrary provision, if the Participant dies while he/she is receiving installments under Sec. 6.2.2(a) with respect to an Account, such installments will continue to his/her Beneficiary over the same period such installments would have been paid to the Participant.

7.2 Beneficiary Designation.

7.2.1 General Rule. A Participant may designate any person (natural or otherwise, including a trust or estate) as his/her Beneficiary to receive any balance remaining in his/her Accounts when he/she dies, and, subject to the consent requirements of Sec. 7.2.2, may change or revoke a Beneficiary designation previously made without the consent of any current Beneficiary.

7.2.2 Special Requirements for Married Participants. If a Participant has a Spouse at the time of death, such Spouse will be his/her Beneficiary unless the Spouse has consented in writing to the designation of a different Beneficiary. Consent of a Spouse will be deemed to have been obtained if it is established to the satisfaction of Fair Isaac that such consent cannot be obtained because the Spouse cannot be located. Consent by a Spouse will be effective only with respect to such Spouse, and cannot be revoked. A Beneficiary designation that has received spousal consent cannot be changed without spousal consent.

A Beneficiary designation will be automatically revoked upon marriage (other than common law marriage) of a Participant unless the new Spouse was designated as Beneficiary. Further, if a Spouse is designated as Beneficiary, such designation will be automatically revoked upon the divorce of the Participant and former Spouse.

7.2.3 Form and Method of Designation. A Beneficiary designation must be made on such form and in accordance with such rules as may be prescribed for this purpose by Fair Isaac. A Beneficiary designation will be effective (and will revoke all prior designations) if it is received by Fair Isaac (or if sent by mail, the post-mark of the mailing is) prior to the date of death of the Participant. Fair Isaac may rely on the latest Beneficiary designation on file (or if an effective designation is not on file may direct that payment be made pursuant to the default provision of the Plan) and will not be liable to any person making claim for such payment under a subsequently filed designation or for any other reason.

Fair Isaac may rely on the latest designation on file with it (or may direct that payment be made pursuant to the default provision if an effective designation is not on file) and will not be liable to any person making claim for such payment under a subsequently filed designation or for any other reason.

If a Participant designates a Beneficiary by name that is accompanied by a description of a business, legal or family relationship to the Participant (*e.g.*, "spouse", "business partner", "landlord"), such Beneficiary will be deemed to have predeceased the Participant if such relationship has been dissolved or no longer exists at the death of the Participant. If a Participant designates a Beneficiary by name that is accompanied by a description of a personal relationship to the Participant (*e.g.*, "friend"), the dissolution of that relationship will not affect the designation.

7.2.4 Default Designation. If a Beneficiary designation is not on file, or if a Beneficiary designation is revoked by divorce or otherwise and a new designation is not on file at death, or if no designated Beneficiary survives the Participant, the Beneficiary will be the following:

(a) Surviving Spouse. The Participant's Spouse (if surviving).

(b) Estate. Otherwise, the Participant's estate.

7.3 Successor Beneficiary. If a Beneficiary survives the Participant but dies before receiving payment of the balance due to such Beneficiary, the balance will be payable to the surviving contingent Beneficiary designated by the Participant or, if there is no surviving contingent Beneficiary, then to the estate of the deceased Beneficiary.

ARTICLE VIII

CONTRACTUAL OBLIGATIONS AND FUNDING

8.1 Contractual Obligations.

8.1.1 Obligations of Employer. The Plan creates a contractual obligation on the part of Fair Isaac and each Participating Affiliate to provide benefits as set forth in the Plan with respect to:

(a) Participants who are employed with Fair Isaac or that Participating Affiliate;

(b) Participants who were employed with Fair Isaac or that Participating Affiliate prior to Termination of Employment; and

(c) Beneficiaries of the Participants described in (a) and (b).

A Participating Affiliate is not responsible for (and has no contractual obligation with respect to) benefits payable to a Participant who is or was employed with Fair Isaac or another Participating Affiliate unless the second Participating Affiliate is a successor to the legal liabilities of the first Participating Affiliate (for example, as a result of a merger). If a Participant is employed with two or more employers (Fair Isaac and a Participating Affiliate, or two or more Participating Affiliates, etc.), either concurrently or at different times, each will be responsible for the benefit attributable to Elective Deferral Credits and Company Match Credits made with respect to the period while the Participant was employed with that employer, adjusted for Earnings Credits.

8.1.2 Guarantee by Company. Fair Isaac will guarantee and assume secondary liability for the contractual commitment of each Participating Affiliate under Sec. 8.1.1.

8.1.3 Transfer of Liability in Corporate Transaction. In the event of a sale of the stock to an unrelated buyer, or a similar corporate transaction, where an employer ceases as a result of the transaction to be an Affiliate, for any individual who remains employed with the employer after it ceases to be an Affiliate, the transaction will not be deemed to constitute a Separation from Service and benefits thereafter will be paid in accordance with the terms of the Plan or, if applicable, the successor plan established by the buyer or an affiliate in a manner consistent with Code § 409A.

In the event of a sale of substantial assets (such as a plant or division, or substantially all assets of a trade or business) of Fair Isaac or an Affiliate to an unrelated buyer, Fair Isaac and the buyer may agree to transfer the contractual obligation and liability for benefits with respect to any individual who becomes an employee of the buyer or an affiliate of the buyer upon the closing or in connection with such transaction. In such case, the transaction will not be deemed to constitute a Separation from Service and benefits thereafter will be paid in accordance with the terms of the Plan or a successor plan established by the buyer or an affiliate in a manner consistent with Code § 409A.

8.2 FUNDING.

8.2.1 Establishment and Funding of Rabbi Trust. Fair Isaac may, in its sole and absolute discretion, establish a "rabbi" trust to serve as a funding vehicle for benefits payable under the Plan. Neither Fair Isaac nor any Participating Affiliate will have any obligation to establish such a trust, or to fund such trust if established. Any rabbi trust hereby established may be revocable if so established under the terms of the trust.

Any rabbi trust used to fund benefits payable under this Plan may be used to fund benefits payable under any other non-qualified deferred compensation plan maintained by Fair Isaac or any Participating Affiliate.

The assets of any rabbi trust hereby established will not be held or transferred outside of the United States, and the trust will not have any other feature that would result in a transfer of property being deemed to have occurred under Code § 409A (for example, there will be no funding obligation or restrictions on assets in connection with a change in financial health of Fair Isaac or any Affiliate). Further, neither Fair Isaac nor any Affiliate will transfer or contribute any funds during any "restricted period," as defined in Code § 409A(b)(3)(B), to any rabbi trust established hereunder. If any funds are transferred or contributed during a restricted period and Fair Isaac certifies in writing that such transfer or contribution was disallowed under this provision, the funds will be deemed to have been transferred or contributed under a mistake of fact and will be returned to Fair Isaac, along with any earnings allocable to such funds, regardless of whether the rabbi trust's terms establish it as revocable or irrevocable.

8.2.2 Effect on Benefit Obligations. The establishment and funding of a rabbi trust will not affect the contractual obligations of Fair Isaac and each Participating Affiliate under Sec. 8.1, except that such obligations with respect to any Participant or Beneficiary will be offset to the extent that payments actually are made from the trust to such Participant or Beneficiary. In the case of any transfer of contractual obligations and liabilities under Sec. 8.1.3, the parties may arrange for a transfer of trust assets to a rabbi trust maintained by the buyer or an affiliate of the buyer.

ARTICLE IX

AMENDMENT AND TERMINATION OF PLAN

9.1 Right to Amend or Terminate.

9.1.1 Action by Board of Directors. Fair Isaac may amend or terminate the Plan at any time and for any reason by action of the Board or its Compensation Committee.

9.1.2 Delayed Timing of Amendment or Termination Effective Date Under Code § 409A. The Board or its Compensation Committee generally will determine the effective date of any amendment to the Plan. However, if Code § 409A requires a delayed effective date (for example, if an amendment changes a deferral rule in a way that must be delayed for twelve (12) months), then the amendment will be effective as of the later of the date determined by the Board or its Compensation Committee in connection with the amendment, or the earliest effective date allowed under Code § 409A.

The Board or its Compensation Committee generally will determine the effective date of a termination of the Plan. However, a termination of the Plan will not be effective to cause a deferral election in place under the Plan for a Plan Year (including for any incentive pay or bonus for a fiscal year that starts within such Plan Year) to be modified or discontinued prior to the end of such Plan Year (or fiscal year), unless the Plan is terminated and liquidated pursuant to Sec. 9.2.2.

9.2 Effect of Termination.

9.2.1 No Negative Effect an Balances or Vesting. Fair Isaac may not amend or terminate the Plan in a manner that has the effect of reducing the balance or vested percentage of any Participant's or Beneficiary's Accounts except if Fair Isaac makes a good faith determination that either the amendment is required by law or the failure to adopt the amendment would have an adverse tax consequences to the Participants affected by such amendment.

9.2.2 Liquidation Terminations. Fair Isaac may terminate the Plan and provide for the acceleration and liquidation of all benefits remaining due under the Plan pursuant to Treas. Reg. § 1.409A-3(j)(4)(ix). In the event of such termination and liquidation, all deferrals and credits under the Plan will be discontinued (and all Active Participants will cease to be Active Participants) as of the termination date established by Fair Isaac, and all benefits remaining due will be paid in a lump-sum at a time specified by Fair Isaac as part of the action terminating the Plan and consistent with Treas. Reg. § 1.409A-3(j)(4)(ix).

9.2.3 Other Terminations. Fair Isaac may terminate the Plan other than pursuant to Treas. Reg. § 1.409A-3(j)(4)(ix). In the event of such termination, all deferrals and credits under the Plan will be discontinued (and all Active Participants will cease to be Active Participants) as of the end of the Plan Year (or, in the case of deferrals or credits attributable to incentive pay or bonus for a fiscal year that starts within such Plan Year, after the payment of such incentive pay or bonus), but all benefits remaining payable under the Plan will be paid at the same time and in the same form as if the termination had not occurred – that is, the termination will not result in any acceleration of any distribution under the Plan.

ARTICLE X

ADMINISTRATION

10.1 Administration.

10.1.1 Company. Fair Isaac is the administrator of the Plan with authority to control and manage the operation and administration of the Plan and make all decisions and determinations incident thereto. Action on behalf of Fair Isaac as administrator may be taken by any of the following:

(a) Compensation Committee. The Compensation Committee of Fair Isaac is responsible for determining whether an Employee should no longer be an Eligible Employee or should become an Eligible Employee, and making all determinations expressly specified in the Plan.

(b) Policy and Oversight Committee. The Policy and Oversight Committee of Fair Isaac is responsible for all matters relating to the overall and day-to-day administration of the Plan, and the selection and monitoring of non-investment service providers (including the selection of recordkeeper) with respect to the Plan, including determinations as to whether a Participant is entitled to a distribution from the Plan and whether a Participant has a Disability.

(c) Investment Committee. The Investment Committee of Fair Isaac is responsible for all investment matters relating to the Plan, including the selection of the funds available for hypothetical investments by Participants and Beneficiaries, and the actual investment of assets that may be (but are not required to be) set aside to hedge liabilities resulting from the Plan, and actual investment of any rabbi trust assets if such a trust is established and funded, including the selection and monitoring investment providers (including the Trustee) with respect to the Plan.

Day-to-day non-discretionary administration of the Plan may be performed by the Benefits Department.

10.1.2 Third-Party Service Providers. Fair Isaac may from time to time contract with or appoint a recordkeeper or other third-party service provider for the Plan. Any such recordkeeper or other third-party service provider will serve in a non-discretionary capacity and will act in accordance with directions given and/or procedures established by Fair Isaac.

10.1.3 Rules of Procedure. Fair Isaac may establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan.

10.2 CORRECTION OF ERRORS AND DUTY TO REVIEW INFORMATION.

10.2.1 Correction of Errors. Errors may occur in the operation and administration of the Plan. Fair Isaac reserves the right to cause such equitable adjustments to be made to correct for such errors as it considers appropriate (including adjustments to Participant or Beneficiary Accounts), which will be final and binding on the Participant or Beneficiary.

10.2.2 Participant Duty to Review Information. Each Participant and Beneficiary has the duty to promptly review any information that is provided or made available to the Participant or Beneficiary and that relates in any way to the operation and administration of the Plan or his/her elections under the Plan (for example, to review payroll stubs to make sure a contribution election is being implemented appropriately, to review benefit statements to make sure investment elections are being implemented appropriately, to review summary plan descriptions and prospectuses, etc.) and to notify Fair Isaac of any error made in the operation or administration of the Plan that affects the Participant or Beneficiary within thirty (30) days of the date such information is provided or made available to the Participant or Beneficiary (for example, the date the information is sent by mail or the date the information is provided or made available electronically). If the Participant or Beneficiary fails to review any information or fails to notify Fair Isaac of any error within such period of time, he/she will not be able to bring any claim seeking relief or damages based on the error.

If Fair Isaac is notified of an alleged error within the thirty (30) day time period, Fair Isaac will investigate and either correct the error or notify the Participant or Beneficiary that it believes that no error occurred. If the Participant or Beneficiary is not satisfied with the correction (or the decision that no correction is necessary), he/she will have sixty (60) days from the date of notification of the correction (or notification of the decision that no correction is necessary), to file a formal claim under the claims procedures under Sec. 10.3.

10.3 CLAIMS PROCEDURE.

10.3.1 Claims Procedure. If a Participant or Beneficiary does not feel as if he/she has received full payment of the benefit due to such person under the Plan, or if a Participant or Beneficiary feels that an error has been made with respect to his/her Account and has satisfied the requirements in Sec. 10.2.2, the Participant or Beneficiary may file a written claim with Fair Isaac setting forth the nature of the benefit claimed, the amount thereof, and the basis for claiming entitlement to such benefit. The Policy and Oversight Committee will determine the validity of the claim and communicate a decision to the claimant promptly and, in any event, not later than ninety (90) days after the date of the claim. The claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such ninety (90) day period. If additional information is necessary to make a determination on a claim, the claimant will be advised of the need for such additional information within forty-five (45) days after the date of the claim. The claimant will have up to one hundred and eighty (180) days to supplement the claim information, and the claimant will be advised of the decision on the claim within forty-five (45) days after the earlier of the date the supplemental information is supplied or the end of the one hundred and eighty (180) day period.

A claim for benefits which is denied will be denied by written notice setting forth in a manner calculated to be understood by the claimant:

(a) Reason for Denial. The specific reason or reasons for the denial, including a specific reference to any provisions of the Plan (including any internal rules, guidelines, protocols, criteria, etc.) on which the denial is based;

(b) Information Necessary to Process. A description of any additional material or information that is necessary to process the claim; and

(c) Explanation of Review Procedures. An explanation of the procedure for further reviewing the denial of the claim.

10.3.2 Review Procedures. Within sixty (60) days after the receipt of a denial on a claim, a claimant or his/her authorized representative may file a written request for review of such denial. Such review will be undertaken by the Policy and Oversight Committee and will be a full and fair review. The claimant will have the right to review all pertinent documents. The Policy and Oversight Committee will issue a decision not later than sixty (60) days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision will be rendered as soon as possible but not later than one hundred and twenty (120) days after receipt of the claimant's request for review. The decision on review will be in writing and will include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of the Plan on which the decision is based. Following the claims procedures through to completion is a condition of filing an arbitration action under Sec. 10.3.3.

10.3.3 Arbitration. If a Participant or Beneficiary follows the claims procedure but his/her final appeal is denied, he/she will have one year to file an arbitration action with respect to that claim, and failure to meet the one-year deadline will extinguish his/her right to file an arbitration action with respect to that claim.

Any claim, dispute or other matter in question of any kind relating to this Plan which is not resolved by the claims procedures will be settled by arbitration in accordance with the employment dispute resolution rules of the American Arbitration Association. Notice of demand for arbitration will be made in writing to the opposing party and to the American Arbitration Association within one year after the claim, dispute or other matter in question has arisen. In no event will a demand for arbitration be made after the date when the applicable statute of limitations would bar the institution of a legal or equitable proceeding based on such claim, dispute or other matter in question. The decision of the arbitrator(s) will be final and may be enforced in any court of competent jurisdiction.

The arbitrator(s) may award reasonable fees and expenses to the prevailing party in any dispute hereunder and will award reasonable fees and expenses in the event that the arbitrator(s) find that the losing party acted in bad faith or with intent to harass, hinder or delay the prevailing party in the exercise of its rights in connection with the matter under dispute.

10.3.4 Participant Responsible for Timely Action Under Code § 409A. The Participant will be solely responsible for taking prompt actions in the event of disputed payments as necessary to avoid any adverse tax consequences under Code § 409A, even if action is required to be taken under Code § 409A in a more timely manner than is required under the claims procedures of Sec. 10.3.

10.4 **<u>Indemnification</u>.** Fair Isaac and the Participating Affiliates jointly and severally agree to indemnify and hold harmless, to the extent permitted by law, each director, officer, and employee against any and all liabilities, losses, costs, or expenses (including legal fees) of whatsoever kind and nature that may be imposed on, incurred by, or asserted against such person at any time by reason of such person's services in the administration of the Plan, but only if such person did not act dishonestly, or in bad faith, or in willful violation of the law or regulations under which such liability, loss, cost, or expense arises.

10.5 **<u>Exercise of Authority</u>.** Fair Isaac, the Board, the Compensation Committee of the Board, the Policy and Oversight Committee, the Investment Committee and any person who has authority with respect to the management, administration or investment of the Plan may exercise that authority in its/his/her full discretion. This discretionary authority includes, but is not limited to, the authority to make any and all factual determinations and interpret all terms and provisions of this document (or any other document established for use in the administration of the Plan) relevant to the issue under consideration. The exercise of authority will be binding upon all persons; and it is intended that the exercise of authority be given deference in all courts of law to the greatest extent allowed under law, and that it not be overturned or set aside by any court of law unless found to be arbitrary and capricious.

10.6 **<u>Telephonic or Electronic Notices and Transactions</u>.** Any notice that is required to be given under the Plan to a Participant or Beneficiary, and any action that can be taken under the Plan by a Participant or Beneficiary (including enrollments, changes in deferral percentages, loans, withdrawals, distributions, investment changes, consents, etc.), may be made or given by means of voice response or other electronic system to the extent so authorized by Fair Isaac.

ARTICLE XI

<u>MISCELLANEOUS</u>

11.1 **<u>Nonassignability</u>.**

11.1.1 <u>General Rule Regarding Assignment</u>. Neither the rights of, nor benefits payable to, a Participant or Beneficiary under the Plan may be alienated, assigned, transferred, pledged or hypothecated by any person, at any time, or to any person whatsoever. Such interest and benefits will be exempt from the claims of creditors or other claimants of the Participant or Beneficiary and from all orders, decrees, levies, garnishments or executions to the fullest extent allowed by law, except as provided in Sec. 11.1.2.

11.1.2 <u>Domestic Relations Orders</u>. The Plan will comply with any court order purporting to divide the benefits payable under this Plan pursuant to a state's domestic relations laws, to the extent permitted under Code § 409A. However, such court order shall be deemed to only apply to such amounts that actually become payable to a Participant under the terms of this Plan (and shall not create a separate interest in favor of the alternate payee).

11.2 **<u>Withholding</u>.** A Participant must make appropriate arrangements with Fair Isaac or a Participating Affiliate for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the payment of benefits under the Plan. If no other arrangements are made, Fair Isaac or a Participating Affiliate may provide, at its discretion, for such withholding and tax payments as may be required, including, without limitation, by the reduction of other amounts payable to the Participant.

11.3 **<u>Right of Setoff</u>.** Notwithstanding any other provisions of this Plan, Fair Isaac reserves the right to withhold and setoff from any distribution or payments to a Participant or Beneficiary under the Plan any amount owed to Fair Isaac or an Affiliate by the Participant, whether such obligation is matured or unmatured and however arising, at the time of (and with priority over) any such distribution or payment. Further, Fair Isaac reserves the right to withhold and setoff from the Participant's Account any amount owed to Fair Isaac or an Affiliate by the Participant, as satisfaction of such obligation of the Participant, where such obligation is incurred in the ordinary course of the service relationship between the Participant and Fair Isaac or an Affiliate, the entire amount of reduction in any of Fair Isaac's taxable years that does not exceed five thousand dollars ($5,000), and the reduction is made at the same time and in the same amount as the obligation otherwise would have been due and collected from the Participant.

11.4 **Uniformed Services Employment and Reemployment Rights Act.** Deferral elections and changes to the time and form of payment shall be allowed in a manner consistent with the Uniformed Services Employment and Reemployment Rights Act (USERRA), to the extent also allowed under Code § 409A.

11.5 **Successors of Fair Isaac.** Any successor or assign of Fair Isaac will succeed to the rights and obligations of Fair Isaac under the Plan.

11.6 **Employment Not Guaranteed.** Nothing contained in the Plan nor any action taken hereunder will be construed as a contract of employment or as giving any Participant any right to continued employment with Fair Isaac or a Participating Affiliate.

11.7 **Gender, Singular and Plural.** All pronouns and any variations thereof will be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

11.8 **Captions.** The captions of the articles, paragraphs and sections of this document are for convenience only and will not control or affect the meaning or construction of any of its provisions.

11.9 **Validity.** In the event any provision of the Plan is held invalid, void or unenforceable, the same will not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

11.10 **Waiver of Breach.** The waiver by Fair Isaac of any breach of any provision of the Plan will not operate or be construed as a waiver of any subsequent breach by that Participant or any other Participant.

11.11 **Notice.** Any notice or filing required or permitted to be given to Fair Isaac or the Participant under this Agreement will be sufficient if made in writing and hand-delivered, or sent by registered or certified mail, in the case of Fair Isaac, to the principal office of Fair Isaac, directed to the attention of Fair Isaac, and in the case of the Participant, to the last known address of the Participant indicated on the employment records of Fair Isaac. Such notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Notices to Fair Isaac may be permitted by electronic communication according to specifications established by Fair Isaac.

Exhibit 10.18.1

AMENDED AND RESTATED MANAGEMENT AGREEMENT

This Amended and Restated Management Agreement (this “Agreement”) is entered into as of ___________, 2008, by and between Fair Isaac Corporation, a Delaware corporation (the “Company”), and ______________________ (“Executive”).

WHEREAS, Executive is currently employed by the Company and the Company desires to continue to employ Executive under the terms and conditions set forth in this Agreement;

WHEREAS, the Company and Executive are parties to a Management Agreement dated ___________, ___________ (the “Prior Agreement”) which the parties desire to amend and restate in its entirety as set forth in this Agreement;

WHEREAS, in October 2004, the American Jobs Creation Act of 2004 (the “Act”) was enacted, Section 885 of which Act added new provisions to the Internal Revenue Code of 1986, as amended (the “Code”) pertaining to deferred compensation. The Treasury Department has issued final regulations and guidance regarding the deferred compensation provisions of the Act, which permit service providers and service recipients a transition period to modify existing deferred compensation arrangements to bring them into compliance with the Act;

WHEREAS, the parties agree that it is in their mutual best interests to modify, amend and clarify the terms and conditions of the Prior Agreement, as set forth in this Agreement, with the full intention of complying with the Act so as to avoid the additional taxes and penalties that may be imposed under the Act;

WHEREAS, Executive is a key member of the management of the Company and has heretofore devoted substantial skill and effort to the affairs of the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders to continue to obtain the benefits of Executive’s services and attention to the affairs of the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders to provide inducement for Executive (A) to remain in the service of the Company in the event of any proposed or anticipated change in control of the Company and (B) to remain in the service of the Company in order to facilitate an orderly transition in the event of a change in control of the Company, without regard to the effect such change in control may have on Executive’s employment with the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders that Executive be in a position to make judgments and advise the Company with respect to proposed changes in control of the Company; and

WHEREAS, the Executive desires to be protected in the event of certain changes in control of the Company; and

WHEREAS, for the reasons set forth above, the Company and Executive desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, the Company and Executive agree as follows:

1. Events. No amounts or benefits shall be payable or provided for pursuant to this Agreement unless an Event shall occur during the Term of this Agreement.

(a) For purposes of this Agreement, an "Event" shall be deemed to have occurred if any of the following occur:

(i) Any "person" (as defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, or any successor statute thereto (the "Exchange Act")) acquires or becomes a "beneficial owner" (as defined in Rule 13d-3 or any successor rule under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's securities entitled to vote generally in the election of directors ("Voting Securities") then outstanding or 30% or more of the shares of common stock of the Company ("Common Stock") outstanding, provided, however, that the following shall not constitute an Event pursuant to this Section 1(a)(i):

(A) any acquisition or beneficial ownership by the Company or a subsidiary of the Company;

(B) any acquisition or beneficial ownership by any employee benefit plan (or related trust) sponsored or maintained by the Company or one or more of its subsidiaries;

(C) any acquisition or beneficial ownership by any corporation (including without limitation an acquisition in a transaction of the nature described in Section 1(a)(ii)) with respect to which, immediately following such acquisition, more than 70%, respectively, of (x) the combined voting power of the Company's then outstanding Voting Securities and (y) the Common Stock is then beneficially owned, directly or indirectly, by all or substantially all of the persons who beneficially owned Voting Securities and Common Stock, respectively, of the Company immediately prior to such acquisition in substantially the same proportions as their ownership of such Voting Securities and Common Stock, as the case may be, immediately prior to such acquisition; or

(D) any acquisition of Voting Securities or Common Stock directly from the Company; and

Continuing Directors shall not constitute a majority of the members of the Board of Directors of the Company. For purposes of this Section 1(a)(i), "Continuing Directors" shall mean: (A) individuals who, on the date hereof, are directors of the Company, (B) individuals elected as directors of the Company subsequent to the date hereof for whose election proxies shall have been solicited by the Board of Directors of the Company or (C) any individual elected or appointed by the Board of Directors of the Company to fill vacancies on the Board of Directors of the Company caused by death or resignation (but not by removal) or to fill newly-created directorships, provided that a "Continuing Director" shall not include an individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the threatened election or removal of directors (or other actual or threatened solicitation of proxies or consents) by or on behalf of any person other than the Board of Directors of the Company; or

(ii) Consummation of a reorganization, merger or consolidation of the Company or a statutory exchange of outstanding Voting Securities of the Company (other than a merger or consolidation with a subsidiary of the Company), unless immediately following such reorganization, merger, consolidation or exchange, all or substantially all of the persons who were the beneficial owners, respectively, of Voting Securities and Common Stock immediately prior to such reorganization, merger, consolidation or exchange beneficially own, directly or indirectly, more than 70% of, respectively, (x) the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such reorganization, merger, consolidation or exchange and (y) the then outstanding shares of common stock of the corporation resulting from such reorganization, merger, consolidation or exchange in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or exchange, of the Voting Securities and Common Stock, as the case may be; or

(iii) (x) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or (y) the sale or other disposition of all or substantially all of the assets of the Company (in one or a series of transactions), other than to a corporation with respect to which, immediately following such sale or other disposition, more than 70% of, respectively, (1) the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (2) the then outstanding shares of common stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the persons who were the beneficial owners, respectively, of the Voting Securities and Common Stock immediately prior to such sale or other disposition in substantially the same proportions as their ownership, immediately prior to such sale or other disposition, of the Voting Securities and Common Stock, as the case may be; or

(iv) A majority of the members of the Board of Directors of the Company shall have declared that an Event has occurred or, if a majority of the members of the Board of Directors has previously declared that an Event will occur upon satisfaction of specified conditions, such specified conditions have been satisfied.

Notwithstanding anything stated in this Section 1(a), an Event shall not be deemed to occur with respect to Executive if (x) the acquisition or beneficial ownership of the 30% or greater interest referred to in Section 1(a)(i) is by Executive or by a group, acting in concert, that includes Executive or (y) a majority of the then combined voting power of the then outstanding voting securities (or voting equity interests) of the surviving corporation or of any corporation (or other entity) acquiring all or substantially all of the assets of the Company shall, immediately after a reorganization, merger, exchange, consolidation or disposition of assets referred to in Section 1(a)(ii) or 1(a)(iii), be beneficially owned, directly or indirectly, by Executive or by a group, acting in concert, that includes Executive.

(b) For purposes of this Agreement, a "subsidiary" of the Company shall mean any entity of which securities or other ownership interests having general voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

2. Payments and Benefits. If any Event shall occur during the Term of this Agreement and the employment of Executive with the Company is voluntarily or involuntarily terminated under circumstances specified in Section 2(a), then Executive shall be entitled to receive from the Company or its successor (which term as used herein shall include any person acquiring all or substantially all of the assets of the Company) a cash payment and other benefits on the following basis:

(a) If at any time within 90 days before, or at any time upon or after the occurrence of, the first Event to occur (the “First Event”) and prior to the end of the Transition Period, the employment of Executive with the Company is voluntarily or involuntarily terminated for any reason (unless such termination is a voluntary termination by Executive other than for Good Reason, is on account of the death or Disability of the Executive or is a termination by the Company for Cause), subject to the limitations set forth in Sections 2(d), 2(e), and 2(f), Executive shall be entitled to the following:

(i) The Company shall pay Executive’s full base salary through the Termination Date at the rate then in effect in accordance with the normal payroll practices of the Company.

(ii) The Company or its successor shall make a cash payment to Executive in an amount equal to one (1) times *[*for CEO*: two (2) times] the sum of (A) the annual base salary of Executive in effect immediately prior to the First Event plus (B) the cash bonus or cash incentive compensation received by the Executive from the Company for the fiscal year preceding the First Event. Any amount payable under this Section 2(a)(ii) will be paid to Executive in a lump sum on the first regular payroll date of the Company or its successor to occur after the first day of the seventh month following the Termination Date.

(iii) For a 12-month *[*for CEO*: 24-month] period after the Termination Date, the Company shall allow Executive to participate in any insured group health and group life insurance plan or program (but not a self-insured medical expense reimbursement plan within the meaning of Section 105(h) of the Code) in which the Executive was entitled to participate immediately prior to the First Event as if Executive were an employee of the Company during such 12-month *[*for CEO*: 24-month] period; <u>provided</u>, <u>however</u>, that in the event that Executive’s participation in any such health or life insurance plan or program of the Company is barred, the Company, at its sole cost and expense, shall arrange to provide Executive with insured benefits substantially similar to those which Executive would be entitled to receive under such plan or program if Executive were not barred from participation. Benefits otherwise receivable by Executive pursuant to this Section 2(a)(iii) shall be reduced to the extent comparable benefits are received by Executive from another employer or other third party during such 12-month *[*for CEO*:

24-month] period, and Executive shall promptly report receipt of any such benefits to the Company.

(iv) Any outstanding and unvested stock options granted to Executive shall be accelerated and become immediately exercisable by Executive (and shall remain exercisable for the applicable post-termination exercise periods specified in the applicable stock option agreements), any unvested restricted stock units granted to Executive shall be accelerated and shares of Company stock shall be issued to Executive or cash shall be paid to Executive, as specified in the applicable restricted stock unit agreement, and any restricted stock awarded to Executive and subject to forfeiture shall be fully vested and shall no longer be subject to forfeiture.

(b) The Company shall also pay to Executive reimbursement for all legal fees and expenses incurred by Executive in his lifetime as a result of such termination and relating to claims not barred by the applicable statutes of limitations, including, but not limited to, all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement. The amount of expenses eligible for reimbursement hereunder during any given calendar year shall not affect the expenses eligible for reimbursement in any other calendar year. Executive shall submit verification of expenses to the Company within 60 days from the date the expense was incurred, and the Company shall reimburse eligible expenses within 30 days thereafter, but in any case no later than the last day of the calendar year following the calendar year in which the expense was incurred. The right to reimbursement of legal fees and expenses hereunder may not be exchanged for cash or any other benefit.

(c) In addition to all other amounts payable to Executive under this Section 2, Executive shall be entitled to receive all benefits payable to Executive under any other plan or agreement relating to retirement benefits, pursuant to the terms and conditions of such plan or agreement.

(d) Executive shall not be required to mitigate the amount of any payment or other benefit provided for in Section 2 by seeking other employment or otherwise, nor shall the amount of any payment or other benefit provided for in Section 2 be reduced by any compensation earned by Executive as the result of employment by another employer after the Termination Date or otherwise, except as specifically provided in this Agreement.

(e) Notwithstanding any other provision of this Agreement, the Company will not pay to Executive, and Executive will not be entitled to receive, any payment pursuant to Section 2(a)(ii) unless and until:

(i) Executive executes, and there shall be effective following any statutory period for revocation or rescission, a release that irrevocably and unconditionally releases the Company, any company acquiring the Company or its assets, and their past and current shareholders, directors, officers, employees and agents from and against any and all claims, liabilities, obligations, covenants, rights and damages of any nature whatsoever, whether known or unknown, anticipated or unanticipated; provided, however, that the release shall not adversely affect Executive's rights to receive benefits to which he is entitled under this Agreement or Executive's rights to indemnification under applicable law, the charter documents of the Company, any insurance policy maintained by the Company or any written agreement between the Company and Executive; and

ii) Executive executes an agreement prohibiting Executive for a period of one (1) year following the Termination Date from soliciting, recruiting or inducing, or attempting to solicit, recruit or induce, any employee of the Company or of any company acquiring the Company or its assets to terminate the employee's employment.

(f) If the termination of Executive's employment with the Company occurs at any time within 90 days before the occurrence of the First Event, Executive shall be entitled to no payments or benefits under this Section 2 unless, in addition to satisfying all other requirements and conditions of this Section 2, Executive also reasonably demonstrates within 30 days of the First Event that such termination of employment (x) was requested by a party other than the Board of Directors of the Company that had previously taken other steps reasonably calculated to result in, and which ultimately results in, the First Event, or (y) otherwise arose in connection with or in anticipation of the First Event that ultimately occurs.

(g) The obligations of the Company under this Section 2 shall survive the termination of this Agreement.

3. Certain Reduction of Payments by the Company.

(a) Notwithstanding anything contained herein to the contrary, prior to the payment of any amounts pursuant to Section 2(a) hereof, an independent national accounting firm designated by the Company (the "Accounting Firm") shall compute whether there would be any "excess parachute payments" payable to Executive, within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), taking into account the total "parachute payments," within the meaning of Section 280G of the Code, payable to Executive by the Company or any successor thereto under this Agreement and any other plan, agreement or otherwise. If there would be any excess parachute payments, the Accounting Firm will compute the net after-tax proceeds to Executive, taking into account the excise tax imposed by Section 4999 of the Code, if (i) the payments hereunder were reduced, but not below zero, such that the total parachute payments payable to Executive would not exceed three (3) times the "base amount" as defined in Section 280G of the Code, less One Dollar ($1.00), or (ii) the payments hereunder were not reduced. If reducing the payments hereunder would result in a greater after-tax amount to Executive, such lesser amount shall be paid to Executive. If not reducing the payments hereunder would result in a greater after-tax amount to Executive, such payments shall not be reduced. The determination by the Accounting Firm shall be binding upon the Company and Executive subject to the application of Section 3(b) hereof.

(b) If as a result of uncertainty in the application of Sections 280G of the Code, it is possible that excess parachute payments will be paid when such payment would result in a lesser after-tax amount to Executive, such a payment will be void ab initio as regards any such excess. Any excess will be treated as an overpayment by the Company to Executive. Executive will return the overpayment to the Company within fifteen (15) business days of any determination by the Accounting Firm that excess parachute payments have been paid when not so intended, with interest at an annual rate equal to the rate provided in Section 1274(d) of the Code (or 120% of such rate if the Accounting Firm determines that such rate is necessary to avoid an excise tax under Section 4999 of the Code) from the date Executive received such excess until it is repaid to the Company.

(c) All fees, costs and expenses (including, but not limited to, the cost of retaining experts) of the Accounting Firm shall be borne by the Company and the Company shall pay such fees, costs, and expenses as they become due. In performing the computations required hereunder, the Accounting Firm shall assume that taxes will be paid for state and federal purposes at the highest possible marginal tax rates which could be applicable to Executive in the year of receipt of the payments, unless Executive agrees otherwise.

4. Definition of Certain Additional Terms.

(a) "Cause" shall mean, and be limited to, (i) willful and gross neglect of duties by the Executive or (ii) an act or acts committed by the Executive constituting a felony and substantially detrimental to the Company or its reputation.

(b) "Disability" shall mean Executive's absence from his duties with the Company on a full time basis for 180 consecutive business days, as a result of Executive's incapacity due to physical or mental illness, unless within 30 days after written notice of intent to terminate is given by the Company following such absence Executive shall have returned to the full time performance of Executive's duties.

(c) “Good Reason” shall mean if, without Executive’s express written consent, any of the following shall occur:

(i) a material reduction of Executive’s authority, duties, or responsibilities in the Company or its successor, including: (A) a material reduction in Executive’s budget authority, or (B) a material reduction in the authority, duties, or responsibilities of the person to whom Executive reports, but excluding any isolated, insubstantial, or inadvertent action not taken in bad faith and which is remedied by the Company within five (5) days after receipt of notice thereof from Executive;

(ii) a material reduction by the Company in Executive’s annual base salary or target incentive in effect immediately prior to the First Event;

(iii) the taking of any action by the Company that would result in a material reduction of the aggregate benefits enjoyed by Executive under the Company’s pension, life insurance, medical, health and accident, disability, deferred compensation, incentive awards, employee stock options, restricted stock or stock unit awards, or savings plans in which Executive was participating at the time of the First Event;

(iv) the Company requiring Executive to relocate to any place other than a location within fifty miles of the location at which Executive performed his primary duties immediately prior to the First Event or, if Executive is based at the Company’s principal executive offices, the relocation of the Company’s principal executive offices to a location more than fifty miles from its location immediately prior to the First Event, except for required travel on the Company’s business to an extent substantially consistent with Executive’s prior business travel obligations; or

(v) the failure of the Company to obtain agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5(b).

(d) As used herein, other than in Section 1(a) hereof, the term “person” shall mean an individual, partnership, corporation, estate, trust or other entity.

(e) “Termination Date” shall mean the date of termination of Executive’s employment, which in the case of termination for Disability shall be the 30th day after notice is given as required in Section 4(b); provided, however, that for purposes of Section 2(a)(ii) of this Agreement only, the Termination Date shall mean the date on which a "separation from service" has occurred for purposes of Section 409A of the Code and the regulations and guidance thereunder.

(f) "Transition Period" shall mean the one-year period commencing on the date of the First Event and ending on the first anniversary of the First Event.

5. Successors and Assigns.

(a) This Agreement shall be binding upon and inure to the benefit of the successors, legal representatives and assigns of the parties hereto; provided, however, that the Executive shall not have any right to assign, pledge or otherwise dispose of or transfer any interest in this Agreement or any payments hereunder, whether directly or indirectly or in whole or in part, without the written consent of the Company or its successor.

(b) The Company will require any successor (whether direct or indirect, by purchase of a majority of the outstanding voting stock of the Company or all or substantially all of the assets of the Company, or by merger, consolidation or otherwise), by agreement in form and substance satisfactory to Executive, to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession (other than in the case of a merger or consolidation) shall be a breach of this Agreement. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid that is required to execute and deliver the agreement as provided for in this Section 5(b) or that otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

6. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Minnesota.

7. Notices. All notices, requests and demands given to or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage pre-paid, addressed to the last known residence address of Executive or in the case of the Company, to its principal executive office to the attention of each of the then directors of the Company with a copy to its Secretary, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

8. Remedies and Claim Process. If Executive disputes any determination made by the Company regarding Executive's eligibility for any benefits under this Agreement, the amount or terms of payment of any benefits under this Agreement, or the Company's application of any provision of this Agreement, then Executive shall, before pursuing any other remedies that may be available to Executive, seek to resolve such dispute by submitting a written claim notice to the Company. The notice by Executive shall explain the specific reasons for Executive's claim and basis therefore. The Board of Directors shall review such claim and the Company will notify Executive in writing of its response within 60 days of the date on which Executive's notice of claim was given. The notice responding to Executive's claim will explain the specific reasons for the decision. Executive shall submit a written claim hereunder before pursuing any other process for resolution of such claim. This Section 8 does not otherwise affect any rights that Executive or the Company may have in law or equity to seek any right or benefit under this Agreement.

9. **Severability**. In the event that any portion of this Agreement is held to be invalid or unenforceable for any reason, it is hereby agreed that such invalidity or unenforceability shall not affect the other portions of this Agreement and that the remaining covenants, terms and conditions or portions hereof shall remain in full force and effect.

10. **Integration**. The benefits provided to Executive under this Agreement shall be in lieu of any other severance pay or benefits available to Executive under any other agreement, plan or program of the Company to the extent such other severance pay or benefits do not constitute deferred compensation within the meaning of Section 409A of the Code. In the event that any payments or benefits become payable to Executive pursuant to Section 2 of this Agreement, then this Agreement will supersede and replace any other agreement, plan or program applicable to Executive to the extent that such other agreement, plan or program provides for payments or benefits to Executive that do not constitute deferred compensation within the meaning of Section 409A of the Code and that arise out of the involuntary termination of Executive's employment or termination by Executive for Good Reason. In addition, the acceleration of stock options and lapsing of forfeiture provisions of restricted stock units or other equity awards provided pursuant to Section 2(a)(iv) of this Agreement shall not be subject to the provisions of Article 13 of the Company's 1992 Long-Term Incentive Plan (or similar successor provision or plan).

11. **Miscellaneous**. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party to this Agreement of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior to similar time.

12. **Term**. This Agreement shall commence on the date of this Agreement and shall terminate, and the Term of this Agreement shall end, on the later of (A) December 31, 20[___], provided that such period shall be automatically extended for one year and from year to year thereafter until notice of termination is given by the Company or Executive to the other party hereto at least 60 days prior to December 31, 20[___] or the one-year extension period then in effect, as the case may be, or (B) if the First Event occurs on or prior to December 31, 20[   ] (or prior to the end of the extension year then in effect as provided for in clause (A) hereof), the first anniversary of the First Event.

13. Section 409A. This Agreement is intended to satisfy the requirements of Section 409A(a)(2), (3) and (4) of the Code, including current and future guidance and regulations interpreting such provisions, and should be interpreted accordingly.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Fair Isaac Corporation

By ____________________________________

____

****[Insert name of Executive]****

By ____________________________________

____

Exhibit 10.39

FAIR ISAAC CORPORATION

1992 LONG-TERM INCENTIVE PLAN

As amended effective August 26, 2008

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FAIR ISAAC CORPORATION 1992 LONG-TERM INCENTIVE PLAN
As amended Effective August 26, 2008

ARTICLE 1. INTRODUCTION.

The Plan was adopted by the Board on November 23, 1992, subject to approval by the Company's stockholders. The Board approved amendments to the Plan on November 21, 1995 and on November 16, 2001, subject to approval by the Company's stockholders. The Plan was also amended by either the Board or the Committee on December 23, 1996, on November 25, 1997, on November 19, 1999, on November 21, 2000, on April 1, 2003, on August 26, 2003, on May 15, 2005, on December 8, 2006 and on August 26, 2008. All share amounts in this restatement have been adjusted to reflect stock splits on June 26, 1995, on June 4, 2001, on June 5, 2002, and on March 10, 2004. The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by (a) encouraging Key Employees to focus on critical long-range objectives, (b) encouraging the attraction and retention of Key Employees with exceptional qualifications and (c) linking Key Employees directly to stockholder interests through increased stock ownership. The Plan seeks to achieve this purpose by providing for Awards in the form of Restricted Shares, Stock Units, Options (which may constitute incentive stock options or nonstatutory stock options) or stock appreciation rights.

The Plan shall be governed by, and construed in accordance with, the laws of the State of California.

ARTICLE 2. ADMINISTRATION.

2.1 Committee Composition. The Plan shall be administered by the Committee. The Committee shall consist of two or more Outside Directors who shall be appointed by the Board (although Committee functions may be delegated by the Committee to an officer or officers to the extent that the Awards relate to persons who are not subject to the reporting requirements of Section 16 of the Exchange Act)."

2.2 Committee Responsibilities. The Committee shall (a) unless delegated to an officer or officers in accordance with Section 2.1, select the Key Employees who are to receive Awards under the Plan and determine the type, number, vesting requirements and other conditions of such Awards, (b) interpret the Plan and (c) make all other decisions relating to the operation of the Plan. The Committee may adopt such rules or guidelines as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons."

ARTICLE 3. SHARES AVAILABLE FOR GRANTS.

3.1 Basic Limitation. Any Common Shares issued pursuant to the Plan may be authorized but unissued shares or treasury shares. The aggregate number of Restricted Shares, Stock Units and Options awarded under the Plan shall not exceed 4,725,000 plus the number of Common Shares remaining available for awards under the Company's 1987 Stock Option Plan and Stock Option Plan for Non-employee Directors (the "Prior Plans") at the time this Plan is first approved by the stockholders. (No additional grants shall be made under the Prior Plans after this Plan has been approved by the stockholders.) Effective October 1, 1997, and on each October 1 thereafter until and including October 1, 2007, the aggregate number of Shares which may be issued under the Plan to individuals shall be increased by a number of Common Shares equal to 4 percent of the total number of Common Shares outstanding at the end of the most recently concluded fiscal year. Any Common Shares that have been reserved but not issued as Restricted Shares, Stock Units or Options during any fiscal year shall remain available for grant during any subsequent fiscal year. Notwithstanding the foregoing, no more than 5,062,500 Common Shares shall be available for the grant of ISOs for the remaining term of the Plan. The aggregate number of Common Shares which may be issued under the Plan shall at all times be subject to adjustment pursuant to Article 10.

3.2 Additional Shares. If any Stock Units or Options are forfeited or if any Options terminate for any other reason before being exercised, then such Stock Units or Options shall again become available for Awards under the Plan. If any options under the Prior Plans are forfeited or terminate for any other reason before being exercised, then such options shall become available for additional Awards under this Plan. However, if Options are surrendered upon the exercise of related SARs, then such Options shall not be restored to the pool available for Awards.

3.3 Dividend Equivalents. Any dividend equivalents distributed under the Plan shall not be applied against the number of Restricted Shares, Stock Units or Options available for Awards, whether or not such dividend equivalents are converted into Stock Units.

3.4 Outside Director Option Limitations. Notwithstanding the limitations set forth in Section 3.1 above, effective February 1, 2000, there shall be an additional 506,250 aggregate number of Options available for awards under the Plan to Outside Directors as further described in Section 4.2 below.

ARTICLE 4. ELIGIBILITY.

4.1 General Rules. Only Key Employees shall be eligible for designation as Participants by the Committee. Key Employees who are Outside Directors shall only be eligible for the grant of the NSOs described in Section 4.2.

4.2 Outside Directors. Any other provision of the Plan notwithstanding, the participation of Outside Directors in the Plan shall be subject to the following restrictions:

(a) Outside Directors shall receive no Awards other than the NSOs described in this Section 4.2.

(b)(i) Each person who first becomes an Outside Director on or after the date of the Company's 2000 annual meeting of stockholders shall, upon becoming an Outside Director, receive an NSO covering 30,000 Common Shares (subject to adjustment under Article 10), hereinafter referred to as an “Initial Grant”. Such Initial Grant shall become exercisable in increments of 6,000 shares (subject to adjustment under Article 10) on each of the first through fifth anniversaries of the date of grant.

(ii) Each Outside Director who was acting as an Outside Director prior to the Company’s 2000 annual meeting of stockholders shall be entitled to receive an NSO grant of Common Shares in an amount sufficient to increase his or her Initial Grant to 30,000 Common Shares effective as of the date of such annual meeting.

(iii) On the date of each annual meeting of stockholders of the Company held on or after January 1, 2000, each Outside Director who has been an Outside Director at least since the prior annual meeting shall receive an NSO covering 11,250 Common Shares (subject to adjustment under Article 10), hereinafter referred to as an “Annual Grant.” Such Annual Grants shall be exercisable in full on the date of grant.

(iv) On the date of each annual meeting of stockholders of the Company held on or after January 1, 2000, each Outside Director who chairs a standing committee at the direction of the Chairman of the Board shall receive an NSO covering an additional 1,500 Common Shares (subject to Adjustment under Article 10) hereinafter referred to as a “Committee Grant”. Such Committee Grant shall be exercisable in full on the date of grant.

(v) On the date of each annual meeting of the stockholders of the Company held on or after January 1, 2002, each Outsider Director who has, prior to the date of such annual meeting, elected to receive an NSO in lieu of any cash paid to such Outside Director by virtue of such Outside Director serving as a member of the Company’s Board of Directors (the “Annual Cash Retainer”), shall receive an NSO covering the number of Common Shares equal to the Annual Cash Retainer paid to Outside Directors, multiplied by two, divided by the Fair Market Value of a Common Share on the date of grant, such grant shall be hereinafter referred to as a “Retainer Grant.” If the Annual Cash Retainer payable to an Outside Director is increased during the term for which such Outside Director has made an election to receive the Retainer Grant and such Outside Director continues to serve as a director of the Company on the date such Annual Cash Retainer is increased, an additional NSO shall be granted, calculated using the same formula as the Retainer Grant based on the increase in the Annual Cash Retainer with the date of grant being the date of the increase in the Annual Cash Retainer. Retainer Grants shall be exercisable in full on the date of grant.

(c) All NSOs granted to an Outside Director under this Section 4.2 shall also become exercisable in full in the event of the termination of such Outside Director’s service for any reason.

(d) The Exercise Price under all NSOs granted to an Outside Director under this Section 4.2 shall be equal to 100% of the Fair Market Value of a Common Share on the date of grant, payable in one of the forms described in Sections 6.1, 6.2, 6.3 and 6.4.

(e) All NSOs granted to an Outside Director under this Section 4.2 shall terminate on the earliest of (i) the 10th anniversary of the date of grant or (ii) the date 12 months after the termination of such Outside Director’s service for any reason.

4.3 Ten-Percent Stockholders. A Key Employee who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company or any of its Subsidiaries shall not be eligible for the grant of an ISO unless the requirements set forth in section 422(c)(6) of the Code are satisfied.

4.4 Limitation on Option Grants. No person shall receive Options for more than 562,500 Common Shares (subject to adjustment under Article 10) in any single fiscal year of the Company.

ARTICLE 5. OPTIONS.

5.1 Stock Option Agreement. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The Stock Option Agreement shall specify whether the Option is an ISO or an NSO. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

5.2 Awards Nontransferable. Except as provided in Article 15(ii), no Option granted under the Plan shall be transferable by the Optionee other than by will, by a beneficiary designation executed by the Optionee and delivered to the Company or by the laws of descent and distribution. An Option may be exercised during the lifetime of the Optionee only by him or her or by his or her guardian or legal representative. No Option or interest therein may be transferred, assigned, pledged or hypothecated by the Optionee during his or her lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

5.3 Number of Shares. Each Stock Option Agreement shall specify the number of Shares subject to the Option and shall provide for the adjustment of such number in accordance with Article 10.

5.4 Exercise Price. Each Stock Option Agreement shall specify the Exercise Price. The Exercise Price shall not be less than 100% of the Fair Market Value of a Common Share on the date of grant.

5.5 Exercisability and Term. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option; provided that the term of an ISO shall in no event exceed 10 years from the date of grant. A Stock Option Agreement may provide for accelerated exercisability in the event of the Optionee’s death, disability or retirement or other events and may provide for expiration prior to the end of its term in the event of the termination of the Optionee’s service. NSOs may also be awarded in combination with Restricted Shares or Stock Units, and such an Award may provide that the NSOs will not be exercisable unless the related Restricted Shares or Stock Units are forfeited.

5.6 Effect of Change in Control. The Committee may determine, at the time of granting an Option or thereafter, that such Option (and any SARs included therein) shall become fully exercisable as to all Common Shares subject to such Option in the event that a Change in Control occurs with respect to the Company. If the Committee finds that there is a reasonable possibility that, within the succeeding six months, a Change in Control will occur with respect to the Company, then the Committee may determine that any or all outstanding Options (and any SARs included therein) shall become fully exercisable as to all Common Shares subject to such Options.

5.7 Modification or Assumption of Options. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding options or may accept the cancellation of outstanding options (whether granted by the Company or by another issuer) in return for the grant of new options for the same or a different number of shares and at the same or a different exercise price. The foregoing notwithstanding, no modification of an Option shall, without the consent of the Optionee, alter or impair his or her rights or obligations under such Option.

ARTICLE 6. PAYMENT FOR OPTION SHARES.

6.1 General Rule. The entire Exercise Price of Common Shares issued upon exercise of Options shall be payable in cash at the time when such Common Shares are purchased, except as follows:

(a) In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Stock Option Agreement. The Stock Option Agreement may specify that payment may be made in any form(s) described in this Article 6.

(b) In the case of an NSO, the Committee may at any time accept payment in any form(s) described in this Article 6.

Notwithstanding any provision in this Article 6 or in an Optionee’s Stock Option Agreement, an Optionee, shall not be permitted to exercise an Option in any manner which would violate applicable state and federal laws, including, without limitation, the Sarbanes-Oxley Act of 2002.

6.2 Surrender of Stock. To the extent that this Section 6.2 is applicable, payment for all or any part of the Exercise Price may be made with Common Shares which have already been owned by the Optionee for more than twelve months. Such Common Shares shall be valued at their Fair Market Value on the date when the new Common Shares are purchased under the Plan.

6.3 Exercise/Sale. To the extent that this Section 6.3 is applicable, payment may be made by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker or other party approved by the Company to sell Common Shares and to deliver all or part of the sales proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

6.4 Exercise/Pledge. To the extent that this Section 6.4 is applicable, payment may be made by the delivery (on a form prescribed by the Company) of an irrevocable direction to pledge Common Shares to a securities broker or lender approved by the Company, as security for a loan, and to deliver all or part of the loan proceeds to the Company in payment of all or part of the Exercise Price and any withholding taxes.

6.5 Other Forms of Payment. To the extent that this Section 6.5 is applicable, payment may be made in any other form that is consistent with applicable laws, regulations and rules.

ARTICLE 7. STOCK APPRECIATION RIGHTS.

7.1 Grant of SARs. At the discretion of the Committee, an SAR may be included in each Option granted under the Plan, other than the NSOs granted to Outside Directors under Section 4.2. Such SAR shall entitle the Optionee (or any person having the right to exercise the Option after his or her death) to surrender to the Company, unexercised, all or any part of that portion of the Option which then is exercisable and to receive from the Company Common Shares or cash, or a combination of Common Shares and cash, as the Committee shall determine. If an SAR is exercised, the number of Common Shares remaining subject to the related Option shall be reduced accordingly, and vice versa. The amount of cash and/or the Fair Market Value of Common Shares received upon exercise of an SAR shall, in the aggregate, be equal to the amount by which the Fair Market value (on the date of surrender) of the Common Shares subject to the surrendered portion of the Option exceeds the Exercise Price. In no event shall any SAR be exercised if such Fair Market Value does not exceed the Exercise Price. An SAR may be included in an ISO only at the time of grant but may be included in an NSO at the time of grant or at any subsequent time, but not later than six months before the expiration of such NSO.

7.2 Exercise of SARs. An SAR may be exercised to the extent that the Option in which it is included is exercisable, subject to the restrictions imposed by Rule 16b-3 (or its successor) under the Exchange Act, if applicable. If, on the date when an Option expires, the Exercise Price under such Option is less than the Fair Market Value on such date but any portion of such Option has not been exercised or surrendered, then any SAR included in such Option shall automatically be deemed to be exercised as of such date with respect to such portion. An Option granted under the Plan may provide that it will be exercisable as an SAR only in the event of a Change in Control.

ARTICLE 8. RESTRICTED SHARES AND STOCK UNITS.

8.1 Time, Amount and Form of Awards. Restricted Shares or Stock Units with respect to an Award Year may be granted during such Award Year or at any time thereafter. Awards under the Plan may be granted in the form of Restricted Shares, in the form of Stock Units, or in any combination of both. Restricted Shares or Stock Units may also be awarded in combination with NSOs, and such an Award may provide that the Restricted Shares or Stock Units will be forfeited in the event that the related NSOs are exercised.

8.2 Payment for Awards. To the extent that an Award is granted in the form of newly issued Restricted Shares, the Award recipient shall be required to pay the Company in lawful money of the U.S. an amount equal to the par value of such Restricted Shares. To the extent that an Award is granted in the form of Stock Units or treasury shares, no cash consideration shall be required of Award recipients.

8.3 Vesting Conditions. Each Award of Restricted Shares or Stock Units shall become vested, in full or in installments, upon satisfaction of the conditions specified in the Stock Award Agreement. A Stock Award Agreement may provide for accelerated vesting in the event of the Participant's death, disability or retirement or other events. The Committee may determine, at the time of making an Award or thereafter, that such Award shall become fully vested in the event that a Change in Control occurs with respect to the Company.

8.4 Form and Time of Settlement of Stock Units. Settlement of vested Stock Units may be made in the form of cash, in the form of Common Shares, or in any combination of both. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Common Shares over a series of trading days. Vested Stock Units may be settled in a lump sum or in installments. The distribution may occur or commence when all vesting conditions applicable to the Stock Units have been satisfied or have lapsed, or it may be deferred to any later date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Article 10.

8.5 Death of Recipient. Any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's beneficiary or beneficiaries. Each recipient of a Stock Units Award under the Plan shall designate one or more beneficiaries for this purpose by filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Award recipient's death. If no beneficiary was designated or if no designated beneficiary survives the Award recipient, then any Stock Units Award that becomes payable after the recipient's death shall be distributed to the recipient's estate.

8.6 Creditors' Rights. A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Stock Award Agreement.

ARTICLE 9. VOTING AND DIVIDEND RIGHTS.

9.1 Restricted Shares. The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders. A Stock Award Agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid. Such additional Restricted Shares shall not reduce the number of Common Shares available under Article 3.

9.2 Stock Units. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, to the extent determined by the Committee, carry with it a right to dividend equivalents. Any such right would entitle the holder to be credited with an amount equal to all cash dividends paid on one Common Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Common Shares, or in a combination of both. Prior to distribution, any dividend equivalents which are not paid shall be subject to the same conditions and restrictions as the Stock Units to which they attach.

ARTICLE 10. PROTECTION AGAINST DILUTION.

10.1 Adjustments. In the event of a subdivision of the outstanding Common Shares, a declaration of a dividend payable in Common Shares, a declaration of a dividend payable in a form other than Common Shares in an amount that has a material effect on the price of Common Shares, a combination or consolidation of the outstanding Common Shares (by reclassification or otherwise) into a lesser number of Common Shares, a recapitalization, a spinoff or a similar occurrence, the Committee shall make appropriate adjustments in one or more of (a) the number of Options, Restricted Shares and Stock Units available for future Awards under Article 3, (b) the number of NSOs to be granted to Outside Directors under Section 4.2, (c) the number of Stock Units included in any prior Award which has not yet been settled, (d) the number of Common Shares covered by each outstanding Option or (e) the Exercise Price under each outstanding Option. Except as provided in this Article 10, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

10.2 Reorganizations. In the event that the Company is a party to a merger or other reorganization, outstanding Options, Restricted Shares and Stock Units shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the assumption of outstanding Awards by the surviving corporation or its parent, for their continuation by the Company (if the Company is a surviving corporation), for accelerated vesting or for settlement in cash.

ARTICLE 11. LONG-TERM PERFORMANCE AWARDS.

The Company may grant long-term performance awards under other plans or programs. Such awards may be settled in the form of Common Shares issued under this Plan. Such Common Shares shall be treated for all purposes under the Plan like Common Shares issued in settlement of Stock Units and shall reduce the number of Common Shares available under Article 3.

ARTICLE 12. LIMITATION ON RIGHTS.

12.1 Retention Rights. Neither the Plan nor any award granted under the Plan shall be deemed to give any individual a right to remain an employee or director of the Company or a Subsidiary. The Company and its Subsidiaries reserve the right to terminate the service of any employee or director at any time, with or without cause, subject to applicable laws, the Company’s certificate of incorporation and by-laws and a written employment agreement (if any).

12.2 Stockholders’ Rights. A Participant shall have no dividend rights, voting rights or other rights as a stockholder with respect to any Common Shares covered by his or her Award prior to the issuance of a stock certificate for such Common Shares. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date when such certificate is issued, except as expressly provided in Articles 8, 9 and 10.

12.3 Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Common Shares under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Common Shares pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Common Shares, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

ARTICLE 13. LIMITATION ON PAYMENTS.

13.1 Basic Rule. Any provision of the Plan to the contrary notwithstanding, in the event that the independent auditors most recently selected by the Board (the "Auditors") determine that any payment or transfer by the Company to or for the benefit of a Key Employee, whether paid or payable (or transferred or transferable) pursuant to the terms of this Plan or otherwise (a "Payment"), would be non-deductible by the Company for federal income tax purposes because of the provisions concerning "excess parachute payments" in section 280G of the Code, then the aggregate present value of all Payments shall be reduced (but not below zero) to the Reduced Amount; provided that the Committee, at the time of making an Award under this Plan or at any time thereafter, may specify in writing that such Award shall not be so reduced and shall not be subject to this Article 13. For purposes of this Article 13, the "Reduced Amount" shall be the amount, expressed as a present value, which maximizes the aggregate present value of the Payments without causing any Payment to be nondeductible by the Company because of section 280G of the Code.

13.2 Reduction of Payments. If the Auditors determine that any Payment would be nondeductible by the Company because of section 280G of the Code, then the Company shall promptly give the Key Employee notice to that effect and a copy of the detailed calculation thereof and of the Reduced Amount, and the Key Employee may then elect, in his or her sole discretion, which and how much of the Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Payments equals the Reduced Amount) and shall advise the Company in writing of his or her election within 10 days of receipt of notice. If no such election is made by the Key Employee within such 10-day period, then the Company may elect which and how much of the Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Payments equals the Reduced Amount) and shall notify the Key Employee promptly of such election. For purposes of this Article 13, present value shall be determined in accordance with section 280G(d)(4) of the Code. All determinations made by the Auditors under this Article 13 shall be binding upon the Company and the Key Employee and shall be made within 60 days of the date when a payment becomes payable or transferable. As promptly as practicable following such determination and the elections hereunder, the Company shall pay or transfer to or for the benefit of the Key Employee such amounts as are then due to him or her under the Plan and shall promptly pay or transfer to or for the benefit of the Key Employee in the future such amounts as become due to him or her under the Plan.

13.3 Overpayments and Underpayments. As a result of uncertainty in the application of section 280G of the Code at the time of an initial determination by the Auditors hereunder, it is possible that Payments will have been made by the Company which should not have been made (an "Overpayment") or that additional Payments which will not have been made by the Company could have been made (an "Underpayment"), consistent in each case with the calculation of the Reduced Amount hereunder. In the event that the Auditors, based upon the assertion of a deficiency by the Internal Revenue Service against the Company or the Key Employee which the Auditors believe has a high probability of success, determine that an Overpayment has been made, such Overpayment shall be treated for all purposes as a loan to the Key Employee which he or she shall repay to the Company, together with interest at the applicable federal rate provided in section 7872(f)(2) of the Code; provided, however, that no amount shall be payable by the Key Employee to the Company if and to the extent that such payment would not reduce the amount which is subject to taxation under section 4999 of the Code. In the event that the Auditors determine that an Underpayment has occurred, such Underpayment shall promptly be paid or transferred by the Company to or for the benefit of the Key Employee, together with interest at the applicable federal rate provided in section 7872(f)(2) of the Code.

13.4 Related Corporations. For purposes of this Article 13, the term "Company" shall include affiliated corporations to the extent determined by the Auditors in accordance with section 280G(d)(5) of the Code.

ARTICLE 14. WITHHOLDING TAXES.

14.1 General. To the extent required by applicable federal, state, local or foreign law, the recipient of any payment or distribution under the Plan shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise by reason of the receipt or vesting of such payment or distribution. The Company shall not be required to issue any Common Shares or make any cash payment under the Plan until such obligations are satisfied.

14.2 Share Withholding. The Committee may permit a Participant to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold a portion of any Common Shares that otherwise would be issued to him or her or by surrendering a portion of any Common Shares that previously were issued to him or her. Such Common Shares shall be valued at their Fair Market Value on the date when taxes otherwise would be withheld in cash. Any payment of taxes by assigning Common Shares to the Company may be subject to restrictions, including any restrictions required by rules of the Securities and Exchange Commission.

ARTICLE 15. ASSIGNMENT OR TRANSFER OF AWARDS.

(i) Except as provided in Article 14, any Award granted under the Plan shall not be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. Any act in violation of this Article 15 shall be void. However, this Article 15 shall not preclude a Participant from designating a beneficiary who will receive any undistributed Awards in the event of the Participant's death, nor shall it preclude a transfer by will or by the laws of descent and distribution. In addition, neither this Article 15 nor any other provision of the Plan shall preclude a Participant from transferring or assigning Restricted Shares or Stock Units to (a) the trustee of a trust that is revocable by such Participant alone, both at the time of the transfer or assignment and at all times thereafter prior to such Participant's death, or (b) the trustee of any other trust to the extent approved in advance by the Committee in writing. A transfer or assignment of Restricted Shares or Stock Units from such trustee to any person other than such Participant shall be permitted only to the extent approved in advance by the Committee in writing, and Restricted Shares or Stock Units held by such trustee shall be subject to all of the conditions and restrictions set forth in the Plan and in the applicable Stock Award Agreement, as if such trustee were a party to such Agreement.

(ii) Notwithstanding paragraph (i) above, an NSO or portion thereof may be transferred by the Optionee by gift to (a) the Optionee's immediate family, (b) a partnership or limited liability company consisting solely of the Optionee and/or immediate family, or (c) to a trust established for the benefit of the Optionee and/or one or more members of the immediate family of the Optionee (including a charitable remainder trust whose income beneficiaries consist solely of such persons), or (d) as provided in the Optionee's Stock Option Agreement or with consent of the Board or Committee to any other person or entity to which a transfer of compensatory securities is permitted under the applicable rules for a Form S-8 registration statement, provided that such transfer will not be effective until notice of such transfer is delivered to the Corporation. For purposes of this paragraph (ii) "immediate family" means spouse, children and grandchildren. An Option or portion thereof may also be transferred pursuant to a domestic relations order of a court of competent jurisdiction.

ARTICLE 16. FUTURE OF THE PLAN.

16.1 Term of the Plan. The Plan, as set forth herein, shall become effective upon approval by the Stockholders of the Company. The Plan shall remain in effect until February 4, 2012, unless terminated earlier pursuant to Section 16.2, except that no ISOs shall be granted after November 15, 2011.

16.2 Amendment or Termination. The Board or the Committee may, at any time and for any reason, amend or terminate the Plan. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Option previously granted under the Plan.

ARTICLE 17. DEFINITIONS.

17.1 "Award" means any award of an Option (with or without a related SAR), a Restricted Share or a Stock Unit under the Plan.

17.2 "Award Year" means a fiscal year with respect to which an Award may be granted.

17.3 "Board" means the Company's Board of Directors, as constituted from time to time.

17.4 "Change in Control" means the occurrence of either of the following events:

(a) A change in the composition of the Board, as a result of which fewer than one-half of the incumbent directors are directors who either:

(i) Had been directors of the Company 24 months prior to such change; or

(ii) Were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the directors who had been directors of the Company 24 months prior to such change and who were still in office at the time of the election or nomination; or

(b) Any "person" (as such term is used in sections 13(d) and 14(d) of the Exchange Act) by the acquisition or aggregation of securities is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (the "Base Capital Stock"); except that any change in the relative beneficial ownership of the Company's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Company.

17.5 "<u>Code</u>" means the Internal Revenue Code of 1986, as amended.

17.6 "<u>Committee</u>" means a committee of the Board, as described in Article 2.

17.7 "<u>Common Share</u>" means one share of the Common Stock of the Company.

17.8 "<u>Company</u>" means Fair Isaac Corporation, a Delaware corporation.

17.9 "<u>Exchange Act</u>" means the Securities Exchange Act of 1934, as amended.

17.10 "<u>Exercise Price</u>" means the amount for which one Common Share may be purchased upon exercise of an Option, as specified in the applicable Stock Option Agreement.

17.11 "<u>Fair Market Value</u>" means the market price of Common Shares, determined by the Committee as follows:

(a) If the Common Shares were traded over-the-counter on the date in question, whether or not classified as a national market issue, then the Fair Market Value shall be equal to the mean between the last reported bid and asked prices quoted by the NASDAQ system for such date;

(b) If the Common Shares were traded on a stock exchange on the date in question, then the Fair Market Value shall be equal to the closing price reported by the applicable composite transactions report for such date; and

(c) If none of the foregoing provisions is applicable, then the Fair Market Value shall be determined by the Committee in good faith on such basis as it deems appropriate.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported by the Research Section of the National Association of Securities Dealers or in the Western Edition of The Wall Street Journal. Such determination shall be conclusive and binding on all persons.

17.12 "ISO" means an incentive stock option described in section 422(b) of the Code.

17.13 "Key Employee" means (a) a key common-law employee of the Company or of a Subsidiary, as determined by the Committee, or (b) an Outside Director. Service as an Outside Director shall be considered employment for all purposes of the Plan, except as provided in Sections 4.1 and 4.2.

17.14 "NSO" means an employee stock option not described in sections 422 or 423 of the Code.

17.15 "Option" means an ISO or NSO granted under the Plan and entitling the holder to purchase one Common Share.

17.16 "Optionee" means an individual or estate who holds an Option.

17.17 "Outside Director" shall mean a member of the Board who is not a common-law employee of the Company or of a Subsidiary.

17.18 "Participant" means an individual or estate who holds an Award.

17.19 "Plan" means this Fair Isaac Corporation 1992 Long-Term Incentive Plan, as it may be amended from time to time.

17.20 "Restricted Share" means a Common Share awarded under the Plan.

17.21 "SAR" means a stock appreciation right granted under the Plan.

17.22 "Stock Award Agreement" means the agreement between the Company and the recipient of a Restricted Share or Stock Unit which contains the terms, conditions and restrictions pertaining to such Restricted Share or Stock Unit.

17.23 "Stock Option Agreement" means the agreement between the Company and an Optionee which contains the terms, conditions and restrictions pertaining to his or her Option.

17.24 "Stock Unit" means a bookkeeping entry representing the equivalent of one Common Share and awarded under the Plan.

17.25 "Subsidiary" means any corporation, if the Company and/or one or more other Subsidiaries own not less than 50% of the total combined voting power of all classes of outstanding stock of such corporation. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

ARTICLE 18. EXECUTION.

To verify that this is the amended and restated Plan, the Company has caused its duly authorized officer to affix the corporate name and seal hereto.

FAIR ISAAC CORPORATION

By ____________________________________

Mark R. Scadina
Senior Vice President, General Counsel
and Corporate Secretary

Management Incentive Plan (MIP)
Fiscal Year 2009

The Management Incentive Plan ("MIP") applies to designated Executive Officers of the Company and is designed to link a portion of a participant's cash compensation to demonstrated performance. A participant has an opportunity to earn incentive awards based on Company Performance, Unit or Work Team Performance and Personal Performance results during the fiscal year. This document is the sole document which governs the administration of MIP awards.

Incentive Awards made pursuant to the MIP are determined and distributed annually following completion of the Company's fiscal year. The Committee may elect to issue interim awards in conjunction with the Company's mid-year performance review process. Incentive Awards may be prorated to account for partial Plan Year participation. Incentive awards will generally be distributed to participants within 90 calendar days following the end of the fiscal year.

Incentive awards under the MIP are determined based upon funding availability for the award pool, the performance of each Participant's assigned Business Unit or Work Team and Personal Performance against established performance goals. In general, annual incentive awards under the MIP target fifty percent of base salary at the time of determination and cumulative annual awards to any Participant will not exceed that Participant's annual base salary received during the relevant Plan Year.

Company performance is defined as the extent to which the Company attains established Incentive Plan Funding Goals tied to the achievement of both revenue and net income targets as established by the Committee at the beginning of the fiscal year. Business unit or work team performance is defined as the extent to which a participant's assigned business unit or work team achieves targeted results while adhering to budgeted resources.

All Incentive Awards under the MIP are in the form of cash payments, less applicable tax withholding, as determined by the Committee.

Financial results associated with business acquisitions, divestitures, share repurchase activity, changes in the economy or markets served by the Company which substantially impact results attained during the Plan Year may be excluded from the results used to calculate Incentive Awards. The Committee will determine, in its sole discretion, whether such events have occurred and the extent to which, if at all, goals should be adjusted.

The MIP is administered by the Compensation Committee of the Board of Directors (the "Committee"). The Committee has the authority to interpret and administer all provisions and to make any rules and regulations or take any action it deems necessary including amendments or revocation. All awards issued under the MIP are at the sole discretion of the Committee.

AMENDED AND RESTATED MANAGEMENT AGREEMENT

This Amended and Restated Management Agreement (this "Agreement") is entered into as of June 30, 2008, by and between Fair Isaac Corporation, a Delaware corporation (the "Company"), and Dr. Mark N. Greene ("Executive").

WHEREAS, Executive is currently employed by the Company and the Company desires to continue to employ Executive under the terms and conditions set forth in this Agreement;

WHEREAS, the Company and Executive are parties to a Management Agreement dated February 14, 2007 (the "Prior Agreement") which the parties desire to amend and restate in its entirety as set forth in this Agreement;

WHEREAS, in October 2004, the American Jobs Creation Act of 2004 (the "Act") was enacted, Section 885 of which Act added new provisions to the Internal Revenue Code of 1986, as amended (the "Code") pertaining to deferred compensation. The Treasury Department has issued final regulations and guidance regarding the deferred compensation provisions of the Act, which permit service providers and service recipients a transition period to modify existing deferred compensation arrangements to bring them into compliance with the Act;

WHEREAS, the parties agree that it is in their mutual best interests to modify, amend and clarify the terms and conditions of the Prior Agreement, as set forth in this Agreement, with the full intention of complying with the Act so as to avoid the additional taxes and penalties that may be imposed under the Act;

WHEREAS, Executive is a key member of the management of the Company and has heretofore devoted substantial skill and effort to the affairs of the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders to continue to obtain the benefits of Executive's services and attention to the affairs of the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders to provide inducement for Executive (A) to remain in the service of the Company in the event of any proposed or anticipated change in control of the Company and (B) to remain in the service of the Company in order to facilitate an orderly transition in the event of a change in control of the Company, without regard to the effect such change in control may have on Executive's employment with the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders that Executive be in a position to make judgments and advise the Company with respect to proposed changes in control of the Company; and

WHEREAS, the Executive desires to be protected in the event of certain changes in control of the Company; and

WHEREAS, for the reasons set forth above, the Company and Executive desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, the Company and Executive agree as follows:

1. Events. No amounts or benefits shall be payable or provided for pursuant to this Agreement unless an Event shall occur during the Term of this Agreement.

(a) For purposes of this Agreement, an "Event" shall be deemed to have occurred if any of the following occur:

(i) Any "person" (as defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, or any successor statute thereto (the "Exchange Act")) acquires or becomes a "beneficial owner" (as defined in Rule 13d-3 or any successor rule under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's securities entitled to vote generally in the election of directors ("Voting Securities") then outstanding or 30% or more of the shares of common stock of the Company ("Common Stock") outstanding, provided, however, that the following shall not constitute an Event pursuant to this Section 1(a)(i):

(A) any acquisition or beneficial ownership by the Company or a subsidiary of the Company;

(B) any acquisition or beneficial ownership by any employee benefit plan (or related trust) sponsored or maintained by the Company or one or more of its subsidiaries;

(C) any acquisition or beneficial ownership by any corporation (including without limitation an acquisition in a transaction of the nature described in Section 1(a)(ii)) with respect to which, immediately following such acquisition, more than 70%, respectively, of (x) the combined voting power of the Company's then outstanding Voting Securities and (y) the Common Stock is then beneficially owned, directly or indirectly, by all or substantially all of the persons who beneficially owned Voting Securities and Common Stock, respectively, of the Company immediately prior to such acquisition in substantially the same proportions as their

ownership of such Voting Securities and Common Stock, as the case may be, immediately prior to such acquisition; or

(D) any acquisition of Voting Securities or Common Stock directly from the Company; and

Continuing Directors shall not constitute a majority of the members of the Board of Directors of the Company. For purposes of this Section 1(a)(i), “Continuing Directors” shall mean: (A) individuals who, on the date hereof, are directors of the Company, (B) individuals elected as directors of the Company subsequent to the date hereof for whose election proxies shall have been solicited by the Board of Directors of the Company or (C) any individual elected or appointed by the Board of Directors of the Company to fill vacancies on the Board of Directors of the Company caused by death or resignation (but not by removal) or to fill newly-created directorships, provided that a “Continuing Director” shall not include an individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the threatened election or removal of directors (or other actual or threatened solicitation of proxies or consents) by or on behalf of any person other than the Board of Directors of the Company; or

(ii) Consummation of a reorganization, merger or consolidation of the Company or a statutory exchange of outstanding Voting Securities of the Company (other than a merger or consolidation with a subsidiary of the Company), unless immediately following such reorganization, merger, consolidation or exchange, all or substantially all of the persons who were the beneficial owners, respectively, of Voting Securities and Common Stock immediately prior to such reorganization, merger, consolidation or exchange beneficially own, directly or indirectly, more than 70% of, respectively, (x) the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such reorganization, merger, consolidation or exchange and (y) the then outstanding shares of common stock of the corporation resulting from such reorganization, merger, consolidation or exchange in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or exchange, of the Voting Securities and Common Stock, as the case may be; or

(iii) (x) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or (y) the sale or other disposition of all or substantially all of the assets of the Company (in one or a series of transactions), other than to a corporation with respect to which, immediately following such sale or other disposition, more than 70% of, respectively, (1) the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (2) the then outstanding shares of common stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the persons who were the beneficial owners, respectively, of the Voting Securities and Common Stock immediately prior to such sale or other disposition in substantially the same proportions as their ownership, immediately prior to such sale or other disposition, of the Voting Securities and Common Stock, as the case may be; or

(iv) A majority of the members of the Board of Directors of the Company shall have declared that an Event has occurred or, if a majority of the members of the Board of Directors has previously declared that an Event will occur upon satisfaction of specified conditions, such specified conditions have been satisfied.

Notwithstanding anything stated in this Section 1(a), an Event shall not be deemed to occur with respect to Executive if (x) the acquisition or beneficial ownership of the 30% or greater interest referred to in Section 1(a)(i) is by Executive or by a group, acting in concert, that includes Executive or (y) a majority of the then combined voting power of the then outstanding voting securities (or voting equity interests) of the surviving corporation or of any corporation (or other entity) acquiring all or substantially all of the assets of the Company shall, immediately after a reorganization, merger, exchange, consolidation or disposition of assets referred to in Section 1(a)(ii) or 1(a)(iii), be beneficially owned, directly or indirectly, by Executive or by a group, acting in concert, that includes Executive.

(b) For purposes of this Agreement, a "subsidiary" of the Company shall mean any entity of which securities or other ownership interests having general voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

2. <u>Payments and Benefits</u>. If any Event shall occur during the Term of this Agreement and the employment of Executive with the Company is voluntarily or involuntarily terminated under circumstances specified in Section 2(a), then Executive shall be entitled to receive from the Company or its successor (which term as used herein shall include any person acquiring all or substantially all of the assets of the Company) a cash payment and other benefits on the following basis:

(a) If at any time within 90 days before, or at any time upon or after the occurrence of, the first Event to occur (the "First Event") and prior to the end of the Transition Period, the employment of Executive with the Company is voluntarily or involuntarily terminated for any reason (unless such termination is a voluntary termination by Executive other than for Good Reason, is on account of the death or Disability of the Executive or is a termination by the Company for Cause), subject to the limitations set forth in Sections 2(d), 2(e), and 2(f), Executive shall be entitled to the following:

(i) The Company shall pay Executive's full base salary through the Termination Date at the rate then in effect in accordance with the normal payroll practices of the Company.

(ii) The Company or its successor shall make a cash payment to Executive in an amount equal to two (2) times the sum of (A) the annual base salary of Executive in effect immediately prior to the First Event plus (B) the cash bonus or cash incentive compensation received by the Executive from the Company for the fiscal year preceding the First Event, or, if Executive has not been employed by the Company for a full fiscal year as of the time of the First Event, Executive's guaranteed incentive bonus (as described in the letter agreement between Executive and the Company dated February 13, 2007) at target for the fiscal year in which the First Event occurs. Any amount payable under this Section 2(a)(ii) will be paid to Executive in a lump sum on the first regular payroll date of the Company or its successor to occur after the first day of the seventh month following the Termination Date.

(iii) For a 24-month period after the Termination Date, the Company shall allow Executive to participate in any insured group health and group life insurance plan or program (but not a self-insured medical expense reimbursement plan within the meaning of Section 105(h) of the Code) in which the Executive was entitled to participate immediately prior to the First Event as if Executive were an employee of the Company during such 24-month period; provided, however, that in the event that Executive's participation in any such health or life insurance plan or program of the Company is barred, the Company, at its sole cost and expense, shall arrange to provide Executive with insured benefits substantially similar to those which Executive would be entitled to receive under such plan or program if Executive were not barred from participation. Benefits otherwise receivable by Executive pursuant to this Section 2(a)(iii) shall be reduced to the extent comparable benefits are received by Executive from another employer or other third party during such 24-month period, and Executive shall promptly report receipt of any such benefits to the Company.

(iv) Any outstanding and unvested stock options granted to Executive shall be accelerated and become immediately exercisable by Executive (and shall remain exercisable for the applicable post-termination exercise periods specified in the applicable stock option agreements), any unvested restricted stock units granted to Executive shall be accelerated and shares of Company stock shall be issued to Executive or cash shall be paid to Executive, as specified in the applicable restricted stock unit agreement, and any restricted stock awarded to Executive and subject to forfeiture shall be fully vested and shall no longer be subject to forfeiture.

(b) The Company shall also pay to Executive reimbursement for all legal fees and expenses incurred by Executive in his lifetime as a result of such termination and relating to claims not barred by the applicable statutes of limitations, including, but not limited to, all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement. The amount of expenses eligible for reimbursement hereunder during any given calendar year shall not affect the expenses eligible for reimbursement in any other calendar year. Executive shall submit verification of expenses to the Company within 60 days from the date the expense was incurred, and the Company shall reimburse eligible expenses within 30 days thereafter, but in any case no later than the last day of the calendar year following the calendar year in which the expense was incurred. The right to reimbursement of legal fees and expenses hereunder may not be exchanged for cash or any other benefit.

(c) In addition to all other amounts payable to Executive under this Section 2, Executive shall be entitled to receive all benefits payable to Executive under any other plan or agreement relating to retirement benefits, pursuant to the terms and conditions of such plan or agreement.

(d) Executive shall not be required to mitigate the amount of any payment or other benefit provided for in Section 2 by seeking other employment or otherwise, nor shall the amount of any payment or other benefit provided for in Section 2 be reduced by any compensation earned by Executive as the result of employment by another employer after the Termination Date or otherwise, except as specifically provided in this Agreement.

(e) Notwithstanding any other provision of this Agreement, the Company will not pay to Executive, and Executive will not be entitled to receive, any payment pursuant to Section 2(a)(ii) unless and until:

(i) Executive executes, and there shall be effective following any statutory period for revocation or rescission, a release that irrevocably and unconditionally releases the Company, any company acquiring the Company or its assets, and their past and current shareholders, directors, officers, employees and agents from and against any and all claims, liabilities, obligations, covenants, rights and damages of any nature whatsoever, whether known or unknown, anticipated or unanticipated; provided, however, that the release shall not adversely affect Executive's rights to receive benefits to which he is entitled under this Agreement or Executive's rights to indemnification under applicable law, the charter documents of the Company, any insurance policy maintained by the Company or any written agreement between the Company and Executive; and

ii) Executive executes an agreement prohibiting Executive for a period of one (1) year following the Termination Date from soliciting, recruiting or inducing, or attempting to solicit, recruit or induce, any employee of the Company or of any company acquiring the Company or its assets to terminate the employee's employment.

(f) If the termination of Executive's employment with the Company occurs at any time within 90 days before the occurrence of the First Event, Executive shall be entitled to no payments or benefits under this Section 2 unless, in addition to satisfying all other requirements and conditions of this Section 2, Executive also reasonably demonstrates within 30 days of the First Event that such termination of employment (x) was requested by a party other than the Board of Directors of the Company that had previously taken other steps reasonably calculated to result in, and which ultimately results in, the First Event, or (y) otherwise arose in connection with or in anticipation of the First Event that ultimately occurs.

(g) The obligations of the Company under this Section 2 shall survive the termination of this Agreement.

3. Certain Reduction of Payments by the Company.

(a) Notwithstanding anything contained herein to the contrary, prior to the payment of any amounts pursuant to Section 2(a) hereof, an independent national accounting firm designated by the Company (the "Accounting Firm") shall compute whether there would be any "excess parachute payments" payable to Executive, within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), taking into account the total "parachute payments," within the meaning of Section 280G of the Code, payable to Executive by the Company or any successor thereto under this Agreement and any other plan, agreement or otherwise. If there would be any excess parachute payments, the Accounting Firm will compute the net after-tax proceeds to Executive, taking into account the excise tax imposed by Section 4999 of the

Code, if (i) the payments hereunder were reduced, but not below zero, such that the total parachute payments payable to Executive would not exceed three (3) times the "base amount" as defined in Section 280G of the Code, less One Dollar ($1.00), or (ii) the payments hereunder were not reduced. If reducing the payments hereunder would result in a greater after-tax amount to Executive, such lesser amount shall be paid to Executive. If not reducing the payments hereunder would result in a greater after-tax amount to Executive, such payments shall not be reduced. The determination by the Accounting Firm shall be binding upon the Company and Executive subject to the application of Section 3(b) hereof.

(b) If as a result of uncertainty in the application of Sections 280G of the Code, it is possible that excess parachute payments will be paid when such payment would result in a lesser after-tax amount to Executive, such a payment will be void ab initio as regards any such excess. Any excess will be treated as an overpayment by the Company to Executive. Executive will return the overpayment to the Company within fifteen (15) business days of any determination by the Accounting Firm that excess parachute payments have been paid when not so intended, with interest at an annual rate equal to the rate provided in Section 1274(d) of the Code (or 120% of such rate if the Accounting Firm determines that such rate is necessary to avoid an excise tax under Section 4999 of the Code) from the date Executive received such excess until it is repaid to the Company.

(c) All fees, costs and expenses (including, but not limited to, the cost of retaining experts) of the Accounting Firm shall be borne by the Company and the Company shall pay such fees, costs, and expenses as they become due. In performing the computations required hereunder, the Accounting Firm shall assume that taxes will be paid for state and federal purposes at the highest possible marginal tax rates which could be applicable to Executive in the year of receipt of the payments, unless Executive agrees otherwise.

4. Definition of Certain Additional Terms.

(a) "Cause" shall mean, and be limited to, (i) willful and gross neglect of duties by the Executive or (ii) an act or acts committed by the Executive constituting a felony and substantially detrimental to the Company or its reputation.

(b) "Disability" shall mean Executive's absence from his duties with the Company on a full time basis for 180 consecutive business days, as a result of Executive's incapacity due to physical or mental illness, unless within 30 days after written notice of intent to terminate is given by the Company following such absence Executive shall have returned to the full time performance of Executive's duties.

(c) "Good Reason" shall mean if, without Executive's express written consent, any of the following shall occur:

(i) a material reduction of Executive’s authority, duties, or responsibilities in the Company or its successor, including: (A) a material reduction in Executive’s budget authority, or (B) a material reduction in the authority, duties, or responsibilities of the person to whom Executive reports, but excluding any isolated, insubstantial, or inadvertent action not taken in bad faith and which is remedied by the Company within five (5) days after receipt of notice thereof from Executive;

(ii) a material reduction by the Company in Executive’s annual base salary or target incentive in effect immediately prior to the First Event;

(iii) the taking of any action by the Company that would result in a material reduction of the aggregate benefits enjoyed by Executive under the Company’s pension, life insurance, medical, health and accident, disability, deferred compensation, incentive awards, employee stock options, restricted stock or stock unit awards, or savings plans in which Executive was participating at the time of the First Event;

(iv) the Company requiring Executive to relocate to any place other than a location within fifty miles of the location at which Executive performed his primary duties immediately prior to the First Event or, if Executive is based at the Company’s principal executive offices, the relocation of the Company’s principal executive offices to a location more than fifty miles from its location immediately prior to the First Event, except for required travel on the Company’s business to an extent substantially consistent with Executive’s prior business travel obligations; or

(v) the failure of the Company to obtain agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5(b).

(d) As used herein, other than in Section 1(a) hereof, the term “person” shall mean an individual, partnership, corporation, estate, trust or other entity.

(e) “Termination Date” shall mean the date of termination of Executive’s employment, which in the case of termination for Disability shall be the 30th day after notice is given as required in Section 4(b); provided, however, that for purposes of Section 2(a)(ii) of this Agreement only, the Termination Date shall mean the date on which a “separation from service” has occurred for purposes of Section 409A of the Code and the regulations and guidance thereunder.

(f) "Transition Period" shall mean the one-year period commencing on the date of the First Event and ending on the first anniversary of the First Event.

5. Successors and Assigns.

(a) This Agreement shall be binding upon and inure to the benefit of the successors, legal representatives and assigns of the parties hereto; provided, however, that the Executive shall not have any right to assign, pledge or otherwise dispose of or transfer any interest in this Agreement or any payments hereunder, whether directly or indirectly or in whole or in part, without the written consent of the Company or its successor.

(b) The Company will require any successor (whether direct or indirect, by purchase of a majority of the outstanding voting stock of the Company or all or substantially all of the assets of the Company, or by merger, consolidation or otherwise), by agreement in form and substance satisfactory to Executive, to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession (other than in the case of a merger or consolidation) shall be a breach of this Agreement. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid that is required to execute and deliver the agreement as provided for in this Section 5(b) or that otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

6. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Minnesota.

7. Notices. All notices, requests and demands given to or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage pre-paid, addressed to the last known residence address of Executive or in the case of the Company, to its principal executive office to the attention of each of the then directors of the Company with a copy to its Secretary, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

8. Remedies and Claim Process. If Executive disputes any determination made by the Company regarding Executive's eligibility for any benefits under this Agreement, the amount or terms of payment of any benefits under this Agreement, or the Company's application of any provision of this Agreement, then Executive shall, before pursuing any other remedies that may be available to Executive, seek to resolve such dispute by submitting a written claim notice to the Company. The notice by Executive shall explain the specific reasons for Executive's claim and basis therefor. The Board of Directors shall review such claim and the Company will notify Executive in writing of its response within 60 days of the date on which Executive's notice of claim was given. The notice responding to Executive's claim will explain the specific reasons for the decision. Executive shall submit a written claim hereunder before pursuing any other process for resolution of such claim. This Section 8 does not otherwise affect any rights that Executive or the Company may have in law or equity to seek any right or benefit under this Agreement.

9. Severability. In the event that any portion of this Agreement is held to be invalid or unenforceable for any reason, it is hereby agreed that such invalidity or unenforceability shall not affect the other portions of this Agreement and that the remaining covenants, terms and conditions or portions hereof shall remain in full force and effect.

10. Integration. The benefits provided to Executive under this Agreement shall be in lieu of any other severance pay or benefits available to Executive under any other agreement, plan or program of the Company to the extent such other severance pay or benefits do not constitute deferred compensation within the meaning of Section 409A of the Code. In the event that any payments or benefits become payable to Executive pursuant to Section 2 of this Agreement, then this Agreement will supersede and replace any other agreement, plan or program applicable to Executive to the extent that such other agreement, plan or program provides for payments or benefits to Executive that do not constitute deferred compensation within the meaning of Section 409A of the Code and that arise out of the involuntary termination of Executive's employment or termination by Executive for Good Reason. In addition, the acceleration of stock options and lapsing of forfeiture provisions of restricted stock units or other equity awards provided pursuant to Section 2(a)(iv) of this Agreement shall not be subject to the provisions of Article 13 of the Company's 1992 Long-Term Incentive Plan (or similar successor provision or plan).

11. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party to this Agreement of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior to similar time.

12. Term. This Agreement shall commence on the date of this Agreement and shall terminate, and the Term of this Agreement shall end, on the later of (A) February 13, 2012, provided that such period shall be automatically extended for one year and from year to year thereafter until notice of termination is given by the Company or Executive to the other party hereto at least 60 days prior to February 13, 2012 or the one-year extension period then in effect, as the case may be, or (B) if the First Event occurs on or prior to February 13, 2012 (or prior to the end of the extension year then in effect as provided for in clause (A) hereof), the first anniversary of the First Event.

13. Section 409A. This Agreement is intended to satisfy the requirements of Section 409A(a)(2), (3) and (4) of the Code, including current and future guidance and regulations interpreting such provisions, and should be interpreted accordingly.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Fair Isaac Corporation

By /s/ Mark N. Greene

Dr. Mark N. Greene

By /s/ Margaret Taylor

Margaret (Peggy) Taylor
Compensation Committee Chair

Exhibit 10.55

AMENDED AND RESTATED MANAGEMENT AGREEMENT

This Amended and Restated Management Agreement (this "Agreement") is entered into as of June 30, 2008, by and between Fair Isaac Corporation, a Delaware corporation (the "Company"), and Mark R. Scadina ("Executive").

WHEREAS, Executive is currently employed by the Company and the Company desires to continue to employ Executive under the terms and conditions set forth in this Agreement;

WHEREAS, the Company and Executive are parties to a Management Agreement dated June 11, 2007 (the "Prior Agreement") which the parties desire to amend and restate in its entirety as set forth in this Agreement;

WHEREAS, in October 2004, the American Jobs Creation Act of 2004 (the "Act") was enacted, Section 885 of which Act added new provisions to the Internal Revenue Code of 1986, as amended (the "Code") pertaining to deferred compensation. The Treasury Department has issued final regulations and guidance regarding the deferred compensation provisions of the Act, which permit service providers and service recipients a transition period to modify existing deferred compensation arrangements to bring them into compliance with the Act;

WHEREAS, the parties agree that it is in their mutual best interests to modify, amend and clarify the terms and conditions of the Prior Agreement, as set forth in this Agreement, with the full intention of complying with the Act so as to avoid the additional taxes and penalties that may be imposed under the Act;

WHEREAS, Executive is a key member of the management of the Company and has heretofore devoted substantial skill and effort to the affairs of the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders to continue to obtain the benefits of Executive's services and attention to the affairs of the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders to provide inducement for Executive (A) to remain in the service of the Company in the event of any proposed or anticipated change in control of the Company and (B) to remain in the service of the Company in order to facilitate an orderly transition in the event of a change in control of the Company, without regard to the effect such change in control may have on Executive's employment with the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders that Executive be in a position to make judgments and advise the Company with respect to proposed changes in control of the Company; and

WHEREAS, the Executive desires to be protected in the event of certain changes in control of the Company; and

WHEREAS, for the reasons set forth above, the Company and Executive desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, the Company and Executive agree as follows:

1. Events. No amounts or benefits shall be payable or provided for pursuant to this Agreement unless an Event shall occur during the Term of this Agreement.

(a) For purposes of this Agreement, an "Event" shall be deemed to have occurred if any of the following occur:

(i) Any "person" (as defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, or any successor statute thereto (the "Exchange Act")) acquires or becomes a "beneficial owner" (as defined in Rule 13d-3 or any successor rule under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's securities entitled to vote generally in the election of directors ("Voting Securities") then outstanding or 30% or more of the shares of common stock of the Company ("Common Stock") outstanding, provided, however, that the following shall not constitute an Event pursuant to this Section 1(a)(i):

(A) any acquisition or beneficial ownership by the Company or a subsidiary of the Company;

(B) any acquisition or beneficial ownership by any employee benefit plan (or related trust) sponsored or maintained by the Company or one or more of its subsidiaries;

(C) any acquisition or beneficial ownership by any corporation (including without limitation an acquisition in a transaction of the nature described in Section 1(a)(ii)) with respect to which, immediately following such acquisition, more than 70%, respectively, of (x) the combined voting power of the Company's then outstanding Voting Securities and (y) the Common Stock is then beneficially owned, directly or indirectly, by all or substantially all of the persons who beneficially owned Voting Securities and Common Stock, respectively, of the Company immediately prior to such acquisition in substantially the same proportions as their

ownership of such Voting Securities and Common Stock, as the case may be, immediately prior to such acquisition; or

(D) any acquisition of Voting Securities or Common Stock directly from the Company; and

Continuing Directors shall not constitute a majority of the members of the Board of Directors of the Company. For purposes of this Section 1(a)(i), "Continuing Directors" shall mean: (A) individuals who, on the date hereof, are directors of the Company, (B) individuals elected as directors of the Company subsequent to the date hereof for whose election proxies shall have been solicited by the Board of Directors of the Company or (C) any individual elected or appointed by the Board of Directors of the Company to fill vacancies on the Board of Directors of the Company caused by death or resignation (but not by removal) or to fill newly-created directorships, provided that a "Continuing Director" shall not include an individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the threatened election or removal of directors (or other actual or threatened solicitation of proxies or consents) by or on behalf of any person other than the Board of Directors of the Company; or

(ii) Consummation of a reorganization, merger or consolidation of the Company or a statutory exchange of outstanding Voting Securities of the Company (other than a merger or consolidation with a subsidiary of the Company), unless immediately following such reorganization, merger, consolidation or exchange, all or substantially all of the persons who were the beneficial owners, respectively, of Voting Securities and Common Stock immediately prior to such reorganization, merger, consolidation or exchange beneficially own, directly or indirectly, more than 70% of, respectively, (x) the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such reorganization, merger, consolidation or exchange and (y) the then outstanding shares of common stock of the corporation resulting from such reorganization, merger, consolidation or exchange in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or exchange, of the Voting Securities and Common Stock, as the case may be; or

(iii) (x) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or (y) the sale or other disposition of all or substantially all of the assets of the Company (in one or a series of transactions), other than to a corporation with respect to which, immediately following such sale or other disposition, more than 70% of, respectively, (1) the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (2) the then outstanding shares of common stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the persons who were the beneficial owners, respectively, of the Voting Securities and Common Stock immediately prior to such sale or other disposition in substantially the same proportions as their ownership, immediately prior to such sale or other disposition, of the Voting Securities and Common Stock, as the case may be; or

(iv) A majority of the members of the Board of Directors of the Company shall have declared that an Event has occurred or, if a majority of the members of the Board of Directors has previously declared that an Event will occur upon satisfaction of specified conditions, such specified conditions have been satisfied.

Notwithstanding anything stated in this Section 1(a), an Event shall not be deemed to occur with respect to Executive if (x) the acquisition or beneficial ownership of the 30% or greater interest referred to in Section 1(a)(i) is by Executive or by a group, acting in concert, that includes Executive or (y) a majority of the then combined voting power of the then outstanding voting securities (or voting equity interests) of the surviving corporation or of any corporation (or other entity) acquiring all or substantially all of the assets of the Company shall, immediately after a reorganization, merger, exchange, consolidation or disposition of assets referred to in Section 1(a)(ii) or 1(a)(iii), be beneficially owned, directly or indirectly, by Executive or by a group, acting in concert, that includes Executive.

(b) For purposes of this Agreement, a "subsidiary" of the Company shall mean any entity of which securities or other ownership interests having general voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

2. Payments and Benefits. If any Event shall occur during the Term of this Agreement and the employment of Executive with the Company is voluntarily or involuntarily terminated under circumstances specified in Section 2(a), then Executive shall be entitled to receive from the Company or its successor (which term as used herein shall include any person acquiring all or substantially all of the assets of the Company) a cash payment and other benefits on the following basis:

(a) If at any time within 90 days before, or at any time upon or after the occurrence of, the first Event to occur (the "First Event") and prior to the end of the Transition Period, the employment of Executive with the Company is voluntarily or involuntarily terminated for any reason (unless such termination is a voluntary termination by Executive other than for Good Reason, is on account of the death or Disability of the Executive or is a termination by the Company for Cause), subject to the limitations set forth in Sections 2(d), 2(e), and 2(f), Executive shall be entitled to the following:

(i) The Company shall pay Executive's full base salary through the Termination Date at the rate then in effect in accordance with the normal payroll practices of the Company.

(ii) The Company or its successor shall make a cash payment to Executive in an amount equal to one (1) times the sum of (A) the annual base salary of Executive in effect immediately prior to the First Event plus (B) the cash bonus or cash incentive compensation received by the Executive from the Company for the fiscal year preceding the First Event. If the fiscal year preceding the First Event is FY08 or earlier, the cash bonus or cash incentive compensation value shall be the actual amount received or $162,500, whichever is greater. Any amount payable under this Section 2(a)(ii) will be paid to Executive in a lump sum on the first regular payroll date of the Company or its successor to occur after the first day of the seventh month following the Termination Date.

(iii) For a 12-month period after the Termination Date, the Company shall allow Executive to participate in any insured group health and group life insurance plan or program (but not a self-insured medical expense reimbursement plan within the meaning of Section 105(h) of the Code) in which the Executive was entitled to participate immediately prior to the First Event as if Executive were an employee of the Company during such 12-month period; provided, however, that in the event that Executive's participation in any such health or life insurance plan or program of the Company is barred, the Company, at its sole cost and expense, shall arrange to provide Executive with insured benefits substantially similar to those which Executive would be entitled to receive under such plan or program if Executive were not barred from participation. Benefits otherwise receivable by Executive pursuant to this Section 2(a)(iii) shall be reduced to the extent comparable benefits are received by Executive from another employer or other third party during such 12-month period, and Executive shall promptly report receipt of any such benefits to the Company.

(iv) Any outstanding and unvested stock options granted to Executive shall be accelerated and become immediately exercisable by Executive (and shall remain exercisable for the applicable post-termination exercise periods specified in the applicable stock option agreements), any unvested restricted stock units granted to Executive shall be accelerated and shares of Company stock shall be issued to Executive or cash shall be paid to Executive, as specified in the applicable restricted stock unit agreement, and any restricted stock awarded to Executive and subject to forfeiture shall be fully vested and shall no longer be subject to forfeiture.

(b) The Company shall also pay to Executive reimbursement for all legal fees and expenses incurred by Executive in his lifetime as a result of such termination and relating to claims not barred by the applicable statutes of limitations, including, but not limited to, all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement. The amount of expenses eligible for reimbursement hereunder during any given calendar year shall not affect the expenses eligible for reimbursement in any other calendar year. Executive shall submit verification of expenses to the Company within 60 days from the date the expense was incurred, and the Company shall reimburse eligible expenses within 30 days thereafter, but in any case no later than the last day of the calendar year following the calendar year in which the expense was incurred. The right to reimbursement of legal fees and expenses hereunder may not be exchanged for cash or any other benefit.

(c) In addition to all other amounts payable to Executive under this Section 2, Executive shall be entitled to receive all benefits payable to Executive under any other plan or agreement relating to retirement benefits, pursuant to the terms and conditions of such plan or agreement.

(d) Executive shall not be required to mitigate the amount of any payment or other benefit provided for in Section 2 by seeking other employment or otherwise, nor shall the amount of any payment or other benefit provided for in Section 2 be reduced by any compensation earned by Executive as the result of employment by another employer after the Termination Date or otherwise, except as specifically provided in this Agreement.

(e) Notwithstanding any other provision of this Agreement, the Company will not pay to Executive, and Executive will not be entitled to receive, any payment pursuant to Section 2(a)(ii) unless and until:

(i) Executive executes, and there shall be effective following any statutory period for revocation or rescission, a release that irrevocably and unconditionally releases the Company, any company acquiring the Company or its assets, and their past and current shareholders, directors, officers, employees and agents from and against any and all claims, liabilities, obligations, covenants, rights and damages of any nature whatsoever, whether known or unknown, anticipated or unanticipated; provided, however, that the release shall not adversely affect Executive's rights to receive benefits to which he is entitled under this Agreement or Executive's rights to indemnification under applicable law, the charter documents of the Company, any insurance policy maintained by the Company or any written agreement between the Company and Executive; and

ii) Executive executes an agreement prohibiting Executive for a period of one (1) year following the Termination Date from soliciting, recruiting or inducing, or attempting to solicit, recruit or induce, any employee of the Company or of any company acquiring the Company or its assets to terminate the employee's employment.

(f) If the termination of Executive's employment with the Company occurs at any time within 90 days before the occurrence of the First Event, Executive shall be entitled to no payments or benefits under this Section 2 unless, in addition to satisfying all other requirements and conditions of this Section 2, Executive also reasonably demonstrates within 30 days of the First Event that such termination of employment (x) was requested by a party other than the Board of Directors of the Company that had previously taken other steps reasonably calculated to result in, and which ultimately results in, the First Event, or (y) otherwise arose in connection with or in anticipation of the First Event that ultimately occurs.

(g) The obligations of the Company under this Section 2 shall survive the termination of this Agreement.

3. Certain Reduction of Payments by the Company.

(a) Notwithstanding anything contained herein to the contrary, prior to the payment of any amounts pursuant to Section 2(a) hereof, an independent national accounting firm designated by the Company (the "Accounting Firm") shall compute whether there would be any "excess parachute payments" payable to Executive, within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), taking into account the total "parachute payments," within the meaning of Section 280G of the Code, payable to Executive by the Company or any successor thereto under this Agreement and any other plan, agreement or otherwise. If there would be any excess parachute payments, the Accounting Firm will compute the net after-tax proceeds to Executive, taking into account the excise tax imposed by Section 4999 of the Code, if (i) the payments hereunder were reduced, but not below zero, such that the total parachute payments payable to Executive would not exceed three (3) times the "base amount" as defined in Section 280G of the Code, less One Dollar ($1.00), or (ii) the payments hereunder were not reduced. If reducing the payments hereunder would result in a greater after-tax amount to Executive, such lesser amount shall be paid to Executive. If not reducing the payments hereunder would result in a greater after-tax amount to Executive, such payments shall not be reduced. The determination by the Accounting Firm shall be binding upon the Company and Executive subject to the application of Section 3(b) hereof.

(b) If as a result of uncertainty in the application of Sections 280G of the Code, it is possible that excess parachute payments will be paid when such payment would result in a lesser after-tax amount to Executive, such a payment will be void ab initio as regards any such excess. Any excess will be treated as an overpayment by the Company to Executive. Executive will return the overpayment to the Company within fifteen (15) business days of any determination by the Accounting Firm that excess parachute payments have been paid when not so intended, with interest at an annual rate equal to the rate provided in Section 1274(d) of the Code (or 120% of such rate if the Accounting Firm determines that such rate is necessary to avoid an excise tax under Section 4999 of the Code) from the date Executive received such excess until it is repaid to the Company.

(c) All fees, costs and expenses (including, but not limited to, the cost of retaining experts) of the Accounting Firm shall be borne by the Company and the Company shall pay such fees, costs, and expenses as they become due. In performing the computations required hereunder, the Accounting Firm shall assume that taxes will be paid for state and federal purposes at the highest possible marginal tax rates which could be applicable to Executive in the year of receipt of the payments, unless Executive agrees otherwise.

4. Definition of Certain Additional Terms.

(a) "Cause" shall mean, and be limited to, (i) willful and gross neglect of duties by the Executive or (ii) an act or acts committed by the Executive constituting a felony and substantially detrimental to the Company or its reputation.

(b) "Disability" shall mean Executive's absence from his duties with the Company on a full time basis for 180 consecutive business days, as a result of Executive's incapacity due to physical or mental illness, unless within 30 days after written notice of intent to terminate is given by the Company following such absence Executive shall have returned to the full time performance of Executive's duties.

(c) "Good Reason" shall mean if, without Executive's express written consent, any of the following shall occur:

(i) a material reduction of Executive’s authority, duties, or responsibilities in the Company or its successor, including: (A) a material reduction in Executive’s budget authority, or (B) a material reduction in the authority, duties, or responsibilities of the person to whom Executive reports, but excluding any isolated, insubstantial, or inadvertent action not taken in bad faith and which is remedied by the Company within five (5) days after receipt of notice thereof from Executive;

(ii) a material reduction by the Company in Executive’s annual base salary or target incentive in effect immediately prior to the First Event;

(iii) the taking of any action by the Company that would result in a material reduction of the aggregate benefits enjoyed by Executive under the Company’s pension, life insurance, medical, health and accident, disability, deferred compensation, incentive awards, employee stock options, restricted stock or stock unit awards, or savings plans in which Executive was participating at the time of the First Event;

(iv) the Company requiring Executive to relocate to any place other than a location within fifty miles of the location at which Executive performed his primary duties immediately prior to the First Event or, if Executive is based at the Company’s principal executive offices, the relocation of the Company’s principal executive offices to a location more than fifty miles from its location immediately prior to the First Event, except for required travel on the Company’s business to an extent substantially consistent with Executive’s prior business travel obligations; or

(v) the failure of the Company to obtain agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5(b).

(d) As used herein, other than in Section 1(a) hereof, the term “person” shall mean an individual, partnership, corporation, estate, trust or other entity.

(e) “Termination Date” shall mean the date of termination of Executive’s employment, which in the case of termination for Disability shall be the 30th day after notice is given as required in Section 4(b); provided, however, that for purposes of Section 2(a)(ii) of this Agreement only, the Termination Date shall mean the date on which a “separation from service” has occurred for purposes of Section 409A of the Code and the regulations and guidance thereunder.

(f) "Transition Period" shall mean the one-year period commencing on the date of the First Event and ending on the first anniversary of the First Event.

5. Successors and Assigns.

(a) This Agreement shall be binding upon and inure to the benefit of the successors, legal representatives and assigns of the parties hereto; provided, however, that the Executive shall not have any right to assign, pledge or otherwise dispose of or transfer any interest in this Agreement or any payments hereunder, whether directly or indirectly or in whole or in part, without the written consent of the Company or its successor.

(b) The Company will require any successor (whether direct or indirect, by purchase of a majority of the outstanding voting stock of the Company or all or substantially all of the assets of the Company, or by merger, consolidation or otherwise), by agreement in form and substance satisfactory to Executive, to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession (other than in the case of a merger or consolidation) shall be a breach of this Agreement. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid that is required to execute and deliver the agreement as provided for in this Section 5(b) or that otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

6. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Minnesota.

7. Notices. All notices, requests and demands given to or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage pre-paid, addressed to the last known residence address of Executive or in the case of the Company, to its principal executive office to the attention of each of the then directors of the Company with a copy to its Secretary, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

8. Remedies and Claim Process. If Executive disputes any determination made by the Company regarding Executive's eligibility for any benefits under this Agreement, the amount or terms of payment of any benefits under this Agreement, or the Company's application of any provision of this Agreement, then Executive shall, before pursuing any other remedies that may be available to Executive, seek to resolve such dispute by submitting a written claim notice to the Company. The notice by Executive shall explain the specific reasons for Executive's claim and basis therefor. The Board of Directors shall review such claim and the Company will notify Executive in writing of its response within 60 days of the date on which Executive's notice of claim was given. The notice responding to Executive's claim will explain the specific reasons for the decision. Executive shall submit a written claim hereunder before pursuing any other process for resolution of such claim. This Section 8 does not otherwise affect any rights that Executive or the Company may have in law or equity to seek any right or benefit under this Agreement.

9. Severability. In the event that any portion of this Agreement is held to be invalid or unenforceable for any reason, it is hereby agreed that such invalidity or unenforceability shall not affect the other portions of this Agreement and that the remaining covenants, terms and conditions or portions hereof shall remain in full force and effect.

10. Integration. The benefits provided to Executive under this Agreement shall be in lieu of any other severance pay or benefits available to Executive under any other agreement, plan or program of the Company to the extent such other severance pay or benefits do not constitute deferred compensation within the meaning of Section 409A of the Code. In the event that any payments or benefits become payable to Executive pursuant to Section 2 of this Agreement, then this Agreement will supersede and replace any other agreement, plan or program applicable to Executive to the extent that such other agreement, plan or program provides for payments or benefits to Executive that do not constitute deferred compensation within the meaning of Section 409A of the Code and that arise out of the involuntary termination of Executive's employment or termination by Executive for Good Reason. In addition, the acceleration of stock options and lapsing of forfeiture provisions of restricted stock units or other equity awards provided pursuant to Section 2(a)(iv) of this Agreement shall not be subject to the provisions of Article 13 of the Company's 1992 Long-Term Incentive Plan (or similar successor provision or plan).

11. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party to this Agreement of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior to similar time.

12. Term. This Agreement shall commence on the date of this Agreement and shall terminate, and the Term of this Agreement shall end, on the later of (A) December 31, 2012, provided that such period shall be automatically extended for one year and from year to year thereafter until notice of termination is given by the Company or Executive to the other party hereto at least 60 days prior to December 31, 2012 or the one-year extension period then in effect, as the case may be, or (B) if the First Event occurs on or prior to December 31, 2012 (or prior to the end of the extension year then in effect as provided for in clause (A) hereof), the first anniversary of the First Event.

13. Section 409A. This Agreement is intended to satisfy the requirements of Section 409A(a)(2), (3) and (4) of the Code, including current and future guidance and regulations interpreting such provisions, and should be interpreted accordingly.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Fair Isaac Corporation

By /s/ Mark N. Greene
Mark N. Greene
Its Chief Executive Officer

Mark R. Scadina

By /s/ Mark R. Scadina

AMENDED AND RESTATED MANAGEMENT AGREEMENT

This Amended and Restated Management Agreement (this “Agreement”) is entered into as of June 30, 2008, by and between Fair Isaac Corporation, a Delaware corporation (the “Company”), and Laurent Pacalin (“Executive”).

WHEREAS, Executive is currently employed by the Company and the Company desires to continue to employ Executive under the terms and conditions set forth in this Agreement;

WHEREAS, the Company and Executive are parties to a Management Agreement dated April 22, 2008 (the “Prior Agreement”) which the parties desire to amend and restate in its entirety as set forth in this Agreement;

WHEREAS, in October 2004, the American Jobs Creation Act of 2004 (the “Act”) was enacted, Section 885 of which Act added new provisions to the Internal Revenue Code of 1986, as amended (the “Code”) pertaining to deferred compensation. The Treasury Department has issued final regulations and guidance regarding the deferred compensation provisions of the Act, which permit service providers and service recipients a transition period to modify existing deferred compensation arrangements to bring them into compliance with the Act;

WHEREAS, the parties agree that it is in their mutual best interests to modify, amend and clarify the terms and conditions of the Prior Agreement, as set forth in this Agreement, with the full intention of complying with the Act so as to avoid the additional taxes and penalties that may be imposed under the Act;

WHEREAS, Executive is a key member of the management of the Company and has heretofore devoted substantial skill and effort to the affairs of the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders to continue to obtain the benefits of Executive’s services and attention to the affairs of the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders to provide inducement for Executive (A) to remain in the service of the Company in the event of any proposed or anticipated change in control of the Company and (B) to remain in the service of the Company in order to facilitate an orderly transition in the event of a change in control of the Company, without regard to the effect such change in control may have on Executive’s employment with the Company; and

WHEREAS, it is desirable and in the best interests of the Company and its shareholders that Executive be in a position to make judgments and advise the Company with respect to proposed changes in control of the Company; and

WHEREAS, the Executive desires to be protected in the event of certain changes in control of the Company; and

WHEREAS, for the reasons set forth above, the Company and Executive desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, the Company and Executive agree as follows:

1. Events. No amounts or benefits shall be payable or provided for pursuant to this Agreement unless an Event shall occur during the Term of this Agreement.

(a) For purposes of this Agreement, an "Event" shall be deemed to have occurred if any of the following occur:

(i) Any "person" (as defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, or any successor statute thereto (the "Exchange Act")) acquires or becomes a "beneficial owner" (as defined in Rule 13d-3 or any successor rule under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's securities entitled to vote generally in the election of directors ("Voting Securities") then outstanding or 30% or more of the shares of common stock of the Company ("Common Stock") outstanding, provided, however, that the following shall not constitute an Event pursuant to this Section 1(a)(i):

(A) any acquisition or beneficial ownership by the Company or a subsidiary of the Company;

(B) any acquisition or beneficial ownership by any employee benefit plan (or related trust) sponsored or maintained by the Company or one or more of its subsidiaries;

(C) any acquisition or beneficial ownership by any corporation (including without limitation an acquisition in a transaction of the nature described in Section 1(a)(ii)) with respect to which, immediately following such acquisition, more than 70%, respectively, of (x) the combined voting power of the Company's then outstanding Voting Securities and (y) the Common Stock is then beneficially owned, directly or indirectly, by all or substantially all of the persons who beneficially owned Voting Securities and Common Stock, respectively, of the Company immediately prior to such acquisition in substantially the same proportions as their

ownership of such Voting Securities and Common Stock, as the case may be, immediately prior to such acquisition; or

(D) any acquisition of Voting Securities or Common Stock directly from the Company; and

Continuing Directors shall not constitute a majority of the members of the Board of Directors of the Company. For purposes of this Section 1(a)(i), "Continuing Directors" shall mean: (A) individuals who, on the date hereof, are directors of the Company, (B) individuals elected as directors of the Company subsequent to the date hereof for whose election proxies shall have been solicited by the Board of Directors of the Company or (C) any individual elected or appointed by the Board of Directors of the Company to fill vacancies on the Board of Directors of the Company caused by death or resignation (but not by removal) or to fill newly-created directorships, provided that a "Continuing Director" shall not include an individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the threatened election or removal of directors (or other actual or threatened solicitation of proxies or consents) by or on behalf of any person other than the Board of Directors of the Company; or

(ii) Consummation of a reorganization, merger or consolidation of the Company or a statutory exchange of outstanding Voting Securities of the Company (other than a merger or consolidation with a subsidiary of the Company), unless immediately following such reorganization, merger, consolidation or exchange, all or substantially all of the persons who were the beneficial owners, respectively, of Voting Securities and Common Stock immediately prior to such reorganization, merger, consolidation or exchange beneficially own, directly or indirectly, more than 70% of, respectively, (x) the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such reorganization, merger, consolidation or exchange and (y) the then outstanding shares of common stock of the corporation resulting from such reorganization, merger, consolidation or exchange in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or exchange, of the Voting Securities and Common Stock, as the case may be; or

(iii) (x) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or (y) the sale or other disposition of all or substantially all of the assets of the Company (in one or a series of transactions), other than to a corporation with respect to which, immediately following such sale or other disposition, more than 70% of, respectively, (1) the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (2) the then outstanding shares of common stock of such corporation is then beneficially owned, directly or indirectly, by all or substantially all of the persons who were the beneficial owners, respectively, of the Voting Securities and Common Stock immediately prior to such sale or other disposition in substantially the same proportions as their ownership, immediately prior to such sale or other disposition, of the Voting Securities and Common Stock, as the case may be; or

(iv) A majority of the members of the Board of Directors of the Company shall have declared that an Event has occurred or, if a majority of the members of the Board of Directors has previously declared that an Event will occur upon satisfaction of specified conditions, such specified conditions have been satisfied.

Notwithstanding anything stated in this Section 1(a), an Event shall not be deemed to occur with respect to Executive if (x) the acquisition or beneficial ownership of the 30% or greater interest referred to in Section 1(a)(i) is by Executive or by a group, acting in concert, that includes Executive or (y) a majority of the then combined voting power of the then outstanding voting securities (or voting equity interests) of the surviving corporation or of any corporation (or other entity) acquiring all or substantially all of the assets of the Company shall, immediately after a reorganization, merger, exchange, consolidation or disposition of assets referred to in Section 1(a)(ii) or 1(a)(iii), be beneficially owned, directly or indirectly, by Executive or by a group, acting in concert, that includes Executive.

(b) For purposes of this Agreement, a "subsidiary" of the Company shall mean any entity of which securities or other ownership interests having general voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

2. Payments and Benefits. If any Event shall occur during the Term of this Agreement and the employment of Executive with the Company is voluntarily or involuntarily terminated under circumstances specified in Section 2(a), then Executive shall be entitled to receive from the Company or its successor (which term as used herein shall include any person acquiring all or substantially all of the assets of the Company) a cash payment and other benefits on the following basis:

(a) If at any time within 90 days before, or at any time upon or after the occurrence of, the first Event to occur (the “First Event”) and prior to the end of the Transition Period, the employment of Executive with the Company is voluntarily or involuntarily terminated for any reason (unless such termination is a voluntary termination by Executive other than for Good Reason, is on account of the death or Disability of the Executive or is a termination by the Company for Cause), subject to the limitations set forth in Sections 2(d), 2(e), and 2(f), Executive shall be entitled to the following:

(i) The Company shall pay Executive’s full base salary through the Termination Date at the rate then in effect in accordance with the normal payroll practices of the Company.

(ii) The Company or its successor shall make a cash payment to Executive in an amount equal to one (1) times the sum of (A) the annual base salary of Executive in effect immediately prior to the First Event plus (B) the cash bonus or cash incentive compensation received by the Executive from the Company for the fiscal year preceding the First Event. If the fiscal year preceding the First Event is FY09 or earlier, the cash bonus or cash incentive compensation value shall be the actual amount received or $60,000, whichever is greater. Any amount payable under this Section 2(a)(ii) will be paid to Executive in a lump sum on the first regular payroll date of the Company or its successor to occur after the first day of the seventh month following the Termination Date.

(iii) For a 12-month period after the Termination Date, the Company shall allow Executive to participate in any insured group health and group life insurance plan or program (but not a self-insured medical expense reimbursement plan within the meaning of Section 105(h) of the Code) in which the Executive was entitled to participate immediately prior to the First Event as if Executive were an employee of the Company during such 12-month period; provided, however, that in the event that Executive’s participation in any such health or life insurance plan or program of the Company is barred, the Company, at its sole cost and expense, shall arrange to provide Executive with insured benefits substantially similar to those which Executive would be entitled to receive under such plan or program if Executive were not barred from participation. Benefits otherwise receivable by Executive pursuant to this Section 2(a)(iii) shall be reduced to the extent comparable benefits are received by Executive from another employer or other third party during such 12-month period, and Executive shall promptly report receipt of any such benefits to the Company.

(iv) Any outstanding and unvested stock options granted to Executive shall be accelerated and become immediately exercisable by Executive (and shall remain exercisable for the applicable post-termination exercise periods specified in the applicable stock option agreements), any unvested restricted stock units granted to Executive shall be accelerated and shares of Company stock shall be issued to Executive or cash shall be paid to Executive, as specified in the applicable restricted stock unit agreement, and any restricted stock awarded to Executive and subject to forfeiture shall be fully vested and shall no longer be subject to forfeiture.

(b) The Company shall also pay to Executive reimbursement for all legal fees and expenses incurred by Executive in his lifetime as a result of such termination and relating to claims not barred by the applicable statutes of limitations, including, but not limited to, all such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement. The amount of expenses eligible for reimbursement hereunder during any given calendar year shall not affect the expenses eligible for reimbursement in any other calendar year. Executive shall submit verification of expenses to the Company within 60 days from the date the expense was incurred, and the Company shall reimburse eligible expenses within 30 days thereafter, but in any case no later than the last day of the calendar year following the calendar year in which the expense was incurred. The right to reimbursement of legal fees and expenses hereunder may not be exchanged for cash or any other benefit.

(c) In addition to all other amounts payable to Executive under this Section 2, Executive shall be entitled to receive all benefits payable to Executive under any other plan or agreement relating to retirement benefits, pursuant to the terms and conditions of such plan or agreement.

(d) Executive shall not be required to mitigate the amount of any payment or other benefit provided for in Section 2 by seeking other employment or otherwise, nor shall the amount of any payment or other benefit provided for in Section 2 be reduced by any compensation earned by Executive as the result of employment by another employer after the Termination Date or otherwise, except as specifically provided in this Agreement.

(e) Notwithstanding any other provision of this Agreement, the Company will not pay to Executive, and Executive will not be entitled to receive, any payment pursuant to Section 2(a)(ii) unless and until:

(i) Executive executes, and there shall be effective following any statutory period for revocation or rescission, a release that irrevocably and unconditionally releases the Company, any company acquiring the Company or its assets, and their past and current shareholders, directors, officers, employees and agents from and against any and all claims, liabilities, obligations, covenants, rights and damages of any nature whatsoever, whether known or unknown, anticipated or unanticipated; provided, however, that the release shall not adversely affect Executive's rights to receive benefits to which he is entitled under this Agreement or Executive's rights to indemnification under applicable law, the charter documents of the Company, any insurance policy maintained by the Company or any written agreement between the Company and Executive; and

ii) Executive executes an agreement prohibiting Executive for a period of one (1) year following the Termination Date from soliciting, recruiting or inducing, or attempting to solicit, recruit or induce, any employee of the Company or of any company acquiring the Company or its assets to terminate the employee's employment.

(f) If the termination of Executive's employment with the Company occurs at any time within 90 days before the occurrence of the First Event, Executive shall be entitled to no payments or benefits under this Section 2 unless, in addition to satisfying all other requirements and conditions of this Section 2, Executive also reasonably demonstrates within 30 days of the First Event that such termination of employment (x) was requested by a party other than the Board of Directors of the Company that had previously taken other steps reasonably calculated to result in, and which ultimately results in, the First Event, or (y) otherwise arose in connection with or in anticipation of the First Event that ultimately occurs.

(g) The obligations of the Company under this Section 2 shall survive the termination of this Agreement.

3. Certain Reduction of Payments by the Company.

(a) Notwithstanding anything contained herein to the contrary, prior to the payment of any amounts pursuant to Section 2(a) hereof, an independent national accounting firm designated by the Company (the "Accounting Firm") shall compute whether there would be any "excess parachute payments" payable to Executive, within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), taking into account the total "parachute payments," within the meaning of Section 280G of the Code, payable to Executive by the Company or any successor thereto under this Agreement and any other plan, agreement or otherwise. If there would be any excess parachute payments, the Accounting Firm will compute the net after-tax proceeds to Executive, taking into account the excise tax imposed by Section 4999 of the Code, if (i) the payments hereunder were reduced, but not below zero, such that the total parachute payments payable to Executive would not exceed three (3) times the "base amount” as defined in Section 280G of the Code, less One Dollar ($1.00), or (ii) the payments hereunder were not reduced. If reducing the payments hereunder would result in a greater after-tax amount to Executive, such lesser amount shall be paid to Executive. If not reducing the payments hereunder would result in a greater after-tax amount to Executive, such payments shall not be reduced. The determination by the Accounting Firm shall be binding upon the Company and Executive subject to the application of Section 3(b) hereof.

(b) If as a result of uncertainty in the application of Sections 280G of the Code, it is possible that excess parachute payments will be paid when such payment would result in a lesser after-tax amount to Executive, such a payment will be void ab initio as regards any such excess. Any excess will be treated as an overpayment by the Company to Executive. Executive will return the overpayment to the Company within fifteen (15) business days of any determination by the Accounting Firm that excess parachute payments have been paid when not so intended, with interest at an annual rate equal to the rate provided in Section 1274(d) of the Code (or 120% of such rate if the Accounting Firm determines that such rate is necessary to avoid an excise tax under Section 4999 of the Code) from the date Executive received such excess until it is repaid to the Company.

(c) All fees, costs and expenses (including, but not limited to, the cost of retaining experts) of the Accounting Firm shall be borne by the Company and the Company shall pay such fees, costs, and expenses as they become due. In performing the computations required hereunder, the Accounting Firm shall assume that taxes will be paid for state and federal purposes at the highest possible marginal tax rates which could be applicable to Executive in the year of receipt of the payments, unless Executive agrees otherwise.

4. Definition of Certain Additional Terms.

(a) “Cause” shall mean, and be limited to, (i) willful and gross neglect of duties by the Executive or (ii) an act or acts committed by the Executive constituting a felony and substantially detrimental to the Company or its reputation.

(b) “Disability” shall mean Executive’s absence from his duties with the Company on a full time basis for 180 consecutive business days, as a result of Executive’s incapacity due to physical or mental illness, unless within 30 days after written notice of intent to terminate is given by the Company following such absence Executive shall have returned to the full time performance of Executive’s duties.

(c) “Good Reason” shall mean if, without Executive’s express written consent, any of the following shall occur:

(i) a material reduction of Executive's authority, duties, or responsibilities in the Company or its successor, including: (A) a material reduction in Executive's budget authority, or (B) a material reduction in the authority, duties, or responsibilities of the person to whom Executive reports, but excluding any isolated, insubstantial, or inadvertent action not taken in bad faith and which is remedied by the Company within five (5) days after receipt of notice thereof from Executive;

(ii) a material reduction by the Company in Executive's annual base salary or target incentive in effect immediately prior to the First Event;

(iii) the taking of any action by the Company that would result in a material reduction of the aggregate benefits enjoyed by Executive under the Company's pension, life insurance, medical, health and accident, disability, deferred compensation, incentive awards, employee stock options, restricted stock or stock unit awards, or savings plans in which Executive was participating at the time of the First Event;

(iv) the Company requiring Executive to relocate to any place other than a location within fifty miles of the location at which Executive performed his primary duties immediately prior to the First Event or, if Executive is based at the Company's principal executive offices, the relocation of the Company's principal executive offices to a location more than fifty miles from its location immediately prior to the First Event, except for required travel on the Company's business to an extent substantially consistent with Executive's prior business travel obligations; or

(v) the failure of the Company to obtain agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5(b).

(d) As used herein, other than in Section 1(a) hereof, the term "person" shall mean an individual, partnership, corporation, estate, trust or other entity.

(e) "Termination Date" shall mean the date of termination of Executive's employment, which in the case of termination for Disability shall be the 30th day after notice is given as required in Section 4(b); provided, however, that for purposes of Section 2(a)(ii) of this Agreement only, the Termination Date shall mean the date on which a "separation from service" has occurred for purposes of Section 409A of the Code and the regulations and guidance thereunder.

(f) "Transition Period" shall mean the one-year period commencing on the date of the First Event and ending on the first anniversary of the First Event.

5. Successors and Assigns.

(a) This Agreement shall be binding upon and inure to the benefit of the successors, legal representatives and assigns of the parties hereto; provided, however, that the Executive shall not have any right to assign, pledge or otherwise dispose of or transfer any interest in this Agreement or any payments hereunder, whether directly or indirectly or in whole or in part, without the written consent of the Company or its successor.

(b) The Company will require any successor (whether direct or indirect, by purchase of a majority of the outstanding voting stock of the Company or all or substantially all of the assets of the Company, or by merger, consolidation or otherwise), by agreement in form and substance satisfactory to Executive, to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession (other than in the case of a merger or consolidation) shall be a breach of this Agreement. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid that is required to execute and deliver the agreement as provided for in this Section 5(b) or that otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

6. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Minnesota.

7. Notices. All notices, requests and demands given to or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage pre-paid, addressed to the last known residence address of Executive or in the case of the Company, to its principal executive office to the attention of each of the then directors of the Company with a copy to its Secretary, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

8. Remedies and Claim Process. If Executive disputes any determination made by the Company regarding Executive's eligibility for any benefits under this Agreement, the amount or terms of payment of any benefits under this Agreement, or the Company's application of any provision of this Agreement, then Executive shall, before pursuing any other remedies that may be available to Executive, seek to resolve such dispute by submitting a written claim notice to the Company. The notice by Executive shall explain the specific reasons for Executive's claim and basis therefor. The Board of Directors shall review such claim and the Company will notify Executive in writing of its response within 60 days of the date on which Executive's notice of claim was given. The notice responding to Executive's claim will explain the specific reasons for the decision. Executive shall submit a written claim hereunder before pursuing any other process for resolution of such claim. This Section 8 does not otherwise affect any rights that Executive or the Company may have in law or equity to seek any right or benefit under this Agreement.

9. Severability. In the event that any portion of this Agreement is held to be invalid or unenforceable for any reason, it is hereby agreed that such invalidity or unenforceability shall not affect the other portions of this Agreement and that the remaining covenants, terms and conditions or portions hereof shall remain in full force and effect.

10. Integration. The benefits provided to Executive under this Agreement shall be in lieu of any other severance pay or benefits available to Executive under any other agreement, plan or program of the Company to the extent such other severance pay or benefits do not constitute deferred compensation within the meaning of Section 409A of the Code. In the event that any payments or benefits become payable to Executive pursuant to Section 2 of this Agreement, then this Agreement will supersede and replace any other agreement, plan or program applicable to Executive to the extent that such other agreement, plan or program provides for payments or benefits to Executive that do not constitute deferred compensation within the meaning of Section 409A of the Code and that arise out of the involuntary termination of Executive's employment or termination by Executive for Good Reason. In addition, the acceleration of stock options and lapsing of forfeiture provisions of restricted stock units or other equity awards provided pursuant to Section 2(a)(iv) of this Agreement shall not be subject to the provisions of Article 13 of the Company's 1992 Long-Term Incentive Plan (or similar successor provision or plan).

11. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party to this Agreement of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior to similar time.

12. Term. This Agreement shall commence on the date of this Agreement and shall terminate, and the Term of this Agreement shall end, on the later of (A) December 31, 2012, provided that such period shall be automatically extended for one year and from year to year thereafter until notice of termination is given by the Company or Executive to the other party hereto at least 60 days prior to December 31, 2012 or the one-year extension period then in effect, as the case may be, or (B) if the First Event occurs on or prior to December 31, 2012 (or prior to the end of the extension year then in effect as provided for in clause (A) hereof), the first anniversary of the First Event.

13. Section 409A. This Agreement is intended to satisfy the requirements of Section 409A(a)(2), (3) and (4) of the Code, including current and future guidance and regulations interpreting such provisions, and should be interpreted accordingly.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Fair Isaac Corporation

By /s/ Mark N. Greene
Mark N. Greene
Its Chief Executive Officer

Laurent Pacalin

By /s/ Laurent Pacalin

June 30, 2008

Mr. Michael Campbell
495 Ash St.
Winnetka, IL 60093

Dear Mike:

This letter agreement supplements and amends the letter agreement between you and Fair Isaac Corporation (the "Company") dated October 12, 2007 (the "Prior Letter Agreement") regarding the terms and conditions of your employment as Chief Operating Officer of the Company, as follows:

Interpretation: This letter agreement is intended to satisfy, or otherwise be exempt from, the requirements of Sections 409A(a)(2), (3), and (4) of the Internal Revenue Code of 1986, as amended (the "Code"), including current and future guidance and regulations interpreting such provisions, and it should be interpreted accordingly.

Change in Control: In order to accomplish our mutual intention to comply with Section 409A of the Code regarding deferred compensation, you and the Company will enter into an Amended and Restated Management Agreement, as may be amended from time to time ("Amended Management Agreement"), the terms of which are incorporated herein by reference (except that terms defined in the Amended Management Agreement apply only to the use of such terms in the Amended Management Agreement, and terms defined in this letter agreement apply only to the use of such terms in this letter agreement), which shall supersede and replace the Management Agreement between you and the Company dated April 17, 2007 (the "Prior Management Agreement").

Severance: The first paragraph of the section under the heading, "Severance," in the Prior Letter Agreement is hereby amended in relevant part to provide as follows:

> Upon a Qualifying Termination the Company will, for a period of twelve (12) months following the effective date of termination of your employment, allow you to continue to participate in any insured group health and group life insurance plan or program of the Company (but not any self-insured medical expense reimbursement plan within the meaning of Section 105(h) of the Internal Revenue Code) at the Company's expense, to the extent you were a participant in such plans as of your last day of employment; however, if your participation in any such plan is barred, the Company will arrange to provide you with substantially similar insured coverage at its expense. Benefits

provided by the Company may be reduced if you become eligible for comparable benefits from another employer or third party.

The definition of “Good Reason” in the Prior Letter Agreement is hereby amended for purposes of this letter agreement to provide as follows:

“Good Reason” means any one or more of the following conditions occur without your written consent: (i) a material reduction in your authority, duties, or responsibilities as Chief Operating Officer, including a reduction in your budget authority or a requirement that you report to a corporate officer or employee instead of reporting directly to the Board of Directors of the Company; or (ii) material breach by the Company of any terms or conditions of this letter agreement, which breach has not been caused by you and which has not been cured by the Company within fifteen (15) days after written notice thereof to the Company from you.

The last paragraph of the section under the heading, “Severance,” in the Prior Letter Agreement is hereby amended to provide as follows:

You shall not be eligible for any severance pay under this letter agreement if the termination of your employment occurs within 90 days before, or at any time upon or after, the occurrence of a First Event and prior to the end of the Transition Period, as “First Event” and “Transition Period” are defined in the Amended Management Agreement, except that you will be eligible for severance pay under this letter agreement if the termination of your employment is otherwise a Qualifying Termination and occurs within 90 days before the First Event, and you fail to satisfy the condition set forth in Section 2(f) of the Amended Management Agreement.

* * *

[*signature page follows*]

Except as specifically set forth in this letter, the Prior Letter Agreement remains in full force and effect as amended by this letter agreement. Please indicate your agreement to this letter agreement by signing this letter below, and returning a copy to me.

Sincerely,

Mark N. Greene
Chief Executive Officer

I accept and agree to the amended terms and conditions of employment with Fair Isaac Corporation as set forth above.

/s/ Michael H. Campbell	
Michael H. Campbell	Dated

Exhibit 10.59

June 30, 2008

Mark N. Greene
Chief Executive Officer
Fair Isaac Corporation
901 Marquette Avenue, Suite 3200
Minneapolis, MN 55402

Dear Mark:

This letter agreement supplements and amends the letter agreement between you and Fair Isaac Corporation (the “Company”) dated February 13, 2007 (the “Offer Letter”) regarding the terms and conditions of your employment as Chief Executive Officer of the Company, as follows:

Interpretation: This letter agreement is intended to satisfy, or otherwise be exempt from, the requirements of Sections 409A(a)(2), (3), and (4) of the Internal Revenue Code of 1986, as amended (the “Code”), including current and future guidance and regulations interpreting such provisions, and it should be interpreted accordingly.

Change in Control: In order to provide you with protection in the event of a change in control of the Company, and to accomplish our mutual intention to comply with Section 409A of the Code regarding deferred compensation, you and the Company will enter into an Amended and Restated Management Agreement, as may be amended from time to time (“Amended Management Agreement”), the terms of which are incorporated herein by reference (except that terms defined in the Amended Management Agreement apply only to the use of such terms in the Amended Management Agreement, and terms defined in this letter agreement apply only to the use of such terms in this letter agreement), which shall supersede and replace the Management Agreement between you and the Company dated February 14, 2007 (the “Prior Management Agreement”).

Severance: The first paragraph of the section under the heading, “Severance,” in the Offer Letter is hereby amended in relevant part to provide as follows:

> Upon a Qualifying Termination the Company will, for a period of twenty-four (24) months following the effective date of termination of your employment, allow you to continue to participate in any insured group health and group life insurance plan or program of the Company (but not any self-insured medical expense reimbursement plan within the meaning of Section 105(h) of the Internal Revenue Code) at the Company’s expense, to the extent you were a participant in such plans as of your last day of employment;

however, if your participation in any such plan is barred, the Company will arrange to provide you with substantially similar insured coverage at its expense. Benefits provided by the Company may be reduced if you become eligible for comparable benefits from another employer or third party.

The definition of "Good Reason" in the Offer Letter is hereby amended for purposes of this letter agreement to provide as follows:

"Good Reason" means any one or more of the following conditions occur without your written consent: (i) a material reduction in your authority, duties, or responsibilities as Chief Executive Officer, including a reduction in your budget authority or a requirement that you report to a corporate officer or employee instead of reporting directly to the Board of Directors of the Company; (ii) the relocation of your principal office for Company business to a location more than fifty (50) miles from the Company's current headquarters; or (iii) material breach by the Company of any terms or conditions of this letter agreement, which breach has not been caused by you and which has not been cured by the Company within fifteen (15) days after written notice thereof to the Company from you.

The last paragraph of the section under the heading, "Severance," in the Offer Letter is hereby amended to provide as follows:

You shall not be eligible for any severance pay under this letter agreement if the termination of your employment occurs within 90 days before, or at any time upon or after, the occurrence of a First Event and prior to the end of the Transition Period, as "First Event" and "Transition Period" are defined in the Amended Management Agreement, except that you will be eligible for severance pay under the terms and conditions of this letter agreement if the termination of your employment is otherwise a Qualifying Termination and occurs within 90 days before the First Event, and you fail to satisfy the condition set forth in Section 2(f) of the Amended Management Agreement.

* * *

[*signature page follows*]

Except as specifically set forth in this letter, the Offer Letter remains in full force and effect as amended by this letter agreement. Please indicate your agreement to this letter agreement by signing this letter below, and returning it to Richard Deal for recordkeeping.

Sincerely,

Margaret (Peggy) Taylor
Compensation Committee Chair

Enclosures:

o Amended and Restated Management Agreement

I accept and agree to the amended terms and conditions of employment with Fair Isaac Corporation as set forth above.

/s/ Mark N. Greene
Mark N. Greene

Dated

Exhibit 10.61

Fair Isaac Corporation
901 Marquette Avenue, Suite 3200
Minneapolis, MN 55402-3232
612 758 5200 *phone*
612 758 5201 *fax*
www.fairisaac.com

CONFIDENTIAL

May 29, 2007

Mr. Mark R. Scadina
1066 Laurie Avenue
San Jose, CA 95125

Dear Mark:

On behalf of Fair Isaac Corporation, I am pleased to offer you the position of Vice President, General Counsel and Corporate Secretary reporting directly to me. The terms of the offer, subject to final approval by the Compensation Committee of our Board of Directors, are described below:

1. Your job title will be Vice President, General Counsel. In addition, this role will hold the officer position of Corporate Secretary upon appointment by the Board of Directors, an action we anticipate occurring commensurate with or immediately following your hire date. Your start date will be mutually agreed upon following your acceptance of this offer.

2. Your employment is contingent on the results of a background check, which includes a criminal records check, reference checks and verification of both education and employment history. It is our understanding that you have no outstanding limitations imposed by a current or prior employer that will impair, in any way, your ability perform as a senior leader with Fair Isaac Corporation. If the results of your background check reveal information that is inconsistent with our standards, or if such a referenced employment limitation is found to exist, this offer may be rescinded or your employment with Fair Isaac Corporation may be subject to immediate termination.

3. Your starting annual base salary will be **$325,000** (less tax withholding), calculated and paid on established bi-weekly payroll dates.

4. You will participate in Fair Isaac's Management Incentive Plan, a copy of which has been provided to you separately. This is a discretionary bonus plan involving the opportunity for semi-annual awards. As such, it is funded by company achievement of targeted financial results with individual awards then determined by management. Annual cumulative awards under this Plan will range from between zero and 100% of annual base salary with your annual targeted award level under the plan, should both the company and you achieved desired goals, being 50 percent of base salary. Your cumulative award(s) under this plan for the period beginning with your hire date and continuing through the fiscal 2008 performance period are guaranteed to be no less than **$162,500,** less applicable taxes.

5. You will receive an initial long-term incentive award consisting of **95,000** non-qualified stock option shares with an exercise price equal to the closing market value on your hire effective date. In addition, you will receive **30,000** restricted stock units. Twenty-five percent of both non-qualified stock option shares and restricted stock units will vest on each anniversary date of the grant. You will be eligible to receive additional long-term incentive awards consistent with the company's performance-based grant cycles.

6. You will be offered participation in a Management Change-in-Control Agreement, subject to approval of the Company's Board of Directors, which, among other things, will provide for accelerated vesting of unvested long-term incentive holdings and enhanced severance benefits in the event of a qualified change-in-control of Fair Isaac followed by a qualified termination of your employment. A copy of the template Agreement has been provided to you separately. In addition, in the event that the Company enters into a change-in-control agreement at any time with a Company executive other than the Company CEO, and such agreement contains terms that are more favorable to such other executive (including more favorable economic terms in the event of a change in control), then the Company shall be required to make such more favorable terms available to you as of the effective date of the other agreement.

7. You agree to relocate yourself and your family to the Minneapolis, Minnesota metropolitan area within six months of your hire date. During this relocation period, you will be expected to office out of the Minneapolis headquarters office, except that you will be permitted to office up to ten business days in the Company San Jose, CA office during this initial six month period (it being understood that the scheduling of such days will be approved in advance by the CEO and take into consideration your ongoing duties and responsibilities as well as other senior executive schedules). The Company will provide you with a comprehensive relocation package intended to cover reasonable costs associated with relocating from San Jose, California. Such package will include the following, subject to a **$100,000** cumulative cap inclusive of direct payments, reimbursements and any gross-ups to offset related taxable income to you:

   - The Company will provide or reimburse you for the actual travel costs for up to two round trips by you and your immediate family from California to Minneapolis for purposes of house hunting and school interviews. You should work with the Company to make travel arrangements, including airfare and hotel, in accordance with Company travel policies and practices.

   - The Company will arrange for and provide to you temporary living accommodations in the Minneapolis metropolitan area for a period beginning on your date of hire and ending no later than twelve months from your hire date, and travel between Minneapolis and California during such period, in accordance with the Company's travel policies and practices, on average not more than twice per month.

- o The Company will reimburse you for closing costs in connection with your purchase of a home in the Minneapolis metropolitan area.
- o The Company will pay an agreed upon vendor for reasonable costs of moving the household goods and personal effects of you and your family from California to the Minneapolis metropolitan area.

To the extent that the relocation benefits provided to you under this letter agreement represent taxable income to you, the Company will gross-up such amount to account for the estimated taxes to be owed by you, in accordance with the policies and practices of the Company. You will submit receipts or other appropriate documentation of each expense under this paragraph within 30 days after such expense is incurred, and the Company will pay such reimbursements to you within 30 days thereafter.

8. Following your initial six-month employment period, you will be permitted to office ten business days every quarter, on average, at the Fair Isaac San Jose, CA office, it being understood that the scheduling of such days will be approved in advance by the CEO and take into consideration your ongoing duties and responsibilities as well as other senior executive schedules. For a period ending with your five year employment anniversary (“Travel Period”), the company will reimburse you for the cost of economy class airfare for you, your spouse and dependent children associated with up to eight round-trips annually from Minneapolis to San Jose during the Travel Period. Such reimbursements will be imputed as taxable income to you and you will be paid a gross-up amount to substantially offset related income taxes.

9. You will be eligible to participate in Fair Isaac’s comprehensive set of benefit programs including those described in the Benefits Package, paid time-off, deferred compensation and our retirement programs which include 401(k), Supplemental Retirement and Savings (deferred compensation) and Employee Stock Purchase plans. You will accrue vacation at the rate of four (4) weeks per year upon your hire date.

10. This offer letter does not constitute an Employment Agreement and your employment will be “at- will” meaning that either you or the Company may terminate your employment relationship at any time for any reason, with or without cause or notice. This term of employment is not subject to change or modification of any kind except by a written agreement signed by both you and the CEO of the Company.

11. You will be required to sign a Proprietary Information and Inventions Agreement as a condition of employment.

Please respond to this offer and confirm your desired start date by signing and faxing this document to Richard Deal, VP-Human Resources, at 612-758-5201

Mark, I look forward to your acceptance of this offer and to the significant contributions I'm confident you'11 make.

Please contact me (612-758-5210) or Richard Deal (612-758-5225) directly if you have any questions.

Sincerely,

Mark Greene
CEO

I have read and accept this offer of employment and expect to commence working with Fair Isaac Corporation, on the following date: 6/11/07. I understand any other agreements which may have previously been made to me are superseded by this offer.

Dated: 6/6/06

/s/ Mark R. Scadina
Mark R. Scadina

Exhibit 12.1

COMPUTATIONS OF RATIOS OF EARNINGS TO FIXED CHARGES — FAIR ISAAC CORPORATION
(In thousands, except ratio data)

	Year Ended September 30,				
	2004	2005	2006	2007	2008
Earnings:					
Income from continuing operations before income taxes	$ 166,341	$ 196,095	$ 160,869	$ 161,515	$ 112,995
Fixed charges:					
Interest expense	16,942	8,347	8,569	12,766	20,335
Rent expense (Interest factor)	8,191	8,798	9,098	8,016	9,528
TOTAL FIXED CHARGES	25,133	17,145	17,667	20,782	29,863
EARNINGS AVAILABLE FOR FIXED CHARGES	$ 191,474	$ 213,240	$ 178,536	$ 182,297	$ 142,858
Ratio of earnings to fixed charges (1)	7.62	12.44	10.11	8.77	4.78

(1) The ratio of earnings to fixed charges has been computed by dividing earnings available for fixed charges (earnings before income taxes plus fixed charges) by fixed charges (interest expense plus portion of rental expense that represents interest).

Exhiibt 21.1

SUBSIDIARIES/PARTNERSHIPS OF FAIR ISAAC CORPORATION

Name of Company	Jurisdiction of Incorporation/Organization
Data Research Technologies, Inc. (1)	Minnesota
Fair Isaac Credit Services, Inc. (1)	Delaware
Fair Isaac Network, Inc. (1)	Delaware
HNC Software LLC (1)	Delaware
myFICO Consumer Services Inc.(1)	Delaware
Fair Isaac International Corporation (1)	California
Subsidiaries/Partnerships of Fair Isaac International Corporation	
Dash Optimization, Inc. (2)	New Jersey
Fair Isaac Asia Pacific Corp. (3)	Delaware
Fair Isaac Brazil, LLC (3)	Delaware
Fair, Isaac do Brasil Ltda. (4)	Brazil
Fair Isaac Europe Limited (3)	England & Wales
Fair Isaac SA Limited (3)	England & Wales
Fair Isaac Hong Kong Limited (3)	Hong Kong
Fair Isaac India Software Private Limited (5)	India
Fair Isaac Sales and Services (India) Private Limited (6)	India
Fair Isaac IP Associates (6)	Bermuda Partnership
Fair Isaac International Canada Corporation (3)	California
Fair, Isaac International Mexico Corporation (3)	California
Fair Isaac Asia Holdings, Inc.(3)	Minnesota
Fair Isaac Information Technology (Beijing) Co. Ltd.(7)	China
Fair Isaac International UK Corporation (3)	California
Fair Isaac UK Holdings, Inc.(8)	Delaware
Fair Isaac UK Group Limited (9)	England & Wales
Dash Optimization Limited (10)	England & Wales
Dash Optimization Co., Ltd. (11)	Japan
London Bridge Software Holdings Limited (10)	England & Wales
London Bridge Group of North America, Inc.(12)	Delaware
Fair Isaac Software, Inc. (13)	Delaware
Fair Isaac (ASPAC) Pte. Ltd.(12)	Singapore
Fair Isaac International Limited (12)	England & Wales
Fair Isaac Services Limited (12)	England & Wales
Hatton Blue Limited (12) (formerly Fair Isaac UK IP Limited)	England & Wales
London Bridge Software (SA) Limited (12)	England & Wales

Footnotes:

(1) 100% owned by Fair Isaac Corporation

(2) 20% owned by Fair Isaac Corporation; 80% owned by Dash Optimization, Limited

(3) 100% owned by Fair Isaac International Corporation

(4) 99% owned by Fair Isaac International Corporation and 1% owned by Fair Isaac Brazil, LLC

(5) 99.99% owned by Fair Isaac International Corporation and .01% owned by Fair Isaac Corporation

(6) 90% owned by Fair Isaac International Corporation and 10% owned by Fair Isaac Corporation

(7) 100% owned by Fair Isaac Asia Holdings, Inc.

(8) 100% owned by Fair Isaac International UK Corporation

(9) 100% owned by Fair Isaac UK Holdings, Inc.

(10) 100% owned by Fair Isaac UK Group Limited

(11) 80% owned by Dash Optimization, Ltd.

(12) 100% owned by London Bridge Software Holdings Limited

(13) 100% owned by London Bridge Group of North America, Inc.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-114365, No. 333-114364, No. 333-102849, No. 333-102848, No. 333-97695, No. 333-66332, No. 333-66348, No. 333-32398, No. 333-32396, No. 333-95889, No. 333-83905, No. 333-65179, No. 333-02121, No. 333-121243, No. 333-123750, No. 333-123751, No. 333-133268, No. 333-142683, and No. 333-150838, on Form S-8 of our report dated November 25, 2008 relating to (1) the consolidated financial statements of Fair Isaac Corporation and subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of two new accounting standards), and (2) the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Fair Isaac Corporation for the year ended September 30, 2008.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota
November 25, 2008

Exhibit 31.1

CERTIFICATIONS

I, Mark N. Greene, certify that:

1. I have reviewed this annual report on Form 10-K of Fair Isaac Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 26, 2008

/s/ MARK N. GREENE

Mark N. Greene
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Charles M. Osborne, certify that:

1. I have reviewed this annual report on Form 10-K of Fair Isaac Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 26, 2008

/s/ CHARLES M. OSBORNE

Charles M. Osborne
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION UNDER SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Fair Isaac Corporation.

Date: November 26, 2008	/s/ MARK N. GREENE
	Mark N. Greene
	Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION UNDER SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Fair Isaac Corporation.

Date: November 26, 2008

/s/ CHARLES M. OSBORNE

Charles M. Osborne
Chief Financial Officer