

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q/A  
AMENDMENT NO. 1

(Mark One)

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

For the quarterly period ended December 31, 1998

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number  
0-16439

FAIR, ISAAC AND COMPANY, INCORPORATED  
(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.)

120 North Redwood Drive, San Rafael, California 94903  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (415) 472-2211

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 .

The number of shares of Common Stock, \$0.01 par value per share, outstanding on February 9, 1999, was 14,219,644.

AMENDMENT NO. 1

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements.

Fair, Isaac and Company, Incorporated amends its report on Form 10-Q filed with the Securities and Exchange Commission on February 16, 1999, by substituting the following Consolidated Statements Of Income And Comprehensive Income financial statement for the one that appears in the original filing. The purpose of this Amendment No. 1 is to correct a typographical error in the Research and development amount for the three months ended December 31, 1998 in the Consolidated Statements Of Income And Comprehensive Income.

Unless otherwise stated, information in the originally filed 10-Q is presented as of the original filing date, and has not been updated in this amended filing.

FAIR, ISAAC AND COMPANY, INCORPORATED  
CONSOLIDATED BALANCE SHEETS  
December 31, 1998 and September 30, 1998

(dollars in thousands)

	December 31 -----	September 30 -----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,687	\$ 14,242
Marketable securities	22,305	18,283
Accounts receivable, net	35,028	39,028
Unbilled work in progress	22,765	22,004
Prepaid expenses and other current assets	4,359	4,040
Deferred income taxes	4,917	5,016
	-----	-----
Total current assets	107,061	102,613
Marketable securities	23,846	24,368
Property and equipment, net	37,858	36,893
Intangibles, net	10,037	10,458
Deferred income taxes	6,398	6,398
Other assets	8,891	8,884
	-----	-----
	\$ 194,091	\$ 189,614
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 17,656	\$ 17,418
Accrued compensation and employee benefits	16,406	22,065
Billings in excess of earned revenues	8,628	7,862
Capital lease obligations	420	416
	-----	-----
Total current liabilities	43,110	47,761
Other liabilities	7,415	7,613
Capital lease obligations	685	789
	-----	-----
Total liabilities	51,210	56,163
	-----	-----
Stockholders' equity:		
Preferred stock	--	--
Common stock	141	140
Paid in capital in excess of par value	35,014	32,454
Retained earnings	107,445	100,678
Less treasury stock (10,621 shares at cost at 12/31/98; 9,787 at 9/30/98)	(385)	(351)
Accumulated other comprehensive income	666	530
	-----	-----
Total stockholders' equity	142,881	133,451
	-----	-----
	\$ 194,091	\$ 189,614
	=====	=====

See accompanying notes to the consolidated financial statements.

FAIR, ISAAC AND COMPANY, INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the three months ended December 31, 1998 and 1997  
(dollars in thousands, except per share data)

	Three Months Ended December 31	
	1998	1997
Revenues	\$ 67,977	\$ 53,511
Costs and expenses:		
Cost of revenues	25,071	19,865
Sales and marketing	10,279	8,747
Research and development	7,744	6,598
General and administrative	12,997	11,398
Amortization of intangibles	421	321
Total costs and expenses	56,512	46,929
Income from operations	11,465	6,582
Other income, net	686	29
Income before income taxes	12,151	6,611
Provision for income taxes	5,103	2,644
Net income	\$ 7,048	\$ 3,967
Net Income	\$ 7,048	\$ 3,967
Other comprehensive income, net of tax:		
Unrealized gains on investments	115	15
Foreign currency translation adjustments	21	44
Comprehensive income	\$ 7,184	\$ 4,026
Earnings per share:		
Diluted	\$ .49	\$ .28
Basic	\$ .50	\$ .29
Shares used in computing earnings per share:		
Diluted	14,354,000	14,346,000
Basic	14,014,000	13,489,000

See accompanying notes to the consolidated financial statements.

FAIR, ISAAC AND COMPANY, INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the three months ended December 31, 1998 and 1997  
(dollars in thousands)

	Three Months Ended December 31	
	1998	1997
	-----	-----
Cash flows from operating activities:		
Net income	\$ 7,048	\$ 3,967
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	4,150	3,474
Equity loss in investment	100	170
Deferred income taxes	99	26
Deferred compensation	61	240
Changes in operating assets and liabilities:		
Decrease in accounts receivable	4,021	364
(Increase) in unbilled work in progress	(761)	(1,078)
(Increase) in prepaid expenses and other assets	(319)	(200)
(Increase) in other assets	(7)	(45)
Increase in accounts payable and other accrued liabilities	626	3,083
(Decrease) in accrued compensation and employee benefits	(4,204)	(6,885)
Increase in billings in excess of earned revenues	766	751
(Decrease) in other liabilities	(1,839)	(1,119)
	-----	-----
Net cash provided by operating activities	9,741	2,748
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment	(3,053)	(6,008)
Payment for acquisition of subsidiary	--	(91)
Purchases of marketable securities	(18,002)	(351)
Proceeds from maturities of marketable securities	14,015	2,019
Proceeds from the sale of marketable securities	502	--
	-----	-----
Net cash used in investing activities	(6,538)	(4,431)
	-----	-----
Cash flows from financing activities:		
Principal payments of capital lease obligations	(100)	(94)
Proceeds from the exercise of stock options and issuance of stock	666	335
Dividends paid	(281)	(270)
Repurchase of company stock	(43)	--
	-----	-----
Net cash provided by (used in) financing activities	242	(29)
	-----	-----
Increase (decrease) in cash and cash equivalents	3,445	(1,712)
Cash and cash equivalents, beginning of period	14,242	13,209
	-----	-----
Cash and cash equivalents, end of period	\$ 17,687	\$ 11,497
	=====	=====

See accompanying notes to the consolidated financial statements.

FAIR, ISAAC AND COMPANY, INCORPORATED  
Notes to Consolidated Financial Statements

Note 1 General

In management's opinion, the accompanying unaudited consolidated financial statements for Fair, Isaac & Company, Incorporated (the "Company") for the three months ended December 31, 1998 and 1997 have been prepared in accordance with generally accepted accounting principles for interim financial statements and include all adjustments (consisting only of normal recurring accruals) that the Company considers necessary for a fair presentation of its financial position, results of operations, and cash flows for such periods. However, the accompanying financial statements do not contain all of the information and footnotes required by generally accepted accounting principles for complete financial statements. All such financial statements presented herein are unaudited, however, the September 30 balance sheet has been derived from audited financial statements. This Report and the accompanying financial statements should be read in connection with the Company's audited financial statements and notes thereto presented in its Annual Report on Form 10-K for the fiscal year ended September 30, 1998. Footnotes that would substantially duplicate the disclosures in the Company's audited financial statements for the fiscal year ended September 30, 1998, contained in the 1998 Form 10-K have been omitted. The interim financial information contained in this Report is not necessarily indicative of the results to be expected for any other interim period or for the full fiscal year ending September 30, 1999.

Note 2 Earnings Per Share

The following reconciles the numerators and denominators of diluted and basic earnings per share (EPS):

(in thousands, except per share data)	Three months ended December 31,	
	1998	1997
Numerator - Net income	\$ 7,048	\$ 3,967
Denominator - Shares:		
Diluted weighted-average shares and assumed conversions of stock options	14,354	14,346
Effect of dilutive securities - employee stock options	(340)	(857)
Basic weighted-average shares	14,014	13,489
Earnings per share:		
Diluted	\$ .49	\$ .28
Basic	\$ .50	\$ .29

Total options outstanding included 170,000 and 132,000 options to purchase shares of common stock at prices ranging from \$39.88 to \$45.63 and \$41.88 to \$45.63 at December 31, 1998 and 1997, respectively. These options were not included in the computation of diluted EPS because the exercise price for such options was greater than the average market price of the common shares for the three months ended December 31, 1998 and 1997.

Note 3 Cash Flow Statement

Supplemental disclosure of cash flow information:

(dollars in thousands)	Three months ended December 31,	
	1998	1997
Income tax payments	\$4,752	\$1,058
Interest paid	\$ 28	\$ 31
Non-cash investing and financing activities:		
Issuance of common stock to ESOP	\$1,455	\$ --
Tax benefit of stock options	\$ 388	\$ 384
Purchase of CRMA with common stock	\$ --	\$ 111
Capital lease obligations	\$ --	\$ 40

Note 4 Reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation.

Note 5 Accounting Pronouncements

During the first quarter of fiscal year 1999, the Company adopted Statement of Position No. 97-2 ("SOP 97-2"), "Software Revenue Recognition," as amended by Statement of Position No. 98-4 "Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition". SOP 97-2 provides guidance for software revenue recognition. The adoption of SOP 97-2 did not have a significant impact on the Company's financial position or results of operations.

During the first quarter of fiscal year 1999, the Company adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" ("FAS 130"). FAS 130 requires the Company to report in the financial statements, in addition to net income, comprehensive income and its components including foreign currency translation adjustments and unrealized gains and losses on certain investments in debt and equity securities. Comprehensive income is defined as "the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners."

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement establishes standards for publicly held entities to follow in reporting information about operating segments in annual financial statements and requires that those entities report selected information about operating segments in interim financial statements. This statement also establishes standards for related disclosures about products and services, geographic areas and major customers. This statement is effective for annual financial statements issued for fiscal years beginning after December 15, 1997. Beginning with fiscal year 1999, management intends to conform its annual consolidated financial statements to this pronouncement.

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits." The statement standardizes the disclosure requirements for pension and other postretirement benefits. This statement is effective for financial statements issued for fiscal years beginning after December 15, 1997. The Company is currently evaluating the impact of the disclosure. Beginning with fiscal year 1999, management intends to conform its annual consolidated financial statements to this pronouncement.

In March 1998, the AICPA issued SOP No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The SOP requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software. The SOP also requires that costs related to the preliminary project stage and the post-implementation/operations stage of an internal-use computer software development project be expensed as incurred. This statement is effective for financial statements issued for fiscal years beginning after December 15, 1998. The Company's management believes that the adoption of SOP 98-1 will not have a material impact on the Company's results of operations. Beginning with fiscal year 2000, management intends to conform its consolidated financial statements to this pronouncement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to its 10-Q report to be signed on its behalf by the undersigned thereunto duly authorized.

FAIR, ISAAC AND COMPANY, INCORPORATED

DATE: March 1, 1999

By PETER L. McCORKELL  
-----  
Peter L. McCorkell  
Senior Vice President and Secretary

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints PETER L. McCORKELL his attorney-in-fact, with full power of substitution, for him in any and all capacities, to sign this Report on Form 10-Q/A 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, this report has been signed below by the following person on behalf of the registrant and in the capacities and on the date indicated.

DATE: March 1, 1999

By LENNOX L. VERNON  
-----  
Lennox L. Vernon  
Controller and Acting  
Chief Financial Officer