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

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FORM 10-K

(Mark One)

[ X ] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1996

[ ] 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 AND COMPANY, INCORPORATED
(Exact name of registrant as specified in its charter)

| DELAWARE | 94-1499887 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (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

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

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

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

None

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 x No .

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. [ ]

As of December 6, 1996, the aggregate market value of the Registrant's common stock held by nonaffiliates of the Registrant was $207,499,270 based on the last transaction price as reported on the New York Stock Exchange. 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 December 6, 1996 was 12,631,049 (excluding 3,057 shares held by the Company as treasury stock).

Items 10, 11, 12 and 13 of Part III incorporate information by reference from the definitive proxy statement for the Annual Meeting of Stockholders to be held on February 4, 1997.

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PART I

ITEM 1. BUSINESS

Development Of The Business

Fair, Isaac and Company (NYSE: FIC) is a leading developer of data management systems and services for the consumer credit, personal lines insurance, and direct marketing industries. The Company employs various tools, such as database enhancement software, predictive modeling, adaptive control, and systems automation to help its customers make "better decisions through data."

Established in 1956, Fair, Isaac pioneered the credit risk scoring technologies now employed by most major U.S. consumer credit grantors. Its rule-based decision management systems, originally developed to screen consumer credit applicants, are now routinely employed in all phases of the credit account cycle: direct mail solicitation (credit cards, lines of credit, etc.), application processing, card reissuance, on-line credit authorization, and collection. Although direct comparisons are difficult, management believes Fair, Isaac ranks first or second in sales of every type of credit management product or service it markets, and that its total sales to the consumer credit market exceed those for similar products by any direct competitor.

More than half of fiscal 1996 revenues were derived from usage-priced products and services marketed through alliances with major U.S. credit bureaus and third-party credit card processors. Sales of decision management products and services directly to credit industry end-users accounted for approximately 30 percent of revenues.

In recent years Fair, Isaac has branched out, applying its proven risk/reward modeling capabilities to auto and home insurance underwriting, small business lending, and home mortgage financing. With the acquisition of DynaMark in December 1992, the Company made its first foray into marketing data processing and database management, an area it considers a prime target for diversification. Its strategy in this area is to develop and market an array of services combining DynaMark's strengths in warehousing and manipulating complex consumer databases with Fair, Isaac's expertise in predictive modeling and decision systems. DynaMark contributed $21.2 million or 14 percent of Fair, Isaac's fiscal 1996 revenues. Insurance group revenues in 1996 were $4.5 million or 3 percent of revenues.

Fair, Isaac numbers hundreds of the world's leading credit card and travel card issuers, retail establishments, and consumer lenders among its regular customers. It has enjoyed continuous client relationships with some of these companies for more than 25 years. Through alliances with all three major U.S. credit bureaus the Company also serves a large and growing number of middle-market credit grantors, primarily by providing direct mail solicitation screening, application scoring, and account management services on a usage-fee basis. In addition, some of its newer end-user products, such as CreditDesk(R) application processing software and CrediTable(R) pooled-data scoring systems, are designed to meet the needs of relatively small users of scoring systems.

Approximately 15 percent of Fair, Isaac's fiscal 1996 revenues came from sales outside the United States. With its long-standing presence in Western Europe and Canada and the more recent establishment of operating bases in Great Britain, France, Germany, Japan, Mexico and South Africa, the Company is well positioned to benefit from the expected growth in global credit card issuance and usage through the balance of the 1990s.

Since 1990, Fair, Isaac's revenues and earnings per share have increased at a compound rate of 34 percent and 44 percent, respectively. The Company attributes this growth to rising market demand for credit scoring and account management services; success in increasing its share of market; and a gradual shift in marketing and pricing strategy, from primary reliance on direct, end-user sales of customized analytical and software products to ongoing usage revenues from services provided through credit bureaus and bankcard processing agencies. The Company's average revenue growth rate over the last 20 years has been approximately 22 percent which is closer to the rate that management believes can be sustained in the future.

Because Fair, Isaac already holds the major share of the maturing North American credit scoring and account management markets, management believes the Company's long-term growth prospects will largely rest on its ability to (a) develop additional, high-value products and services for its present customer base; (b) increase its penetration of established or emerging credit markets outside the U.S. and Canada; and (c) develop new markets and

applications for its technologies--direct marketing, insurance, small business lending and health care information being prime examples.

Products and Services

The Company's principal products are statistically derived, rule-based analytic tools designed to help businesses make better decisions on their customers and prospective customers, and software systems and components to implement these analytic tools. In addition to sales of these products directly to end-users, the Company also makes these products available in service mode through arrangements with credit bureaus and third-party credit card processors. The Company's DynaMark subsidiary provides data processing and database management services to businesses engaged in direct marketing.

Products and services sold to the consumer credit industry have traditionally accounted for most of the Company's revenues. However, the Company is actively promoting its products and services to other segments of the credit industry, including mortgage and small business lending; and to non-credit industries, particularly personal lines insurance and direct marketing. Consumer credit accounted for over 80 percent of the Company's revenues in each of the three years in the period ended September 30, 1996. Sales to customers in the direct marketing business, including the marketing arms of financial service businesses, accounted for 14 to 16 percent of revenues in each of the three years in the period ended September 30, 1996. Revenues from sales to the insurance industry accounted for two to three percent of revenues in each of the three years in the period ended September 30, 1996.

Analytic Products

The Company's primary analytic products are scoring algorithms (also called "scorecards") which can be used in screening lists of prospective customers, evaluating applicants for credit or insurance, and managing existing credit accounts. Some of the most common types of scoring algorithms developed by the Company are described below. Scoring algorithms are developed by correlating information available at the time a particular decision is made with known performance at a later date. Scoring algorithms can be developed to predict the likelihood of different kinds of performance (e.g. credit delinquency, response to a solicitation, and insurance claims frequency); they can be developed from different data sources (e.g. credit applications and credit bureau files); and they can be developed either for a particular user ("custom" scorecards) or for many users in a particular industry ("pooled data" or "generic" scorecards).

Credit Application Scoring Algorithms. First introduced in 1958, Credit Application Scoring Algorithms are tools that permit credit grantors to calculate the risk of lending to individual applicants. They are delivered in the form of a table of numbers, one for each possible answer to each of about ten to twelve selected predictive questions that are found on the form filled in by the applicant or on a credit report purchased by the credit grantor. The user "scores" an applicant by looking in the table for the number associated with the answers provided about the applicant and calculating their sum. The "score" thus obtained is compared to a "cutoff score" previously established by the credit grantor's management to determine whether or not to extend the requested credit. A significant proportion of revenues from Credit Application Scoring Algorithms is derived from sales of new or replacement algorithms to existing users.

Behavior Scoring Algorithms. The Company pioneered Behavior Scoring Algorithms with a research program in 1969. The first commercially successful products were introduced in 1978. In contrast to Credit Application Scoring Algorithms which deal with credit applicants, Behavior Scoring Algorithms permit managements to define rules for the treatment of existing credit customers on an ongoing basis.

Although similar in statistical principle and manner of construction, Behavior Scoring Algorithms differ in several important respects from Credit Application Scoring Algorithms. First, rather than using an applicant's answers on a credit application or a credit report, the data used to determine a behavior score come from the customer's purchase and payment history with that credit grantor. Second, each customer is scored monthly, rather than only at application time, and an action is selected each time in response to the score. Third, the available actions are much more varied than simply granting or denying credit to an applicant. For example, if an account is delinquent, the actions available to a credit manager can include a simple message on a customer's bill calling attention to the delinquency, a dunning letter, a phone call, or a referral to a collection agency, with the action to be taken in any given case to be determined by the customer's behavior score.

Scores produced by specially designed Behavior Scoring Algorithms can be used to select actions for mailing promotional materials to customers, for changing the credit limits allowed, for authorizing individual credit card transactions, for taking various actions on delinquent accounts, and for reissuing credit cards which are about to expire. Behavior Scoring Algorithms are also components of the Adaptive Control Systems described below.

Credit Bureau Scoring Services. The Company also provides scoring algorithms to each of the three major automated credit bureaus in the United States based solely on the information in their files. Customers of the credit bureau can use the scores derived from these algorithms to prescreen solicitation candidates, to evaluate applicants for new credit and to review existing accounts. Credit grantors using these services pay based on usage and the Company and the credit bureau share these usage revenues. The PreScore(R) service offered by the Company combines a license to use such algorithms for prescreening solicitation candidates along with tracking and consulting services provided by the Company and is priced on a time or usage basis.

ScoreNetSM Service. The ScoreNet Service, introduced in August 1991, allows credit grantors to obtain Fair, Isaac's credit bureau scores and related data on a regular basis and in a format convenient for use in their account management programs. In most cases the account management program is a Fair, Isaac Adaptive Control System or Adaptive Control service at a credit card processor. The Company obtains the data from the credit bureau(s) selected by each subscriber and delivers it to the subscriber in a format compatible with the subscriber's account management system.

Insurance Scoring Algorithms. The Company has also delivered scoring systems for insurance underwriters. Such systems use the same underlying statistical technology as credit scoring systems, but are designed to predict claim frequency or profitability of applicants for personal insurance such as automobile or homeowners' coverage. During fiscal 1993, the Company introduced a Property Loss Score ("PLS") service in conjunction with Equifax, Inc., a leading provider of data to insurance underwriters. In 1994, the Company introduced a similar service in conjunction with Trans Union called "ASSIST" which is designed to predict automobile insurance risk. PLS and ASSIST are similar to the credit bureau scoring services in that a purchaser of data from Equifax or Trans Union can use the scores to evaluate the risk posed by applicants for homeowners' or auto insurance. The Company and Equifax or Trans Union, as the case may be, share the usage revenue produced by these services. Aspects of automated application processing systems and Adaptive Control Systems are also applicable to insurance underwriting decisions. The Company is actively marketing its products and services to the insurance industry.

Other Scoring Algorithms. The Company has developed scoring algorithms for other users, which include public utilities that require deposits from selected applicants before starting service, tax authorities that select returns to be audited, and mortgage lenders. The Company has also developed scoring algorithms for use in selecting life insurance salesmen, finance company managers, and prisoners suitable for early release, although to date these algorithms have not generated significant revenues.

Automated Strategic Application Processing Systems (ASAP)

The Company's Automated Strategic Application Processing systems (ASAP) automate the processing of credit applications, including the implementation of the Company's Credit Application Scoring Algorithms. The Company offers Mid-Range ASAPs which are stand-alone assemblies of hardware and software; Mainframe ASAP, SEARCH, StrategyWare(TM), and ScoreWare consisting of software for IBM and IBM compatible mainframe computers; and CreditDesk which consists of software for personal computers. The Company does not expect significant sales of new Mid-Range ASAP systems but still derives significant maintenance and enhancement revenues from existing systems.

The tasks performed by ASAPs include: (i) checking for the completeness of the data initially given and printing an inquiry letter in the case of insufficient information; (ii) checking whether an applicant is a known perpetrator of fraud; (iii) electronically requesting, receiving, and interpreting a credit report when it is economic to do so; (iv) assigning a credit limit to the account, if acceptable, and printing a denial letter if not; and (v) forwarding the data necessary to originate billing records for accepted applicants.

Mid-Range ASAP is a minicomputer-based system which carries out the tasks listed above in a manner extensively "tailored" to each user's unique requirements. Mainframe ASAP is a software-only package designed to be executed on IBM or IBM compatible mainframe computers. It is most useful for very large volume credit grantors who elect to enter application information from a number of separate locations. CreditDesk is designed for use on

stand-alone or networked personal computers. Although its software functions are not tailored as extensively as the other versions of ASAP, CreditDesk features an easy-to-use graphics interface. The Company also sells software components for IBM or compatible mainframe computers under the tradename "SEARCH" and "ScoreWare." SEARCH acquires and interprets credit bureau reports as a separate package. ScoreWare provides for easy installation of credit application scorecards and computes scores from such scorecards as part of the application processing sequence. StrategyWare combines the application processing features described above with the "Champion/Challenger" strategy concept described below under Adaptive Control Systems.

The Company's Mid-Range and Mainframe ASAP systems are currently being used in the United States, Canada, and Europe by banks, retailers, and other financial institutions. CreditDesk is being used by over 300 credit grantors in more than a dozen countries. To support these installations, the Company provides complete hardware and software maintenance, general software support in the form of consulting, and specific software support by producing enhancements, as well as other modifications at a user's request.

Adaptive Control Systems

The Company's most advanced product is the Adaptive Control System, now generally marketed under the tradename "TRIAD". An Adaptive Control System is a complex of behavior scoring algorithms, computer software, and account management strategy addressed to one or more aspects of the management of a consumer credit or similar portfolio. For example, the Company has developed an Adaptive Control System for use by an electric utility in the management of its customer accounts.

A principal feature of an Adaptive Control System is software for testing and evaluation of alternative management strategies, designated the "Champion and Challenger Strategy Software." The "Champion" strategy applied to any aspect of controlling a portfolio of accounts (such as determining collection messages or setting credit limits) is that set of rules considered by management to be the most effective at the time. A "Challenger" strategy is a different set of rules which is considered a viable candidate to outperform the Champion. The Company's Champion and Challenger Strategy software is tailored to the customer's billing system and is designed to permit the operation of both strategies at the same time and also to permit varying fractions of the accounts to go to each of the competing strategies. For example, if a Challenger is very different from the Champion, management may wish to test it on a very small fraction of the accounts, rather than to risk a large loss. Alternatively, if a Challenger appears to be outperforming a Champion, management can direct more and more of the account flow to it. There need not, in fact, be a limitation on the number of Challengers in place at any one time beyond the limits imposed by the ability of the Company and the user management to study the results.

A Champion/Challenger structure is based on one or more of the Company's component products, usually Behavior Scoring Algorithms, as well as Company-developed software that permits convenient allocation of accounts to strategies and convenient modification of the strategies themselves. Adaptive Control Systems can also consider information external to the particular creditor, particularly scores and other information obtained from credit bureaus, in the design of strategies. A specific goal of the Company's Adaptive Control System product is to make the account management functions of the user as independent as possible of the user's overall data processing systems development department.

For a Champion/Challenger structure to function effectively, new Challenger strategies must be developed continually as insight is gained, as external conditions change, and as management goals are modified. The Company often participates in the design and development of new Challenger strategies and in the evaluation of the results of Champion/Challenger competitions as they develop.

Contracts for Adaptive Control Systems for end-users generally include multi-year software maintenance, strategy design and evaluation, and consulting components. The Company also provides Adaptive Control services through First Data Resources, Inc. and Total System Services, Inc. the two largest third-party credit card processors in the United States. The Adaptive Control service is also available in the United Kingdom through First Data Resources, Ltd. and Bank of Scotland. Credit card issuers subscribing to these services pay monthly fees based on the number of accounts processed. During fiscal 1996, the Company introduced StrategyWare which is an Adaptive Control System designed to apply Champion-Challenger principles to the processing of new credit accounts, rather than the management of existing accounts. The Company also believes that Adaptive Control Systems can operate in areas other than consumer credit; and, as noted above, has provided an Adaptive Control System to an electric utility company.

DynaMark

DynaMark provides a variety of data processing and database management services to companies and organizations in direct marketing. DynaMark offers several proprietary tools in connection with such services including DynaLink and DynaMatch. DynaLink gives financial institutions and other users remote computer access to their "warehoused" customer account files or marketing databases. It allows them to perform on-line analyses ranging from profiling the history of a single customer purchase or credit usage to calling up print-outs of all files having certain defined characteristics in common. DynaMatch uses a unique scoring system to identify matching or duplicate records that most standard "merge-purge" systems would overlook. Credit managers and direct marketers can use it to identify household relationships (accounts registered in different names, but sharing a common address and surname) and to eliminate costly duplicate mailings. Credit card issuers can use it to spot potentially fraudulent or overlimit credit card charges by individuals using two or more cards issued under slightly different names or addresses.

Customer Service and Support

The Company provides service and support to its customers in a variety of ways. They include: (i) education of liaison teams appointed by buyers of scoring algorithms and software; (ii) maintenance of an answering service that responds to inquiries on minor technical questions; (iii) proactive Company-initiated follow-up with purchasers of the Company's products and services; (iv) conducting seminars held several times a year in various parts of the United States and, less often, in other countries; (v) conducting annual conferences for clients in which user experience is exchanged and new products are introduced; (vi) delivery of special studies which are related to the use of the Company's products and services; and (vii) consulting and training services provided by the Company's subsidiary, Credit & Risk Management Associates, Inc.

Scoring algorithms can diminish in effectiveness over time as the population of applicants or customers changes. Such changes take place for a variety of reasons, many of which are unknown or poorly understood, but some are a result of marketing strategy changes or shifts in the national or the local economy. It is to the user's advantage, therefore, to monitor the performance of its algorithms so that they can be replaced when it is economic to do so. In response to this need as well as the requirement of the Equal Credit Opportunity Act that scoring algorithms be periodically validated, the Company provides tracking services and software products which measure the continuing performance of its scoring algorithms while in use by customers.

Technology

The Company's personnel have a high degree of expertise in several separate disciplines: operations research, mathematical statistics, computer-based systems design, programming, and data processing.

The fundamental principle of operations research is to direct attention to a class of management decisions, to make a mathematical model of the situation surrounding that class of decisions, and to find rules for making the decisions which maximize achievement of the manager's goal. The Company's analytic products are classic examples of this doctrine reduced to practice. The entire focus is on decision making using the best mathematical and computational techniques available.

The fundamental goal of mathematical statistics is to provide the method for deriving the maximum amount of useful information from an undigested body of data. The objective of the design of computer-based systems is to provide a mechanism for efficiently accepting input data from a source, storing that data in a cost-effective medium, operating on the data with reliable algorithms and decision rules, and reporting results in readily comprehensible forms.

The Company's analytic products have a clear distinguishing characteristic in that they make management by rule possible in situations where the only alternative is reliance on a group of people whose actions can never be entirely consistent. Rules for selecting actions require computation of probabilities of results. But computing the probability of a particular result in the traditional mode, that is, by counting the number of occurrences of each possible result in all possible combinations of circumstances, clearly breaks down when the number of combinations becomes very large. When only a few thousand cases of results are available, more subtle mathematical methods must be used. The Company has been actively developing and using techniques of this kind for 40 years, as indicated by the development and continual enhancement of its proprietary suite of algorithms and computer programs used to develop scoring algorithms.

The Company's products must also interface successfully with systems already in place. For example, they must accept data in various forms and in various media such as handwritten applications, video display terminal input, and telecommunications messages from credit bureaus. They must also provide output in diverse forms and media, such as video displays, printed reports, transactions on magnetic tape, and printed letters. The Company's response to this interface requirement has been to develop a staff which is expert in both logical design of information systems and the various languages used for coding.

Although DynaMark has many competitors in the data processing field, some of which are significantly larger, DynaMark has concentrated on providing specialized types of data processing and database management services using proprietary tools which, it believes, give it an edge over its competition in these areas.

Markets and Customers

The Company's products for use in the area of consumer credit are marketed to banks, retailers, finance companies, oil companies, credit unions, and credit card companies. The Company has approximately 500 users of products sold directly by the Company to end-users. These include about 75 of the 100 largest banks in the United States; several of the largest banks in Canada; approximately 20 banks in the United Kingdom; more than 40 retailers; 12 oil companies; major travel and entertainment card companies; and more than 40 finance companies. Custom algorithms and systems have generally been sold to larger credit grantors. The scoring, application processing and adaptive control services offered through credit bureaus and third-party processors are intended, in part, to extend usage of the Company's technology to smaller credit issuers and the Company believes that users of its products and services distributed through third-parties number in the thousands. As noted above, the Company also sells its products to utilities, tax authorities and insurance companies.

DynaMark markets its services to a wide variety of businesses engaged in direct marketing. These include banks and insurance companies, catalog merchandisers, fund-raisers and others. Most of DynaMark's revenues come from direct sales to the end user of its services, but in some cases DynaMark acts as a subcontractor to advertising agencies or others managing a particular project for the end-user.

No single end-user customer accounted for more than 10% of the Company's revenues in fiscal 1996. Revenues generated through the Company's alliances with the three major credit bureaus in the United States, Equifax, Inc., Experian Information Solutions, Inc. (formerly known as TRW Information Services) and Trans Union Corporation, each accounted for approximately nine to eleven percent of the Company's total revenues in fiscal 1996.

The percentage of revenues derived from customers outside the United Sates was approximately 15 percent in fiscal 1996, 13 percent in fiscal 1995, and 14 percent in fiscal 1994. DynaMark had virtually no non-U.S. revenues prior to fiscal 1996. Canada, the United Kingdom and Germany are the largest international market segments. Mexico, Japan, South Africa, a number of countries in South America and almost all of the Western European countries are represented in the user base. The Company has delivered products to users in approximately 40 countries. The information set forth under the caption "Segment Information" in Note 13 to the Consolidated Financial Statements is incorporated herein by reference. The Company's foreign offices are primarily sales and customer service offices acting as agents on behalf of the U.S. production operations. Net identifiable assets, capital expenditures and depreciation associated with foreign offices are not material.

The Company has enjoyed good relations with the majority of its customers over extended periods of time, and a substantial portion of its revenue is derived from repeat customers. As noted above, the Company is actively pursuing new users, particularly in the marketing and insurance fields, as well as those potential users in the consumer credit area not yet using the Company's products.

Contracts and Backlog

The Company's practice is to enter into contracts with several different kinds of payment terms. Scoring algorithms have historically been sold through one-time, fixed-price contracts. The Company will continue to sell scoring algorithms on this basis but has also entered into longer term contractual arrangements with some of its largest customers for the delivery of multiple algorithms. PC-ASAP ("CreditDesk") customers have the option to enter into contracts that provide for a one-time license fee or volume-sensitive monthly lease payments. The one-time and usage-based contracts contain a provision requiring monthly maintenance payments. Mainframe ASAP contracts include a one-time fee for the basic software license, plus monthly fees for maintenance and enhancement services. The Company also realizes maintenance and enhancement revenues from users of its line of Mid-Range ASAP systems. PreScore contracts call for usage or periodic license fees and there is generally a minimum charge.

Contracts for the delivery of complete Adaptive Control Systems typically contain both fixed and variable elements in recognition of the fact that they extend over multiple years and must be negotiated in the face of substantial uncertainties. As noted above, the Company is also providing scoring algorithms and application processing on a service basis through credit bureaus, and credit account management services through third-party bankcard processors. Subscribers pay for these services and for the ScoreNet service based on usage. DynaMark employs a combination of fixed fee and volume-or usage-based pricing for its services.

As of September 30, 1996, the Company's backlog, which includes only firm contracts, was approximately $60,098,000, as compared with approximately $46,137,000 as of September 30, 1995. Most usage-based revenues do not appear as part of the backlog. The Company believes that approximately 30% of the September 30, 1996 backlog will be delivered after the end of the current fiscal year, September 30, 1997. Most DynaMark contracts include unit or usage charges, the total amount of which cannot be determined until the work is completed. DynaMark's backlog is not significant in amount, is not considered a significant indicator of future revenues, and is not included in the foregoing figures.

Competition

The Company believes that its typical product development cycle, which in the past has extended as long as ten years, has tended to moderate the Company's growth rate. It also believes, however, that this long product development lead time provides a barrier to entry of competitive products. As credit scoring, automated application processing, and behavioral scoring algorithms, all of which were pioneered by the Company, have become standard tools for credit providers, competition has emerged from five sectors: scoring algorithm builders, providers of automated application processing services, data vendors, neural network developers and artificial intelligence system builders. It is likely that a number of new entrants will be attracted to the market, including both large and small companies. Many of the Company's present and potential competitors have substantially greater financial, managerial, marketing, and technological resources than the Company. The Company believes that none of its competitors offer the same mix of products as the Company. However certain competitors may have larger shares of particular geographic or product markets. In-house analytic and systems developers are also a significant source of competition for the Company.

The Company believes that the principal factors affecting competition for scoring algorithms are product performance and reliability; expertise and knowledge of the credit industry; ability to deliver algorithms in a timely manner; customer support, training and documentation; ongoing enhancement of products; and comprehensiveness of product applications. It competes with both outside suppliers and in-house groups for this business. The Company's primary competitor among outside suppliers of scoring algorithms is C.C.N. Systems Limited ("CCN") of Nottingham, England, a subsidiary of Great Universal Stores plc, a large British retailer. Scores sold by credit bureaus in conjunction with credit reports, including scores computed by algorithms developed by the Company, provide potential customers with the alternative of purchasing scores on a usage-priced basis.

The Company believes that the principal factors affecting competition in the market for automated application processing systems (such as ASAP) are the same as those affecting scoring algorithms, together with experience in developing computer software products. Competitors in this area include outside computer service providers and in-house computer systems departments. The Company believes that its primary competitor in this area is American Management Systems, Incorporated ("AMS"). AMS also offers credit scoring algorithms.

The Company competes with data vendors in the market for its credit bureau scoring services including PreScore and ScoreNet. In the past several years, data vendors have expanded their services to include evaluation of the raw data they provide. All of the major credit bureaus offer competing prescreening and credit bureau scoring services developed, in some cases, in conjunction with the Company's primary scoring algorithm competitor, CCN. In November 1996 it was announced that CCN had agreed to acquire Experian Information Solutions, Inc. (formerly known as TRW Information Systems & Services).

Both AMS and CCN offer products intended to perform some of the same functions as the Company's Adaptive Control Systems. The Company believes that customers using its Adaptive Control Systems, in both custom end-user form and through third-party processors, significantly outnumber users of the competing AMS and CCN products.

Another source of emerging competition comes from companies developing artificial intelligence systems including those known as "expert systems" and "neural networks." An expert system is computer software that replicates the decision-making process of the best available human "experts" in solving a particular class of problem,

such as credit approval, charge card authorization, or insurance underwriting. Scoring technology differs from expert systems in that scoring technology is based upon a large data base of results, from which rules and algorithms are developed, as compared to expert systems, which are typically based primarily on the "expert's" judgment and less so upon a significant data base. The Company believes its technology is superior to expert system technology where sufficient performance data is available. Neural networks, on the other hand, are an alternative method of developing scoring algorithms from a data base but using mathematical techniques quite different from those used by the Company. For example, HNC Software, Inc. has developed systems using neural network technology which compete with some of the Company's products and services. The Company believes that analytical skill and knowledge of the business environment in which an algorithm will be used are generally more important than the choice of techniques used to develop the algorithm; and, further, that the Company has an advantage in these areas with respect to its primary markets as compared with neural network developers.

As noted above, there are a large number of companies providing data processing and database management services in competition with DynaMark, some of which are considerably larger than DynaMark. The Company believes the market for such services will continue to expand rapidly for the foreseeable future. Competition in this area is based on price, service, and, in some cases, ability of the processor to perform specialized tasks. As noted above, DynaMark has concentrated on providing specialized types of data processing and database management services using proprietary tools which, it believes, give it an edge over its competitors in these areas.

Product Protection

The Company relies upon the laws protecting trade secrets and upon contractual non-disclosure safeguards, including its employee non-disclosure agreements and restrictions on transferability that are incorporated into its customer agreements, to protect its software and proprietary interests in its product methodology and know-how. The Company currently has one patent application pending but does not otherwise have patent protection for any of its programs or algorithms, nor does it believe that the law of copyrights affords any significant protection for its proprietary software. The Company instead relies principally upon such factors as the knowledge, ability, and experience of its personnel, new products, frequent product enhancements, and name recognition for its success and growth. The Company retains title to and protects the suite of algorithms and software used to develop scoring algorithms as a trade secret and has never distributed its source code.

In spite of these precautions, it may be possible for competitors or users to copy or reproduce aspects of the Company's software or to obtain information that the Company regards as trade secrets. In addition, the laws of some foreign countries do not protect the Company's proprietary rights to the same extent as do the laws of the United States.

Research and Development

Technological innovation and excellence have been goals of the Company since its founding. The Company has devoted, and intends to continue to devote, significant funds to research and development. The Company has ongoing projects for improving its fundamental knowledge in the area of algorithm design, its capabilities to produce algorithms efficiently, and its ability to specify and code algorithm executing software. The information set forth in the line entitled "Research and development" in the Consolidated Statement of Income and the information set forth under the caption "Software costs" in Note 1 to the Consolidated Financial Statements is incorporated herein by reference.

Above and beyond the projects formally designated as Research and Development, many of the Company's activities contain a component that produces new knowledge. For example, an Adaptive Control System, by its nature and purpose, must be designed to match its environment and learn as it operates. In the areas in which the Company's products are useful, the "laboratory" is necessarily the site of the user's operations.

Hardware Manufacturing

Hardware for the Company's Mid-Range ASAP systems consists primarily of a Motorola MC 68030-based central processing unit, one or more video display terminals, a disk storage unit, and various other input-output and peripheral devices. The Company's manufacturing process at its San Rafael, California facility involves assembly, testing, and quality assurance functions. Components and parts used in the Company's Mid-Range ASAP systems are purchased from outside vendors, and the Company generally seeks to use components and parts that are available in quantity from a number of distributors. The Company believes that, should any of these components become

unavailable from current sources, alternative sources could be developed. Hardware manufacturing and enhancements account for less than one percent of total revenue.

Personnel

As of September 30, 1996, the Company employed approximately 1,037 persons. None of its employees is covered by a collective bargaining agreement and no work stoppages have been experienced.

## ITEM 2. PROPERTIES

The Company's principal office is located in San Rafael, California, approximately 15 miles north of San Francisco. The Company leases approximately 144,000 square feet of office space in three buildings at that location under leases expiring in 2001, and an additional 34,000 square feet under a lease expiring September 30, 1997. It also leases approximately 9,600 square feet of warehouse space in San Rafael for its hardware operations and for storage under month-to-month leases. The Company has entered into a lease for a building under construction adjacent to its San Rafael headquarters for an additional 124,000 square feet of office space in increments over the period from April 1997 to May 1998. It has also entered into a letter of intent for a build-to-suit lease, with an option to purchase, approximately 300,000 square feet of additional office space in San Rafael with an expected initial occupancy date in the year 2000. DynaMark leases approximately 77,000 square feet of office and data processing space in two buildings in Arden Hills, Minnesota under leases which expire in 2005. DynaMark sold its personalized printing business in a transaction which closed on November 4, 1996. The purchaser is obligated to assume DynaMark's obligations with respect to those facilities not later than March 31, 1997. DynaMark is currently negotiating for an option for a build-to-suit lease for a third building of approximately 30,000 square feet adjacent to its headquarters in Arden Hills. DynaMark's Printronic Division leases approximately 25,000 square feet of office and data processing space in New York City. The Company also leases a total of approximately 32,000 square feet of office space for offices in Monterey, California; New Castle, Delaware; Atlanta, Georgia; Chicago, Illinois; Tampa, Florida; Toronto, Ontario; Birmingham, England; Tokyo, Japan; Paris, France; Mexico City, Mexico; and Wiesbaden, Germany. See Notes 6 and 12 of Notes to Consolidated Financial Statements for information regarding the Company's obligations under leases. The Company believes that suitable additional space will be available to accommodate future needs.

## ITEM 3. LEGAL PROCEEDINGS

No material legal proceedings are pending.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

| Name | Positions Held | Age |
|---|---|---|
| Larry E. Rosenberger | President and Chief Executive Officer since March, 1991, Executive Vice President 1985-1991, Senior Vice President 1983-1985, Vice President 1977-1983. A Director since 1983. Joined the Company in 1974. | 50 |
| John D. Woldrich | Appointed Chief Operating Officer effective August 1, 1995. Executive Vice President since 1985, Senior Vice President 1983-1985, Vice President 1977-1983. A Director since 1983. Joined the Company in 1972. | 53 |
| Gerald de Kerchove | Executive Vice President since 1985, Senior Vice President 1983-1985, Vice President 1977-1983. Joined the Company in 1972. | 50 |
| Barrett B. Roach | Executive Vice President since joining the Company in August 1992. Chief Administrative and Financial Officer of Network Equipment Technologies, Inc. from 1986 to July 1990. Owned and operated a vineyard from July 1990 to August 1992. | 56 |
| Patrick G. Culhane | Executive Vice President since August 1995; Senior Vice President 1992 to 1995; Vice President 1990 to 1992; joined the Company in 1985. | 42 |
| H. Robert Heller | Executive Vice President since September 1996 and a Director since February 1994. President of International Payments Institute from December 1994 to September 1996; President and Chief Executive Officer of Visa U.S.A., Inc. from 1991 to 1993, Executive Vice President of Visa International from 1989 to 1991. | 56 |
| Jeffrey F. Robinson | Senior Vice President since 1986, Vice President 1980-1986. Treasurer 1981-1983. Joined the Company in 1975. | 47 |
| Kenneth M. Rapp | Senior Vice President since August 1994, and President and Chief Operating Officer of DynaMark, Inc. since it was founded in 1985. | 50 |
| Peter L. McCorkell | Senior Vice President since August 1995; Vice President, Secretary and General Counsel since joining the Company in 1987. | 50 |
| Patricia Cole | Senior Vice President, Chief Financial Officer and Treasurer since November 18, 1996; Controller since joining the Company in September 1995. Vice President and Controller of Southern Pacific Telecommunications Company 1993 to 1995; Controller of Los Angeles Cellular Telephone Company 1990-1992. | 47 |

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The term of office for all officers is at the pleasure of the Board of Directors.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

As of May 6, 1996, the company's common stock began trading on the New York Stock Exchange under the symbol: FIC. Prior to that date, it was traded over-the-counter on the Nasdaq Stock Market under the symbol: FICI. At December 2, 1996, Fair, Isaac had 255 holders of record of its common stock. The following table lists the high and low last transaction prices for the periods shown, as reported by the New York Stock Exchange and the Nasdaq Stock Market.

| Stock Prices | High | Low |
|---|---|---|
| October 1 - December 31, 1994 | 28 5/8 | 17 1/8 |
| January 1 - March 31, 1995 | 26 3/4 | 17 |
| April 1 - June 30, 1995 | 29 3/4 | 22 1/4 |
| July 1 - September 30, 1995 | 30 3/4 | 25 1/2 |
| October 1 - December 31, 1995 | 29 1/4 | 25 |
| January 1 - March 31, 1996 | 30 3/8 | 21 1/2 |
| April 1 - June 30, 1996 | 50 | 30 |
| July 1 - September 30, 1996 | 46 1/4 | 37 5/8 |

Dividends

On May 24, 1995, Fair, Isaac announced a 100 percent stock dividend (equivalent to a two-for-one stock split) and its intention to pay quarterly dividends of 2 cents per share or 8 cents per year subsequent to issuance of the stock dividend. Quarterly dividends of that amount were paid throughout fiscal 1996. There are no current plans to change the cash dividend nor to issue any further stock dividend.

ITEM 6. Selected Financial Data

| | | | (dollars in thousands, except per share data) | | |
|---|---|---|---|---|---|
| Fiscal year ended September 30, | 1996 | 1995 | 1994 | 1993 | 1992 |
| Revenues | $ 148,749 | $ 113,881 | $ 90,279 | $ 66,668 | $ 42,614 |
| Income from operations | 28,026 | 19,864 | 15,795 | 8,108 | 5,633 |
| Income before income taxes | 27,200 | 21,446 | 16,553 | 8,652 | 6,667 |
| Net income | 16,179 | 12,695 | 10,049 | 5,277 | 3,932 |
| Earnings per share | $1.27 | $1.00 | $.81 | $.44 | $.33 |
| Dividends per share * | $.08 | $.055 | $.07 | $.07 | $.07 |
| At September 30, | 1996 | 1995 | 1994 | 1993 | 1992 |
| Working capital | $ 33,319 | $ 22,162 | $ 16,490 | $ 14,652 | $ 13,401 |
| Total assets | 113,054 | 88,290 | 70,935 | 54,230 | 41,982 |
| Long-term obligations | 1,552 | 1,930 | 2,333 | 2,729 | 2,655 |
| Stockholders' equity | 78,347 | 56,128 | 42,939 | 31,516 | 26,647 |

* Because the change to quarterly dividends was initiated in September 1995, the rate of dividends paid in fiscal 1995 does not reflect the new annual rate which is 8 cents per share.

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

Fair, Isaac and Company, Incorporated, provides products and services designed to help a variety of businesses use data to make better decisions on their customers and prospective customers. The Company's products include statistically derived, rule-based analytical tools, software designed to implement those analytical tools and consulting services to help clients use and track the performance of those tools. The Company also provides a range of credit scoring and credit account management services in conjunction with credit bureaus and credit card processing agencies. Its DynaMark subsidiary provides data processing and database management services to businesses engaged in direct marketing.

This discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and Notes. In addition to historical information, this report includes certain forward-looking statements regarding events and trends which may affect the Company's future results. Such statements are subject to risks and uncertainties that could cause the Company's actual results to differ materially. Such factors include, but are not limited to, those described in this discussion and analysis.

The Company is organized into business units that correspond to its principal markets: consumer credit, insurance and direct marketing (DynaMark). Sales to the consumer credit industry have traditionally accounted for the bulk of the Company's revenues. Products developed specifically for a single user in this market are generally sold on a fixed-price basis. Such products include application and behavior scoring algorithms (also known as "analytic products" or "scorecards"), credit application processing systems (ASAP(TM) and CreditDesk(R)) and custom credit account management systems, including those marketed under the name TRIAD.(TM) Software systems usually also have a component of ongoing maintenance revenue, and CreditDesk systems have also been sold under time- or volume-based price arrangements. Credit scoring and credit account management services sold through credit bureaus and third-party credit card processors are generally priced based on usage. Products sold to the insurance industry are generally priced based on the number of policies in force, subject to contract minimums. DynaMark employs a combination of fixed-fee and usage-based pricing.

RESULTS OF OPERATIONS

Revenues

The following table sets forth for the fiscal periods indicated (a) the percentage of revenues represented by fixed-price and usage-priced revenues from the Credit business unit, and the percentage of revenues contributed by the DynaMark and Insurance business units; and (b) the percentage change in revenues within each category from the prior fiscal year. Fixed-price revenues include all revenues from application processing software, custom scorecard development and consulting projects for credit. Virtually all usage revenues are generated through third-party alliances such as those with credit bureaus and third-party credit card processors.

| | Percentage of revenue Years ended September 30, | | | Period-to-period percentage changes | |
|---|---|---|---|---|---|
| | 1996 | 1995 | 1994 | 1995 to 1996 | 1994 to 1995 |
| Credit: | | | | | |
| Fixed-price | 30 | 29 | 32 | 34 | 15 |
| Usage-priced | 53 | 53 | 50 | 31 | 33 |
| DynaMark | 14 | 16 | 16 | 19 | 22 |
| Insurance | 3 | 2 | 2 | 63 | 56 |
| Total revenues | 100 | 100 | 100 | 31 | 26 |

Since its acquisition, DynaMark has taken on an increasing share of the mainframe batch processing requirements of the Company's other business units. During fiscal 1996, such inter-company revenue has represented more than fifteen percent of DynaMark's total revenues. Accordingly, DynaMark's externally reported revenues tend to understate DynaMark's growth and contribution to the Company as a whole. In addition, DynaMark's revenue growth in the first six months of fiscal 1996 was slowed by disruptions caused by the merger of one of its largest customers.

On July 19, 1996, DynaMark acquired the assets and business of Printronic Corporation of America, Inc. ("Printronic") and on November 4, 1996, it sold the assets and business of its personalized printing division to Gage Marketing Group, LLC. Revenues from the two operations in the twelve-month periods prior to these transactions were similar, so the net effect on DynaMark's revenue in future periods is not expected to be material. On September 30, 1996, the Company acquired Credit & Risk Management Associates, Inc. ("CRMA"). CRMA's revenues in the year ended September 30, 1996, were approximately $4.3 million.

Revenue from credit application scoring products increased by 10 percent in fiscal 1995 compared with fiscal 1994, and by 36 percent in fiscal 1996 compared with fiscal 1995, due primarily to the Company's introduction of new products, including tracking software and small business loan scoring products. ASAP revenues increased by 13 percent in 1995 compared with 1994, and by another 30 percent in fiscal 1996, primarily due to increased sales of PC-based ASAP products (CreditDesk), including sales to small business lenders, and sales of software components for mainframe ASAP systems.

Revenues from sales of credit account management systems (TRIAD) sold to end-users increased 28 percent from 1994 to 1995 and by 38 percent from 1995 to 1996. The Company's high degree of success in penetrating the U.S. bankcard industry with these products has limited, and may continue to limit, the revenue growth in that market. However, the Company has added functionality for the existing base of TRIAD users and is actively marketing TRIAD for other types of credit products and in overseas markets, which accounted for most of the growth in 1995 and 1996.

Usage revenues are generated primarily by credit scoring services distributed through major credit bureaus and credit account management services distributed through third-party bankcard processors. Revenues from credit bureau-related services have increased by more than 30 percent in each of the last three fiscal years and accounted for approximately 39 percent of revenues in fiscal 1995 and 1996. Revenues from services provided through bankcard processors also increased in each of these years, due primarily to increases in the number of accounts at each of the major processors.

Revenues derived from alliances with credit bureaus and credit card processors have accounted for much of the Company's revenue growth and improvement in operating margins over the last three years. While the Company has been very successful in extending or renewing such agreements in the past, and believes it will generally be able to do so in the future, the loss of one or more such alliances or an adverse change in terms could have a significant impact on revenues and operating margin. Revenues generated through the Company's alliances with Equifax, Inc., Experian Information Solutions, Inc., (formerly TRW Information Systems & Services) and Trans Union Corporation each accounted for approximately nine to eleven percent of the Company's total revenues in fiscal 1995 and 1996.

On November 14, 1996, it was announced that Experian was being acquired by CCN Group Ltd., a subsidiary of Great Universal Stores, PLC. CCN is the Company's largest competitor, worldwide, in the area of credit scoring. TRW/Experian has offered scoring products developed by CCN in competition with those of the Company for several years. The Company is not presently able to determine what effect, if any, the acquisition of Experian by CCN will have on its future revenues.

On September 30, 1996, amendments to the Fair Credit Reporting Act were enacted and signed into law. The Company believes these changes to the federal law regulating credit reporting will be favorable to the Company and its clients. Among other things, the new law expressly permits the use of credit bureau data to prescreen consumers for offers of credit and insurance and allows affiliated companies to share consumer information with each other subject to certain conditions. There is also a seven-year moratorium on new state legislation on certain issues. However, the states remain free to regulate the use of credit bureau data in connection with insurance underwriting. The Company believes such enacted or proposed state regulation has had a negative impact on its efforts to sell insurance risk scores through credit reporting agencies.

The Company's revenues derived from customers outside the United States increased from $12.5 million in fiscal 1994 to $14.9 million in 1995 and to $21.8 million in 1996. DynaMark has not had significant non-U.S. revenues. Sales of software products, including TRIAD and PC-based ASAP, and an increase in the number of accounts using the Company's account management services at credit card processors in Europe and Latin America accounted for most of the increases in international revenues in fiscal 1995 and 1996.

Revenues from software maintenance and consulting services each accounted for less than 10 percent of revenues in each of the three years in the period ended September 30, 1996, and the Company does not expect revenues from either of these sources to exceed 10 percent of revenues in the foreseeable future.

During the period since 1990, while the rate of account growth in the U.S. bankcard industry has been slowing and many of the Company's largest institutional clients have merged and consolidated, the Company has generated above-average growth in revenues--even after correcting for the effect of the DynaMark acquisition--from its bankcard-related scoring and account management business by deepening its penetration of large banks and other credit issuers. The Company believes much of its future growth prospects will rest on its ability (1) to develop new, high-value products and services for its present client base of major U.S. consumer credit issuers; (2) to increase its penetration of established or emerging credit markets outside the U.S. and Canada; and (3) to expand--either directly or through further acquisitions--into relatively undeveloped or underdeveloped markets for its products and services, such as direct marketing, insurance, small business lending and healthcare information management.

Over the long term, in addition to the factors discussed above, the Company's rate of revenue growth--excluding growth due to acquisitions--is limited by the rate at which it can recruit and absorb additional professional staff. While the increased percentage of usage revenues may loosen this constraint to some extent, management believes it will continue to exist indefinitely. On the other hand, despite the high penetration the Company has already achieved in certain markets, the opportunities for application of its core competencies are much greater than it can pursue. Thus, the Company believes it can continue to grow revenues, within the personnel constraint, for the foreseeable future. At times management may forego short-term revenue growth in order to devote limited resources to opportunities which it believes have exceptional long-term potential. This occurred in the period from 1988 through 1990 when the Company devoted significant resources to developing the usage-priced services distributed through credit bureaus and third-party processors. Cumulative revenue since 1987, net of the DynaMark acquisition, is slightly above the Company's 20-year historical average revenue growth of about 22 percent.

Expenses

The following table sets forth for the fiscal periods indicated (a) the percentage of net revenues represented by certain line items in the Company's Consolidated Statement of Income, and (b) the percentage change in the amount of each such line item from the prior fiscal year.

| | Percentage of revenue Years ended September 30, | | | Period-to-period percentage changes | |
|---|---|---|---|---|---|
| | 1996 | 1995 | 1994 | 1995 to 1996 | 1994 to 1995 |
| Total revenues | 100 | 100 | 100 | 31 | 26 |
| Costs and expenses: | | | | | |
| Cost of revenues | 38 | 38 | 38 | 31 | 27 |
| Sales and marketing | 17 | 20 | 20 | 9 | 23 |
| Research and development | 5 | 4 | 5 | 96 | -- |
| General and administrative | 21 | 21 | 19 | 32 | 37 |
| Amortization of intangibles | -- | -- | 1 | 3 | (12) |
| Total costs and expenses | 81 | 83 | 83 | 28 | 26 |
| Income from operations | 19 | 17 | 17 | 41 | 26 |
| Other income (expense) | (1) | 2 | 1 | NM* | 109 |
| Income before income taxes | 18 | 19 | 18 | 27 | 30 |
| Provision for income taxes | 7 | 8 | 7 | 26 | 35 |
| Net income | 11 | 11 | 11 | 27 | 26 |

* Not meaningful

Cost of revenues

Cost of revenues consists primarily of personnel, travel and related overhead costs; costs of computer service bureaus; and the amounts paid by the Company to credit bureaus for scores and related information in connection with the ScoreNet(R) Service.

Cost of revenues, as a percentage of revenues, has remained essentially unchanged since fiscal 1994.

Sales and marketing

Sales and marketing expenses consist principally of personnel, travel, overhead, advertising and other promotional expenses. As a percentage of revenues, sales and marketing expenses were essentially unchanged in fiscal 1995 compared with fiscal 1994, but decreased in fiscal 1996 due primarily to a reduction in media advertising.

Research and development

Research and development expenses include the personnel and related overhead costs incurred in product development, researching mathematical and statistical algorithms, and developing software tools that are aimed at improving productivity and management control. Research and development expenses, in absolute dollars, were essentially unchanged from fiscal 1994 to 1995 and increased sharply in fiscal 1996. After several years of concentrating on developing new markets--either geographical or by industry--for its existing technologies, the Company has recently increased emphasis on developing new technologies, especially in the area of software development.

General and administrative

General and administrative expenses consist mainly of compensation expenses for certain senior management, corporate facilities expenses, the costs of administering certain benefit plans, legal expenses, expenses associated with the exploration of new business opportunities and the costs of operating administrative functions such as finance and computer information systems. As a percentage of revenues, these expenses increased in fiscal 1995 compared with fiscal 1994, due to significant increases in office space, expenditures made to improve the Company's information systems and technology infrastructure, and the costs of exploring new business opportunities, primarily in the healthcare information management area. As a percentage of revenues, general and administrative expenses were essentially unchanged in fiscal 1996 compared with fiscal 1995.

Amortization of intangibles

The Company is amortizing the intangible assets arising from various acquisitions over periods ranging from two to 15 years. The level of amortization expense in future years will depend, in part, on the amount of additional payments to the former shareholders of an acquired company. See below, under "Capital Resources and Liquidity."

Other income (expense)

The table in Note 15 to the Consolidated Financial Statements presents the detail of other income and expenses. Interest income is derived from the investment of funds surplus to the Company's immediate operating requirements. At September 30, 1996, the Company had approximately $23.0 million invested in U.S. treasury securities and other interest-bearing instruments. Interest income increased in fiscal 1995 and 1996 due to rising interest rates and the increasing balance in interest-bearing accounts and instruments.

The Company's share of operating losses in certain early-stage development companies that are accounted for using the equity method is charged to other expense. In addition, during the quarter ended September 30, 1996, the Company wrote off an investment in a different early-stage development company due to the deteriorating financial condition of that entity. This write-off and the Company's share of losses in these early-stage development companies were primarily responsible for the difference between the increase in operating income in fiscal 1996 (41 percent) and the increase in net income (27 percent). Note 5 to the Consolidated Financial Statements describes the Company's investment in such companies.

Provision for income taxes

The Company's effective tax rate increased to approximately 41 percent in fiscal 1995 from an effective rate of approximately 39 percent in fiscal 1994, and decreased to 40.5 percent in fiscal 1996 due primarily to a changing mix of applicable state and foreign tax rates. The Company expects its effective tax rate in fiscal 1997 to be approximately the same as in fiscal 1996, barring any change in the tax laws.

CAPITAL RESOURCES AND LIQUIDITY

Working capital increased from $16,490,000 at September 30, 1994, to $22,162,000 at September 30, 1995, and to $33,319,000 at September 30, 1996. The increase in fiscal 1996 was due primarily to increases in accounts receivable and short-term investments and decreases in billings in excess of earned revenues and income taxes payable, which more than offset increases in accounts payable and other accrued liabilities, and in accrued compensation and employee benefits.

The Company may be required to make additional payments to the former stockholders of CRMA based upon its financial results in fiscal 1997, 1998 and 1999. Those amounts, which will be paid 55 percent in Company stock and 45 percent in cash, will not exceed $1.833 million per year.

In fiscal 1995, cash provided by operations was more than offset by cash used in investing activities and financing activities. Cash provided by operations resulted primarily from net income before depreciation and amortization, and increases in accrued compensation and employee benefits, partially offset by the increase in accounts receivable and unbilled work in progress. Cash was used in investing activities primarily for additions to property and equipment (including major expansions at the Company's headquarters in San Rafael, California, and at DynaMark's facility in St. Paul, Minnesota), the "earn-out" payment to the former owners of DynaMark, the purchase of interest-bearing investments and investments in a number of start-up companies, partially offset by the maturities of interest-bearing investments. Cash was used in financing activities primarily for the payment of dividends and reduction of capital lease obligations, partially offset by cash generated by the exercise of stock options.

In fiscal 1996, cash provided by operations was offset by cash used in investing activities and financing activities. Cash provided by operations resulted primarily from net income before depreciation and amortization and increases in accrued compensation and benefits, partially offset by the increase in accounts receivable and the decrease in billings in excess of earned revenues. Cash was used in investing activities primarily for additions to property and equipment, purchases of interest-bearing investments, the acquisitions of Printronic and CRMA, and an "earn-out" payment to the former shareholders of DynaMark, partially offset by the maturities of interest-bearing investments. Cash was used in financing activities primarily for the payment of dividends and reduction of capital lease obligations, partially offset by cash generated by the exercise of stock options.

Future cash flows will continue to be affected by operating results, contractual billing terms and collections, investment decisions and dividend payments, if any. At September 30, 1996, the Company had no significant capital commitments other than those obligations described in Notes 3, 6 and 12 to the Consolidated Financial Statements. The Company believes that the cash and marketable securities on hand, along with cash expected to be generated by operations, will be adequate to meet its capital and liquidity needs for both the current year and the foreseeable future.

QUARTERLY RESULTS

The table in Note 17 to the Consolidated Financial Statements presents unaudited quarterly operating results for the last eight fiscal quarters. Management believes that all the necessary adjustments have been included in the amounts stated to present fairly the selected quarterly information, when read in conjunction with the financial statements included elsewhere in this report. This information includes all normal recurring adjustments that the Company considers necessary for a fair presentation thereof, in accordance with generally accepted accounting principles.

Quarterly results may be affected by fluctuations in revenue associated with credit card solicitations, by the timing of orders for and deliveries of certain ASAP and TRIAD systems, and by the seasonality of ScoreNet purchases. With the exception of the cost of ScoreNet data purchased by the Company, most of its operating expenses are not affected by short-term fluctuations in revenues; thus short-term fluctuations in revenue may have a significant impact on operating results. However, in recent years these fluctuations were generally offset by the strong growth in revenues from services delivered through credit bureaus and third-party bankcard processors.

Management believes that neither the quarterly variations in net revenues and net income nor the results of operations for any particular quarter are necessarily indicative of results of operations for full fiscal years. Accordingly, management believes that the Company's results should be evaluated on an annual basis.

ITEM 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Fair, Isaac and Company, Incorporated:

We have audited the accompanying consolidated balance sheets of Fair, Isaac and Company, Incorporated, and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fair, Isaac and Company, Incorporated, and subsidiaries as of September 30, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1996, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

San Francisco, California
October 23, 1996, except as to note 16,
which is as of November 4, 1996

CONSOLIDATED STATEMENTS OF INCOME

| Years ended September 30, | (dollars in thousands, except per share data) 1996 | 1995 | 1994 |
|---|---|---|---|
| Revenues: | | | |
| Fair, Isaac | $127,589 | $96,074 | $75,719 |
| DynaMark | 21,160 | 17,807 | 14,560 |
| Total revenues | 148,749 | 113,881 | 90,279 |
| Costs and expenses: | | | |
| Cost of revenues | | | |
| Fair, Isaac | 43,513 | 31,954 | 25,124 |
| DynaMark | 12,883 | 11,078 | 8,975 |
| Total costs of revenues | 56,396 | 43,032 | 34,099 |
| Sales and marketing | 24,583 | 22,592 | 18,302 |
| Research and development | 7,811 | 3,986 | 3,984 |
| General and administrative | 31,199 | 23,696 | 17,293 |
| Amortization of intangibles | 734 | 711 | 806 |
| Total costs and expenses | 120,723 | 94,017 | 74,484 |
| Income from operations | 28,026 | 19,864 | 15,795 |
| Other income (expense) | (826) | 1,582 | 758 |
| Income before income taxes | 27,200 | 21,446 | 16,553 |
| Provision for income taxes | 11,021 | 8,751 | 6,504 |
| Net income | $16,179 | $12,695 | $10,049 |
| Earnings per share | $1.27 | $1.00 | $.81 |
| Shares used in computing earnings per share | 12,749,000 | 12,723,000 | 12,476,000 |

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

| September 30, | 1996 | (dollars in thousands) 1995 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $8,247 | $8,321 |
| Short-term investments | 7,487 | 5,874 |
| Accounts receivable, net of allowance 1996: $445; 1995: $276 | 27,675 | 18,822 |
| Unbilled work in progress | 10,276 | 11,299 |
| Prepaid expenses and other current assets | 4,423 | 2,056 |
| Deferred income taxes | 2,759 | 1,399 |
| Income taxes receivable | 610 | -- |
| Total current assets | 61,477 | 47,771 |
| Long-term investments | 12,647 | 10,923 |
| Property and equipment, net | 23,219 | 16,815 |
| Intangibles, net | 9,557 | 4,957 |
| Deferred income taxes | 2,239 | 4,089 |
| Other assets | 3,915 | 3,735 |
| | $113,054 | $88,290 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | $7,466 | $5,439 |
| Accrued compensation and employee benefits | 16,648 | 12,862 |
| Billings in excess of earned revenues | 3,666 | 5,314 |
| Capitalized leases | 378 | 391 |
| Income taxes payable | -- | 1,603 |
| Total current liabilities | 28,158 | 25,609 |
| Other liabilities | 4,997 | 4,623 |
| Capitalized leases | 1,552 | 1,930 |
| Commitments and contingencies | -- | -- |
| Total liabilities | 34,707 | 32,162 |
| Stockholders' equity: | | |
| Preferred stock | -- | -- |
| Common stock | 126 | 123 |
| Paid in capital in excess of par value | 21,174 | 14,508 |
| Retained earnings | 57,163 | 41,975 |
| Less treasury stock (1996: 15,938; 1995: 53,562 shares at cost) | (68) | (228) |
| Less pension adjustment | -- | (406) |
| Cumulative translation adjustments | (145) | -- |
| Unrealized gain on investment | 97 | 156 |
| Total stockholders' equity | 78,347 | 56,128 |
| | $113,054 | $88,290 |

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Period from September 30, 1993, to September 30, 1996 (in thousands)

| | Common stock | | Paid in capital in excess of par value | Retained earnings | Treasury stock | Pension adjustments | Cumulative translation adjustments | Unrealized gain on investments | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par value | | | | | | | |
| Balances at September 30, 1993 | 11,587 | $ 59 | $ 11,873 | $ 20,789 | $(574) | $(631) | $ -- | $-- | $ 31,516 |
| Issuance of restricted stock | 21 | -- | -- | -- | -- | -- | -- | -- | -- |
| Exercise of stock options | 290 | 1 | 474 | -- | -- | -- | -- | -- | 475 |
| Tax benefit of stock options | -- | -- | 350 | -- | -- | -- | -- | -- | 350 |
| Contribution/sale to ESOP | 69 | -- | 513 | -- | 233 | -- | -- | -- | 746 |
| Net income | -- | -- | -- | 10,049 | -- | -- | -- | -- | 10,049 |
| Dividends declared | -- | -- | -- | (828) | -- | -- | -- | -- | (828) |
| Pension adjustment | -- | -- | -- | -- | -- | 631 | -- | -- | 631 |
| Balances at September 30, 1994 | 11,967 | 60 | 13,210 | 30,010 | (341) | -- | -- | -- | 42,939 |
| Issuance of restricted stock | 4 | -- | 4 | -- | -- | -- | -- | -- | 4 |
| Exercise of stock options | 217 | 1 | 450 | -- | -- | -- | -- | -- | 451 |
| Tax benefit of stock options | -- | -- | 115 | -- | -- | -- | -- | -- | 115 |
| Contribution/sale to ESOP | 48 | -- | 729 | -- | 113 | -- | -- | -- | 842 |
| Net income | -- | -- | -- | 12,695 | -- | -- | -- | -- | 12,695 |
| Dividends declared | -- | -- | -- | (668) | -- | -- | -- | -- | (668) |
| Stock dividend | -- | 62 | -- | (62) | -- | -- | -- | -- | -- |
| Adoption of SFAS No. 115 at October 1, 1994 | -- | -- | -- | -- | -- | -- | -- | (77) | (77) |
| Unrealized gain on investments | -- | -- | -- | -- | -- | -- | -- | 233 | 233 |
| Pension adjustment | -- | -- | -- | -- | -- | (406) | -- | -- | (406) |
| Balances at September 30, 1995 | 12,236 | 123 | 14,508 | 41,975 | (228) | (406) | -- | 156 | 56,128 |
| Issuance of common stock | 85 | 1 | 3,571 | -- | -- | -- | -- | -- | 3,572 |
| Issuance/vesting of restricted stock | 1 | -- | 115 | -- | -- | -- | -- | -- | 115 |
| Exercise of stock options | 221 | 2 | 911 | -- | -- | -- | -- | -- | 913 |
| Tax benefit of stock options | -- | -- | 1,124 | -- | -- | -- | -- | -- | 1,124 |
| Contribution to ESOP | 38 | -- | 945 | -- | 160 | -- | -- | -- | 1,105 |
| Net income | -- | -- | -- | 16,179 | -- | -- | -- | -- | 16,179 |
| Dividends declared | -- | -- | -- | (991) | -- | -- | -- | -- | (991) |
| Pension adjustment | -- | -- | -- | -- | -- | 406 | -- | -- | 406 |
| Unrealized loss on investments | -- | -- | -- | -- | -- | -- | -- | (59) | (59) |
| Cumulative translation adjustments | -- | -- | -- | -- | -- | -- | (145) | -- | (145) |
| Balances at September 30, 1996 | 12,581 | $ 126 | $ 21,174 | $ 57,163 | $ (68) | $-- | $(145) | $ 97 | $ 78,347 |

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| Years ended September 30, | 1996 | (dollars in thousands) 1995 | 1994 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income | $ 16,179 | $ 12,695 | $ 10,049 |
| Adjustments to reconcile net income to cash provided by operating activities: | | | |
| Depreciation and amortization | 7,784 | 6,153 | 4,880 |
| Equity loss in investment | 821 | 97 | -- |
| Deferred income taxes | 294 | (1,714) | (1,781) |
| Changes in operating assets and liabilities: | | | |
| Increase in accounts receivable | (7,946) | (4,852) | (3,213) |
| Decrease (increase) in unbilled work in progress | 1,273 | (4,709) | 2,105 |
| Decrease (increase) in prepaid expenses and other assets | (2,356) | (828) | 6 |
| Increase in income tax receivable | (610) | -- | -- |
| Increase in other assets | (40) | (355) | (23) |
| Increase in accounts payable and other accrued liabilities | 2,115 | 532 | 1,635 |
| Increase in accrued compensation and employee benefits | 5,105 | 4,796 | 5,164 |
| Increase (decrease) in billings in excess of earned revenues | (1,648) | 1,287 | 1,021 |
| Decrease in income taxes payable | (479) | (141) | (331) |
| Decrease in other liabilities | (807) | -- | -- |
| Net cash provided by operating activities | 19,685 | 12,961 | 19,512 |
| Cash flows from investing activities | | | |
| Purchases of property and equipment | (13,146) | (10,692) | (5,272) |
| Purchase of Printronic and CRMA, net of cash acquired | (1,682) | -- | -- |
| Purchase of DynaMark | (1,129) | (2,150) | (1,813) |
| Purchases of investments | (10,781) | (9,240) | (15,781) |
| Proceeds from maturities of investments | 5,913 | 7,104 | 9,904 |
| Investment write-off | 1,535 | -- | -- |
| Net cash used in investing activities | (19,290) | (14,978) | (12,962) |
| Cash flows from financing activities | | | |
| Principal payments of capital lease obligations | (391) | (422) | (532) |
| Issuance of stock | 913 | 494 | 560 |
| Dividends paid | (991) | (668) | (828) |
| Repurchase of company stock | -- | (56) | -- |
| Net cash used in financing activities | (469) | (652) | (800) |
| Increase (decrease) in cash and cash equivalents | (74) | (2,669) | 5,750 |
| Cash and cash equivalents, beginning of year | 8,321 | 10,990 | 5,240 |
| Cash and cash equivalents, end of year | $ 8,247 | $ 8,321 | $ 10,990 |

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Summary of Significant Accounting Policies

Nature of business

Fair, Isaac and Company, Incorporated, (the "Company") is incorporated under the laws of the State of Delaware. The Company offers a variety of technological tools to enable users to make better decisions through data. The Company is a world leader in developing predictive and risk assessment models for the financial services industry. These analytical tools include credit and insurance scoring algorithms. The Company also offers direct marketing and database management services through its wholly-owned subsidiary, DynaMark, Inc. (DynaMark).

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated from the consolidated financial statements.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

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

Investments

The Company adopted Statement of Financial Accounting Standard (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," effective October 1, 1994. The impact as a result of the adoption of this Statement was not material.

Investments in U.S. government obligations and marketable equity securities are classified as available for sale and carried at market value in accordance with SFAS 115. Investments in 50% or less owned companies in which the Company has the ability to exercise significant influence are accounted for using the equity method and are classified as non-marketable securities. Other investments are carried at the lower of cost or net realizable method and are classified as non-marketable securities.

Investments with remaining maturity over one year are classified as long-term investments.

Credit and market risk

The Company invests a portion of its excess cash in U.S. government obligations and has established guidelines relative to diversification and maturities that maintain safety and liquidity. An allowance for doubtful accounts is maintained at a level which management believes is sufficient to cover potential credit losses. Actual losses and allowances have been within management's expectations.

Depreciation and amortization

Depreciation and amortization on property and equipment including leasehold improvements and capitalized leases are provided using the straight-line method over estimated useful lives ranging from three to eight years or the term of the respective leases.

Revenue recognition

Revenues from contracts for the development of credit scoring systems and custom software are recognized using the percentage-of-completion method of accounting, measured by an output method based on results achieved to date compared with the results necessary to complete the contract, which approximates the ratio that incurred costs bear to estimated total completion costs. Revenues determined by the percentage-of-completion method in excess of contract billings are recorded as unbilled work in progress. Such amounts are generally billable upon reaching certain performance milestones that are defined by the individual contracts. Deposits billed and received in advance of performance under contracts are recorded as billings in excess of earned revenues.

Revenues from usage-priced products and services are recognized on receipt of usage reports from the third-parties through which such products and services are delivered. Revenues under such arrangements are recorded as unbilled work in progress until collected. Revenue from shrink-wrapped products are recognized upon delivery. Revenues from products and services sold on time-based pricing, including maintenance of computer and software systems, are recognized ratably over the contract period.

Software costs

The Company follows one of two paths to develop software. One involves a detailed program design, which is used when introducing new technology; the other involves the creation of a working model for modification to existing technologies that has been supported by adequate testing. All costs incurred prior to the resolution of unproven functionality and features, including new technologies, are expensed as research and development. After the uncertainties have been tested and the development issues have been resolved, technological feasibility is achieved and subsequent costs such as coding, debugging and testing are capitalized.

When developing software using existing technology, the costs incurred prior to the completion of a working model are expensed. Once the product design is met, this typically concludes the software development process and is usually the point at which technological feasibility is established. Subsequent expenses, including coding and testing, if any, are capitalized. For the three-year period ending September 30, 1996, technological feasibility coincided with the completion process; thus all design and development costs were expensed as research and development costs.

Purchased software costs are amortized over three years. For the years ended September 30, 1996, 1995 and 1994, amortization of capitalized software was $209,000, $544,000 and $587,000, respectively. At September 30, 1996 and 1995, unamortized purchased computer software costs were $1,187,000 and $395,000, respectively.

Intangibles

The intangible assets consisting of goodwill and non-compete agreements arose principally from business acquisitions and are amortized on a straight-line basis over the period of expected benefit that ranges from 2 to 15 years. The Company assesses the recoverability of goodwill by evaluating the undiscounted projected results of operations over the remaining amortization period.

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.

Foreign currency

The Company has determined that the functional currency of each foreign operation is the local currency. Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate on the balance sheet date, while 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.

Earnings per share

Earnings per share are based on the weighted number of common shares outstanding and common stock equivalent shares. Common equivalent shares result from the assumed exercise of outstanding stock options that have a dilutive effect when applying the treasury stock method. Fully diluted earnings per share were approximately equal to primary earnings per share in each of the years in the three-year period ended September 30, 1996.

Reclassifications

Certain reclassifications were made to the 1994 and 1995 financial statements to conform to the 1996 presentation.

Accounting pronouncements

In 1995, the Financial Accounting Standards Board issued SFAS Statement No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of." This Statement requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes of circumstances indicate that the carrying amount of an asset may not be recoverable. The Company will adopt SFAS No. 121 in fiscal 1997, and the impact, if any, is not expected to be material.

In 1995, the Financial Accounting Standards Board issued SFAS Statement No. 123, "Accounting for Stock-Based Compensation." Statement No. 123 allows a company either to (1) retain the current method of accounting for stock compensation for purposes of preparing its financial statements or (2) to adopt a new fair value-based method that is established by provisions of the new Statement. The Company plans to retain its current method of accounting for stock compensation when it adopts this Statement in fiscal 1997, and thus it is not expected to have an impact on the Company's financial position or results of operations.

Fair value of financial instruments

Cash and cash equivalents, accounts receivable, short-term investments, accounts payable and other accrued liabilities, and accrued compensation and employee benefits are reflected in the financial statements at fair value because of the short-term maturity of these instruments. The fair values of the Company's investment securities are disclosed in Note 5.

2. Dividends

On May 23, 1995, the Company's Board of Directors declared a 100% stock dividend equivalent to a two-for-one stock split, payable at the close of business on June 26, 1995. The par value of the additional shares was reclassified from retained earnings to common stock. All per share amounts, options, market prices and number of shares have been restated to retroactively reflect the 100% stock dividend.

Concurrent with the 100% stock dividend, the Board of Directors authorized payment of a quarterly dividend of 2 cents or 8 cents per year. Previously, dividends had been paid at a rate of 3.5 cents semi-annually or 7 cents per year. Because the change to quarterly dividends was initiated in September 1995, the rate of dividends paid in fiscal 1995 does not reflect the new annual rate.

3. Acquisitions

In July 1996, the Company purchased certain assets and liabilities of Printronic Corporation of America, Inc. (Printronic), a privately held direct mail computer processing company, and effective at the close of September 30, 1996, the Company acquired 100% of the stock of Credit & Risk Management Associates, Inc. (CRMA), a privately held consulting services company.

The consideration paid for Printronic and CRMA consisted of 84,735 Company shares valued at $3,572,000 plus $1,697,000 in cash. Both acquisitions have been accounted for as purchases. The results of operations of Printronic have been included in the Consolidated Financial Statements since the acquisition date; no results of operations for CRMA are included in the Consolidated Financial Statements. The purchase price for each acquisition was allocated based on estimated fair values at the dates of acquisition. The excess of the purchase prices over the fair

value of net assets or liabilities was $5,547,000 and has been recorded as goodwill, which will be amortized on a straight-line basis over 7 or 15 years.

The CRMA purchase agreement provides for additional cash payments not to exceed $5,499,000 based on specified financial performance of CRMA through September 1999. The Company also expects to pay $100,000 in cash for Printronic due to purchase price adjustments as defined in the purchase agreement.

Pro forma unaudited consolidated operating results of the Company, Printronic and CRMA for the years ended September 30, 1996 and 1995, assuming the acquisitions had been made as of October 1, 1995 and 1994, are summarized below.

| Pro forma summary (unaudited)<br>(dollars in thousands except per share data) | Years ended September 30,<br>1996 | <br>1995 |
|---|---|---|
| Revenue | $155,327 | $119,349 |
| Net income | $16,251 | $12,367 |
| Earnings per share | $1.27 | $.97 |

These pro forma results have been prepared for comparative purposes only and include certain adjustments such as additional amortization expense as a result of goodwill and other intangible assets. They do not purport to be indicative of the results of operations that actually would have resulted had the combinations been in effect on October 1, 1995 and 1994, or of future results of operations of the consolidated entities.

4. Cash Flow Statement

Supplemental disclosure of cash flow information:

| (dollars in thousands) | 1996 | Years ended September 30,<br>1995 | <br>1994 |
|---|---|---|---|
| Income tax payments | $13,234 | $10,640 | $8,455 |
| Interest paid | $148 | $196 | $222 |
| Non-cash investing and financing activities: | | | |
| Purchase of Printronic and CRMA with common stock | $3,572 | $-- | $-- |
| Tax benefit of stock options | $1,124 | $115 | $350 |
| Contributions of treasury stock to ESOP | $1,105 | $856 | $661 |
| Vesting of restricted stock | $115 | $-- | $-- |

5. Investments

The following is a summary of available-for-sale securities and other investments at September 30, 1996 and 1995:

| | 1996 | | | | 1995 | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in thousands) | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| Short-term investments: | | | | | | | | |
| U.S. government obligations | $ 7,475 | $ 14 | $ (2) | $ 7,487 | $ 5,883 | $ 1 | $ (10) | $ 5,874 |
| Long-term investments: | | | | | | | | |
| U.S. government obligations | $ 10,520 | $ 99 | $ (23) | $10,596 | $ 9,493 | $ 199 | -- | $ 9,692 |
| Non-marketable securities | 1,900 | -- | -- | 1,900 | 1,092 | -- | -- | 1,092 |
| Marketable equity securities | 79 | 77 | (5) | 151 | 68 | 71 | -- | 139 |
| | $ 12,499 | $ 176 | $ (28) | $12,647 | $ 10,653 | $ 270 | $ -- | $ 10,923 |

The long-term U.S. government obligations mature in one to five years.

For the years ended September 30, 1996 and 1995, the Company made purchases of non-marketable security investments of $2,343,000 and $1,092,000, respectively. In 1996 an investment of $1,535,000 in the non-marketable preferred stock of an early-stage enterprise was written off due to the deteriorating financial condition of the entity during the past year. The Company does not have any further financial commitments with respect to the investment.

The Company also realized its equity share of losses from another non-marketable security investment of $821,000 and $97,000 for the years ended September 30, 1996 and 1995, respectively. The Company has a $466,000 receivable for operating expenses incurred by the Company on behalf of this investment, and an $821,000 payable due to this investment for funding operating losses at September 30, 1996. The Company does not have any further financial commitments with respect to this investment except for funding future operating losses, if any.

6. Property and Equipment

Property and equipment at September 30, 1996 and 1995 valued at cost, consist of the following:

| (dollars in thousands) | 1996 | 1995 |
|---|---|---|
| Data processing equipment | $21,295 | $13,295 |
| Office furniture, vehicles and equipment | 11,350 | 7,964 |
| Leasehold improvements | 8,062 | 5,372 |
| Capitalized leases | 2,969 | 3,123 |
| Less accumulated depreciation and amortization | (20,457) | (12,939) |
| Net property and equipment | $23,219 | $16,815 |

Depreciation and amortization charged to operations were $7,050,000, $4,812,000 and $3,457,000 for the years ended September 30, 1996, 1995 and 1994, respectively.

Capitalized leases consist primarily of one lease bearing an interest rate of 7% that matures in the year 2001. The following is a schedule, by years, of future minimum lease payments under capitalized leases, together with the present value of the net minimum lease payments at September 30, 1996:

| Years ended September 30 | (dollars in thousands) |
|---|---|
| 1997 | $506 |
| 1998 | 466 |
| 1999 | 466 |
| 2000 | 466 |
| 2001 | 375 |
| | 2,279 |
| Less: Amount representing interest | (349) |
| Present value of net minimum lease payments | $1,930 |

7. Intangibles

Intangibles at September 30, 1996 and 1995, consist of the following:

| (dollars in thousands) | 1996 | 1995 |
|---|---|---|
| Goodwill | $10,060 | $4,815 |
| Other | 2,270 | 2,181 |
| Less accumulated amortization | (2,773) | (2,039) |
| | $9,557 | $4,957 |

Amortization charged to operations was $734,000, $711,000 and $806,000 for the years ended September 30, 1996, 1995 and 1994, respectively.

8. Income Taxes

The provision for income taxes consists of the following:

| (dollars in thousands) | Years ended September 30, 1996 | 1995 | 1994 |
|---|---|---|---|
| Current: | | | |
| Federal | $8,631 | $8,107 | $6,456 |
| State | 1,826 | 2,167 | 1,665 |
| Foreign | 270 | 191 | 164 |
| | 10,727 | 10,465 | 8,285 |
| Deferred: | | | |
| Federal | 366 | (1,441) | (1,415) |
| State | (72) | (273) | (366) |
| | 294 | (1,714) | (1,781) |
| | $11,021 | $8,751 | $6,504 |

Amounts for the current year are based upon estimates and assumptions as of the date of this report and could vary significantly from amounts shown on the tax returns as filed.

The tax effect of significant temporary differences resulting in deferred tax assets at September 30, 1996 and 1995 are as follows:

| (dollars in thousands) | 1996 | 1995 |
|---|---|---|
| Deferred tax assets: | | |
| Amortization of intangibles and other assets | $1,769 | $1,037 |
| Officers' incentive | 1,447 | 2,588 |
| State taxes | 713 | 758 |
| Capital loss carryforward | 610 | -- |
| Compensated absences | 606 | 418 |
| Property and equipment | 463 | 465 |
| Other | -- | 222 |
| | 5,608 | 5,488 |
| Less valuation allowance | (610) | -- |
| | $4,998 | $5,488 |

The valuation allowance for deferred tax assets as of September 30, 1996 was $610,000. The valuation allowance was needed to reduce the deferred tax assets as it is not likely that the capital loss carryforward will be realized through future capital gains.

A reconciliation between the federal statutory income tax rate and the Company's effective tax rate is shown below:

| (dollars in thousands) | Years ended September 30, 1996 | 1995 | 1994 |
|---|---|---|---|
| Income tax provision at federal statutory rate of 35% in 1996, 1995 and 1994 | $9,520 | $7,506 | $5,794 |
| State income taxes, net of federal benefit | 1,140 | 1,231 | 844 |
| Increase in valuation allowance | 610 | -- | -- |
| Other | (249) | 14 | (134) |
| | $11,021 | $8,751 | $6,504 |

9. Employee Benefit Plans

Pension plan

The Company has a defined benefit pension plan that covers eligible full-time employees. The benefits are based on years of service and the employee's compensation during employment. The Company's policy is to fund the pension plan to the maximum extent for which a tax deduction is allowed. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The following table sets forth the plan's funding status at September 30, 1996 and 1995:

| (dollars in thousands) | 1996 | 1995 |
|---|---|---|
| Vested benefit obligation | $6,349 | $5,067 |
| Nonvested benefit obligation | 486 | 373 |
| Effect of projected future earnings | 2,778 | 2,353 |
| Projected benefit obligation | 9,613 | 7,793 |
| Fair value of plan assets | (7,883) | (5,155) |
| Projected benefit obligation in excess of plan assets | 1,730 | 2,638 |
| Unrecognized prior service cost | 77 | 85 |
| Unrecognized net loss | (3,226) | (2,759) |
| Unrecognized net obligation remaining to be amortized | (177) | (196) |
| Additional minimum liability | -- | 517 |
| (Prepaid) accrued pension cost | $(1,596) | $285 |

The plan assets consist primarily of U.S. government securities and marketable equity securities.

The projected benefit obligation includes an accumulated benefit obligation of $6,835,000 and $5,440,000 at September 30, 1996 and 1995, respectively. The obligation exceeded the fair value of the pension plan assets for the year ended September 30, 1995. For the year ended September 30, 1996, the Company reduced to zero the additional minimum liability of $517,000 (the intangible asset of $111,000 and pension adjustment of $406,000 in stockholders' equity) that was recorded in the year ended September 30, 1995.

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 8 percent and 5 percent, respectively, at September 30, 1996, and 7.5 and 5.5 percent at September 30, 1995. The expected long-term rate of return on assets was 8.5 and 7.5 percent at September 30, 1996 and 1995, respectively.

The net pension cost for the fiscal years ended September 30, 1996 and 1995, included the following components:

| (dollars in thousands) | 1996 | 1995 |
|---|---|---|
| Service costs | $809 | $483 |
| Interest cost on projected benefit obligation | 609 | 500 |
| Actual return on plan assets | (362) | (510) |
| Net amortization and deferral | 66 | 266 |
| Net periodic pension plan cost | $1,122 | $739 |

Employee stock ownership plan

The Company has an Employee Stock Ownership Plan (ESOP) that covers eligible full-time employees. Contributions to the ESOP are determined annually by the Company's board of directors. In addition, the ESOP may purchase stock from the Company or its stockholders. Provisions for contributions to the ESOP were $1,445,000, $1,046,000 and $856,000 for the years ended September 30, 1996, 1995 and 1994, respectively.

At September 30, 1996, the ESOP held 1,047,484 shares of Company stock. The amount of dividends on ESOP shares were $94,000, $64,000 and $85,000 for the years ended September 30, 1996, 1995 and 1994, respectively.

Company stock held and paid for by the ESOP is allocated annually to participants based on employee compensation levels. Participants vest in the allocated shares at rates ranging from 0% to 30% after 1 to 7 years of employment until fully vested.

Defined contribution plans

The Company offers 401(k) plans for eligible employees. Eligible employees may contribute up to 15% of compensation. The Company provides a matching contribution which is vested over five years. The Company contributions to 401(k) plans were $470,000, $363,000 and $291,000 for years ended September 30, 1996, 1995 and 1994, respectively. During fiscal 1995, the Company established a supplemental retirement and savings plan for certain officers and senior management employees. Company contributions to that plan were $104,000 and $91,000 for the years ended September 30, 1996 and 1995, respectively.

Officers' incentive plan

The Company has an executive compensation plan for the benefit of officers. Benefits are payable based on the achievement of financial and performance objectives, which are set annually by the Board of Directors, and the market value of the Company's stock. Total expenses under the plan were $3,560,000, $4,030,000 and $3,381,000 for the years ended September 30, 1996, 1995 and 1994, respectively. The incentive earned each year is paid 50% currently, and the balance is payable over a four-year period, subject to certain adjustments, as defined in the plan, based on employment status and the market value of the Company's common stock. At September 30, 1996 and 1995, the long-term officers' incentive plan payable was $3,678,000 and $4,082,000, respectively.

Employee incentive plans

The Company has incentive plans for eligible employees not covered under the executive compensation plan. Awards under these plans are paid annually and are based on the achievement of certain financial and performance objectives. Total expenses under these plans were $3,919,000, $4,764,000 and $3,738,000 for the years ended September 30, 1996, 1995 and 1994, respectively.

10. Stock

Common

A total of 35,000,000 shares of common stock, $0.01 par value, are authorized, of which 12,581,468 shares (including 15,938 shares of treasury stock) were outstanding at September 30, 1996, and 12,289,862 shares (including 53,562 shares of treasury stock) were outstanding at September 30, 1995.

Preferred

A total of 1,000,000 shares of preferred stock, $0.01 par value, are authorized; no preferred stock has been issued.

11. Stock Option Plans

Officers, key employees and non-employee directors have been granted options under the Company's stock option plans to purchase Company common stock at fair market value at the date of grant. Total options exercisable were 316,930 and 449,900 at September 30, 1996 and 1995, respectively.

The following is a summary of changes in options outstanding during the three years in the period ended September 30, 1996:

| | Number of shares | Exercise price per share |
|---|---|---|
| Options outstanding | | |
| September 30, 1993 | 1,083,000 | $1.11-$8.50 |
| Granted | 142,000 | $13.25-$15.38 |
| Forfeitures | (68,000) | $8.25-$8.50 |
| Exercised | (289,600) | $1.11-$3.50 |
| Options outstanding | | |
| September 30, 1994 | 867,400 | $1.11-$15.38 |
| Granted | 161,850 | $19.31-$28.38 |
| Exercised | (217,500) | $1.11-$8.50 |
| Options outstanding | | |
| September 30, 1995 | 811,750 | $1.89-$28.38 |
| Granted | 285,500 | $27.38-$41.88 |
| Exercised | (222,140) | $1.89-$8.50 |
| Options outstanding | | |
| September 30, 1996 | 875,110 | $2.63-$41.88 |

12. Commitments and Contingencies

The Company conducts certain of its operations in facilities occupied under non-cancelable operating leases with lease terms in excess of one year. The leases provide for annual increases based upon the Consumer Price Index or fixed increments.

Minimum future rental commitments under operating leases are as follows:

| Year ending September 30, | (dollars in thousands) |
|---|---|
| 1997 | $4,742 |
| 1998 | 3,809 |
| 1999 | 3,550 |
| 2000 | 3,480 |
| 2001 | 3,102 |
| Thereafter | 2,879 |
| | $21,562 |

Rent expense under operating leases, including month-to-month leases, was $4,608,000, $2,939,000 and $2,155,000 for the years ended September 30, 1996, 1995 and 1994, respectively.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial condition.

13. Segment Information

The Company operates principally in the financial services industry. Its DynaMark subsidiary provides services to the direct marketing industry. Operations in other industries are less than 10% of consolidated revenues. The Company's international operations consist primarily of sales and service offices. Substantially all foreign sales are exports. The Company's revenues from customers outside the United States were $21,846,000, $14,851,000 and $12,531,000 for the years ended September 30, 1996, 1995 and 1994, respectively.

14. Significant Customer

For the years ended September 30, 1996, 1995 and 1994, the Company had a major customer who contributed net revenues of $15,444,000, $10,507,000 and $8,546,000, respectively. At September 30, 1996 and 1995, unbilled work in progress included balances due from this customer of $1,097,000 and $895,000, respectively.

15. Other Income (Expense)

Other income (expense) for the years ended September 30, 1996, 1995 and 1994, consist of the following:

| (dollars in thousands) | 1996 | 1995 | 1994 |
|---|---|---|---|
| Interest income | $1,661 | $1,547 | $872 |
| Investment write-off | (1,535) | -- | -- |
| Equity loss in investment | (821) | (97) | -- |
| Interest expense | (148) | (196) | (100) |
| Foreign currency gain (loss) | (97) | 261 | -- |
| Other | 114 | 67 | (14) |
| | $ (826) | $1,582 | $758 |

16. Subsequent Event

On November 4, 1996, the Company sold the assets and certain liabilities of the personalization business within DynaMark for $510,000. For the years ended September 30, 1996, 1995 and 1994, the personalization business accounted for approximately $2,938,000, $3,983,000 and $4,037,000 in revenues, respectively.

17. Supplementary Financial Data (Unaudited)

The following table presents selected unaudited consolidated financial results for each of the eight quarters in the two-year period ended September 30, 1996. In the Company's opinion, this unaudited information has been prepared on the same basis as the audited information and includes all adjustments (consisting of only normal recurring adjustments) necessary for a fair statement of the financial information for the period presented.

| (in thousands except per share data) | Dec. 31, 1994 | Mar. 31, 1995 | June 30, 1995 | Sept. 30, 1995 |
|---|---|---|---|---|
| Revenues | $25,632 | $26,383 | $28,675 | $33,192 |
| Cost of revenues | 9,337 | 10,436 | 10,812 | 12,447 |
| Gross profit | $16,295 | $15,947 | $17,863 | $20,745 |
| Net income | $2,822 | $2,928 | $3,130 | $3,816 |
| Earnings per share | $.22 | $.23 | $.25 | $.30 |
| Shares used in computing earnings per share | 12,676 | 12,706 | 12,754 | 12,779 |

| (in thousands except per share data) | Dec. 31, 1995 | Mar. 31, 1996 | June 30, 1996 | Sept. 30, 1996 |
|---|---|---|---|---|
| Revenues | $32,628 | $35,275 | $37,119 | $43,727 |
| Cost of revenues | 13,173 | 13,530 | 14,281 | 15,412 |
| Gross profit | $19,455 | $21,745 | $22,838 | $28,315 |
| Net income | $3,524 | $4,373 | $4,298 | $3,984 |
| Earnings per share | $.28 | $.34 | $.34 | $.31 |
| Shares used in computing earnings per share | 12,761 | 12,803 | 12,745 | 12,718 |

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

None.

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The required information regarding Directors of the registrant is incorporated by reference from the information under the caption "Election of Directors - Nominees" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on February 4, 1997.

The required information regarding Executive Officers of the registrant is contained in Part I of this 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 the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on February 4, 1997.

### ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the information under the captions "Compensation of Directors and Executive Officers," "Compensation Committee Interlocks and Insider Participation," and "Director Consulting Arrangement" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on February 4, 1997.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference from the information under the caption "Stock Ownership" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on February 4, 1997.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference from the information under the captions "Director Consulting Arrangement" and "Compensation Committee Interlocks and Insider Participation" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on February 4, 1997.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K



3. Exhibits:

2.1 Asset Purchase Agreement, dated December 31, 1992, by and between the Registrant and DynaMark, Inc., filed as Exhibit 2.1 to the Company's report on Form 8-K dated December 31, 1992, and incorporated herein by reference.

2.2 Employment and Non-Competition Agreement, dated December 31, 1992, by and between the Registrant and Kenneth M. Rapp, filed as Exhibit 2.2 to the Company's report on Form 8-K dated December 31, 1992, and incorporated herein by reference.*

3.1 Restated Certificate of Incorporation of the Company.

3.2 Restated By-laws of the Company.

4.1 Registration Rights Agreement dated July 19, 1996, among the Company, Leo Yochim, and Susan Keenan.

4.2 Registration Rights Agreement dated September 30, 1996, among the Company, Donald J. Sanders, Paul A. Makowski, and Lawrence E. Dukes.

10.1 Company's Stock Option Plan (1984) and form of Stock Option Agreement, filed as Exhibit 10.1 to the Registration Statement and incorporated herein by reference.*

10.2 Company's 1987 Stock Option Plan, filed as Exhibit 10.2 to the Registration Statement and incorporated herein by reference.*

10.3 Lease dated April 28, 1995, between CSM Investors, Inc., and DynaMark, Inc. filed as Exhibit 10.3 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.

10.4 Fair, Isaac and Company, Inc. Officers' Incentive Plan (effective October 1, 1992), filed as Exhibit 10.4 to the Company's report on Form 10-K for the fiscal year ended September 30, 1994, and incorporated herein by reference.*

10.5 Lease, dated October 30, 1983, between S.R.P. Limited Partnership and the Company, as amended, filed as Exhibit 10.7 to the Registration Statement and incorporated herein by reference.

10.6 Stock Option Plan for Non-Employee Directors, filed as Exhibit 10.8 to the Company's report on Form 10-K for the fiscal year ended September 30, 1988 and incorporated herein by reference.*

10.7 Lease dated July 1, 1993, between The Joseph and Eda Pell Revocable Trust and the Company and the First through Fifth Addenda thereto filed as Exhibit 10.7 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.

10.8 First Amendment to the Company's 1987 Stock Option Plan, filed as Exhibit 10.11 to the Company's report on Form 10-K for the fiscal year ended September 30, 1989, and incorporated herein by reference.*

10.9 First Amendment to the Company's Stock Option Plan for Non-Employee Directors, filed as Exhibit 10.12 to the Company's report on Form 10-K for the fiscal year ended September 30, 1989, and incorporated herein by reference.*

10.10 Amendment Number 1 to Stock Option Plan (1984) of the Company, filed as Exhibit 10.13 to the Company's report on Form 10-K for the fiscal year ended September 30, 1989, and incorporated herein by reference.*

10.11 Addendum Number Seven to lease between S.R.P. Limited Partnership and the Company filed as Exhibit 10.15 to the Company's report on Form 10-K for the fiscal year ended September 30, 1990, and incorporated herein by reference.

10.12 Addenda Numbers Eight and Nine to lease between SRP Limited Partnership and the Company filed as Exhibit 10.12 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.

10.13 Lease, dated September 5, 1991, between 111 Partners, a California general partnership, and the Company filed as Exhibit 10.20 to the Company's report on Form 10-K for the fiscal year ended September 30, 1991, and incorporated herein by reference.

10.14 Construction Loan Agreement dated September 5, 1991, between 111 Partners and the Company filed as Exhibit 10.21 to the Company's report on Form 10-K for the fiscal year ended September 30, 1991, and incorporated herein by reference.

10.15 Consulting contract between the Company and William R. Fair dated April 10, 1991 filed as Exhibit 10.22 to the Company's report on Form 10-K for the fiscal year ended September 30, 1991, and incorporated herein by reference.*

10.16 Fair, Isaac and Company, Incorporated 1992 Long-term Incentive Plan as amended and restated effective November 21, 1995.*

10.17 Consulting Contracts between the Company and Robert M. Oliver effective January 1, 1995 and July 1, 1995 filed as Exhibit 10.17 to the Company's report on form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.*

10.18 Lease dated May 1, 1995, between Control Data Corporation and DynaMark, Inc. filed as Exhibit 10.18 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.

10.19 Lease dated April 10, 1994, between Leed Properties and DynaMark, Inc., filed as Exhibit 10.19 to the Company's report on Form 10-K for the fiscal year ended September 30, 1994, and incorporated herein by reference.

10.20 Fair, Isaac Supplemental Retirement and Savings Plan and Trust Agreement effective November 1, 1994, filed as Exhibit 10.20 to the Company's report on Form 10-K for the fiscal year ended September 30, 1994, and incorporated herein by reference.*

10.21 Lease dated July 10, 1993, between the Joseph and Eda Pell Revocable Trust and the Company filed as Exhibit 10.21 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.

10.22 Lease dated October 11, 1993, between the Joseph and Eda Pell Revocable Trust and the Company and the First through Fourth Addenda thereto filed as Exhibit 10.22 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.

10.23 Fourth Contract Extension, dated April 7, 1995, to the Consulting Contract between the Company and William R. Fair, filed as Exhibit 10.23 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.*

10.24 Exchange Agreement and Plan of Reorganization dated July 19, 1996, among DynaMark, Inc., Printronic Corporation of America, Inc., Leo R. Yochim, and Susan Keenan.

10.25 Agreement and Plan of Merger and Reorganization dated September 30, 1996, among the Company, FIC Acquisition Corporation, Credit & Risk Management Associates, Inc., Donald J. Sanders, Paul A. Makowski, and Lawrence E. Dukes.

10.26 Contract between the Company and Dr. Robert M. Oliver dated April 2, 1996.*

10.27 Letter of Intent dated July 15, 1996, between the Company and Village Properties, and the First Amendment thereto dated July 18, 1996.

10.28 Office Building Lease dated November 14, 1996, between the Company and Regency Center.

10.29 Sixth and Seventh Addenda to the Lease dated July 1, 1993, between the Company and the Joseph and Eda Pell Revocable Trust.

10.30 First and Second Addenda to the Lease dated July 10, 1993, between the Company and the Joseph and Eda Pell Revocable Trust.

10.31 Fifth Addendum to the Lease dated October 11, 1993, between the Company and the Joseph and Eda Pell Revocable Trust.

11.1 Computation of net income per common share.

13.1 Annual Report to Stockholders for the Fiscal Year Ended September 30, 1996.

21.1 Subsidiaries of the Company.

23.1 Consent of KPMG Peat Marwick LLP (see page 42 of this Form 10-K).

24.1 Power of Attorney (see page 39 of this Form 10-K).

27 Financial Data Schedule.

* Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed with the Securities and Exchange Commission during the fiscal quarter ended September 30, 1996.

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 AND COMPANY, INCORPORATED

DATE: December 26, 1996

By PETER L. MCCORKELL
---
Peter L. McCorkell
Senior Vice President, Secretary and
General Counsel

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each 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 any amendments to this 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.

| | | |
|---|---|---|
| LARRY E. ROSENBERGER<br>---<br>Larry E. Rosenberger | President, Chief Executive Officer (Principal Executive Officer) and Director | December 26, 1996 |
| PATRICIA COLE<br>---<br>Patricia Cole | Senior Vice President, Chief Financial Officer and Controller | December 26, 1996 |
| A. GEORGE BATTLE<br>---<br>A. George Battle | Director | December 26, 1996 |
| BRYANT J. BROOKS<br>---<br>Bryant J. Brooks | Director | December 26, 1996 |
| H. ROBERT HELLER<br>---<br>H. Robert Heller | Director | December 26, 1996 |
| GUY R. HENSHAW<br>---<br>Guy R. Henshaw | Director | December 26, 1996 |
| DAVID S. P. HOPKINS<br>---<br>David S. P. Hopkins | Director | December 26, 1996 |
| ROBERT M. OLIVER<br>---<br>Robert M. Oliver | Director | December 26, 1996 |
| ROBERT D. SANDERSON<br>---<br>Robert D. Sanderson | Director | December 26, 1996 |
| JOHN D. WOLDRICH<br>---<br>John D. Woldrich | Director | December 26, 1996 |

## Independent Auditors' Report

The Board of Directors
Fair, Isaac and Company, Incorporated:

Under date of October 23, 1996, except as to note 16, which is as of November 4, 1996, we reported on the consolidated balance sheets of Fair, Isaac and Company, Incorporated and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 1996, which are included in the 1996 annual report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule in the 1996 annual report on Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP

San Francisco, California
October 23, 1996, except as to note 16,
which is as of November 4, 1996

SCHEDULE II

FAIR, ISAAC AND COMPANY, INCORPORATED
VALUATION AND QUALIFYING ACCOUNTS
RULE 12-09
SEPTEMBER 30, 1996 AND 1995

| Description | Balance at Beginning of Period | Additions Charged to Expense | Additions Other (1) | Write Offs | Balance at End of Period |
|---|---|---|---|---|---|
| September 30, 1996: | | | | | |
| Allowance for Doubtful Accounts | $276,450 | $574,000 | $11,000 | $(416,450) | $445,000 |
| September 30, 1995: | | | | | |
| Allowance for Doubtful Accounts | $429,000 | $-- | $-- | ($152,550) | $276,450 |

(1) Amount represents the allowance recorded due to the acquisition of Credit & Risk Management Associates, Inc.

## Consent of Independent Auditors

The Board of Directors
Fair, Isaac and Company, Incorporated:

We consent to incorporation by reference in the registration statement (No. 33-20349) on Form S-8, the registration statement (No. 33-26659) on Form S-8, the registration statement (No. 33-63428) on Form S-8, the registration statement (No. 33-33057) on Form S-8, and the registration statement (No. 333-02121) on Form S-8 of Fair, Isaac and Company, Incorporated and subsidiaries of our report dated October 23, 1996, except as to note 16, which is as of November 4, 1996, relating to the consolidated balance sheets of Fair, Isaac and Company, Incorporated and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 1996, which report appears in the September 30, 1996 annual report on Form 10-K of Fair, Isaac and Company, Incorporated, and subsidiaries.

KPMG PEAT MARWICK LLP

San Francisco, California
December 26, 1996

EXHIBIT INDEX

TO FAIR, ISAAC AND COMPANY, INCORPORATED

REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996

| Exhibit No. | Exhibit |
|---|---|
| 3.1 | Restated Certificate of Incorporation of the Company. |
| 3.2 | Restated By-laws of the Company. |
| 4.1 | Registration Rights Agreement dated July 19, 1996, among the Company, Leo Yochim, and Susan Keenan. |
| 4.2 | Registration Rights Agreement dated September 30, 1996, among the Company, Donald J. Sanders, Paul A. Makowski, and Lawrence E. Dukes. |
| 10.16 | Fair, Isaac and Company, Incorporated 1992 Long-term Incentive Plan as amended and restated effective November 21, 1995. |
| 10.24 | Exchange Agreement and Plan of Reorganization dated July 19, 1996, among DynaMark, Inc., Printronic Corporation of America, Inc., Leo R. Yochim, and Susan Keenan. |
| 10.25 | Agreement and Plan of Merger and Reorganization dated September 30, 1996, among the Company, FIC Acquisition Corporation, Credit & Risk Management Associates, Inc., Donald J. Sanders, Paul A. Makowski, and Lawrence E. Dukes. |
| 10.26 | Contract between the Company and Dr. Robert M. Oliver dated April 2, 1996. |
| 10.27 | Letter of Intent dated July 15, 1996, between the Company and Village Properties, and the First Amendment thereto dated July 18, 1996. |
| 10.28 | Office Building Lease dated November 14, 1996, between the Company and Regency Center. |
| 10.29 | Sixth and Seventh Addenda to the Lease dated July 1, 1993, between the Company and the Joseph and Eda Pell Revocable Trust. |
| 10.30 | First and Second Addenda to the Lease dated July 10, 1993, between the Company and the Joseph and Eda Pell Revocable Trust. |
| 10.31 | Fifth Addendum to the Lease dated October 11, 1993, between the Company and the Joseph and Eda Pell Revocable Trust. |
| 11.1 | Computation of net income per common share. |
| 13.1 | Annual Report to Stockholders for the Fiscal Year Ended September 30, 1996. |
| 21.1 | Subsidiaries of the Company. |
| 27 | Financial Data Schedule. |

EXHIBIT 3.1

RESTATED
CERTIFICATE OF INCORPORATION
OF
FAIR, ISAAC AND COMPANY, INCORPORATED

(As amended effective February 9, 1996)

The undersigned, WILLIAM R. FAIR and EDWARD M. LEWIS, do hereby certify:

First: They are the duly elected and acting President and Secretary, respectively, of FAIR, ISAAC AND COMPANY, INCORPORATED, a Delaware corporation (the "Corporation").

Second: The original Certificate of Incorporation of the Corporation was filed with the Secretary of State on May 15, 1987.

Third: The Certificate of Incorporation of the Corporation is amended and restated to read in full as follows:

1. The name of the corporation is FAIR, ISAAC AND COMPANY, INCORPORATED.

2. The address of its registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle 19801. The name of its registered agent at such address is The Corporation Trust Company.

3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

4. (a) The total number of shares of all classes of stock which the corporation shall have authority to issue is thirty-six million (36,000,000), of which one million (1,000,000) shares shall be Preferred Stock of the par value of $.01 per share, and thirty-five million (35,000,000) shares shall be Common Stock of the par value of $.01 per share. The number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) if the increase or decrease is approved by the holders of a majority of the shares of Common Stock, without the vote of the holders of the shares of Preferred Stock or any series thereof, unless any such Preferred Stock holders are entitled to vote thereon pursuant to the provisions established by the Board of Directors in the resolution or resolutions providing for the issue of such Preferred Stock, and if such holders of such Preferred Stock are so entitled to vote thereon, then, except as may otherwise be set forth in this Certificate of Incorporation, the only stockholder approval required shall be that of a majority of the

combined voting power of the Common and Preferred Stock so entitled to vote.

(b) The Board of Directors is expressly authorized to provide for the issue, in one or more series, of all or any shares of the Preferred Stock and, in the resolution or resolutions providing for such issue, to establish for each such series the number of its shares, which may thereafter (unless forbidden in the resolution or resolutions providing for such issue) be increased or decreased (but not below the number of shares of the series then outstanding) pursuant to a subsequent resolution of the Board of Directors, the voting powers, full or limited, of the shares of such series, or that such shares shall have no voting powers, and the designations, preferences and relative, participating, optional or other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof. In furtherance of the foregoing authority and not in limitation of it, the Board of Directors is expressly authorized, in the resolution or resolutions providing for the issue of a series of Preferred Stock, to make the shares of such series, without the consent of the holders of such shares, convertible into or exchangeable for shares of another class or classes of stock of the corporation or any series thereof, or redeemable for cash, property or rights, including securities, all on such conditions and on such terms as may be stated in such resolution or resolutions, and to make any of the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of the shares of the series dependent upon facts ascertainable outside this Certificate of Incorporation.

(c) Holders of shares of Common Stock shall be entitled to receive such dividends or distributions as are lawfully declared on the Common Stock; to have notice of any authorized meeting of stockholders; to one vote for each share of Common Stock on all matters that are properly submitted to a vote of such stockholders; and, upon dissolutions of the corporation, to share ratably in the assets thereof that may be available for distribution after satisfaction of creditors and of the preferences, if any, of any shares of Preferred Stock.

5. In furtherance and not in limitation of the powers conferred by statutes, the Board of Directors is expressly authorized to make, alter or repeal the by-laws of the corporation.

6. (a) A director of the corporation shall not be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal

benefit.

(b) Each director or officer of the corporation who was or is made a party or is threatened to be made a party to or is in any way involved in any threatened, pending or completed action, suit or proceeding, whether civil criminal, administrative or investigative (including without limitation any action, suit or proceeding brought by or in the right of the corporation to procure a judgment in its favor) (hereinafter a "proceeding"), including any appeal therefrom, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or of a subsidiary of the corporation, or is or was serving at the request of the corporation as a director or officer of another entity or enterprise, or was a director or officer for a foreign or domestic corporation which was a predecessor corporation of the corporation or of another entity or enterprise at the request of such predecessor corporation, or by reason of anything done or not done in such capacity, shall be indemnified and held harmless by the corporation, and the corporation shall advance all expenses incurred by any such person in connection with any such proceeding prior to its final determination, to the fullest extent authorized by the Delaware General Corporation Law. In any proceeding against the corporation to enforce these rights, such person shall be presumed to be entitled to indemnification and the corporation shall have the burden of proof to overcome that presumption. The rights to indemnification and advancement of expenses conferred by this Article shall be presumed to have been relied upon by directors and officers of the corporation in serving or continuing to serve the corporation and shall be enforceable as contract rights. Said rights shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled. The corporation may, upon written demand presented by a director or officer of the corporation or of a subsidiary of the corporation, or by a person serving at the request of the corporation as a director or officer of another entity or enterprise, enter into contracts to provide such persons with specific rights to indemnification, which contracts may confer rights and protections to the maximum extent permitted by the Delaware General Corporation Law. The corporation may create trust funds, grant security interests, obtain letters of credit, or use other means to ensure payment of such amounts as may be necessary to perform the obligations provided for in this Article 6 or in any such contract.

(c) Any repeal or modification of the foregoing provisions of this Article 6, including without limitation any contractual rights arising under or authorized by it, by the stockholders of the corporation shall not adversely affect any right or protection of a director or officer of the corporation existing at the time of such repeal or modification.

(d) In addition to any vote of the holders of any class or series of the stock of this corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least 66-2/3% of the voting power of all of the then-outstanding shares of the stock of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal this Article."

Fourth: The foregoing amendment and restatement of Certificate of Incorporation has been approved by the Board of Directors of the Corporation.

Fifth: The foregoing amendment and restatement of Certificate of Incorporation was approved by written consent of the holder of the outstanding shares of Common Stock of the Corporation, in accordance with Sections 228, 242, and 245 of the Delaware General Corporation Law.

Sixth: At all elections of the directors of the corporation, each stockholder shall be entitled to one vote per share entitled to vote multiplied by the number of directors to be elected, and the stockholder may cast all of such votes for a single candidate or may distribute them among the number of directors to be voted for, or for any two or more of them as the stockholder may see fit; provided, however, that no stockholder shall be entitled so to cumulate votes unless such candidate or candidates' names have been placed in nomination prior to the voting and the stockholder has given notice at the meeting prior to the voting of the stockholders intention to cumulate votes. If any one stockholder has given such notice, all stockholders may cumulate their votes for candidates in nomination.

# BY-LAWS
# OF
# FAIR, ISAAC AND COMPANY, INCORPORATED

(as amended effective August 13, 1996)

## ARTICLE I
## Offices

Section 1.1. Registered Office. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 1.2. Additional Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the Corporation may require.

## ARTICLE II
## Stockholders

Section 2.1. Annual Meetings. An annual meeting of stockholders shall be held for the election of directors on the last Tuesday of December of each year, at 10:00 A.M. or, should such day fall upon a legal holiday, at the same time on the next business day thereafter that is not a legal holiday, or at such other date and time as may be designated by the Board of Directors from time to time. The annual meeting of stockholders shall be held at such place either within or without the State of Delaware as may be designated by the Board of Directors from time to time; in the absence of any such designation, the annual meeting shall be held at the principal executive offices of the Corporation. At such meeting, the stockholders shall elect directors and transact such other business as may be properly brought before the meeting.

To be properly brought before the annual meeting, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder of record. In addition to any other applicable requirements, for business to be properly brought before the annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, and received at the principal executive offices of the Corporation, addressed to the attention of the Secretary of the Corporation, not less than 60 days nor more than 90 days prior to the scheduled date of the meeting (regardless of any postponements, deferrals or adjournments of that meeting to a later date); provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the scheduled meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the earlier of (a) the close of business on the 10th day following the day on which such notice of the date of the scheduled annual meeting was mailed or such public disclosure was made, whichever first occurs, and (b) two days prior to the date of the scheduled meeting. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class, series and number of shares of the Corporation that are owned beneficially by the stockholder, and (iv) any material interest of the stockholder in such business. Notwithstanding anything in these by-laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 2.1; provided, however, that nothing in this Section 2.1 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting.

The Chairman of the Board of Directors (or such other person presiding at the meeting in accordance with Section 2.6 of these by-laws) shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 2.1, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 2.2. Special Meetings. Special meetings of stockholders may be called at any time only by the Chairman of the Board, if any, the Vice Chairman of the Board, if any, the President or the Board of Directors, to be held at such date, time and place either within or without the State of Delaware as may be stated in the notice of the meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice of the meeting.

Section 2.3. Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 2.4. Adjournments. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to

each stockholder of record entitled to vote at the meeting.

Section 2.5. Quorum. At each meeting of stockholders, except where otherwise provided by law or the certificate of incorporation or these by-laws, the holders of a majority of the outstanding shares of each class of stock entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum. For purposes of the foregoing, two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting. In the absence of a quorum the stockholders so present may, by majority vote, adjourn the meeting from time to time in the manner provided by Section 2.4 of these by-laws until a quorum shall attend. Shares of its own capital stock belonging on the record date for the meeting to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 2.6. Organization. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in the absence of the Chairman of the Board by the President, or in the absence of the President by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, or in the absence of the Secretary by an Assistant Secretary, or in their absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.7. Voting; Proxies. Unless otherwise provided in the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation. Voting at meetings of stockholders need not be by written ballot and need not be conducted by inspectors unless the holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon present in person or by proxy at such meeting shall so determine. At all meetings of stockholders for the election of directors a plurality of the votes cast shall be sufficient to elect. With respect to other matters, unless otherwise provided by law or by the certificate of incorporation or these by-laws, the affirmative vote of the holders of a majority of the shares of all classes of stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, provided that (except as otherwise required by law or by the certificate of incorporation) the Board of Directors may require a larger vote upon any such matter. Where a separate vote by class is required, the affirmative vote of the holders of a majority of the shares of each class present in person or represented by proxy at the meeting shall be the act of such class, except as otherwise provided by law or by the certificate of incorporation or these by-laws.

Section 2.8. Fixing Date for Determination of Stockholders of Record. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (2) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board is necessary, shall be the day on which the first written consent is expressed; and (3) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

Section 2.9. List of Stockholders Entitled To Vote. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 2.10. Consent of Stockholders in Lieu of meeting. Unless otherwise provided in the certificate of incorporation, any action required by law to be taken at any annual or special meeting of stockholders of the

Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

## ARTICLE III
## Board of Directors

Section 3.1. Powers; Number; Qualifications. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided by law or in the certificate of incorporation. The number of directors which shall constitute the Board of Directors shall be nine (9). Directors need not be stockholders.

Section 3.2. Election; Term of Office; Resignation; Removal; Vacancies; Nominations. Each director shall hold office until the annual meeting of stockholders next succeeding his or her election and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any director may resign at any time upon written notice to the Board of Directors or to the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors. Unless otherwise provided in the certificate of incorporation or these by-laws, vacancies and newly created directorships resulting from any increase in the authorized number of directors or from any other cause may be filled by a majority of the directors then in office, although less than a quorum, or by the sole remaining director.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the Board of Directors at the annual meeting, by or at the direction of the Board of Directors, may be made by any Nominating Committee or person appointed by the Board of Directors; nominations may also be made by any stockholder of record of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 3.2. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, and received at the principal executive offices of the Corporation addressed to the attention of the Secretary of the Corporation not less than 60 days nor more than 90 days prior to the scheduled date of the meeting (regardless of any postponements, deferrals or adjournments of that meeting to a later date); provided, however, that, in the case of an annual meeting and in the event that less than 70 days' notice or prior public disclosure of the date of the scheduled meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the earlier of (a) the close of business on the 10th day following the day on which such notice of the date of the scheduled meeting was mailed or such public disclosure was made, whichever first occurs, or (b) two days prior to the date of the scheduled meeting. Such stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class, series and number of shares of capital stock of the Corporation that are owned beneficially by the person, (iv) a statement as to the person's citizenship, and (v) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice, (i) the name and record address of the stockholder and (ii) the class, series and number of shares of capital stock of the Corporation that are owned beneficially by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

In connection with any annual meeting, the Chairman of the Board of Directors (or such other person presiding at such meeting in accordance with Section 2.6 of these by-laws) shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

Section 3.3. Regular meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board may from time to time determine, and if so determined notice thereof need not be given.

Section 3.4. Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairman of the Board, if any, by the Vice Chairman of the Board, if any, by the President or by any two directors. Reasonable notice thereof shall be given by the person or persons calling the meeting.

Section 3.5. Participation in Meetings by Conference Telephone Permitted. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or of such committee, as the case may be, by means of conference telephone or similar communications

equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this by-law shall constitute presence in person at such meeting.

Section 3.6. Quorum; Vote Required for Action. At all meetings of the Board of Directors one third of the entire Board, but not less than two shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board unless the certificate of incorporation or these by-laws shall require a vote of a greater number. In case at any meeting of the Board a quorum shall not be present, the members of the Board present may adjourn the meeting from time to time until a quorum shall attend.

Section 3.7. Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in the absence of the Chairman of the Board by the Vice Chairman of the Board, if any, or in the absence of the Vice Chairman of the Board by the President, or in their absence by a chairman chosen at the meeting. The Secretary, or in the absence of the Secretary an Assistant Secretary, shall act as secretary of the meeting, but in the absence of the Secretary and any Assistant Secretary the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 3.8. Action by Directors Without a Meeting. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 3.9. Compensation of Directors. The Board of Directors shall have the authority to fix the compensation of directors.

## ARTICLE IV
## Committees

Section 4.1. Executive Committee. The Board of Directors may, by resolution approved by at least a majority of the authorized number of Directors, establish and appoint one or more members of the Board of Directors to constitute an Executive Committee (the "Executive Committee"), with such powers as may be expressly delegated to it by resolution of the Board of Directors. The Executive Committee shall act only in the intervals between meetings of the Board of Directors and shall be subject at all times to the control of the Board of Directors.

Section 4.2. Committees. In addition to the Executive Committee, the Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more other committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have power or authority in reference to amending the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the General Corporation Law of Delaware fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of dissolution, removing or indemnifying directors or amending these by-laws; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock or adopt a certificate of ownership and merger.

Section 4.3. Committee Rules. Unless the Board of Directors otherwise provides, the committee designated by the Board may adopt, amend and repeal rules for the conduct of its business. In the absence of a provision by the Board or a provision in the rules of such committee to the contrary, a majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business, the vote of a majority of the members present at a meeting at the time of such vote if a quorum is then present shall be the act of such committee, and in other respects each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article III of these by-laws.

## ARTICLE V
## Officers

Section 5.1. Officers; Election. As soon as practicable after the annual meeting of stockholders in each year, the Board of Directors shall elect a President and a Secretary, and it may, if it so determines, elect from among its members a Chairman of the Board. The Board may also elect one or more Vice Presidents, one or more Assistant Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers and such other officers as the Board may deem desirable or appropriate and may give any of them such further designations or alternate titles as it considers desirable. Any number of offices may be held by the same person; provided, however, that the offices of President and Secretary shall not be held by the same person.

Section 5.2. Term of Office; Resignation; Removal; Vacancies. Except as otherwise provided in the resolution of the Board of Directors electing any officer, each officer shall hold office until the first meeting of the Board after the annual meeting of stockholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the Board or to the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective. The Board may remove any officer with or without cause at any time. Any such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation, but the election of an officer shall not of itself create contractual rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board at any regular or special meeting.

Section 5.3. Powers and Duties. The officers of the Corporation shall have such powers and duties in the management of the Corporation as shall be stated in these by-laws or in a resolution of the Board of Directors which is not inconsistent with these by-laws and, to the extent not so stated, as generally pertain to their respective offices, subject to the control of the Board. The Board may require any officer, agent or employee to give security for the faithful performance of his or her duties.

Section 5.4. Chairman of the Board. The Chairman of the Board, if there shall be such an officer, shall, if present, preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the By-laws.

Section 5.5. President. The President shall be the chief executive officer of the Corporation. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, and subject to the provisions of these by-laws and to the direction of the Board of Directors, the President shall have supervision over and may exercise general executive powers of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of chief executive or which are delegated to him by the Board of Directors. He shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation. The President shall be ex officio, a member of all the standing committees, including the Executive Committee. In the absence of the Chairman of the Board, the President shall preside at all meetings of the Board of Directors.

Section 5.6. Vice President. In the absence of the President or in his inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 5.7. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or president, under whose supervision he shall be. He shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

Section 5.8. Assistant Secretary. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the Secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 5.9. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section 5.10. Assistant Treasurer. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the Treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

## ARTICLE VI
## Stock

Section 6.1. Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, if any, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, certifying the number of shares owned by such holder in the Corporation. If such certificate is manually signed by one officer or manually countersigned by a transfer agent or by a registrar, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Upon the face or back of each stock certificate issued to represent any partly paid shares, or upon the books and records of the Corporation in the case of uncertificated partly paid shares, shall be set forth the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 6.2. Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 6.3. Transfer of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the registered owner of uncertified shares such uncertified shares shall be canceled and issuance of new equivalent uncertificated shares or certificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the Corporation.

Section 6.4. Fixing Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6.5. Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

## ARTICLE VII
## Miscellaneous

Section 7.1. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 7.2. Seal. The Corporation may have a corporate seal which shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors. The corporate seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 7.3. Waiver of Notice of Meetings of Stockholders, Directors and Committees. Whenever notice is required to be given by law or under any provision of the certificate of incorporation or these by-laws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice unless so required by the certificate of incorporation or these by-laws.

Section 7.4. Interested Directors; Quorum. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or her or their votes are counted for such purpose, if: (1) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or

are known to the Board or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes the contract or transaction.

Section 7.5. Amendment of By-Laws. These by-laws may be amended or repealed, and new by-laws adopted, by the Board of Directors, but the stockholders entitled to vote may adopt additional by-laws and may amend or repeal any by-law whether or not adopted by them.

EXHIBIT 4.1

# REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made as of the 19 day of July, 1996 by and among FAIR, ISAAC AND COMPANY, INCORPORATED, a Delaware corporation (the "Company"), and the persons listed on the signature pages hereto.

WHEREAS, DynaMark, Inc., a wholly-owned subsidiary of the Company, Leo R. Yochim ("Yochim"), Susan Keenan ("Keenan") and Printronic Corporation of America, Inc., a New York corporation ("Printronic"), are parties to that certain Exchange Agreement and Plan of Reorganization, dated the date hereof (the "Exchange Agreement"), pursuant to which, among other things, the Company agreed to issue to Printronic shares (the "ushered") of common stock, $.01 par value, of the Company ("Common Stock") in exchange for substantially all of the assets of Printronic; and

WHEREAS, after the consummation of the transactions contemplated by the Exchange Agreement Printronic intends to liquidate and in the course thereof to distribute the Shares to Yochim and Keenan, who each then intend to contribute a portion of such Shares to their respective charitable remainder trusts; and

WHEREAS, in connection with the transactions referred to above, the Company, Yochim and Keenan desire to provide for the rights of the Holders (as hereinafter defined) with respect to the registration of the Shares according to the terms of this Agreement.

NOW THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Definitions.

1.1 The term "Commission" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

1.2 The term "Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar successor federal statute and the rules and regulations thereunder, all as the same shall be in effect from time to time.

1.3 The term "Holder" means each of Yochim, Keenan and any person to whom the registration rights conferred by this Agreement have been transferred in accordance with Section 9.1 hereof.

1.4 The terms "register," "Registered and "registrations refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document;

1.5 The term "Registrable Securities" means (i) the Shares, and (ii) Common Stock issued as a dividend or other distribution with respect to, or in exchange for or in replacement of, the Shares; provided, however; that any shares previously sold to the public pursuant to a registered public offering or pursuant to Rule 144 under the Securities Act shall cease to be Registrable Securities.

1.6 The term "Securities Act" means the Securities Act of 1933, as amended, or any similar successor federal statute and the rules and regulations thereunder, all as the same shall be in effect from time to time.

2. Registration.

2.1 The Holders collectively shall have the right to request one registration of Holders' Registrable Securities for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act. Any such request shall be made in writing by the Holder or Holders of at least a majority of the Registrable Securities and shall state the number of shares of Registrable Securities to be disposed of and the intended methods of disposition of such shares by such Holder or Holders. Notwithstanding the foregoing, the Company shall not be obligated to effect any such registration if the Holder or Holders requesting such registration propose to sell less than 25% of the Shares. If the Company is requested in effect a registration in accordance with this Section 2.1, the Company shall promptly give written notice of such requested registration to all Holders (the "Company Notice"), who shall be permitted to join in such requested registration upon written notice (which notice shall also state the number of shares of Registrable Securities to be disposed of and the intended methods of distribution) to the Company delivered within 10 days of the date of the Company Notice.

2.2 The registrations provided for in this Section 2 shall not be underwritten.

3. Obligations of the Company.

Whenever requested under Section 2.1 of this Agreement to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

3.1 Prepare and file with the Commission a registration statement with respect to such Registrable Securities and use its reasonable best efforts to cause such registration statement to become effective, and keep such registration statement continuously effective under the Securities Act until the earlier of the expiration of 90 days after the date of declaration of effectiveness of such registration statement by the Commission (the "Expiration Date") or the date on which this Agreement has terminated with respect to all Holders of Registrable Securities. The Company's obligations hereunder to file a registration statement and to keep a registration statement continuously effective under the Securities Act shall be suspended if (i) the fulfillment of such obligations would require the Company to make a disclosure that would, in the reasonable judgment of the Company's Board of Directors, be detrimental to

the Company and premature, (ii) the Company has filed or proposes to file within thirty (30) days after receipt of a request for registration pursuant to Section 2.1 a registration statement with respect to any of its securities to be distributed in an underwritten public offering and it is advised by its lead or managing underwriter that an offering by a Holder or Holders of Registrable Shares would materially adversely affect the distribution of such securities, or (iii) the fulfillment of such obligations would require the Company to prepare financial statements not required to be prepared for the Company to comply with its obligations under the Exchange Act. Such obligations shall be reinstated (x) in the case of clause (i) above, upon the making of such disclosure by the Company (or, if earlier, when such disclosure would either no longer be necessary for the fulfillment of such obligations or no longer be detrimental), (y) in the case of clause (ii) above, upon the conclusion of any period during which the Company would not, pursuant to the terms of its underwriting arrangements, be permitted to sell Registrable Securities for its own account and (z) in the case of clause (iii) above, as soon as it would no longer be necessary to prepare such financial statements to comply with the Securities Act. The Expiration Date shall be tolled for the duration of any suspension pursuant to this Section 3.1 and for the duration of any period described in clauses (i) - (iv) of Section 4.2 below. In the event that the Company's obligations are suspended as provided above, the Company shall deliver a certificate in writing, signed by an officer of the Company, to each Holder participating in such registration, which shall state that its obligations hereunder have been suspended in accordance with this Section 3.1 and the basis for such suspension.

3.2 Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

3.3 Furnish to the Holders covered by such registration statement such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of such Registrable Securities.

3.4 Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders thereof, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

4. Obligations of the Holders.

4.1 It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them, and the intended method of disposition of such securities as shall be required to effect the registration of the Registrable Securities.

4.2 Upon the receipt by a Holder of any notice from the Company of (i) the existence of any fact or the happening of any event as a result of which the prospectus included in a registration statement filed pursuant to Section 2, as such registration statement is then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, (ii) the existence of any facts or events resulting in the suspension of the Company's obligations to file and keep effective a registration statement as provided in Section 3.1 above, (iii) the issuance by the SEC of any stop order or injunction suspending or enjoining the use or the effectiveness of such registration statement or the initiation of any proceedings for that purpose, or the taking of any similar action by the securities regulators of any state or other jurisdiction, or (iv) the request by the Commission or any other federal or state governmental agency for amendments or supplements to such registration statement or related prospectus or for additional information related thereto, such Holder shall forthwith discontinue disposition of such Holder's Registrable Securities covered by such registration or prospectus (other than in transactions exempt from the registration requirements under the Securities Act) until such Holder's receipt of the supplemented or amended prospectus or until such Holder is advised in writing by the Company that the use of the applicable prospectus may be resumed or, in the case of a notice pursuant to clause (ii) above, until the Company's obligations referred to therein are no longer suspended; provided, however, that, except in the circumstances described in clause (ii) above, the Company shall take such reasonable actions as are necessary to permit the Holders to resume the disposition of their Registrable Securities at the earliest practicable time.

5. Expenses.

The Company shall bear and pay all expenses incurred by the Company in connection with any registration, filing or qualification of Registrable Securities with respect to any registration pursuant to Section 2 hereof for each Holder thereof, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees relating or apportionable thereto, fees and disbursements of counsel for the Company, blue sky fees and expenses, including fees and disbursements of counsel related to all blue sky matters, but excluding the fees and disbursements of counsel for the selling Holders, stock transfer taxes that may be payable by the selling Holders, and all brokerage or similar commissions relating to Registrable Securities, which shall be borne by the selling Holders.

6. Indemnification.

In the event any Registrable Securities are included in a registration statement under this Agreement:

6.1 To the extent permitted by law, the Company will indemnify and hold harmless each Holder of such Registrable Securities and each person, if any, who controls such Holder within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively, a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will reimburse each such Holder or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such 1088, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 6.1 shall not apply to amounts paid in settlement of any such 1088, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such 1088, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder or controlling person.

6.2 To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, and any other Holder selling securities in such registration statement or any of its directors or officers or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or Any such director, officer or controlling person, or other such Holder or director, officer or controlling person may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or controlling person, other Holders officer, director, or controlling person in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 6.2 shall not apply to amounts paid in settlement of any such 1088, claim, damage, liability or nation if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided, that in no event shall any indemnity under this Section 6.2 exceed the gross proceeds received by such Holder from the sale of Registrable Securities as contemplated hereunder.

6.3 Promptly after receipt by an indemnified party under this Section 6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party 80 desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retrain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any Ouch action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 6, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any Indemnified party otherwise than under this Section 6.

6.4 The obligations of the Company and Holders under this Section 6 shall survive the completion of any offering of Registrable Securities in a registration statement under this Agreement, and otherwise.

7. Termination of Registration Rights.

The Company's obligations pursuant to this Agreement shall terminate as to any Holder of Registrable Securities on the earlier of (i) the date when the Holder can sell all of such Holder's shares pursuant to Rule 144 under the Securities Act during any 90-day period or (ii) on the second anniversary of the date hereof.

8. Representations and Warranties of the Company.

The Company hereby represents and warrants to Yochim and Keenan that:

8.1 When issued in accordance with the terms and conditions of the Exchange Agreement, the Shares will be validly issued, fully paid and non-assessable.

8.2 The Company is current in making all filings with the Commission required by law, and in the last 12 months, on a timely basis, has made all such filings, and as of the date hereof is eligible to register the resale of the Shares by the Holders on Form S-3.

9. Miscellaneous.

9.1 Successors and Assigns. This Agreement and all of the provisions hereof shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto, but neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned, transferred or delegated by any Holder to any person other than (i) executors, administrators, legatees or heirs of such Holder and (ii) to a charitable remainder trust described in Section 664 of the Internal Revenue Code, all of the income beneficiaries of which are such Holder or members of such Holder's immediate family. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors or permitted assigns, any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except ^8 expressly provided in this Agreement.

9.2 Notices. Unless otherwise provided, any notice, request, demand or other communication required or permitted under this Agreement shall be given in writing And shall be deemed effectively given upon personal delivery to the party to be notified, or when sent by telecopier (with receipt confirmed), or overnight courier service, or upon deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed as follows (or at such other address 8S a party may designate by notice to the other):

If to the Company:

Fair, Isaac and Company, Incorporated
120 North Redwood Drive
San Rafael, CA 94903
Telecopier: (415) 479-6320
Attention: Peter L. McCorkell

with a copy to:

Pillsbury Madison & Sutro LLP
235 Montgomery Street
San Francisco, CA 94104
Telecopier: (415) 983-1200
Attention: Blair W. White, Esq.

If to the Holders:

to their respective addresses shown on the signature pages hereto

with a copy to:

Warshaw Burstein Cohen Schlesinger & Kuh, LLP
555 Fifth Avenue
New York, NY 10017
Telecopier: (212) 972-9150
Attention: Allen N. Ross, Esq.

9.3 Waivers. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the party against whom such waiver is sought to be enforced. No waiver by either party of any default with respect to any provision, condition or requirement hereof shall be deemed to be a continuing waiver in the future thereof or a waiver of any other provision, condition or requirement hereof; nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

9.4 Severability. If one or more provisions of this Agreement are held to be unenforceable, invalid or void by court of competent jurisdiction, such provision shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

9.5 Entire Agreement; Amendments.

(a) This Agreement contains the entire understanding of the parties with respect to the matters covered herein and supersedes all prior agreements and understandings, written or oral, between the parties relating to the subject matter hereof.

(b) Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of a majority of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with-this paragraph shall be binding upon each holder of any Registrable Securities then outstanding, each future Holder of all such Registrable Securities, and the Company.

9.6 Governing Law. This Agreement shall be governed by and construed under the laws of the State of California (irrespective of its choice of law principles).

9.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.8 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. Any reference in this Agreement to a statutory provision or rule or regulation promulgated thereunder shall be deemed to include any similar successor statutory provision or rule or regulation promulgated thereunder.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

FAIR, ISAAC AND COMPANY,
INCORPORATED

By /s/ Kenneth M. Rapp
---
Name Kenneth M. Rapp
---
Title Senior Vice President
---

/s/ Leo R. Yochim
---
Leo R. Yochim

Address: 737 Park Avenue
New York, NY 10021

/s/ Susan Keenan
Susan Keenan
---

Address: 737 Park Avenue
New York, NY 10021

EXHIBIT 4.2

# REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made as of the 30th day of September, 1996 by and among FAIR, ISAAC AND COMPANY, INCORPORATED, a Delaware corporation (the "Company"), and DONALD J. SANDERS, LAWRENCE E. DUKES and PAUL A. MAKOWSKI (collectively, the "Stockholders").

WHEREAS, the Company, the Stockholders and Credit & Risk Management Associates, Inc., a Delaware corporation ("CRMA"), are parties to that certain Agreement and Plan of Merger and Reorganization, dated the date hereof (the "Merger Agreement"), pursuant to which, among other things, the Company agreed to issue at the Closing and in future distributions, if any, to Stockholders shares (the "Shares") of common stock, $.01 par value, of the Company ("Common Stock") in exchange for all of outstanding capital stock of CRMA; and

WHEREAS, in connection with the transactions referred to above, the Company and the Stockholders desire to provide for the rights of the Holders (as hereinafter defined) with respect to the registration of the Shares according to the terms of this Agreement.

NOW THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Definitions.

1.1 The term "Commission" means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

1.2 The term "Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar successor federal statute and the rules and regulations thereunder, all as the same shall be in effect from time to time.

1.3 The term "Holder" means each of the Stockholders and any person to whom the registration rights conferred by this Agreement have been transferred in accordance with Section 9.1 hereof.

1.4 The terms "register," "registered" and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document;

1.5 The term "Registrable Securities" means (i) the Shares, and (ii) Common Stock issued as a dividend, stock split or other distribution with respect to, or in exchange for or in replacement of, the Shares; provided, however, that any shares previously sold to the public pursuant to a registered public offering or pursuant to Rule 144 under the Securities Act shall cease to be Registrable Securities.

1.6 The term "Securities Act" means the Securities Act of 1933, as amended, or any similar successor federal statute and the rules and regulations thereunder, all as the same shall be in effect from time to time.

2. Registration.

2.1 During each twelve-month period following the closing of the transaction contemplated by the Merger Agreement, the Holders collectively shall have (a) the right to request one registration of Holders' Registrable Securities for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act or, alternatively (b) to register Holders' Registrable Securities in connection with one other registration otherwise effected by the Company. Any such request shall be made in writing by the Holder or Holders of at least a majority of the Registrable Securities and shall state the number of shares of Registrable Securities to be disposed of and the intended methods of disposition of such shares by such Holder or Holders. Notwithstanding the foregoing, the Company shall not be obligated to effect any such registration pursuant to clause (a) if the Holder or Holders requesting such registration propose to sell less than 12,500 Shares. If the Company is requested to effect a registration in accordance with Section 2.1(a), regardless of the number of shares for which registration is initially requested, and thirty days in advance of filing any registration statement initiated by the Company, the Company shall promptly give written notice of such requested registration to all Holders (the "Company Notice"), who shall be permitted to join in such requested registration upon written notice (which notice shall also state the number of shares of Registrable Securities to be disposed of and the intended methods of distribution) to the Company delivered within 10 days of the date of the Company Notice.

2.2 The registrations provided for in Section 2.1(a) shall not be underwritten.

3. Obligations of the Company.

Whenever requested under Section 2.1 of this Agreement to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

3.1 Prepare and file with the Commission a registration statement with respect to such Registrable Securities and use its reasonable best efforts to cause such registration statement to become effective, and keep such registration statement continuously effective under the Securities Act until the earlier of the expiration of 60 days after the date of declaration of effectiveness of such registration statement by the Commission (the "Expiration Date") or the date on which this Agreement has terminated pursuant to Section 7 of this Agreement with respect to all Holders of Registrable Securities. The Company's obligations hereunder to file a registration statement and to keep a

registration statement continuously effective under the Securities Act shall be suspended if (i) the fulfillment of such obligations would require the Company to make a disclosure that would, in the reasonable judgment of the Company's Board of Directors, be detrimental to the Company and premature, (ii) the Company has filed or proposes to file within thirty (30) days after receipt of a request for registration pursuant to Section 2.1 a registration statement with respect to any of its securities to be distributed in an underwritten public offering and it is advised by its lead or managing underwriter that an offering by a Holder or Holders of Registrable Shares would materially adversely affect the distribution of such securities, or (iii) the fulfillment of such obligations would require the Company to prepare financial statements not required to be prepared for the Company to comply with its obligations under the Exchange Act. Such obligations shall be reinstated (x) in the case of clause (i) above, upon the making of such disclosure by the Company (or, if earlier, when such disclosure would either no longer be necessary for the fulfillment of such obligations or no longer be detrimental), (y) in the case of clause (ii) above, upon the conclusion of any period during which the Company would not, pursuant to the terms of its underwriting arrangements, be permitted to sell Common Stock for its own account and (z) in the case of clause (iii) above, as soon as it would no longer be necessary to prepare such financial statements to comply with the Securities Act. The Expiration Date shall be tolled for the duration of any suspension pursuant to this Section 3.1 and for the duration of any period described in clauses (i) - (iv) of Section 4.2 below. In the event that the Company's obligations are suspended as provided above, the Company shall deliver a certificate in writing, signed by an officer of the Company, to each Holder participating in such registration, which shall state that its obligations hereunder have been suspended in accordance with this Section 3.1 and the basis for such suspension.

3.2 Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

3.3 Furnish to the Holders covered by such registration statement such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of such Registrable Securities.

3.4 Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders thereof, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

4. Obligations of the Holders.

4.1 It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them, and the intended method of disposition of such securities as shall be required to effect the registration of the Registrable Securities.

4.2 Upon the receipt by a Holder of any notice from the Company of (i) the existence of any fact or the happening of any event as a result of which the prospectus included in a registration statement filed pursuant to Section 2, as such registration statement is then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, (ii) the existence of any facts or events resulting in the suspension of the Company's obligations to file and keep effective a registration statement as provided in Section 3.1 above, (iii) the issuance by the SEC of any stop order or injunction suspending or enjoining the use or the effectiveness of such registration statement or the initiation of any proceedings for that purpose, or the taking of any similar action by the securities regulators of any state or other jurisdiction, or (iv) the request by the Commission or any other federal or state governmental agency for amendments or supplements to such registration statement or related prospectus or for additional information related thereto, such Holder shall forthwith discontinue disposition of such Holder's Registrable Securities covered by such registration or prospectus (other than in transactions exempt from the registration requirements under the Securities Act) until such Holder's receipt of the supplemented or amended prospectus or until such Holder is advised in writing by the Company that the use of the applicable prospectus may be resumed or, in the case of a notice pursuant to clause (ii) above, until the Company's obligations referred to therein are no longer suspended; provided, however, that, except in the circumstances described in clause (ii) above, the Company shall take such reasonable actions as are necessary to permit the Holders to resume the disposition of their Registrable Securities at the earliest practicable time.

5. Expenses.

The Company shall bear and pay all expenses incurred by the Company in connection with any registration, filing or qualification of Registrable Securities with respect to any registration pursuant to Section 2 hereof for each Holder thereof, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees relating or apportionable thereto, fees and disbursements of counsel for the Company, blue sky fees and expenses, including fees and disbursements of counsel related to all blue sky matters, but excluding the fees and disbursements of counsel for the selling Holders, stock transfer taxes that may be payable by the selling Holders, and all brokerage or similar commissions relating to Registrable Securities, which shall be borne by the selling Holders.

6. Indemnification.

In the event any Registrable Securities are included in a registration statement under this Agreement:

6.1 To the extent permitted by law, the Company will indemnify and hold harmless each Holder of such Registrable Securities and each person, if any, who controls such Holder within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively, a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law; and the Company will reimburse each such Holder or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 6.1 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder or controlling person.

6.2 To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, and any other Holder selling securities in such registration statement or any of its directors or officers or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer or controlling person, or such other Holder or director, officer or controlling person may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such indemnifying Holder expressly for use in connection with such registration; and each such indemnifying Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or controlling person, other Holder, officer, director, or controlling person in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 6.2 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the indemnifying Holder, which consent shall not be unreasonably withheld; provided, that in no event shall any indemnity under this Section 6.2 exceed the gross proceeds received by such Holder from the sale of Registrable Securities pursuant to such registration statement.

6.3 Promptly after receipt by an indemnified party under this Section 6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 6, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 6.

6.4 The obligations of the Company and Holders under this Section 6 shall survive the completion of any offering of Registrable Securities in a registration statement under this Agreement, and otherwise.

7. Termination of Registration Rights.

The Company's obligations pursuant to this Agreement shall terminate as to any Holder of Registrable Securities on the earlier of (i) the date when the Holder can sell all of such Holder's shares pursuant to Rule 144 under the Securities Act during any 90-day period or (ii) on the second anniversary of the final distribution of Shares to the Stockholders pursuant to the Merger Agreement.

8. Representations, Warranties and Other Covenants of the Company.

The Company hereby represents, warrants and covenants to the Stockholders that:

8.1 When issued in accordance with the terms and conditions of the Merger Agreement, the Shares will be validly issued, fully paid and

non-assessable.

8.2 The Company is current in making all filings with the Commission required by law, and in the last 12 months, on a timely basis, has made all such filings, and as of the date hereof is eligible to register the resale of the Shares by the Holders on Form S-3.

8.3 The Company shall cause the legend on Shares to be removed upon the request of any holder thereof at any time after two years from the date of issuance, if the holder is not at the time of the request, and had not been for the three months previous thereto, an affiliate of the Company.

9. Miscellaneous.

9.1 Successors and Assigns. This Agreement and all of the provisions hereof shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto, but neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned, transferred or delegated by any Holder to any person other than (i) executors, administrators, legatees or heirs of such Holder and (ii) to a charitable remainder trust described in Section 664 of the Internal Revenue Code, all of the income beneficiaries of which are such Holder or members of such Holder's immediate family. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors or permitted assigns, any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

9.2 Notices. Unless otherwise provided, any notice, request, demand or other communication required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified, or when sent by telecopier (with receipt confirmed), or overnight courier service, or upon deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed as follows (or at such other address as a party may designate by notice to the other):

If to the Company:

Fair, Isaac and Company, Incorporated
120 North Redwood Drive
San Rafael, CA 94903
Telecopier: (415) 479-6320
Attention: Peter L. McCorkell
with a copy to:

Pillsbury Madison & Sutro LLP
235 Montgomery Street
San Francisco, CA 94104
Telecopier: (415) 983-1200
Attention: Blair W. White, Esq.

If to the Stockholders:

c/o Credit & Risk Management Associates, Inc.
100 E. Pratt Street, Suite 1600
Baltimore, Maryland 21202

with a copy to:

Miles & Stockbridge, P.C.
10 Light Street
Baltimore, MD 21202-1487
Telecopier: (410) 385-3700
Attention: Mark S. Demilio, Esq.

9.3 Waivers. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the party against whom such waiver is sought to be enforced. No waiver by either party of any default with respect to any provision, condition or requirement hereof shall be deemed to be a continuing waiver in the future thereof or a waiver of any other provision, condition or requirement hereof; nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

9.4 Severability. If one or more provisions of this Agreement are held to be unenforceable, invalid or void by a court of competent jurisdiction, such provision shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

9.5 Entire Agreement; Amendments.

(a) This Agreement contains the entire understanding of the parties with respect to the matters covered herein and supersedes all prior agreements and understandings, written or oral, between the parties relating to the subject matter hereof.

(b) Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of a majority of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities then outstanding, each future Holder of all such Registrable Securities, and the Company.

9.6 Governing Law. This Agreement shall be governed by and construed under the laws of the State of California (irrespective of its choice of law principles).

9.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.8 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. Any reference in this Agreement to a statutory provision or rule or regulation promulgated thereunder shall be deemed to include any similar successor statutory provision or rule or regulation promulgated thereunder.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

FAIR, ISAAC AND COMPANY, INCORPORATED

By: /s/ Peter L. McCorkell
---
Name: Peter L. McCorkell
Title: Senior Vice President & Secretary

/s/ Donald J. Sanders
---
Donald J. Sanders
Address:

/s/ Lawrence E. Dukes
---
Lawrence E. Dukes
Address:

/s/ Paul A. Makowski
---
Paul A. Makowski
Address:

EXHIBIT 10.16

FAIR, ISAAC AND COMPANY, INCORPORATED

1992 LONG-TERM INCENTIVE PLAN

As amended and restated effective November 21, 1995

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FAIR, ISAAC AND COMPANY, INCORPORATED 1992 LONG-TERM INCENTIVE PLAN
As amended and restated Effective November 21, 1995

ARTICLE 1. INTRODUCTION.

The Plan was adopted by the Board on November 23, 1992, subject to approval by the Company's stockholders. The Plan was amended and restated by the Board on November 21, 1995, subject to approval by the Company's stockholders. All share amounts in this restatement have been adjusted to reflect the 100% stock dividend paid by the Company on June 26, 1995. 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 disinterested directors of the Company, who shall be appointed by the Board. A member of the Board shall be deemed to be "disinterested" only if he or she satisfies such requirements as the Securities and Exchange Commission may establish for disinterested administrators acting under plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act. An Outside Director shall not fail to be "disinterested" solely because he or she receives the NSO grant described in Section 4.2.

2.2 Committee Responsibilities. The Committee shall (a) select the Key Employees who are to receive Awards under the Plan, (b) determine the type, number, vesting requirements and other conditions of such Awards, (c) interpret the Plan and (d) 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 1,400,000 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.) The limitation of this Section 3.1 shall 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.

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 February 6, 1996, shall, upon becoming an Outside Director, receive an NSO covering 10,000 Common Shares (subject to adjustment under Article 10), hereinafter referred to as an "Initial Grant." Such Initial Grant shall become exercisable in increments of 2,000 shares (subject to adjustment under Article 10) on each of the first through fifth anniversaries of the date of grant.

(ii) On the date of each annual meeting of stockholders of the Company held on or after February 6, 1996, each Outside Director who has been an Outside Director at least since the prior annual meeting shall receive an NSO covering 1,000 Common Shares (subject to adjustment under Article 10), hereinafter referred to as an "Annual Grant." Such Annual Grants shall become exercisable in full 12 months after 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 (i) the termination of such Outside Director's service because of death, total and permanent disability or voluntary retirement at or after age 65 or (ii) a Change in Control with respect to the Company.

(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 Initial Grants 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, (ii) the date three months after the termination of such Outside Director's service for any reason other than death or total and permanent disability or (iii) the date 12 months after the termination of such Outside Director's service because of death or total and permanent disability. All Annual Grants granted to an Outside Director under this Section 4.2 shall terminate on the earliest of (i) the fifth anniversary of the date of grant, (ii) the date three months after the termination of such Outside Director's service for any reason other than death or total and permanent disability or (iii) the date 12 months after the termination of such Outside Director's service because of death or total and permanent disability.

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 50,000 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. 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.

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 Promissory Note. To the extent that this Section 6.5 is applicable, payment for all or any part of the Exercise Price may be made with a full-recourse promissory note; provided that the par value of newly issued

Common Shares must be paid in lawful money of the U.S. at the time when such Common Shares are purchased.

6.6 Other Forms of Payment. To the extent that this Section 6.6 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 shall carry with it a right to dividend equivalents. Such right entitles 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.

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.

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 it is terminated under Section 16.2, except that no ISOs shall be granted after November 20, 2005.

16.2 Amendment or Termination. The Board may, at any time and for any reason, amend or terminate the Plan, except that the provisions of Section 4.2 relating to Outside Directors shall not be amended more than once in any six-month period. 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 "Code" means the Internal Revenue Code of 1986, as amended.

17.6 "Committee" means a committee of the Board, as described in Article 2.

17.7 "Common Share" means one share of the Common Stock of the Company.

17.8 "Company" means Fair, Isaac and Company, Incorporated, a Delaware corporation.

17.9 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

17.10 "Exercise Price" 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 "Fair Market Value" 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 and Company, Incorporated 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.

7.24 "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 record the adoption of the amended and restated Plan by the Board, the Company has caused its duly authorized officer to affix the corporate name and seal hereto.

FAIR, ISAAC AND COMPANY, INCORPORATED

By /s/ Peter L. McCorkell
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Peter L. McCorkell
Senior Vice President and Secretary

EXHBIT 10.24

EXCHANGE AGREEMENT AND PLAN OF REORGANIZATION

DATE: July 19, 1996

PARTIES:

DynaMark, Inc.
a Minnesota corporation
4295 Lexington Avenue North
St. Paul, Minnesota 55126-6164 ("DynaMark")

Printronic Corporation of America, Inc.
a New York corporation
17 Battery Place
New York, New York 10004-1298 ("Printronic")

Leo R. Yochim
737 Park Avenue, Apt. 17-C
New York, New York 10021

(individually a "Shareholder and collectively the "Shareholders")

Susan Keenan
737 Park Avenue, Apt. 17-C
New York, New York 10021

RECITALS:

A. Printronic is engaged in the direct mail computer processing business and provides various services for clients in the direct marketing field ("Printronic's Business"). Printronic is a licensee under a non-exclusive National Change of Address License with the United States Postal Service which is an integral part of its service line.

B. The Shareholders own all of the issued and outstanding stock of Printronic.

C DynaMark is a wholly-owned subsidiary of Fair, Isaac and Company, Incorporated, a Delaware corporation ("Fair, Isaac").

D. Printronic desires to transfer substantially all of its assets to DynaMark in exchange for shares of capital stock of Fair, Isaac, the assumption by DynaMark of certain of Printronic's liabilities, and certain cash payments upon the terms and conditions set forth herein.

AGREEMENTS:

NOW, THEREFORE, in consideration for the mutual covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1.
EXCHANGE OF ASSETS

1.1) Exchange. On the Closing Date (as defined in Section 6.1 hereof), upon the terms and conditions of this Agreement, Printronic shall transfer to DynaMark all of the Assets (as defined in Section 1.2) and shall receive in exchange therefor the Exchange Consideration described in Section 1.4 hereof (the "Exchange"). Each of the parties intends that the Exchange constitute and qualify as a tax-free reorganization pursuant to the provisions of Section 368(a)(1)(C) of the Internal Revenue Code of 1986, as amended (the "Code"). No consideration of any kind, other than the Exchange Consideration described in Section 1.4 hereof, shall be paid or transferred by DynaMark to Printronic, or to the Shareholders, in connection with the Exchange.

1.2) Assets to Be Transferred. The assets to be transferred to DynaMark by Printronic shall consist of all of the business and assets, tangible and intangible, used in Printronic's Business (the "Assets"). The Assets comprise substantially all of the assets and properties of Printronic and include, but not by limitation, the specific assets described in subsections (a) through (g) hereof as follows:

(a) All furniture, equipment, vehicles, machinery, tooling, trade fixtures and leasehold improvements used in Printronic's Business, including those items described in Exhibit 1.2(a) hereto ("Equipment");

(b) All intangible personal property, business records, customer lists and goodwill (together with all documents, records, files, computer tapes or discs, or other media on or in which the same may be evidenced or documented) ("Intangible Property"), including the following:

(i) The corporate name of Printronic and all assumed names under which it conducts Printronic's Business, as identified on Exhibit 1.2(b)(i) hereto;

(ii) All trade names, trademarks or service mark registrations and applications, common law trademarks, copyrights and copyright registrations and applications including those items identified on Exhibit 1.2(b)(ii) hereto, and all goodwill associated therewith ("Trademarks"); and

(iii) All technology, know-how, trade secrets, processes, formulae, drawings, designs and computer programs related to or used or useful in Printronic's Business, and all documentary evidence thereof ("Technology");

(c) All accounts receivable, including trade, employee and other receivables, as of the Closing Date ("Accounts Receivable"), but excluding the Excluded Receivables described in Section 1.3(a) below;

(d) All cash and cash equivalents as of the Closing Date ("Cash");

(e) All assignable licenses, permits and approvals, governmental or otherwise necessary to conduct Printronic's Business, including the licenses and permits set forth in Exhibit 1.2(e) hereto ("Licenses and Permits");

(f) All other contract rights related to or useful in Printronic's Business, including the contract rights set forth in Exhibit 1.2(f), hereto ("Contracts") but excluding the Excluded Contracts described in Section 1.3(f) below; and

(g) The work in process, supplies inventory, prepaid expenses, deposits and other assets of Printronic as of the Closing Date, including those described on Exhibit 1.2(g).

1.3) Excluded Assets. Notwithstanding anything herein to the contrary, DynaMark does not receive, and Printronic does not transfer, any of the following assets ("Excluded Assets"):

(a) Certain accounts receivable identified by the parties on Exhibit 1.3(a) hereto (the "Excluded Receivables");

(b) Printronic's corporate minute book and corporate records (provided that Printronic will provide copies thereof to DynaMark upon request by DynaMark for reasonable business purposes);

(c) Miscellaneous personal property not material to Printronic's Business and listed on Exhibit 1.3(c) hereto;

(d) Life insurance policies on the lives of the Shareholders;

(e) Tax refunds; and

(f) Certain contract rights identified by the parties on Exhibit 1.3(f) hereof (the "Excluded Contracts").

1.4) Exchange Consideration. Subject to the other provisions of this Article 1, the "Exchange Consideration" shall mean: (i) the Permitted Liabilities assumed by DynaMark as described in Section 1.6; (ii) the aggregate number of shares of Pair, Isaac Common Stock (the Fair, Isaac Shares") to be paid to Printronic pursuant to the Exchange, as described in Section 1.5, and (iii) the Cash Payment as described in Section 1.7. The certificates evidencing the Fair, Isaac Shares shall contain a legend restricting transfer under the Securities Act of 1933, as amended, and identifying other restrictions or limitations described in this Agreement, such legends to be substantially as follows:

"The securities represented by this certificate have not been registered or qualified under the Securities Act of 1933 or the securities laws of any state, and may be offered and sold only if registered and qualified pursuant to the relevant provisions of federal and state securities laws or if the company is provided an opinion of counsel satisfactory to the company that registration and qualification under federal and state securities laws is not required."

The Fair, Isaac Shares when issued shall be fully paid and nonassessable. The Fair, Isaac Shares shall be subject to the terms of an agreement granting limited registration rights in the form attached hereto as Exhibit 1.4.

1.5) Determination of Fair. Isaac Shares: Mechanics of Exchange. As partial consideration for the transfer to DynaMark of the Assets, Printronic shall receive the number of shares of Fair, Isaac Common Stock equal to the Base Consideration (which Base Consideration shall be reduced by the amount of the Cash Payment described in Section 1.7) divided by the Average Market Price. The "Initial Base Consideration" shall be equal to Two Million Two Hundred Thousand and 00/100 Dollars ($2,200,000.00). The Initial Base Consideration shall be adjusted as proved in Section 1.8 to determine "Base Consideration." The "Average Market Price" shall be equal to the average of the daily closing sale prices of Fair, Isaac Common Stock as reported on the New York Stock Exchange ("NYSE") Composite Tape as reported in the Wall Street Journal for the twenty (20) consecutive NYSE trading days ending on and including the trading day immediately preceding the Closing Date. The parties acknowledge and agree that they will be unable to accurately determine the total number of Pair, Isaac Shares on the Closing Date due to the inability to determine the Base Consideration and the Cash Payment. The parties have estimated the number of Fair, Isaac Shares to be forty-two thousand three hundred (42,300) shares. On the Closing Date, DynaMark shall cause Fair, Isaac to issue to Printronic certificates representing the estimated number of Fair, Isaac Shares. A certificate in the amount of twenty-eight thousand nine hundred sixty-seven (28,967) shares of Fair, Isaac Common Stock shall be delivered to Printronic at

the Closing. A certificate in the amount of thirteen thousand three hundred thirty-three (13,333) shares of Fair, Isaac Common Stock shall be delivered to the Escrow Agent at the Closing pursuant to the terms of an Escrow Agreement in the form attached hereto as Exhibit 1.5 (the "Escrow Agreement").

1.6) Liabilities Assumed: Permitted Liabilities. As partial consideration for the transfer to DynaMark of the Assets, DynaMark shall assume, and agrees with Printronic to pay according to their terms each of the following liabilities of Printronic:

(a) Accounts payable which have been incurred in the ordinary course of business by Printronic in connection with the operation of Printronic's Business poor to the Closing Date (the "Accounts Payable"). As soon as possible after the Closing (and in no event later than ten (10) days after the Closing Date), Printronic shall provide DynaMark with a detailed schedule of Accounts Payable as of the close of business on the day immediately preceding the Closing Date;

(b) Loans payable (including accrued interest) and accrued expenses which are described on Exhibit 1.6(b); and

(c) The liability for accrued sick leave and vacation benefits described in Section 6.5; and

(d) All liabilities arising from and after the Closing Date under all assumed Contracts, whether or not such liabilities under the Contracts are reflected in Printronic's Final Balance Sheet as defined in Section 1.8(a)(i).

(collectively, the "Permitted Liabilities"). Except as otherwise specifically provided for herein, DynaMark shall not assume any liabilities, obligations or undertaking of Printronic or the Shareholders of any kind or nature whatsoever, whether fixed or contingent, known or unknown, determined or determinable, due or not yet due and Printronic and the Shareholders shall indemnify DynaMark from any such liabilities in accordance with the provisions of Section 8.2. Except as otherwise specifically provided for herein, DynaMark specifically disclaims assumption of (a) any liabilities or obligations with respect to negligence, strict liability, product liability, or breach of warranty claims asserted with regard to products or services sold prior to the Closing Date; or (b) any liabilities and obligations growing out of or relating to relationships and dealings with manufacturers representatives, distributors, licensees, competitors, customers, suppliers, employees, or any other action or inaction of Printronic or its predecessors in interest. No person not a party hereto, other than beneficiaries of obligations specifically assumed by DynaMark, shall have any right, claim or cause of action as a third party beneficiary of any obligations created hereby.

1.7) Cash Portion of Exchange Consideration. As partial consideration for the transfer to DynaMark of the Assets, DynaMark shall pay to Printronic in cash an amount determined as follows:

(a) The book value of the Permitted Liabilities as reflected on the Final Balance Sheet shall be added to Base Consideration to determine "Total Consideration".

(b) Total Consideration shall be multiplied by Eighteen One-Hundredths (18/100's) to determine the "Maximum Cash Payment".

(c) The amount of any liability assumed by DynaMark and the amount of any liability to which any property acquired by DynaMark is subject shall be determined in accordance with the provisions of Code Section 368(a)(2)(B) and the regulations promulgated thereunder (the "Allowed Liabilities").

(d) The amount of the Allowed Liabilities shall be subtracted from the Maximum Cash Payment to determine the "Cash Payment"; provided, however, that if such difference constitutes a negative number, the amount of the Cash Payment shall be Zero Dollars ($0).

The parties acknowledge and agree that the Cash Payment will not be able to be finally determined by the Closing Date. The parties have estimated the Cash Payment to be Three Hundred Twenty Thousand and no/100 Dollars ($320,000.00). On the Closing Date, DynaMark shall deliver a certified or cashier's check, or equivalent instrument or funds in the amount of Two Hundred Twenty Thousand and no/100 Dollars ($220,000.00) to Printronic. On the Closing Date, DynaMark shall deliver a certified or cashier's check, or equivalent instrument or funds in the amount of One Hundred Thousand and no/100 Dollars ($100,000.00) to the Escrow Agent pursuant to the terms of the Escrow Agreement. The final determination of the Cash Payment shall be made concurrently with the final determination of Base Consideration pursuant to Section 1.8.

1.8) Post-Closing Adjustments. After the Closing, Initial Base Consideration and the estimated Cash Payment shall be adjusted as provided in this Section 1.8.

(a)(i) Not later than sixty (60) days after the Closing Date, Printronic shall deliver to DynaMark a balance sheet of Printronic as of the close of business on the day immediately preceding the Closing Date (the Final Balance Sheet"). Except as otherwise provided in Sections 6.5 and 6.7, the Final Balance Sheet shall be prepared by Printronic in accordance with generally accepted accounting principles consistently applied. In addition, the parties acknowledge that the liability for deferred rent will be eliminated as a liability on the Final Balance Sheet and prepaid taxes will be eliminated on the Final Balance Sheet. The Final Balance Sheet shall be reviewed by Gazer, Kohn, Maher & Company, certified public accountants, and a statement by such accountants to that effect shall accompany the Final Balance Sheet. The cost of such review shall be borne by Printronic. The Final Balance

Sheet shall be accompanied by a report (the "Report"), prepared by Printronic, containing a calculation of Base Consideration and the Cash Payment. In determining Base Consideration and the Cash Payment, Printronic shall first determine the "Net Book Value of the Assets" which shall be equal to the book value of the Assets as determined from the Final Balance Sheet reduced by the book value of the liabilities assumed by DynaMark pursuant to the provisions of Sections 1.6(a), 1.6(b), 1.6(c) and 1.6(d). The "Adjustment Amount" shall be equal to the difference between the Net Book Value of the Assets and an amount equal to Six Hundred Ninety-Two Thousand Forty-Eight and no/100 Dollars ($692,048.00) (the "Base Book Value") and shall be treated as a positive number for purposes of this Section 1.8. DynaMark and DynaMark's independent public accountants shall have the opportunity to examine the work papers, schedules and other documents prepared in connection with the preparation of the Final Balance Sheet and the Report.

(ii) DynaMark shall have thirty (30) days after delivery of the Final Balance Sheet and the Report within which to present in writing to Printronic any objections DynaMark may have to any of the matters set forth therein, which objections shall be set forth in reasonable detail. If no objections are presented within such thirty-day period, or if DynaMark shall deliver to Printronic a notice stating that DynaMark accepts and approves the Final Balance Sheet and the Report and shall present no objection to any matter set forth therein, the Final Balance Sheet and the Report shall be deemed accepted and approved by DynaMark.

(iii) If DynaMark shall present any objections within the thirty-day period, DynaMark and Printronic shall attempt to resolve the matter or matters in dispute and, if resolved within twenty (20) days (or such longer period as DynaMark and Printronic may agree upon) after delivery of any such written objections to Printronic, the parties shall adjust the number of Fair, Isaac Shares payable to Printronic and the Cash Payment payable to Printronic as provided in Section 1.8(b) based upon the Final Balance Sheet and the Report, with such changes therein, if any, as are required to reflect the resolution of any such disputed matter or matters.

(iv) If such dispute cannot be resolved by DynaMark and Printronic, then the specific matters in dispute shall be submitted to the New York office of McGladrey & Pullen, LLP or, if such firm declines to act in such capacity, such other firm of independent public accountants mutually acceptable to DynaMark and Printronic, which firm shall make a final and binding written determination as to such matter or matters within sixty (60) days after submission. Such accounting firm shall send its written determination to DynaMark and Printronic and the parties shall adjust the number of Fair, Isaac Shares payable to Printronic and the Cash Payment payable to Printronic as provided in Section 1.8(b) in accordance with such written determination. The fees and expenses of the accounting firm referred to in this Section 1.8(a)(iv) shall be paid one-half by DynaMark and one-half by Printronic.

(v) DynaMark and Printronic agree to cooperate with each other's accountants and authorized representatives in order that any matters in dispute under this Section 1.8 be resolved as soon as possible.

(b) In the event the Adjustment Amount indicates that the Net Book Value of the Assets exceeds the Base Book Value, and in the event the Adjustment Amount exceeds Fifty Thousand and no/100 Dollars ($50,000.00), the Initial Base Consideration shall be increased by the amount by which the Adjustment Amount exceeds Fifty Thousand and no/100 Dollars ($50,000.00). In the event the Adjustment Amount indicates that the Base Book Value exceeds the Net Book Value of the Assets, and in the event the Adjustment Amount exceeds Fifty Thousand and no/100 Dollars ($50,000.00), the Initial Base Consideration shall be decreased by the amount by which the Adjustment Amount exceeds Fifty Thousand and no/100 ($50,000.00). Following final determination of the Base Consideration and the Cash Payment, the parties shall determine the number of Fair, Isaac Shares transferable to Printronic in accordance with the provisions of Section 1.5. The parties shall initially take such actions to cause the number of shares of Fair, Isaac Stock held by the Escrow Agent to be adjusted so that the Escrow Agent will hold a whole number of shares of Fair, Isaac Common Stock as will equal Six Hundred Thousand and no/100 Dollars ($600,000.00) or as close as possible. If, thereafter, as a result of the adjustments described in this Section 1.8, the number of Fair, Isaac Shares to which Printronic is entitled is greater than the number delivered at Closing, DynaMark shall cause Fair, Isaac to issue such additional Shares within ten (10) business days after the determination of the number of Fair, Isaac Shares. If instead the number of Fair, Isaac Shares to which Printronic is entitled is less than the number of Fair, Isaac Shares delivered at Closing, Printronic shall return the necessary number of Shares to DynaMark for cancellation by Fair, Isaac within ten (10) business days after the determination of the number of Fair, Isaac Shares. DynaMark and Printronic shall instruct the Escrow Agent to disburse the Escrow Funds (as defined in the Escrow Agreement) to the parties consistent with the determination of the actual amount of the Cash Payment. The Escrow Agent shall, in accordance with the terms of the Escrow Agreement, disburse the Escrow Funds to the parties in accordance with such instructions. If, as a result of the adjustments described in this Section 1.8, the Cash Payment to which Printronic is entitled is

greater than the estimated Cash Payment, DynaMark shall deliver to Printronic by certified or bank cashier's check or by wire transfer to an account designated by Printronic, within ten (10) business days after final determination of the Cash Payment, the difference between the estimated Cash Payment and the actual amount of the Cash Payment. If the Cash Payment to which Printronic is entitled is less than the estimated Cash Payment and the Escrow Funds are not adequate to satisfy the obligation to DynaMark, Printronic shall deliver to DynaMark by certified or bank cashier's check or by wire transfer to an account designated by DynaMark within ten (10) business days after final determination of the Cash Payment, the difference between the estimated Cash Payment (reduced by the amount of other Escrow Funds paid to DynaMark) and the actual amount of the Cash Payment.

1.9) Distribution to Shareholders. Following the Closing and the final determination of the number of Fair, Isaac Shares and the Cash Payment payable to Printronic hereto in the Exchange, it is understood and agreed that Printronic shall distribute, in complete liquidation of Printronic, to the Shareholders, the Fair, Isaac Shares and the Cash Payment in exchange for the surrender and cancellation of all of the Shareholders' stock; and that, in connection therewith, and in accordance with the provisions of Code Section 368(a)(1)(G), Printronic shall distribute all of its remaining assets and provide for the payment of any remaining liabilities, as required by law, and shall thereupon dissolve, all subject to the Escrow Agreement and indemnification provisions set forth in this Agreement. Each of the Shareholders acknowledges the existence and effect of the indemnification provisions of Section 8.2 and the provisions of this Section 1.9 upon the Fair, Isaac Shares t which they will become entitled upon distribution thereof by Printronic in connection with Printronic's dissolution. Nothing in this Section 1.9 shall have the effect of reducing or mitigating any obligations of Printronic to DynaMark which it may otherwise have under or as a result of this Agreement and the transactions contemplated hereby.

1.10) NCOA License. The parties acknowledge that Printronic and the United States Postal Service have entered into National Change of Address License Agreement #10423087-D-2204, as modified from time to time (the "NCOA License"), which NCOA License Agreement is listed on Exhibit 1.2(e). The parties acknowledge and agree that any assignment of the NCOA License is subject to approval of the United States Postal Service and execution of a novation agreement by DynaMark, Printronic and the United States Postal Service. Within two (2) business days after the Closing Date, DynaMark and Printronic shall submit a novation request to the United States Postal Service in accordance with the procedures set out in the United States Postal Service Procurement Handbook including, specifically, Section 6.5.4c-33. Printronic shall provide all reasonable assistance requested by DynaMark in connection with the assignment of the NCOA License, including, but not limited to, preparing and executing the documentation request to be submitted by Printronic under Section 6.5.4C-33 of the United States Postal Service Government Handbook.

## ARTICLE 2.
## REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS AND PRINTRONIC

Printronic and the Shareholders, jointly and severally, covenant with DynaMark and make the following representations and warranties to DynaMark with the intention that DynaMark may rely upon the same and acknowledge that the same shall be true as of the Closing Date (as if made at the Closing) and shall survive the Closing of this transaction:

2.1) Organization. Printronic is a corporation duly organized, validly existing and in good standing under the laws of the State of New York, and has all requisite power and authority, corporate and otherwise, to own its properties and assets and conduct its business.

2.2) Qualification. Printronic is not qualified to do business as a foreign corporation in any state and qualification as a foreign corporation is not required by the nature of its business.

2.3) Corporate Authority. Printronic has all requisite power and authority to execute, perform and carry out the provisions of this Agreement. Printronic has taken all requisite corporate action authorizing and empowering Printronic to enter into this Agreement and to consummate the transactions contemplated herein.

2.4) Shareholder's Authority.

(a) The Shareholders own one hundred percent (100%) of all classes of stock of Printronic which is issued and outstanding.

(b) The Shareholders have all requisite power and authority (without consent or approval of any other person) to enter into and carry out their obligations under this Agreement and to cause Printronic to enter into and carry out its obligations under this Agreement.

2.5) Subsidiaries. Joint Ventures or Partnerships. Printronic does not have any subsidiary, and Printronic is not a shareholder, partner or joint venturer with any other person or legal entity.

2.6) Financial Statements.

(a) Financial Statements. Printronic has furnished DynaMark true and complete copies of its reviewed balance sheets as of December 31, 1993, December 31, 1994 and December 31, 1995 and the related statements of earnings and cash flows (collectively the Financial Statements"), prepared in conformance with generally accepted accounting principles applied on a basis consistent with prior periods, and which fairly present in all material respects the financial condition of Printronic as of the represented dates thereof and the results of Printronic's operations for the periods covered thereby. For purposes of this Agreement, the Financial Statements shall be deemed to

include any notes and schedules thereto.

(b) Printronic's Books and Records. Printronic's books of account and records (including customer order files and production records) are complete, true and correct in all material respects.

(c) Absence of Undisclosed Liabilities. As of December 31, 1995, except as set forth on Exhibit 2.6(c), Printronic had no material liabilities or obligations of any kind, whether accrued, absolute, contingent or otherwise, that were not disclosed in the Financial Statements. Except for liabilities incurred since December 31, 1995, in the ordinary course of business consistent with past practices and except as set forth on Exhibit 2.6(c), there is no basis for the assertion of any material claim or liability of any nature against Printronic in any amount not fully reflected or reserved against on the December 31, 1995 balance sheet.

(d) No Adverse Changes. Since December 31, 1995, there has not occurred or arisen (whether or not in the ordinary course of business): (i) any material adverse change in the financial condition, prospects, or operations of Printronic's Business, (ii) any change in Printronic's accounting methods or practices, (iii) any sale or transfer of any asset or any amendment of any agreement of Printronic except in the ordinary course of business, (iv) any loss of or damage to the Assets due to abuse, misuse, fire or other casualty whether or not covered by insurance, (v) any labor trouble, (vi) any reasonably foreseeable increase in operating costs of Printronic's Business not commensurate with increased production, (vii) any warranty or product liability claims or losses, or (viii) any other event or condition known by Printronic or the Shareholders to have occurred or to exist or which Printronic or the Shareholder had reasonable grounds to know occurred or existed which, singly or in the aggregate, materially and adversely affects or may affect the Assets or Printronic's Business.

2.7) Tax Reports.

(a) Tax Reports and Payment. Printronic has accurately and correctly prepared and timely filed all federal and applicable state, local, and foreign tax or assessment reports and returns of every kind required to be filed by Printronic with relation to Printronic's Business, including, without limitation, income tax, sales and use tax, real estate tax, personal property tax and unemployment tax, and has duly paid all taxes and other charges (including interest and penalties) shown as due and payable. True and correct copies of the reports and returns filed by Printronic during the last three (3) tax years have been delivered to DynaMark. Where required, timely estimated payments or installment payments of tax liabilities have been made to all governmental agencies in amounts sufficient to avoid underpayment penalties or late payment penalties applicable thereto.

(b) Tax Proceedings. No unexpired waivers executed by or with respect to the liability of Printronic of the statute of limitations with respect to any taxes, duties or charges are in effect, nor has Printronic otherwise agreed to any extension of time with respect to an assessment or deficiency with respect to such taxes, duties or charges. Printronic is not a party to any pending action or proceeding by any governmental agency for assessment or collection of taxes relating to Printronic's Business. No claim, proposed assessment or assessment for collection of taxes relating to Printronic's Business have been asserted or threatened and Printronic has no reasonable grounds to know of, any facts or circumstances which would give rise thereto. Printronic confirms Printronic's responsibility for, and agreement to pay when due, any and all taxes, duties or charges based on Printronic's Business, Printronic's income or sales, or otherwise, incurred or relating to any period or occurrence on or prior to the Closing Date.

2.8) Title to Assets. The Assets constitute all property necessary for the conduct of Printronic's Business as now conducted. Printronic is the owner, lessee or licensee of the Assets. Printronic holds title to or a leasehold interest in such Assets free and clear of all liens, charges, encumbrances or third-party claims or interests of any kind whatsoever,
except as disclosed in Exhibit 2.8 hereto.

2.9) Location of Assets. All Assets are located on the premises of Printronic at 17 Battery Place, New York, New York, and no Assets are under consignment or are in storage outside of the premises of Printronic.

2.10) Tangible Personal Property. All assets described in Section 1.2(a) are in good repair and operating condition and will be maintained in good repair and operating condition, ordinary wear and tear excepted, from the date hereof until the Closing Date. Printronic will assign to DynaMark as of the Closing Date any and all assignable warranties covering such
property existing as of the Closing Date.

2.11) Trademarks. Printronic has good title to, and the full and unrestricted right use the assumed names listed on Exhibit 1.2(b)(i) and the Trademarks free and clear of all liens, charges, encumbrances, or, to its knowledge, third party claims or interests of any kind whatsoever. The use of such assumed names and Trademarks does not, to its knowledge, infringe on any rights of any other person or entity; such assumed names and Trademarks are not licensed to or licensed from any other person or entity; and there have been no claims of any infringement regarding such assumed names and Trademarks or Printronic's use thereof.

2.12) Patents and Technology. Printronic does not own, lease, license or use any domestic or foreign letter patent, patent applications or patent and know-how license. Printronic has good title to or is a licensee of the Technology, and the full and unrestricted right to use the same. With respect to the Technology owned by Printronic, such rights are free and clear of all liens,

charges, encumbrances or, to its knowledge, third-party claims or interests of any kind whatsoever. With respect to the Technology licensed by Printronic, such rights are, to its knowledge, free and clear of all liens, charges, encumbrances or third-party claims or interests of any kind whatsoever. The nature of the practice of the Technology does not infringe on any rights of any other person or entity and there have been no claims by any person of such infringement. None of such rights is licensed to any other person or entity. The Shareholders do not own or have any rights as individuals in or to any patents, inventions, ideas or technology, which relate materially to Printronic's Business.

2.13) Accounts Receivables. All Accounts Receivable are collectable in the amounts thereof as determined as of the Closing Date net of any allowance for doubtful accounts specified in the Final Balance Sheet. There are no defenses, offsets, or counterclaims thawed or pending with respect to any of the Accounts Receivable.

2.14) Supplies Inventory. The supplies inventory described in Section 1.2(g) is and will be of a quality, quantity and mix consistent with Printronic's past business practices.

2.15) Licenses and Permits. Printronic possesses all permits, licenses and approvals, governmental or otherwise, which are necessary to conduct Printronic's Business in its present form and at its present location, all of which are listed on Exhibit 1.2(e). All of the Licenses and Permits are valid and in good standing and Printronic has not received any notice that the Licenses and Permits will lapse or be terminated by action of any governmental authority or otherwise. Except as disclosed in Exhibit 1.2(e) and Section 1.10 with respect to the NCOA License, all of the Licenses and Permits are freely assignable and transferable to DynaMark and will continue to be in full force and effect after such transfer.

2.16) Leases. Exhibit 1.2(f) contains an accurate and complete list of all leases of real and personal property related to or used in the operation of Printronic's Business (collectively the "Leases"). Except as identified in Exhibit 1.2(f), Printronic has not breached, nor has it received in writing any claim or threat that it has breached, any of the terms or conditions of any Lease. Each Lease is currently in full force and effect and is not subject to any material default by any party thereto. Except as identified in Exhibit 1.2(f), Printronic has not received any notice of default under any of such Leases and to the best of Printronic's knowledge there is no event existing which, with notice or lapse of time, or both, would constitute a default under any such Lease. There are no provisions of, or developments materially affecting, any of such Leases which might prevent Printronic from realizing the benefits thereof or which might prevent DynaMark from realizing such benefits following completion of the transactions contemplated by this Agreement. No repairs or improvements on any real estate leased by Printronic are presently in process, and no such repairs or improvements will have been completed less than one hundred twenty (120) days prior to the Closing Date unless payment in full therefore has been made. All lienable utility payments on any real estate leased by Printronic have been and will be paid in full when due and payable.

2.17) Agreements. Contracts and Commitments.

(a) Material Contracts. Except as disclosed on Exhibit 1.2(f), Printronic is not a party to or bound by any written or oral:

(i) broker, dealer, agent, distributorship, sales agent or similar agreement or arrangements;

(ii) advertising contract;

(iii) contract commitments, or arrangements for capital expenditures having a remaining balance in excess of One Thousand and no/100 Dollars ($1,000.00);

(iv) leases with respect to any property, real or personal, whether as lessor or lessee;

(v) contracts, commitments, or arrangements containing covenants by Printronic not to compete in any lines of business or with any person or business entity;

(vi) franchise agreements, rights, or other similar arrangements;

(vii) loans, credits, financing agreements, promissory notes or other evidence of indebtedness, including all agreements for any commitments for future loans, credit, or financing;

(viii) guarantees;

(ix) agreements, contracts or commitments for the purchase of any services, raw materials, supplies or equipment, involving payments of more than One Thousand and no/100 Dollars ($1,000.00) per annum or an aggregate of more than Two Thousand Five Hundred and no/100 Dollars ($2,500.00);

(x) agreements, contracts or commitments for the sale of assets, products or services, excluding customer orders for the sale of products and services in the ordinary course of Printronic's Business (and in compliance with this Agreement); or

(xi) any other material contracts, commitments, or arrangements of any kind.

Except for the contracts at will which are identified in Exhibit 1.2(f), no contract, commitment, or arrangement referred to in such Exhibit is terminable without penalty, cost, or liability (whether express, implied, or by operation

of law). All such contracts, commitments or other arrangements are assignable without consent of any person other than as listed in Exhibit 1.2(f). The provisions of any and all such contracts, commitments or arrangements comply in all material respects with the laws of relevant jurisdictions.

(b) Breach. Printronic has performed all material obligations required to be performed by Printronic to date under any contract, commitment, or arrangement of any kind to which Printronic is a party or by which Printronic is bound including those contracts, commitments and arrangements identified on Exhibit 1.2(f); and neither Printronic nor any other party is in material default under any contract, commitment, or arrangement of any kind to which Printronic is a party or by which Printronic is bound. No event has occurred which after the giving of notice or the lapse of time or otherwise would constitute a material default under, or result in a breach by Printronic or any other party, of any contract, commitment, or arrangement to which Printronic is a party or by which Printronic is bound.

(c) Copies of Contracts: Terms and Binding Effect. True, complete and correct copies of all contracts, commitments, understandings, and other documents referred to in the Exhibits have been delivered to DynaMark; there are no amendments to or modifications of, or agreements of the parties relating to, any such contracts, commitments, and understandings which have not been delivered to DynaMark; and each such contract, commitment, or understanding, as amended, is considered valid and binding on the parties to it in accordance with its respective terms, and the transaction contemplated by this Agreement will not result in the violation or breach of any such material contract, commitment, or understanding.

2.18) Employee Information.

(a) Employee List. Exhibit 2.18(a) hereto is an accurate and complete list of the names of all directors and officers of Printronic and the names, positions, titles, and salary rates for all employees of Printronic, together with a summary of the bonuses, additional compensation and other employee benefits, if any, paid or payable to such persons as of the date of this Agreement and for the prior one (1) year period and anticipated payments from the date of this Agreement to the Closing Date.

(b) Terminated Employees. Exhibit 2.18(b) hereto is a true and accurate list of all employees of Printronic whose employment has terminated either voluntarily or involuntarily in the two (2) year period preceding the date of the Agreement. Except as described on Exhibit 2.18(b), no claims have been made or threatened against Printronic by any former or present employee based on employment discrimination, wrongful discharge, or any other circumstance relating to or arising from the employment relationship with Printronic or the termination thereof.

(c) Compliance with Employment Laws. To the best of Printronic's knowledge, Printronic has complied with all applicable federal and state laws relating to the employment of labor, including, but not limited to, the provisions thereof relating to wages, hours, collective bargaining, immigration, discrimination, and the payment of withholding and social security taxes, and is not liable for any arrears of wages, or any tax or penalties, for failure to comply with any of the foregoing.

(d) Employee Plans. Printronic does not maintain any "Employee Plans" except as set forth in Exhibit 2.18(d). "Employee Plans" mean any pension, retirement, disability, medical, dental, or other health insurance plan, life insurance or other death benefit plan, profit sharing, deferred compensation, stock option, or bonus or other incentive plan, vacation benefit plan, severance plan, or other employee benefit plan or arrangement including, without limitation, any "pension plan" as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and any "welfare plan" as defined in Section 3(1) of ERISA, whether or not any of the foregoing is funded, (i) to which Printronic is a party or by which it is bound, or (ii) with respect to which Printronic has made any payments or contributions or may otherwise have any liability (including any such plan or other arrangement formerly maintained by Printronic).

(e) Union and Employment Contracts. Printronic is not a party to any collective bargaining agreement or any other written employment agreement (including any employee policy manuals), nor is Printronic a party to any other contract or understanding (oral or written) that contains any severance pay liabilities or obligations, including accrued and unused vacation pay or accrued and unused sick leave pay. During the three (3) As year period preceding the date of this Agreement, Printronic has experienced no work stoppages, walkouts or strikes or attempts by its employees to organize a union.

2.19) Change In Customers. Neither Printronic nor either of the Shareholders knows or has reasonable grounds to know that any significant customers intend to cease doing business with Printronic or materially alter the amount of business they do with Printronic.

2.20) Insurance. Printronic has maintained and will continue to maintain until the Closing Date the insurance described in Exhibit 2.20, including insurance on Printronic's tangible real and personal property and assets, whether owned or leased, against loss or damage by fire or other casualty, in amounts equal to or in excess of one hundred percent (100%) of the replacement value thereof. All such insurance is in full force on the date of this Agreement and is carried with reputable insurers. Printronic has promptly and adequately notified Printronic's insurance carriers of any and all claims known to Printronic with respect to the operations or products of Printronic for

which Printronic is insured.

2.21) Litigation and Related Matters. There is no pending or threatened litigation, proceeding, or, to the best of Printronic's or the Shareholder's knowledge, investigation (including any environmental, building or safety investigation) by or against Printronic, or the Assets, nor is Printronic subject to any existing judgment, order, decree, or other action affecting the operation of Printronic's Business or the Assets or which would prevent, impede, or make illegal the consummation of the transactions contemplated in this Agreement, or which would have a material adverse effect on Printronic, or on Printronic's Business or any of the Assets. Neither Printronic nor either of the Shareholders know of any facts, circumstances or events which provide the basis for any such litigation, proceeding or investigation of Printronic, the Assets or Printronic's Business.

2.22) Laws and Regulations. To the best of Printronic's knowledge during the three (3) year period prior to the date hereof, Printronic has complied, and is in compliance, with all applicable laws, statutes, orders, rules regulations and requirements promulgated by governmental or other authorities relating to Printronic's Business, the Assets or the operation of Printronic's Business, including, without limitation, any relating to wages, hours, hiring, promotion, retirement, working conditions, environmental matters, nondiscrimination, health, safety and benefits, and Printronic has not received any notice of any sort of alleged violation of any such statute, order, rule, regulation or requirement. DynaMark acknowledges that, notwithstanding the foregoing, Printronic has had disagreements with the United States Postal Service concerning the NCOA License and has had the United States Postal Service temporarily suspend the NCOA License. The circumstances surrounding the operation of the NCOA License have been fully disclosed to DynaMark.

2.23) Breaches of Contracts: Required Consents. Neither the execution and delivery of this Agreement by Printronic or the Shareholders, nor compliance by Printronic or the Shareholders with the terms and provisions of this Agreement will:

(a) Conflict with or result in a breach of (i) any of the terms, conditions or provisions of the Articles of Incorporation, Bylaws or other governing instruments of Printronic, (ii) any judgment, order, decree or ruling to which Printronic or the Shareholders is a party, (iii) any injunction of any court or governmental authority to which any of them is subject, or (iv) any agreement, contract or commitment to which Printronic or the Shareholders is a party or by which they are bound; or

(b) Except as disclosed in Exhibit 1.2(e) and Exhibit 1.2(f) hereto, require the affirmative consent or approval of any third party.

2.24) Binding Obligation. This Agreement constitutes the legal, valid and binding obligation of Printronic and the Shareholders in accordance with the terms hereof.

2.25) Investment Representations.

(a) Transfer by Printronic. Printronic will not sell, assign, transfer or otherwise dispose of the Fair, Isaac Shares issuable pursuant to this Agreement, or any interest therein, to any person other than the Shareholders in connection with the liquidation of Printronic (the "Liquidation").

(b) Purchase Entirely for Own Account. The Fair, Isaac Shares will be acquired by the Shareholders in connection with the Liquidation for investment for such Shareholders' own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and the Shareholders have no present intention of selling, granting any participation in, or otherwise distributing the same, provided that the parties acknowledge that the Shareholders may transfer all or part of the Fair, Isaac Shares to charitable remainder trusts of which the Shareholders and/or members of their families are income beneficiaries. The Shareholders further represent that the Shareholders do not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Fair, Isaac Shares, provided that the parties acknowledge that the Shareholders may transfer all or part of the Furs Isaac Shares to charitable remainder trusts of which the Shareholders and/or members of their families are income beneficiaries.

(c) Reliance Upon Shareholders' Representations. The Shareholders understand that the Fair, Isaac Shares are not registered under the Securities Act on the ground that the transfer provided for in this Agreement and the issuance of securities hereunder is exempt from registration under the Securities Act of 1933, as amended (the "Securities Act") pursuant to section 4(2) thereof, and that DynaMark's and Fair, Isaac's reliance on such exemption is based on the Shareholders' representations set forth herein. The Shareholders realize that the basis for the exemption may not be present if, notwithstanding such representations, the Shareholders have in mind merely acquiring the Fair, Isaac Shares for a fixed or determinable period in the future, or for a market rise, or for sale if the market does not rise. Except for the contemplated transfer to the charitable remainder trusts described above, the Shareholders have no such intention.

(d) Receipt of Information. The Shareholders have reviewed Fair, Isaac's recent periodic filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and believes they have received all the information they consider necessary or appropriate for deciding whether to acquire the Fair, Isaac Shares.

(e) Investment Experience. Each Shareholder acknowledges that

he or she is able to fend for himself or herself, can bear the economic risk of his or her investment, and has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the investment in the Fair, Isaac Shares.

(f) Restricted Securities. The Shareholders understand that except for the transfers to the charitable remainder trusts described above, the Fair, Isaac Shares may not be sold, transferred or otherwise disposed of without registration under the Securities Act or an exemption therefrom, and that in the absence of an effective registration statement covering the Fair, Isaac Shares or an available exemption from registration under the Securities Act, the Fair, Isaac Shares must be held indefinitely. In particular, the Shareholders are aware that the Fair, Isaac Shares may not be sold pursuant to Rule 144 promulgated under the Securities Act unless all of the conditions of that Rule are met. Among the conditions for use of Rule 144 is the requirement that a minimum of two years elapse between the date of acquisition of the Fair, Isaac Shares from Fair, Isaac and any resale of the Fair, Isaac Shares in releases on Rule 144.

2.26) Completeness of Disclosures. None of the representations or warranties made by Printronic and the Shareholders in this Agreement or the Exhibits, and no written statement, certificate or Exhibit furnished or to be furnished by or on behalf of Printronic or the Shareholders, to DynaMark or its agents pursuant hereto, or in connection with the transaction contemplated by this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit any material fact the omission of which would be misleading. The Exhibits to this Agreement, where provided by or on behalf of Printronic, completely and correctly present the information required by this Agreement to be set forth in them in all material respects.

## ARTICLE 3.
## REPRESENTATIONS AND WARRANTIES OF DYNAMARK

DynaMark makes the following representations and warranties to Printronic, with the intention that Printronic may rely upon the same, and acknowledge that the same shall be true as of the Closing Date (as if made at the Closing) and shall survive the Closing of this transaction:

3.1) Organization of DynaMark. DynaMark is a corporation, duly organized, validly existing in good standing under the laws of the State of Minnesota, and has all requisite power and authority, corporate and otherwise, to own its properties and conduct the business in which it is presently engaged.

3.2) Corporate Authority. DynaMark has all requisite corporate power to execute, perform and carry out the provisions of this Agreement. DynaMark has taken all requisite corporate action authorizing and empowering DynaMark to enter into this Agreement and to consummate the transactions contemplated herein.

3.3) Binding Obligation. This Agreement constitutes the legal, valid and binding obligation of DynaMark in accordance with the terms hereof.

## ARTICLE 4.
## CONDUCT OF BUSINESS PRIOR TO CLOSING

4.1) Access to Information. During the period prior to the Closing Date, Printronic shall upon reasonable notice give to DynaMark and its attorneys, accountants or other authorized representatives, full access during normal business hours, to all of the property, books, contracts, commitments and records of Printronic and shall furnish to DynaMark during such period all such information concerning Printronic's Business and the Assets as DynaMark reasonably may request. Such review shall not unreasonably interfere with the normal operation of Printronic's Business.

4.2) Restrictions. Except as otherwise provided in this Agreement, Printronic and the Shareholders represent and covenant that during the period from the date of this Agreement to the Closing Date (except as DynaMark otherwise has consented in writing):

(a) Printronic's Business has been and will be conducted in a manner consistent with Printronic's past business practices.

(b) No change has been or will be made in Printronic's authorized or issued corporate shares, or in its capital structure.

(c) No increase will be made in the compensation payable to or to become payable to any employee of Printronic, and no bonus payment will be made by Printronic to any such employee.

(d) Printronic will not embark upon any new line of business, enter into or amend any leases or agreements, purchase any fixed assets or equipment, amend any loan agreements, guarantee any obligation or increase any existing lines of credit.

(e) Printronic will not sell, dispose, transfer, assign or otherwise remove any of the Assets except supplies inventory in the ordinary course of business.

(f) Printronic will timely pay and discharge all bills and monetary obligations and timely and properly perform all of its obligations and commitments under all existing contracts and agreements pertaining to or affecting Printronic, Printronic's Business or any of its properties or assets.

(g) Printronic and the Shareholders shall use their best efforts to preserve the business organization and assets of Printronic and to keep available to DynaMark the services of Printronic's present employees, and to act reasonably with respect to relationships with suppliers, customers and others having business relations with

Printronic.

(h) The Shareholders will not receive any payment or distribution from Printronic's Business except for regular salary and customary dividends to pay federal and New York state income taxes resulting from income of Printronic attributable to the Shareholders under the provisions of Subchapter S of the Internal Revenue Code of 1986, as amended, provided that each Shareholder may receive a performance bonus in an amount not to exceed Seventy-Five Thousand and no/100 Dollars ($75,000.00) prior to the Closing.

4.3) Risk of Loss. Prior to completion of the Closing, the risk of loss or destruction to any of the Assets shall be that of Printronic. In the event of damage or destruction of any of the Assets, Printronic shall replace such damaged or destroyed Assets with similar assets of equal value and shall use any insurance proceeds received for such damage to make such replacements.

4.4) Preserve Accuracy of Representations Warranties. Printronic and the Shareholders shall refrain from taking any action, except with the prior written consent of DynaMark, which would render any representation, warranty or agreement of Printronic and the Shareholders in this Agreement inaccurate or breached. At all times prior to the Closing, Printronic and the Shareholders will promptly inform DynaMark in writing with respect to any matters that arise after the date of this Agreement which, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in the Exhibits. Printronic and the Shareholders promptly will notify DynaMark in writing of all lawsuits, claims, proceedings and investigations that may be threatened, brought, asserted or commenced against Printronic or Printronic's officers or directors involving the transaction contemplated by this Agreement or which might have a material adverse impact on the Assets or Printronic's Business.

4.5) Obtaining Consents. Printronic and/or the Shareholders shall obtain all consents and/or termination statements necessary for the valid and effective consummation of the transactions contemplated by this Agreement, including without limitation, the affirmative consent or approval of any third party described in Exhibits 1.2(e) and 1.2(f).

4.6) Maintenance of Insurance. Printronic shall maintain in full force until the Closing Date the insurance described in Exhibit 2.20.

4.7) Financial Statements. Printronic shall furnish DynaMark unaudited monthly financial statements of Printronic for the periods subsequent to December 31, 1995, to and including the Closing Date as they become available.

## ARTICLE 5.
## CONDITIONS OF CLOSING, ABANDONMENT OF TRANSACTION

5.1) Conditions to Obligations of DynaMark to Proceed on the Closing Date. The obligations of DynaMark to proceed on the Closing Date shall be subject (at DynaMark's discretion) to the satisfaction, on or prior to the Closing Date, of all of the following conditions:

(a) Truth of Representations and Warranties and Compliance with Obligations. The representations and warranties of Printronic and the Shareholders herein shall be true in all material respects on the Closing Date with the same effect as though made at such time. Printronic and the Shareholders shall have performed all material obligations and complied with all material covenants and conditions that are required to be performed or complied with prior to or as of the Closing Date. Printronic shall have delivered to DynaMark a certificate of Printronic and the Shareholders in form and substance satisfactory to DynaMark dated as of the Closing Date and executed by the President of Printronic and by each Shareholder re all such effects.

(b) Opinion of Counsel. DynaMark shall have received a duly executed opinion letter from Printronic's legal counsel dated as of the Closing Date, in substantially the form attached hereto as Exhibit 5.1(b) which shall be reasonably satisfactory to DynaMark and its counsel.

(c) Required Consents. Printronic and the Shareholders shall have obtained the consent, approval and/or the termination statements of each person whose consent, approval and/or the termination statements is necessary for the valid and effective consummation of the transactions contemplated at the Closing by this Agreement.

(d) Delivery of Documents. Printronic and the Shareholders shall have delivered all documents required to be delivered at the Closing pursuant to Section 6.2 hereof.

(e) Litigation Affecting Closing. No suit, action or other proceeding shall be pending or threatened by or before any court or governmental agency in which it is sought to restrain or prohibit or to obtain damages or other relief in connection with this Agreement or the consummation of the transactions contemplated by this Agreement, and no investigation that may result in any such suit, action or other proceeding shall be pending or threatened.

(f) Legislation. No statute, rule, regulation or order shall have been enacted, entered or deemed applicable by any government or governmental or administrative agency or court which would make the transaction contemplated by this Agreement illegal or otherwise materially and adversely affect the Assets or the use and operation of Printronic's Business in the hands of DynaMark.

(g) Payment of DynaMark Loan. Printronic shall have satisfied in full the promissory note in the original principal amount of Eighty Thousand and no/100 Dollars ($80,000.00) in favor of DynaMark.

5.2) Conditions to Obligation of Printronic and the Shareholders to Proceed on the Closing Date. The obligation of Printronic and the Shareholders to proceed on the Closing Date shall be subject (at Printronic's discretion) to the satisfaction, on or before the Closing Date, of the following conditions:

(a) Truth of Representations and Warranties and Compliance with Obligations. The representations and warranties of DynaMark herein contained shall be true in all material respects on the Closing Date with the same effect as though made at such time. DynaMark shall have performed all material obligations and complied with all material covenants and conditions that are required to be performed or complied with prior to or as of the Closing Date. DynaMark shall have delivered to Printronic a certificate of DynaMark in form and substance reasonably satisfactory to Printronic dated as of the Closing Date and executed by the President of DynaMark to all such effects.

(b) Opinion of Counsel. Printronic shall have received a duly executed opinion letter from DynaMark's legal counsel dated as of the Closing Date in substantially the form attached hereto as Exhibit 5.2(b) which shall be reasonably satisfactory to Printronic and its counsel.

(c) Delivery of Documents. DynaMark shall have delivered all documents required to be delivered at Closing pursuant to Section 6.3 hereof.

(d) Litigation Affecting Closing. No suit, action or other proceeding shall be pending or threatened by or before any court or governmental agency in which it is sought to restrain or prohibit or to obtain damages or other relief in connection with this Agreement or the consummation of the transaction contemplated by this Agreement, and no investigation that might eventuate in any such suit, action or other proceeding shall be pending or threatened.

(e) Legislation. No statute, rule, regulation or order shall have been enacted, entered or deemed applicable by any government or governmental or administrative agency or court which would make the transaction contemplated by this Agreement illegal.

5.3) Termination of Agreement. This Agreement and the transactions contemplated herein may be terminated at or prior to the Closing Date as follows:

(a) By mutual written consent of all parties.

(b) By DynaMark pursuant to written notice delivered at or prior to the Closing Date if Printronic or the Shareholders have failed in any material respect to satisfy all of the conditions to the Closing set forth in Section 5.1 or (with respect to those conditions set forth in Section 5.1 for which DynaMark, Printronic or the Shareholders do not have the responsibility to satisfy) there has been a failure to satisfy such conditions in any material respect.

(c) By Printronic pursuant to written notice delivered at or prior to the Closing if DynaMark has failed in any material respect to satisfy the conditions set forth in Section 5.2 or (with respect to those conditions set forth in Section 5.2 for which DynaMark, Printronic or the Shareholders do not have the responsibility to satisfy) there has been a failure to satisfy such conditions in any material respect.

5.4) Consequences of Termination.

(a) Printronic and the Shareholders may pursue any remedies available at law or equity in the event DynaMark terminates this Agreement other than in compliance with Section 5.3(b) or in the event Printronic terminates this Agreement in compliance with the provisions of Section 5.3(c).

(b) DynaMark may pursue any remedies available at law or equity in the event Printronic terminates this Agreement other than in compliance with Section S.3(c), or in the event DynaMark terminates this Agreement in compliance with the provisions of Section 5.3(b). The parties recognize that the Assets to be transferred hereunder are unique and that DynaMark's damages in the event of breach hereof by Printronic or the Shareholders would be difficult to assess. Printronic and the Shareholders therefore agree that DynaMark shall be entitled to specific performance as relief in the event of breach by either Printronic or the Shareholders of their obligations hereunder.

## ARTICLE 6.
## CLOSING

6.1) Closing. The closing of the transaction contemplated by this Agreement ("Closing") shall be held at the offices of Warshaw, Burstein, Cohen, Schlesinger & Kuh, LLP, 555 Fifth Avenue, New York, New York, 10017, on July 19, 1996, at 9:00 am., or at such later date or time as the parties may mutually agree upon in writing. Such date of Closing shall be referred to herein as the Closing Date. The Closing shall be effective at 12:01 a.m. July 19, 1996.

6.2) Documents to be Delivered by Printronic and the Shareholders at the Closing. Printronic and the Shareholders agree to deliver the following documents, duly executed as appropriate, to DynaMark at the Closing:

(a) All certificates, schedules, exhibits, and attachments in completed form and specifying the information required by the provisions of this Agreement.

(b) Articles of Incorporation of Printronic certified by the

New York Secretary of State.

(c) Bylaws of Printronic certified by Printronic's Secretary.

(d) Certificate of Good Standing for Printronic dated no earlier than fifteen (15) days prior to the Closing Date.

(e) Certified copies of corporate resolutions of Printronic authorizing it to enter into the transactions contemplated herein.

(f) A warranty bill of sale and instruments of assignment and transfer for the sale of the Assets.

(g) Certificates of title and assignment thereof for all motor vehicles transferred by Printronic to DynaMark as part of the Assets.

(h) Certificate of Printronic's President and the Shareholders regarding representations and warranties as required under Section 5.1(a).

(I) Opinion of Printronic's counsel as required under Section 5.1(b).

(j) Documentation for all consents and/or termination statements required in connection with the Closing described in this Agreement.

(k) Noncompetition Agreements as required under Section 7.2.

(l) The Escrow Agreement described in Section 1.5.

(m) Instruments of assignment and transfer for the Contracts.

(n) Documentation relating to the novation of the NCOA License to Printronic.

(o) Amendment to Printronic's Articles of Incorporation changing Printronic's name, in form complete and adequate for filing, as required under Section 6.6.

(p) Consulting Agreements as required under Section 7.3.

(q) Such other documents as DynaMark may reasonably request for the purpose of assigning, transferring, granting, conveying, and confirming to DynaMark or reducing to its possession, any and all assets, property and rights to be conveyed and transferred by this Agreement or to carry out transactions contemplated by the Agreement.

6.3) Documents Delivered by DynaMark at the Closing. DynaMark agrees to deliver the following documents, duly executed as appropriate, to Printronic and/or the Shareholders at the Closing:

(a) Articles of Incorporation of DynaMark certified by the Minnesota Secretary of State.

(b) Bylaws of DynaMark certified by DynaMark's Secretary.

(c) Certificate of Good Standing of DynaMark dated no earlier than fifteen (15) days prior to the Closing Date.

(d) Certified copies of corporate resolutions of DynaMark authorizing it to enter into the transactions contemplated herein.

(e) Certified or cashier's checks, or equivalent instrument or funds, from DynaMark, made payable to Printronic and the Escrow Agent in the amounts determined pursuant to Section 1.7.

(f) The estimated number of the Fair, Isaac Shares as determined pursuant to Section 1.5 which shall be delivered to Printronic and the Escrow Agent.

(g) Agreement granting certain registration rights as described in Section 1.4.

(h) Noncompetition Agreements as required under Section 7.2.

(I) The Escrow Agreement described in Section 1.5.

(j) Documentation relating to the novation of the NCOA License to Printronic.

(k) Consulting Agreements as required under Section 7.3.

(l) Documentation relating to the assumptions of the liabilities described in Section 1.6.

(m) Such other documents as Printronic reasonably may request to carry out the transactions contemplated by this Agreement.

6.4) Failure to Obtain Transfer of NCOA License. The parties acknowledge and understand that pending approval of the novation of the NCOA License by the United States Postal Service, neither Printronic nor DynaMark will be entitled to operate under the NCOA License. The parties acknowledge and agree that the risk of obtaining approval of the novation of the NCOA License by the United States Postal Service shall be on DynaMark after the Closing. DynaMark and Printronic shall use their best efforts to obtain the novation of the NCOA License after the Closing.

6.5) Employee Expenses. DynaMark may, but shall have no obligation to hire any employees of Printronic after the Closing Date. Printronic agrees to

take appropriate action to enable DynaMark to hire such employees. All amounts due to the employees of Printronic through the Closing Date for commissions, salary, wages, fringe benefits, pension benefits, sick leave and vacation benefits, including cash bonuses accrued through the Closing Date and all employment taxes incurred thereon, will be paid in full as of the Closing Date, but any such amounts not then due shall be paid thereafter but on or before the due date; provided DynaMark agrees to assume any liabilities for accrued sick leave and vacation benefits incurred by Printronic prior to the Closing Date; provided further, that DynaMark's total obligation for such accrued sick leave and vacation benefits shall not exceed Fifty Thousand and no/100 Dollars ($50,000.00). DynaMark shall thereafter hold Printronic harmless against any claims by such employee for accrued sick leave and vacation benefits to the extent such claims relate to the obligations for accrued sick leave and vacation benefits for which DynaMark has assumed responsibility. At the request of Printronic, with respect to any employees of Printronic hired by DynaMark after the closing, DynaMark shall pay the commissions, salary, and wages accrued through the Closing Date by Printronic and all employment taxes incurred thereon which shall be paid with DynaMark's regular payroll. The accrued commissions, salary, wages and employment take shall be listed as a liability on the Final Balance Sheet. Any employment taxes advanced by DynaMark shall be advanced on behalf of Printronic.

6.6) Printronic Chance of Name. Printronic shall deliver to DynaMark on or before the Closing Date, in a form complete and adequate for filing, an amendment to Printronic's Articles of Incorporation, changing Printronic's name to a name that is not similar to Printronic's present name, and shall provide such consents and take any other action required by DynaMark to enable DynaMark to utilize Printronic's name, if DynaMark so desires.

6.7) Prorations. The business operations of Printronic and the income and expenses attributable thereto through the date immediately preceding the Closing Date shall be payable by and for the account of Printronic and for periods thereafter shall be payable by and for the account of DynaMark. The parties shall account to each other for all such items of income and expense. Allocation of items under these proration provisions shall include but not be limited to work in process, power and utility charges, real and personal property taxes and rents and payments pertaining the Contracts being transferred to DynaMark hereunder (to the extent not already included as prepaid expenses or accrued expenses).

6.8) Reorganization Treatment. DynaMark and Printronic shall take all actions necessary to cause the Exchange and the other transactions contemplated by this Agreement to be treated for tax purposes as a reorganization under Code Section 368(a)(1)(C), including all actions necessary to comply with the "continuity of business enterprise" and "continuity of interest" requirements with respect thereto.

## ARTICLE 7.
## POST-CLOSING OBLIGATIONS

7.1) Further Documents and Assurances. At any time and from time to time after the Closing Date, each party shall, upon request of another party, execute, acknowledge and deliver all such further and other assurances and documents, and will take such action consistent with the terms of this Agreement, as may be reasonably requested to carry out the transactions contemplated herein and to permit each party to enjoy its rights and benefits hereunder.

7.2) Covenant Not to Compete. Printronic and each of the Shareholders agree not to engage in competition with DynaMark subsequent to the Closing Date all as more particularly set forth in the Noncompetition Agreements attached hereto as Exhibit 7.2.

7.3) Consulting Agreements. Each Shareholder agrees to provide consulting services to DynaMark subsequent to the Closing Date all as more particularly set forth in the Consulting Agreements attached hereto as Exhibit 7.3.

## ARTICLE 8.
## INDEMNIFICATION

8.1) Indemnification by DynaMark. DynaMark shall indemnify and hold Printronic and the Shareholders, and each of them, harmless from and against all losses or damages suffered by Printronic (including reasonable attorneys fees) which arise out of, relate to, pertain to or concern any misrepresentation by DynaMark, or any failure of DynaMark to disclose any material fact necessary to make any statement herein or in any other document furnished by DynaMark to Printronic not misleading, or any breach of DynaMark's warranties and representations hereunder, or any breach, nonfulfillment or nonperformance by DynaMark of any of their covenants, dudes, or obligations hereunder including, without limitation, the payment and discharge of all Permitted Liabilities.

8.2) Indemnification by Printronic and the Shareholders. Printronic and the Shareholders, jointly and severally, shall indemnify and hold DynaMark harmless from and against all losses or damages suffered by DynaMark (including reasonable attorneys' fees) which arise out of, relate to, pertain to or concern any misrepresentation by Printronic or the Shareholders, or any failure of Printronic or the Shareholders to disclose any material fact necessary to make any statement herein or in any other document furnished by Printronic or the Shareholders to DynaMark not misleading, or any breach of Printronic's and the Shareholders' warranties and representations hereunder, or any claim, demand, action or proceeding asserted by a creditor of Printronic under the provisions of the New York Bulk Transfer Act, or any breach, nonfulfillment or nonperformance by Printronic or the Shareholders of any of their covenants, duties, or obligations hereunder. Without limiting the generality or the foregoing, Printronic and the Shareholders, jointly and severally, guarantee to DynaMark that the amount of the Accounts Receivable used for purposes of the calculation of the Adjustment Amount under Section 1.8 will be paid during a collection period of one hundred fifty (150) days immediately following the Closing to the extent that the actual amount of Accounts Receivable collected

would have required an adjustment to the Base Consideration pursuant to the provisions of Section 1.8. At any time after the end of this collection period but on or prior to one hundred eighty (180) days after the Closing Date, DynaMark shall deliver to Printronic and the Shareholders a schedule of all of those Accounts Receivable unpaid at the end of the collection period. Printronic or the Shareholders shall promptly pay to DynaMark the full amount of any adjustment to the Base Consideration resulting from the failure to collect the Accounts Receivable in a manner similar to that described in Section 1.8(b). DynaMark shall not be obligated to undertake any legal action to collect the Accounts Receivable. Printronic and the Shareholders shall have no liability to DynaMark for any damages for such unpaid Accounts Receivable except for the amount of any adjustment to the Base Consideration.

8.3) Third Party Claims. In the event of any claim for indemnification hereunder resulting from or in connection with any claim or legal proceedings by a third party, the party entitled to indemnification ("Indemnified Party") shall promptly give written notice to the party from whom indemnification is sought (the Indemnifying Party") and, if possible, no later than ten (10) days prior to the time any response to the asserted claim is required. In the event of any such claim for indemnification resulting from or in connection with a claim or legal proceeding by a third party, the Indemnifying Party may, at its sole cost and expense, assume the defense thereof; provided, however, that the Indemnifying Party agrees in writing to pay the full amount of such indemnification to the Indemnified Party. If the Indemnifying Party assumes the defense of any such claim or legal proceeding, the Indemnifying Party shall be entitled to select counsel and take all steps necessary in the settlement or defense thereof; provided, however, that no settlement shall be made without the prior written consent of the Indemnified Party which consent shall not be unreasonably withheld; and, provided further, that the Indemnified Party may, at its own expense, participate in any such proceeding with the counsel of its choice. The parties shall cooperate with each other in the defense of such claim and shall make available to each other any nonprivileged or nonconfidential information which a party may reasonably request concerning such claim. So long as the Indemnifying Party is in good faith defending such claim or proceeding, the Indemnified Party shall not compromise or settle such claims without the prior written consent of the Indemnifying Party; provided that the Indemnifying Party shall not by this Agreement permit to exist any lien, encumbrance or other adverse charge upon any assets of any Indemnified Party. If the Indemnifying Party does not assume the defense of any such claim or litigation in accordance with the terms hereof, the Indemnified Party may defend against such claim or litigation in such manner as it may deem appropriate (including, but not limited to; settling such claim or litigation after giving notice of the same to the Indemnifying Party) on such terms as the Indemnified Party may deem appropriate, and the Indemnifying Party shall promptly indemnify the Indemnified Party in accordance with the provisions of this Article 8.

8.4) Set-Off. In the event Printronic (or either of the Shareholders) fails to pay when due any claim DynaMark may have for indemnification pursuant to this Article 8, or otherwise, DynaMark may, in addition to any other remedies to which it may be entitled, set-off any amount equal to DynaMark's claim against the amounts otherwise owed by DynaMark to Printronic or the Shareholders or any of them, under this Agreement, the agreements executed pursuant to this Agreement, or otherwise. DynaMark shall provide Printronic and/or the Shareholders, as the case may be, written notice of such set-off which written notice shall contain a description (in reasonable detail) of the claim on which the setoff is based. Such written notice shall be provided within ten (10) business days after the set-off is made.

8.5) Survival Periods. The parties hereto agree that all representations and warranties contained in this Agreement, or any certificate, document or other instrument delivered in connection herewith, shall survive the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, regardless of any investigation made by the parties hereto or their independent accountants or legal representatives, for a period ending on the third (3rd) anniversary of the Closing Date, except that representations and warranties relating to any liability for taxes of Printronic shall survive without limitation (in each case, the "Survival Period"); provided, however, that no claim for breach of a representation or warranty may be brought under this Agreement by any person unless written notice of such claim shall have been given on or prior to the last day of the applicable Survival Period (in which event each such representation and warranty shall survive the applicable Survival Period until such claim is finally resolved and all obligations with respect thereto are fully satisfied).

## ARTICLE 9.
## GENERAL

9.1) Exhibits. Each Exhibit delivered pursuant to the terms of this Agreement shall be in writing, and shall constitute a part of the Agreement.

9.2) Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been given, when received, if personally delivered, and, when deposited, if placed in the U.S. mails for delivery by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

Printronic and the Shareholders:

Printronic Corporation of America, Inc.
17 Battery Place
New York, New York 10004-1298

Leo R. Yochim
737 Park Avenue, Apt. 17-C
New York, New York 10021

Susan Keenan
737 Park Avenue, Apt. 17-C
New York, New York 10021

with a copy to:

Allen N. Ross, Esq.
Warshaw, Burstein, Cohen, Schlesinger &

Kuh, LLP
555 Fifth Avenue
New York, New York 10017

DynaMark: DynaMark, Inc.
4295 Lexington Avenue North
St. Paul, Minnesota 55126-6164

with a copy to: John J. Erhart, Esq.
Fredrikson & Byron , P. A.
1100 International Centre
900 Second Avenue South
Minneapolis, Minnesota 55402

Addresses may be changed by written notice given pursuant to this Section, however any such notice shall not be effective, if mailed, until three (3) working days after depositing in the U.S. mails or when actually received, whichever occurs first.

9.3) Counterparts. This Agreement may be executed in counterparts and by different parties on different counterparts with the same effect as if the signatures thereto were on the same instrument.

9.4) Successors and Assign. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their successors or assigns, provided that the rights of Printronic and the Shareholders under this Agreement may not be assigned without the prior written consent of DynaMark (except that the rights of Printronic may be assigned to the Shareholders pursuant to the Liquidation of Printronic) and the rights of DynaMark may only be assigned to its parent corporation, its subsidiary, or a subsidiary of its parent or to such other business organization which shall succeed to substantially all the assets and business of DynaMark or its parent.

9.5) Headings. The descriptive headings of the several Articles and Sections of this Agreement and of the several Exhibits to this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

9.6) Expenses. Except as otherwise provided herein, each party hereto shall each bear and pay for its own costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereby, including, without limitation, all fees and disbursements of attorneys, accountants and financial consultants. DynaMark shall be responsible for and shall pay any sales, use or other transfer taxes associated with the transactions herein.

9.7) Brokers' Commissions. The parties represent and warrant to each other that they have not engaged any broker or finder in connection with the transaction described herein.

9.8) Entire Agreement: Modification and Waiver. This Agreement, together with the Exhibits and the related written agreements specifically referred to herein, represents the only agreement among the parties concerning the subject matter hereof and supersedes all prior agreements (including the Restated Memorandum of Intent dated June 24, 1996) whether written or oral, relating thereto. No purported amendment modification or waiver of any provision hereof shall be binding, unless set forth in a written document signed by all parties (in the case of amendments or modifications) or by the party to be charged thereby (in the case of waivers). Any waiver shall be limited to the provision hereof and the circumstance or event specifically made subject thereto and shall not be deemed a waiver of any other term hereof or of the same circumstance or event upon any recurrence thereof.

9.9) Public Announcements. DynaMark will prepare any public announcements of the transaction. Neither Printronic nor the Shareholders will issue any press release or public announcement concerning, or otherwise divulge, any provisions of this Agreement or the transaction contemplated by this Agreement either prior to or after the Closing without the consent of DynaMark.

9.10) Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of Minnesota.

9.11) Survival of Representations, Warranties and Agreements. Except as otherwise provided in Section 8.5, the representations, warranties and agreements contained m this Agreement shall survive the Closing and remain in full force and effect.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed in the manner appropriate to each, all as of the day and year first above written.

DYNAMARK, INC.

By /s/ James Schoeller
---
Its Vice President
---

DYNAMARK

PRINTRONIC CORPORATION OF AMERICA, INC.

By /s/ Leo R. Yochim
---
Its President
---

PRINTRONIC

/s/ Leo R. Yochim
---
Leo R. Yochim

/s/ Susan Keenan

---

Susan Keenan

SHAREHOLDERS

EXHIBIT 10.25

# AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

THIS AGREEMENT is made and entered into effective as of September __, 1996, by and among Fair, Isaac and Company, Incorporated ("Buyer"), a Delaware corporation; FIC Acquisition Corporation ("Acquisition Subsidiary"), a Delaware corporation; Credit & Risk Management Associates, Inc. ("Seller"), a Delaware corporation; and Donald J. Sanders, Paul A. Makowski, and Lawrence E. Dukes (collectively, the "Shareholders").

## RECITALS:

A. Buyer desires to acquire by forward subsidiary merger all of the assets and business of Seller upon the terms and conditions set forth herein.

B. The Shareholders, as the owners of all of the issued and outstanding capital stock of Seller, wish to dispose of their interests in Seller upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained herein, and for other valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties mutually agree as follows:

## ARTICLE 1
## Definitions

In this Agreement the following terms shall have the meanings assigned to them below:

1.1 "Acquisition Subsidiary" means FIC Acquisition Corporation, a Delaware corporation.

1.2 "Adjustment Amount" means the amount determined in accordance with the provisions of Section 2.7(a)(i).

1.3 "Affiliate" of a specified person or entity means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

1.4 "Average Market Price" means the average of the reported last sale price at which the Buyer Common Stock is trading as reported on the New York Stock Exchange composite tape for the twenty (20) consecutive trading days immediately preceding the applicable date.

1.5 "Balance Sheet" means the balance sheet of Seller dated June 30, 1996, as described in Section 2.7.

1.6 "Base Consideration" means an amount equal to Three Million Four Hundred Ninety Thousand Five Hundred Fifty-Three Dollars and no/100 ($3,490,553.00) plus or minus, as the case may be, the Adjustment Amount.

1.7 "Buyer Common Stock" means shares of common stock of Buyer, $.01 par value per share.

1.8 "Cash Payment" means the amount determined in accordance with the provisions of Section 2.4.

1.9 "Closing" means the meeting of the parties at which the transactions contemplated herein to occur are completed, which meeting shall be held at 9:00 a.m., local time, at the offices of Miles & Stockbridge, 10 Light Street, Baltimore, MD, on the Closing Date, or at such other time or place as may be mutually agreed upon by the parties.

1.10 "Closing Date" means September 30, 1996, or such other date as may be mutually agreed upon by the parties.

1.11 "Direct Margin" shall mean the amount calculated in the manner described in Section 2.8(a).

1.12 "Earnout Cash Payment" means the cash portion of the Earnout Payment as determined in accordance with Section 2.8.

1.13 "Earnout Payment" means one of the three payments to be made to the Shareholders pursuant to the provisions of Section 2.8.

1.14 "Earnout Statement" means the report delivered to the Shareholders pursuant to the provisions of Section 2.8(c)(i).

1.15 "Effective Time" means 12:01 a.m. on the date described in Section 6.1.

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

1.17 "ERISA Plans" means all employee benefit plans of Seller within the meaning of Section 3(3) of ERISA, as described in Section 3.18.

1.18 "Final Balance Sheet" means the balance sheet of Seller as of the close of business immediately prior to the Effective Time as described in Section 2.7(a)(i).

1.19 "Financial Statements" means the financial statements of Seller described in Section 3.5.

1.20 "Indemnity Period" means the period described in Section 8.1.

1.21 "Intellectual Property" means patents and patent applications, copyrights and copyright applications, trademarks, service marks, trade names, know-how, trade secrets, data, information, technology, processes, formulas, drawings, designs, computer programs, and license rights to any of the foregoing.

1.22 "Liens" means any liens, mortgages, pledges, encumbrances, conditional sales agreements, security interests, or title retention devices of any nature.

1.23 "Merger" means the merger of Seller into Acquisition Subsidiary as described in section 2.1.

1.24 "Merger Articles" means the Certificate of Merger with respect to the Merger, as described in Section 2.1.

1.25 "Merger Consideration" means the aggregate consideration payable to the Shareholders, as described in Section 2.2.

1.26 "Permitted Liens" means the Liens against the assets of Seller described on Schedule 1.26 hereto.

1.27 "Report" means the report prepared by Buyer as described in Section 2.7(a)(i).

1.28 "SEC" means the Securities and Exchange Commission.

1.29 "SEC Reports" means all periodic and/or current reports, registration statements and proxy statements filed with the SEC.

1.30 "Securities Act" means the Securities Act of 1933, as amended.

1.31 "Seller Shares" means all of the issued and outstanding capital stock of Seller.

1.32 "Surviving Corporation" means the Acquisition Subsidiary as the surviving corporation in the Merger, as described in Section 2.1.

1.33 "Tax" means any tax or other primary, secondary or transferee liability to any governmental entity, including without limitation, all federal, state, county, local and foreign income, profits, gross receipts, withholding, payroll, sales, use, employment, value added, custom, duty, and any other taxes, obligations, and assessments of any kind whatsoever, together with all interest and penalties; the foregoing shall include any liability arising as a result of being (or ceasing to be) a member of any affiliated, consolidated, combined, or unitary group as well as any liability under any Tax allocation, Tax sharing, Tax indemnity or similar agreement.

## ARTICLE 2
## Merger

2.1 Merger. Buyer has caused to be formed, Acquisition Subsidiary which is a wholly owned subsidiary of Buyer in order to consummate the acquisition by merger contemplated hereby. At the Effective Time, pursuant to the provisions of this Agreement and pursuant to the provisions of the General Corporation Law of the State of Delaware, Seller shall be merged with and into Acquisition Subsidiary (the "Merger"), which shall be the surviving corporation in the Merger ("Surviving Corporation"), and the separate existence of Seller shall thereupon cease. After the Effective Time, the existence and corporate organization of Acquisition Corporation shall continue in effect as the Surviving Corporation. Buyer shall cause to be filed with the Secretary of State of the State of Delaware, a certificate of merger substantially in the form attached hereto as Exhibit 2.1 (the "Merger Articles"). It is intended that the Merger constitute and qualify as a tax-free reorganization pursuant to the provisions of Section 368(a)(2)(D) of the Internal Revenue Code of 1986, as amended.

(a) The Certificate of Incorporation of Acquisition Subsidiary in effect immediately prior to the Effective Time shall be and remain the Certificate of Incorporation of the Surviving Corporation, except that Article 1 of such Certificate of Incorporation shall, at the Effective Time and pursuant to the Merger, be amended to read as follows:

"The name of the corporation is Credit & Risk Management Associates, Inc."

(b) The Bylaws of Acquisition Subsidiary in effect immediately prior to the Effective Time shall be and remain the Bylaws of the Surviving Corporation, until amended in accordance with law.

(c) The directors and the officers of the Surviving Corporation at and after the Effective Time shall be the individuals specified in Exhibit 2.1(c). Such individuals shall continue as the directors and the officers, respectively, of the Surviving Corporation until their successors are elected and qualified.

(d) Each share of stock of Acquisition Subsidiary issued and outstanding at the Effective Time shall not be changed or converted by virtue of the Merger and shall remain outstanding following the Merger, having rights and preferences identical to those which it had immediately prior to the Effective Time.

(e) Each share of stock of Seller issued and outstanding at the Effective Time shall be changed or converted by virtue of the Merger into the Merger Consideration described in this Article 2.

(f) At the Closing, the Shareholders shall surrender their outstanding certificates (each referred to herein as a "Seller Certificate") representing the Seller Shares to Acquisition Corporation. Any outstanding Seller Certificate not so surrendered shall be deemed for all corporate purposes to evidence the ownership of the right to receive the Merger Consideration. No interest shall be paid or accrued on the amounts to be received upon surrender of a Seller Certificate.

(g) After the Effective Time, there shall be no transfers on the stock transfer books of Seller of any Seller Certificates. If, after the Effective Time, a Seller Certificate is presented to the Surviving Corporation for transfer, such Seller Certificates shall be canceled and exchanged for the Merger Consideration.

2.2 Merger Consideration. The "Merger Consideration" shall mean: (i) the aggregate number of shares of Buyer Common Stock to be paid to the Shareholders described in Section 2.3 below; (ii) the Cash Payment to be paid to the Shareholders described in Section 2.4 below; (iii) the aggregate number of shares of Buyer Common Stock to be issued to the Shareholders as part of the Earnout as described in Section 2.8; and (iv) the Earnout Cash Payments to be paid to the Shareholders as part of the Earnout as described in Section 2.8. The certificates evidencing the Buyer Common Stock shall contain a legend restricting transfer under the Securities Act and identifying other restrictions or limitations described in this Agreement, such legend to be substantially as follows:

The securities represented by this certificate have not been registered or qualified under the Securities Act of 1933 or the securities laws of any state, and may be offered and sold only if registered and qualified pursuant to the relevant provisions of federal and state securities laws or if the company has been provided with an opinion of counsel satisfactory to the company that registration and qualification under federal and state securities laws is not required.

The Buyer Common Stock constituting Merger Consideration shall be subject to the terms of an agreement granting limited registration rights (the "Registration Rights Agreement")in the form attached hereto as Exhibit 2.2. No consideration of any kind, other than the Merger Consideration, shall be paid or transferred by Buyer to the Shareholders in consideration for the Seller Shares.

2.3 Conversion of Shares. Subject to the other provisions of this Article 2, the manner and basis of converting the Seller Shares into Buyer Common Stock shall be as follows:

(a) At the Effective Time, the Seller Shares then outstanding shall, by virtue of the Merger and without any further action on the part of the holders thereof, be converted into and thereafter shall constitute the right to receive the number of shares of Buyer Common Stock calculated as described in Section 2.3.(b) and such other shares as may become payable pursuant to the terms of Section 2.8.

(b) The Shareholders shall receive a number of shares of Buyer Common Stock equal to the Base Consideration (which Base Consideration shall be reduced by the amount of the Cash Payment described in Section 2.4) divided by the Average Market Price as of the Closing Date or, if sooner, the date on which the Merger is publicly announced by or with the express consent of Buyer or otherwise publicly disclosed by any agent or employee of Buyer. The Shareholders shall each receive the shares of Buyer Common Stock in proportion to their holdings of Seller Shares. The parties acknowledge and agree that they will be unable to determine the total number of shares of Buyer Common Stock on the Closing Date due to the inability to determine the Base Consideration and the Cash Payment. At least seven (7) business days prior to the Closing Date, the parties shall, in good faith, estimate the number of shares of Buyer Common Stock to be issued to the Shareholders. The final determination of number of shares of Buyer Common Stock shall be made in accordance with the provisions of Section 2.7.

2.4 Cash Portion of Merger Consideration. Subject to the other provisions of this Article 2, the manner and basis of converting the Seller Shares into cash shall be as follows:

(a) At the Effective Time, the Seller Shares then outstanding shall, by virtue of the Merger and without any further action on the part of the holders thereof, be converted into and thereafter shall constitute the right to receive the payment described in Section 2.4(b) and such other payments as may become payable pursuant to the terms of Section 2.8.

(b) The Shareholders shall receive, in cash, an amount equal to forty-five percent (45%) of the Base Consideration (the "Cash Payment"). The Shareholders shall each receive a portion of the Cash Payment in proportion to their holdings of Seller Shares. The parties acknowledge and agree that the Cash Payment will not be able to be finally determined by the Closing Date due to the inability to determine the Base Consideration. At least seven (7) business days prior to the Closing Date, the parties shall, in good faith, estimate the Cash Payment. The final determination of the Cash Payment shall be made in accordance with the provisions of Section 2.7.

2.5 Exchange of Certificates; Cash Payment. At the Closing, the Shareholders shall deliver to Buyer, in escrow, certificates representing the Seller Shares, and Buyer shall issue instructions to its transfer agent directing the issuance to Shareholders of certificates representing the estimated number of shares of Buyer Common Stock determined in accordance with Section 2.3(b). In addition, on the Closing Date, Buyer shall deliver certified or cashier's checks payable to the Shareholders, or equivalent instrument or funds, in the amount of the estimated Cash Payment in escrow. Buyer shall then, by 10:00 a.m. on the first business day following the Effective Time, deliver to

the Shareholders, in proportion to their holdings of Seller Shares, the estimated Cash Payment.

2.6 Treatment of Outstanding Seller Debt and Warrants. Prior to the Closing, Seller shall take the following actions with respect to its outstanding debts, securities, options, warrants, and other obligations: (i) all outstanding convertible securities of Seller will be converted to equity and become part of the Seller Shares; (ii) all non-trade debt owed to Seller by any Affiliates or other related parties of Seller (other than the Shareholders) will be repaid by the Affiliate or related party to Seller; and (iii) all outstanding options, warrants, and other rights to purchase Seller Shares will be canceled. Any non-trade debt owed by Seller to the Shareholders at the Effective Time shall be repaid by Buyer to the Shareholders within thirty (30) days of the Effective Time. Any trade debt between Seller and its Affiliates or other related parties that is outstanding at the Effective Time shall remain outstanding and be paid in the normal course of business.

2.7 Post-Closing Adjustments. After the Closing, the final determination of Base Consideration and the Cash Payment shall be made as provided in this Section 2.7 as follows:

(a) (i) Not later than forty-five (45) days after the Closing Date, Buyer shall deliver to the Shareholders a balance sheet of Seller as of the close of business immediately prior to the Effective Time (the "Final Balance Sheet"). The Final Balance Sheet shall be prepared by the accountants regularly retained by Buyer in accordance with generally accepted accounting principles consistent with past practices of Seller including, without limitation, revenue recognition methods and practices employed to calculate the balance sheet of Seller dated June 30, 1996 (the "Balance Sheet"). Without limiting the generality of the foregoing, the accountants regularly retained by Buyer shall employ the same methods of recognizing unbilled work in process and accrued tax liabilities as the methods used by Seller in determining the Balance Sheet. The cost of the preparation of the Final Balance Sheet shall be borne by Buyer. The Final Balance Sheet shall be accompanied by a report (the "Report") prepared by Buyer containing the calculation of Base Consideration, Cash Payment and the number of shares of Buyer Common Stock described in Section 2.3(b) in reasonable detail. In determining Base Consideration, Buyer shall determine the "Adjustment Amount" which shall be equal to the amount determined by subtracting an amount equal to Four Hundred Ninety Thousand Five Hundred Fifty Three and no/100 Dollars ($490,553.00) from the retained earnings as shown on the Final Balance Sheet. The Adjustment Amount may be either a positive number or a negative number.

(ii) The Shareholders shall have fifteen (15) days after delivery of the Final Balance Sheet and the Report within which to present in writing to Buyer any objections the Shareholders may have to any of the matters set forth therein, which objections shall be set forth in reasonable detail. The Shareholders and the Shareholder's independent public accountants shall have the opportunity to examine the work papers, schedules and other documents prepared in connection with the preparation of the Final Balance Sheet and the Report. If no objections are presented within such fifteen (15) day period, or if the Shareholders shall deliver to Buyer a notice stating that the Shareholders accept and approve the Final Balance Sheet and Report and shall present no objection to any matter set forth therein, the Final Balance Sheet and Report shall be deemed accepted and approved by the Shareholders.

(iii) If the Shareholders shall present any objection within the fifteen (15) day period, the Shareholders and Buyer shall attempt to resolve the matter or matters in dispute, and, if resolved within twenty (20) days (or such longer period as the Shareholders and Buyer may agree upon) after delivery of any such written objections to Buyer, the parties shall adjust the number of shares of Buyer Common Stock payable to the Shareholders and the Cash Payment payable to the Shareholders as provided in Section 2.7(b) based upon the Final Balance Sheet and the Report with such changes therein, if any, as are required to reflect the resolution of any such disputed matter or matters.

(iv) If such dispute cannot be resolved by the Shareholders and Buyer, then the specific matters in dispute shall be submitted to the Baltimore office of Arthur Andersen LLP, or, if such firm declines to act in such capacity, such other firm of independent public accountants mutually acceptable to Buyer and the Shareholders, which firm shall make a final and binding written determination as to such matter or matters within sixty (60) days after submission. Such accounting firm shall send its written determination to Buyer and the Shareholders and the parties shall adjust the number of shares of Buyer Common Stock payable to the Shareholders and the Cash Payment payable to the Shareholders as provided in Section 2.7(b) in accordance with such written determination. The fees and expenses of the accounting firm referred to in this Section 2.7(a)(iv) shall be paid one-half (1/2) by Buyer and one-half (1/2) by the Shareholders.

(v) Buyer and the Shareholders agree to cooperate with each other's accountants and authorized representatives in order that any matters in dispute under this Section 2.7 may be resolved as soon as possible.

(b) Following final determination of the Base Consideration and the Cash Payment, the party shall determine the number of shares of Buyer Common Stock transferable to the Shareholders in accordance with the provisions of Section 2.3(b). If, as a result of the determination of the adjustment described in this Section 2.7, the number of shares of Buyer Common Stock to which the Shareholders are entitled is greater than the number delivered in accordance with Section 2.5, Buyer shall issue such additional shares of Buyer Common Stock within ten (10) business days after the final determination of the actual number of shares of Buyer Common Stock to be issued in accordance with Section 2.3(b). If instead the number of shares of Buyer Common Stock to be issued to the Shareholders is less than the number of shares of Buyer Common Stock delivered in accordance with Section 2.5, the Shareholders shall return the necessary number of shares of Buyer Common Stock to Buyer for cancellation by Buyer within ten (10) business days after the final determination of the actual number of shares of Buyer Common Stock to be issued in accordance with Section 2.3(b). If, as a result of the determination of the Adjustment Amount described in this Section 2.7, the Cash Payment to which the Shareholders are entitled is greater than the estimated Cash Payment paid to them in accordance with Section 2.5, Buyer shall deliver to the Shareholders by certified or bank cashier's checks or by wire transfer to an account designated by the Shareholders, within ten (10) business days after final determination of the Cash Payment, the difference between the estimated Cash Payment and the actual amount of the Cash Payment. If instead the Cash Payment to which the Shareholders are entitled is less than the estimated Cash Payment paid to them in accordance with Section 2.5, the Shareholders shall deliver to Buyer by certified or bank cashier's check or by wire transfer to an account designated by Buyer within ten (10) business days after the final determination of the Cash Payment, the difference between the estimated Cash Payment and the actual amount of the Cash Payment.

2.8 Determination of Earnout Payments. For each of the following three (3) fiscal years ending September 30, 1997, September 30, 1998 and September 30, 1999, the Shareholders shall, as additional consideration for the Merger receive the following amounts (each an "Earnout Payment") equal to the amount determined in accordance with this Section 2.8 as follows:

(a) For each of the fiscal years ending September 30, 1997, 1998 and 1999, Buyer shall determine the "Direct Margin." Direct Margin shall be equal to all billings of Surviving Corporation less all costs and expenses directly controllable by Surviving Corporation without taking into consideration any federal and state income tax effects of such income, costs and expenses. Costs and expenses directly controllable by Surviving Corporation includes all costs and expenses directly related to the production of billings. Costs and expenses directly controllable by Surviving Corporation shall not include any support costs or allocations of Buyer (other than services performed for Surviving Corporation by Buyer for which Surviving Corporation has the unrestricted option of alternatively utilizing a third party vendor). Any sales incentives or referral fees paid to the sales staff of Buyer shall be treated as directly controllable costs and expenses provided that the amount of such sales incentives and referral fees will be determined by mutual agreement between the sales management of Surviving Corporation and Buyer. The parties acknowledge that the employee benefits available to the employees of Seller are not as extensive or as costly as the benefit programs that will be available to employees of Surviving Corporation after the Merger. The parties further acknowledge and agree that for purposes of determining Direct Margin, such incremental costs of the employee benefits available to the employees of Surviving Corporation will be treated as costs and expenses directly controllable by Surviving Corporation. Salary and any incentive compensation programs for either the Shareholders or other employees of Surviving Corporation will be treated as costs and expenses directly controllable by Surviving Corporation. Except as otherwise provided herein, all revenue and expense measures shall follow generally accepted accounting principles as specified by the accountants regularly retained by the Buyer applied on a basis consistent with Seller's past practices.

(b) An Earnout Payment for each fiscal year of Surviving Corporation shall be determined in accordance with the following formulae for the fiscal year for which the Earnout Payment is being calculated:

(i) For the fiscal year ending September 30, 1997: if Direct Margin is less than or equal to One Million and no/100 Dollars ($1,000,000.00), the Earnout Payment shall be equal to Direct Margin multiplied by a factor of eighty-four one hundredths (.84); if Direct Margin is greater than One Million and no/100 Dollars ($1,000,000.00), then the Earnout Payment shall be equal to Eight Hundred Forty Thousand and no/100 Dollars ($840,000.00) plus the Direct Margin in excess of One Million and no/100 Dollars ($1,000,000.00) multiplied by a factor equal to eight thousand two hundred seventy-five ten thousandths (.8275); provided, in no event shall the Earnout Payment exceed One Million Eight Hundred Thirty-Three Thousand and no/100 Dollars ($1,833,000.00).

(ii) For the fiscal year ending September 30, 1998: if Direct Margin is less than or equal to One Million Three Hundred Thousand and no/100 Dollars ($1,300,000.00), the Earnout Payment shall be equal to Direct Margin multiplied by a factor of six thousand four hundred sixty two ten thousandths (.6462); if Direct Margin is greater than One Million Three Hundred Thousand and no/100 Dollars ($1,300,000.00), then the Earnout Payment shall be equal to Eight Hundred Forty Thousand and no/100 Dollars ($840,000.00) plus the Direct Margin in excess of One Million Three Hundred

Thousand and no/100 Dollars ($1,300,000.00) multiplied by a factor equal to six hundred and twenty thousand six hundred twenty-five ten thousandths (.620625); provided, in no event shall the Earnout Payment exceed One Million Eight Hundred Thirty-Three Thousand and no/100 Dollars ($1,833,000.00).

(iii) For the fiscal year ending September 30, 1999: if Direct Margin is less than or equal to One Million Six Hundred Thousand and no/100 Dollars ($1,600,000.00), the Earnout Payment shall be equal to Direct Margin multiplied by a factor of five thousand two hundred fifty ten thousandths (.5250); if Direct Margin is greater than One Million Six Hundred Thousand and no/100 Dollars ($1,600,000.00), then the Earnout Payment shall be equal to Eight Hundred Forty Thousand and no/100 Dollars ($840,000.00) plus the Direct Margin in excess of One Million Six Hundred Thousand and no/100 Dollars ($1,600,000.00) multiplied by a factor equal to four thousand nine hundred and sixty-five ten thousandths (.4965); provided, in no event shall the Earnout Payment exceed One Million Eight Hundred Thirty-Three and no/100 Dollars ($1,833,000.00).

(c) (i) As soon as practicable but in no event later than sixty (60) days after the close of the fiscal years ending September 30, 1997, September 30, 1998 and September 30, 1999, Buyer shall deliver to the Shareholders a report detailing the calculation of the Direct Margin and the Earnout Payment (individually an "Earnout Statement"), which shall be prepared in accordance with the provisions of this Section 2.8.

(ii) The Earnout Payment described in the Earnout Statement shall be made to the Shareholders concurrently with the delivery of the Earnout Statement in the manner described in Section 2.8(d). The Shareholders shall have twenty (20) days after delivery of each Earnout Statement within which to present in writing to Buyer any objections the Shareholders may have to any of the matters set forth therein, which objections shall be set forth in reasonable detail. If no objections are presented within such twenty (20) day period, or if the Shareholders shall deliver to Buyer a notice stating that the Shareholders accept and approve such Earnout Statement and shall present no objection to any matter set forth therein, the Earnout Statement and the calculation of the Earnout Payment as set forth therein shall be deemed accepted and approved by the Shareholders.

(iii) If the Shareholders shall present any objections within the twenty (20) day period, Buyer and the Shareholders shall attempt to resolve the matter or matters in dispute and if resolved within twenty (20) days (or such longer period as Buyer and the Shareholders may agree upon) after delivery of any such written objections to Buyer, any adjusted Earnout Payment shall be made based on the Earnout Statement with such changes therein, if any, as are required to reflect the resolution of any such disputed matter or matters, in the manner as described in Section 2.8(d).

(iv) If such dispute cannot be resolved by Buyer and the Shareholders, then the specific matter or matters in dispute shall be submitted to the Baltimore office of Arthur Andersen LLP (provided such firm is then independent of the parties) or if such firm is not then independent of the parties or declines to act in such capacity, such other firm of independent public accountants mutually acceptable to Buyer and the Shareholders, which firm shall make a final and binding determination as to such matter or matters. Such accounting firm shall send its written determination to Buyer and Shareholders, and any adjusted Earnout Payment shall be made in the manner described in Section 2.8 (3). The fees and expenses of the accounting firm referred to in this Section 2.8 shall be paid one-half by the Buyer and one-half by the Shareholders.

(d) The Earnout Payment shall be paid fifty-five percent (55%) in the form of shares of Buyer Common Stock valued at their Average Market Price as of the last day of the fiscal year for which the Earnout Payment is being determined to the Shareholders in proportion to their holdings of Seller Shares. The Buyer Common Stock issued as a portion of the Earnout Payment shall be subject to the registration rights set forth in the Registration Rights Agreement described in Section 2.2 hereof. The balance of the Earnout Payment of forty-five percent (45%) shall be paid in cash (the "Earnout Cash Payment"). The Earnout Cash Payment shall be made by delivery of certified or cashier's checks or equivalent instruments or funds to the Shareholders in proportion to their holding of Seller Shares. In the event of a dispute regarding the amount of the Earnout Payment, any adjustment to the Earnout Payment, as determined pursuant to Section 2.8 shall be paid to the Shareholders by Buyer within ten (10) business days after any adjustment has been finally determined.

2.9 Preparation of Tax Returns. The federal and state income tax returns for Seller for the period beginning January 1, 1996 through the close of business on the day immediately preceding the Effective Time shall be prepared by the Shareholders on the same bases as prior federal and state income tax returns of Seller (including, without limitation, a cash basis personal service corporation) and otherwise consistent with prior tax returns. Any resulting accrued income tax liability shall appear on the Final Balance Sheet and the liability shall be paid by Surviving Corporation.

ARTICLE 3

Representations and Warranties of Seller and the Shareholders

Seller and the Shareholders hereby make the following representations and warranties to Buyer, all of which representations and warranties are true and correct as of the date hereof and shall be true and correct as of (and as though made at) the Closing:

3.1 Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified or registered to do business as a foreign corporation and is in good standing in each jurisdiction that requires such qualification or registration and in which it owns or leases any material properties or conducts any material business, except where the failure so to qualify or register would not have a material adverse effect on Seller. Seller has all necessary corporate power to own its properties, conduct its business as presently conducted or proposed to be conducted by it, and to do and perform all acts and things required to be done by it under this Agreement.

3.2 Capitalization. Seller has duly authorized capital stock consisting of 3,000 shares of common stock, of which 1,500 shares are issued and outstanding on the date hereof and no shares are held in treasury. All such outstanding shares (referred to collectively in this Agreement as the "Seller Shares") are duly authorized, validly issued, fully paid and nonassessable and were issued in compliance with, or pursuant to an exemption from, all applicable federal and state securities laws. Except as described in this Section 3.2, there is no other outstanding stock of Seller or outstanding rights to acquire such stock, the holders of the Seller Shares have no preemptive rights, and there are no outstanding subscriptions, options, warrants, calls, contracts, demands, commitments, conversion rights or other agreements or arrangements of any character or nature whatsoever, under which Seller is or may be obligated to issue any capital stock or other securities of Seller; and Seller has no obligation for the repurchase of any of its outstanding securities. Any and all preemptive or similar rights to purchase any capital stock or securities of Seller to which any holders of capital stock or any other security of Seller may have been entitled with respect to prior issuances of Seller Shares or rights to acquire Seller Shares shall have, on or before the Closing Date, been validly and enforceably waived by all such holders or are otherwise no longer of any force or effect. Each of the record and beneficial owners of the Seller Shares, and the number of Seller Shares held by each such person, is as set opposite such person's respective name on Schedule 3.2. There are no shareholder agreements, or other agreements, understandings or commitments relating to or otherwise affecting the Seller Shares. Copies of Seller's Articles of Incorporation and Bylaws previously delivered by Seller to Buyer are complete and correct.

3.3 Subsidiaries. Seller has no subsidiaries.

3.4 Corporate Authority. The execution, delivery and performance by Seller and the Shareholders of this Agreement and the transactions contemplated hereby have been duly and validly authorized and approved by all requisite corporate and shareholder action, and neither the execution and delivery of this Agreement by Seller and the Shareholders, nor the consummation of the transactions contemplated hereby, will (i) conflict with or result in a breach of the terms or provisions of or constitute a default under Seller's Certificate of Incorporation or Bylaws or any material instrument, contract, or agreement, judgment, order, decree or other restriction to which Seller or any of the Shareholders is a party or by which any of its assets is bound or affected, (ii) except as specifically described in Schedule 3.4, require any affirmative approval, consent, or authorization of any person, court, or governmental or regulatory authority, or (iii) except as specifically described in Schedule 3.4, give any party with rights under any such material instrument, contract, agreement, judgment, order, decree or other restriction the right to terminate, modify or otherwise change the rights or obligations of Seller or any of the Shareholders thereunder. This Agreement constitutes, and all other agreements and instruments contemplated hereby, when duly executed and delivered by Seller and the Shareholders, will constitute, valid and binding obligations of Seller and the Shareholders enforceable in accordance with their respective terms except as may be limited by laws affecting creditors' rights generally or by judicial limitations on the right to specific performance.

3.5 Financial Statements. Seller has furnished Buyer with true and complete copies of its unaudited balance sheets as of December 31, 1995 and 1994 and the related statements of earnings and cash flows and has furnished interim unaudited balance sheets as of June 30, 1996 and the related statement of earnings (collectively the "Financial Statements"). The Financial Statements have been and any interim financial statements delivered to Buyer for subsequent periods pursuant to Section 5.4 will be, prepared and conform with generally accepted accounting principles applied on a basis consistent with prior periods, and fairly present in all material respects the financial condition of Seller as of the represented dates thereof and results of Seller's operations for the period covered thereby. For purposes of this Agreement, the Financial Statements shall be deemed to include any notes and schedules thereto.

3.6 Taxes. Seller has not failed to file any reports or Tax returns required by any law or regulation of any jurisdiction to be filed as of the date hereof, and all such reports and returns are true and correct in all material respects. Seller has duly paid, or accrued on its books of account, all Taxes, duties and charges pursuant to such reports and returns assessed or to be assessed against Seller with respect to all periods through the date hereof, or which Seller is obligated to withhold from amounts owing to any employee or other person. Seller will not be liable for any Taxes with respect to any periods up to the Effective Time, except for Taxes paid at or before the Effective Time or which are accrued on the Final Balance Sheet. Seller has not received any notice of proposed adjustment, audit report, deficiency notice, notice of assessment or similar notification with respect to any Tax that could become the obligation and liability of the Surviving Corporation.

3.7 Absence of Undisclosed Liabilities. There are no material debts, liabilities, claims against or financial obligations of Seller, or reasonable legal basis therefor, whether accrued, absolute, contingent or otherwise, except

to the extent reflected on the Balance Sheet, or disclosed on the footnotes thereto or elsewhere on Schedule 3.7.

3.8 Absence of Certain Changes and Events. Except as contemplated by this Agreement or as specifically described in Schedule 3.8, since June 30, 1996:

(a) There has not been any material adverse change in the general affairs, management, net worth or condition (financial or otherwise) of Seller or its business or assets.

(b) Seller has not (1) made or suffered any material adverse change in its assets; (2) entered into any contract, license, franchise or commitment other than ones that either were entered into in the ordinary course of business or, if not entered into in the ordinary course of business, involved amounts to be paid or received of less than Twenty-Five Thousand and no/100 Dollars ($25,000.00), or made any capital expenditures or commitment therefor except in the ordinary course of business or in amounts of less than Twenty-Five Thousand and no/100 Dollars ($25,000.00), or waived any material rights, or made, permitted, or suffered any amendment or termination of any material contract, license, franchise or agreement; (3) altered or revised its accounting procedures, methods or practices except as required by law; (4) incurred, assumed, discharged or satisfied any material liability (absolute or contingent), mortgage, lien, security interest or encumbrance, other than in the ordinary course of business or, if not in the ordinary course of business, involving amounts of less than Twenty-Five Thousand and no/100 Dollars ($25,000.00) (and otherwise in compliance with this Agreement); (5) declared, set aside, or paid any dividend or shareholder distributions in cash, securities, or property; (6) sold, transferred, or leased any of its assets except in the ordinary course of business; (7) suffered any physical damage, destruction, or loss (whether or not covered by insurance) materially and adversely affecting the properties or business of Seller; (8) entered into any material transaction other than in the ordinary course of business; or (9) agreed to do any of the foregoing other than pursuant hereto.

3.9 Assets. Seller has good title to all of its assets, or, in the cases of leases, valid and subsisting leasehold interests in the assets leased thereby, in each case free and clear of all Liens, except for Permitted Liens. Seller has not received any notice of default under any lease and, to the best of Seller's knowledge, there is no event that, with notice or lapse of time or both, would constitute a default under any such lease. The real and personal properties to be included in the assets acquired by Buyer pursuant to the Merger include all the properties used in and, except as set forth on Schedule 3.9, necessary to the conduct of the operations of Seller and taken as a whole are in a good state of repair, ordinary wear and tear excepted.

3.10 Intellectual Property. Except as described in Schedule 3.10, (i) all Intellectual Property necessary to or used in the conduct of Seller's present or proposed operations is owned by Seller or licensed to Seller, in either case free and clear of any Liens other than Permitted Liens, and Seller's ownership of such Intellectual Property has not been challenged in any judicial or administrative proceeding; (ii) Seller's present and proposed operations do not infringe, misuse or misappropriate any intellectual property rights of others; (iii) no employees of Seller have any right in or to the Intellectual Property necessary to or used in the conduct of Seller's present or proposed operations, and no such employees are subject to restrictive covenants with any person other than Seller with respect to such employee's employment by Seller or use of Intellectual Property in such employment; and (iv) to the best of Seller's knowledge, none of Seller's rights to Intellectual Property is being infringed, misused, or misappropriated by others.

3.11 Licenses; Compliance with Laws, Regulations, Etc. Except as specifically described in Schedule 3.11, Seller possesses all permits, licenses and other approvals and authorizations that are necessary to conduct its business, and all of such licenses, permits and other approvals and authorizations are in full force and effect. Seller has not received any notice that any of such licenses, permits, approvals or authorizations will lapse or be terminated by action of a governmental authority or otherwise. Seller has complied, and is in compliance, in all material respects with all applicable laws, statutes, orders, rules, regulations and requirements promulgated by governmental or other authorities relating to the conduct of Seller's businesses.

3.12 Litigation; Insolvency. Except as specifically described in Schedule 3.12, there is no action, lawsuit, claim, proceeding, or investigation of any kind pending or, to the best of the knowledge of each of Seller and the Shareholders, threatened against, by or affecting Seller. Seller (i) is not in default with respect to any order, writ, injunction, or decree of any court or of any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) has not suffered a garnishment, summons or writ of attachment against or served upon it for the attachment of any material property that has not been expunged, bonded against or otherwise discharged within thirty (30) calendar days after the issuance or service thereof, or (iii) has not voluntarily filed, or had filed against it involuntarily, a petition under the United States Bankruptcy Code that, in the case of an involuntary petition, shall not have been vacated or dismissed within thirty (30) calendar days after the filing thereof, and (iv) has not taken action or otherwise had proceedings commenced to dissolve or liquidate it.

3.13 Environmental Matters. Seller has obtained, and is in compliance with, all permits, licenses or other approvals necessary under Environmental Laws (as defined below) with respect to Seller and its business, operations, products or properties. Neither Seller nor its business, operations, products, or properties, currently or formerly owned, operated, or leased (i) have violated or violate or, to the best of Seller's knowledge, have been or are subject to any judicial or administrative investigations, proceedings or other

actions alleging the violation of, any federal, state, local or foreign environmental, superfund, conservation, health or safety statute, regulation, ordinance, common law, order or decree (collectively, "Environmental Laws") governing "Hazardous Substances," which for purposes hereof means asbestos, urea formaldehyde, polychlorinated biphenyls, nuclear fuel or materials, chemical waste, radioactive materials, explosives, known carcinogens, petroleum products, or substances defined as hazardous or as a pollutant or contaminant in, or the generation, handling, storage, release or disposal of which is regulated by, any Environmental Laws or (ii) to the best of Seller's knowledge, have been or are the subject of any federal, state, local or foreign investigation, proceeding or other action evaluating whether any remedial action is needed to respond to a release of any Hazardous Substance or (iii) have taken any action or failed to take any action that might reasonably result in violation of any Environmental Laws. Neither Seller, nor, to the best of Seller's knowledge, any prior or current lessee, owner, occupant, operator or other person has released, spilled or disposed of any Hazardous Substance in or on the ground of any real property currently or formerly owned, operated, or leased by Seller, and no above-ground or underground storage tanks or Hazardous Substances are or were present on such real property or any structures thereon. Seller has no removal, restoration or similar obligation under any Environmental Laws with respect to any property. Seller has delivered to Buyer true and complete copies of all reports, studies or tests in the possession of or initiated by Seller pertaining to Hazardous Substances or other environmental concerns regarding Seller, its business, operations, products or properties, currently or formerly owned, operated or leased.

3.14 Contracts; Leases. Schedule 3.14 attached hereto contains a list of each of the following contracts, agreements, plans (other than those described in Schedule 3.18), arrangements or commitments (the "Contracts"), including amendments thereto, to which Seller is a party or by which any assets of Seller are in any way bound or obligated:

(a) Written employment and compensation agreements and written employment policies with employees or independent contractors, officers, or directors and agreements that contain any severance pay liability or obligation to any employee, former employee, director, former director, or consultant;

(b) Agreements of guarantee or indemnification (except endorsements of negotiable instruments in the ordinary course of business);

(c) Loan or credit agreements providing for any extension of credit to or by Seller, except for trade credit extended by Seller in the ordinary course of business;

(d) Collectively bargained union agreements;

(e) Leases to or for any personal property that involve the payment or receipt of annual rent of more than Ten Thousand and no/100 Dollars ($10,000.00) individually or Twenty-Five Thousand and no/100 Dollars ($25,000.00) in the aggregate, and leases to or for any real property, regardless of the dollar amount involved;

(f) Contracts for products or services provided by Seller that (i) involve the receipt of more than Twenty Thousand and no/100 Dollars ($20,000.00) individually in any period of twelve (12) consecutive months, or (ii) may reasonably be expected to result in a loss to Seller, based on the facts known to Seller as of the date hereof, or (iii) commit Seller to provide technology or other products, the development of which has not been completed as of the date hereof; and

(g) Any other agreement, contract, commitment, or other arrangement (oral or written) not otherwise described above if it:

(i) is of six (6) month or longer duration and Seller cannot terminate it, without liability to Seller, on notice of thirty (30) days or less; or

(ii) requires payment by Seller of more than Twenty-Five Thousand and no/100 Dollars ($25,000.00) per year; provided, however, that the aggregate amount of the obligations under contracts excluded by reason of these Sections 3.14(g)(i) and 3.14(g)(ii) shall not exceed Fifty Thousand and no/100 Dollars ($50,000.00) in any period of twelve (12) consecutive months.

Except as specified in Schedule 3.14, (i) all of the Contracts listed on Schedule 3.14 or material to the business of Seller are valid, binding and in full force and effect in accordance with their terms and conditions (except as may be limited by laws affecting creditors' rights generally or by judicial limitations on the right to specific performance), (ii) there is no existing material default under any of the Contracts listed on Schedule 3.14, and no default under any other Contract which default is material to the business of Seller, and (iii) none of the Contracts listed on Schedule 3.14 or material to the business of Seller by their express terms requires the consent of any party thereto to Buyer's assumption thereof by reason of the Merger or provides that a merger involving Seller constitutes an event of default thereunder. Copies of all of the Contracts (or in the case of oral Contracts, descriptions of the material terms thereof) described in Schedule 3.14 have been delivered by Seller to Buyer.

3.15 Insurance. Listed on Schedule 3.15 attached hereto is a list of all of the policies of fire, liability, life, health, product liability and other insurance maintained by or on behalf of Seller whether for its own benefit or the benefit and protection of employees, agents, lessors or lenders, and copies of such policies have been delivered by Seller to Buyer. Seller's physical assets are and will be through the Effective Time insured against loss by fire and other insurable perils to which they may be subject at or above the levels of coverage maintained by Seller as of June 30, 1996. Except as set forth

on Schedule 3.15, Seller currently maintains in effect insurance coverage for all of its properties and assets.

3.16 Inventories. No material inventory is included in any of Seller's balance sheets described in Section 3.5 and no material inventory will be included in the Closing Date balance sheet of Seller.

3.17 Accounts Receivable. All accounts receivable of Seller (i) have arisen in the ordinary course of business, and (ii) are collectible in the amounts at which they are carried on Seller's books, except to the extent reflected in the reserve for doubtful accounts reflected on the Balance Sheet which reserve is adequate to cover accounts not collectible in the ordinary course of business consistent with standard and reasonable business practices.

3.18 ERISA Matters. Schedule 3.18 attached hereto contains a complete list and description of all employee benefit plans ("ERISA Plans") within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including all such benefit plans that Seller maintains for any of its employees or former employees and with respect to which Seller has or may incur any future or contingent obligations. True and correct copies of the ERISA Plans have been delivered to Buyer; all required contributions and other payments to be made by Seller to the ERISA Plans as of the Effective Time shall have been made or accrued, as appropriate; all reports and disclosures relating to the ERISA Plans required to be filed or distributed under ERISA as of the Effective Time shall have been filed or distributed; and the ERISA Plans that are "employee pension benefit plans," as that term is defined in ERISA, have received favorable determination letters from the Internal Revenue Service with respect to their qualification and continue, to the best of the knowledge of Seller, to be so qualified under Section 401(a) of the Internal Revenue Code.

3.19 Employee Matters. Seller has complied in all material respects with all applicable federal and state laws relating to the employment of labor, including the provisions thereof relating to wages, hours, collective bargaining, and the payment of all payroll, withholding and social security taxes, and is not liable for any wages, taxes or penalties for the failure to comply with any of the foregoing. All amounts due to employees of Seller for commissions, salaries, wages, bonuses, fringe benefits and vacation benefits accrued through the Effective Time shall have been paid in the ordinary course or accrued, as appropriate, before the Effective Time. Except as disclosed in Schedule 3.19, Seller has not (i) promulgated any policy or entered into any written agreements relating to the payment of severance pay to employees whose employment is terminated or suspended, voluntarily or involuntarily, or otherwise, or (ii) entered into any written employment agreements with any employee. Schedule 3.19 attached hereto contains a complete list of all full-time and part-time employees of Seller and the current level of compensation payable to each. There are no strikes, work stoppages or controversies pending or, to the best of the knowledge of the officers of Seller after diligent inquiry, threatened, between Seller and any of its employees.

3.20 Miscellaneous Information. Schedule 3.20 attached hereto constitutes a true and complete list of the following:

(a) the names of the directors and officers of Seller;

(b) the name of each financial institution in which Seller has an account or safety deposit box, the account numbers with respect thereto, and the names of all persons authorized to draw thereon or who have access thereto; and

(c) the names of all persons holding powers of attorney from Seller and a copy of the documents providing such powers.

3.21 No Finders. No act of Seller or its representatives has given or will give rise to any valid claim against any of the parties hereto for a brokerage commission, finder's fee or other like payment.

3.22 Investment Intent. The shares of Buyer Common Stock being acquired by the Shareholders pursuant to this Agreement are being acquired for the Shareholders' own account and not with a view to, or for resale in connection with, any distribution or public offering thereof except in compliance with the Securities Act and any applicable state securities laws. The Shareholders understand that the shares of Buyer Common Stock have not been registered under the Securities Act or any state securities laws by reason of their contemplated issuance in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act and any applicable state securities laws, and that the reliance of Buyer upon this exemption is based in part upon this representation and warranty by each of the Shareholders. The Shareholders further understand that the shares of Buyer Common Stock may not be transferred or resold without (i) registration under the Securities Act and any applicable state securities laws, or (ii) the existence of an exemption from the registration requirements of the Securities Act and such state securities laws.

3.23 Shareholder Status. The state of residence of each of the Shareholders is as shown on Schedule 3.23 attached hereto. Each of the Shareholders has such knowledge and experience in financial and business matters that such Shareholder is capable of evaluating the merits and risks of the investment to be made by such Shareholder in the shares of Buyer Common Stock. Each Shareholder acknowledges that such Shareholder has had access to such Shareholder's satisfaction to such financial and other information regarding Buyer and to officers of Buyer as such Shareholder deems necessary for purposes of making an investment in the shares of Buyer Common Stock.

3.24 Disclosure. No representation or warranty by Seller in this Agreement, and no information disclosed in the Schedules, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

## ARTICLE 4
## Representations and Warranties of Buyer

Buyer hereby makes the following representations and warranties to Seller and the Shareholders, all of which representations and warranties are true and correct as of the date hereof and shall be true and correct as of (and as though made at) the Closing.

4.1 Organization. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified or registered to do business as a foreign corporation and is in good standing in each jurisdiction that requires such qualification or registration and in which it owns or leases any material properties or conducts any material business, except where the failure so to qualify or register would not have a material adverse effect on Buyer. Buyer has all necessary corporate power to own its properties, conduct its businesses as presently conducted or proposed to be conducted by it, and to do and perform all acts and things required to be done by it under this Agreement.

4.2 Corporate Authority. The execution, delivery and performance by Buyer of this Agreement and the transactions contemplated hereby have been duly and validly authorized and approved by all requisite corporate action, and neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will conflict with or result in a breach of the terms or provisions of or constitute a default under its Certificate of Incorporation or Bylaws or any material instrument, contract, agreement, judgment, order, decree or other restriction to which Buyer is a party or by which any of its assets is bound or affected, or require any affirmative approval, consent, or authorization of any person, court, or governmental or regulatory authority. This Agreement constitutes, and the other agreements and instruments contemplated hereby, when duly executed and delivered by Buyer, will constitute, valid and binding obligations of Buyer enforceable in accordance with their respective terms, except as may be limited by laws affecting creditors' rights generally or by judicial limitations on the right to specific performance.

4.3 SEC Filings and Financial Statements. Buyer has heretofore furnished to Seller copies of all SEC Reports filed by Buyer with the SEC on or after September 30, 1995. Each of the SEC Reports was complete and correct in all material respects as of its effective date and, as of its effective date, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which made, not misleading. The financial statements of Buyer and the notes thereto contained in the SEC Reports are correct and complete and fairly present the combined financial position of Buyer and its subsidiaries as of the respective dates thereof and the results of operations for the periods then ended, except as disclosed therein or in the notes thereto or in the explanations thereof contained in the SEC Reports; and the balance sheets and notes thereto contained therein show and properly reflect all material liabilities of Buyer and its combined subsidiaries on the respective dates thereof, except for any claims and lawsuits against Buyer and its combined subsidiaries now pending, the total liability from which would not materially adversely affect the business, properties, or financial condition of Buyer and its combined subsidiaries, taken as a whole. Each such financial statement was prepared in conformity with generally accepted accounting principles consistently applied (except, in the case of unaudited statements, as permitted by the SEC for its Quarterly Reports on Form 10-Q).

4.4 No Material Adverse Changes. Except as otherwise disclosed herein or in the SEC Reports issued by Buyer, since September 30, 1995, there has not been any material adverse change in the financial condition or in the business operations, properties, assets or liabilities of Buyer and its subsidiaries, taken as a whole, whether or not arising in the ordinary course of business.

4.5 Tax-Related Representations and Warranties. The parties intend to adopt this Agreement as a tax-free plan of reorganization and to consummate the Merger in accordance with the provisions of Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the "Code") by virtue of the provisions of Section 368(a)(2)(D) of the Code. The parties believe that the value of the Buyer Common Stock to be issued to the Shareholders in the Merger, together with the cash portion of the Merger Consideration, is equal, in each instance, to the value of the Seller Shares to be surrendered in exchange therefor. Buyer and Acquisition Subsidiary will pay their respective expenses, if any, incurred in connection with the Merger. Buyer represents and warrants that, (a) the only liabilities of Acquisition Subsidiary are those incurred in connection with its incorporation and organization and in connection with the Merger; (b) immediately following the Merger, Acquisition Subsidiary will hold at least 90% of the fair market value of the net assets of Seller and at least 70% of the fair market value of the gross assets of Seller held immediately prior to the Merger; (c) prior to the Merger, Buyer will be in control of Acquisition Subsidiary within the meaning of Section 368(c) of the Code; (d) Buyer has no present plan or intention to (i) issue additional shares of the common stock of Acquisition Subsidiary after the Merger that would result in Buyer losing control of Acquisition Subsidiary within the meaning of Section 368(c) of the Code; (ii) reacquire any of the shares of Buyer Common Stock issued to the Shareholders in the Merger; or (iii) liquidate the Surviving Corporation or merge the Surviving Corporation with or into another corporation or sell or otherwise dispose of the stock of the Surviving Corporation or cause the Surviving Corporation to sell or otherwise dispose of any of its assets or any of the assets acquired from Seller (except for dispositions made in the ordinary course of business or transfers described in Section 368 (a)(2)(C) of the Code); (e) it has not owned, nor has it owned during the past five years, any shares of stock of Seller and (f) neither it nor the Acquisition Subsidiary are investment companies as defined in Section 368 (a)(2)(F)(iii) and (iv) of the Code. The parties shall not take a position on any tax returns inconsistent with this Section. In addition, Buyer represents now, and as of the Closing Date, that it presently intends to continue Seller's historic business or use a significant portion of Seller's business assets in a business. The provisions and representations contained or referred to in this Section 4.5 shall survive until the expiration of the applicable statute of limitations.

4.6 No Finders. No act of Buyer or its representatives has given or

will give rise to any valid claim against any of the parties hereto for a brokerage commission, finder's fee or other like payment.

4.7 Disclosure. No representation or warranty by Buyer in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE 5
Covenants

5.1 Access. Seller shall, prior to Closing, give Buyer and its representatives full access to Seller's properties, records and personnel and such other information of Seller as Buyer may reasonably request to analyze Seller and its business, assets and prospects. Buyer agrees to maintain, and to cause its representatives to maintain, the confidentiality of any material nonpublic information that they receive as a result of such access and which is identified to them by Seller as being nonpublic, and to obtain Seller's consent prior to disclosing any of such information to any other person or entity.

5.2 Conduct of Business Until Effective Time. Except as Buyer may otherwise consent in writing (which consent shall not be unreasonably delayed or withheld) or otherwise contemplated by this Agreement, from the date hereof until the Effective Time, Seller shall operate its business only in the usual, regular, and ordinary course and consistent with past practice and use its best efforts to preserve intact its business, to keep available the services of its officers and employees, and to maintain good relationships with suppliers, contractors, customers and others having business relationships with it, and shall not (i) amend its Certificate of Incorporation; (ii) make or grant any increase in the compensation payable to or to become payable to any officer, employee, director, or consultant or any increase in any officer, employee, director, or consultant benefit plan, provided that Seller may pay bonuses to its employees prior to the Closing Date which bonuses shall reduce the retained earnings of Seller; (iii) merge with or enter into, consolidate with or acquire all or substantially all of the stock or assets of any other corporation, partnership, limited partnership, joint venture, association, or other entity; (iv) issue, deliver or sell, or authorize or propose the issuance, delivery, or sale of, any shares of its capital stock of any class or series, any securities or debt convertible into, or any rights, warrants, calls, subscriptions or options to acquire, any such shares, convertible securities, or debt; (v) declare or pay any dividend or shareholder distribution in cash, securities, or property; (vi) incur, assume, discharge or satisfy any material liability (absolute or contingent), mortgage, lien, security interest or encumbrance other than trade payables or other obligations in the ordinary course of business (and in compliance with this Agreement); (vii) sell, assign, lease, or otherwise transfer or dispose of any of its assets without the replacement thereof with a substantially equivalent asset of substantially equivalent kind, condition, and value, except for assets having an aggregate original cost of not more than Five Thousand and no/100 Dollars ($5,000.00) and except for increases and decreases in receivables in the ordinary course of business under circumstances consistent with past practice; (viii) make any capital expenditures in excess of Twenty-Five Thousand and no/100 Dollars ($25,000.00); (ix) enter into any material transaction other than in the ordinary course of business (subject to the exceptions stated above); or (x) agree to any of the foregoing other than pursuant hereto.

5.3 Exclusive Dealing. Prior to the Closing Date, Seller will not negotiate or discuss with any party (other than Buyer), or solicit or encourage the submission of inquiries, proposals or offers from any party (other than Buyer), or otherwise provide information to any other person, with respect to the sale of or investment in Seller (whether by merger, combination, sale of assets, sale of stock, or otherwise) or the sale, licensing, distribution, or other disposition of Seller's assets or business except in the ordinary course.

5.4 Financial Statements. Prior to the Closing Date, Seller shall provide Buyer with unaudited monthly financial statements within thirty (30) days after the end of each fiscal month. Such financial statements shall be prepared from the books and records of Seller on a consistent basis with the accounting principles and practices applied with respect to the year-end financial statements of Seller described in Section 3.5 hereof.

5.5 Employment Agreements. On the Closing Date, to be effective at the Effective Time, Buyer and each of the Shareholders shall execute and deliver an Employment and Bonus Compensation Agreement (containing an agreement not to compete with Buyer or the Surviving Corporation during the employment term and for a period of two (2) years thereafter) for each such individual in substantially the form attached hereto as Exhibit 5.5.

5.6 Officer and Director Indemnification. On or before the Closing Date, Seller shall have obtained the written agreement of the Shareholders, in form reasonably satisfactory to Buyer, either to (i) indemnify the Surviving Corporation for all claims, demands, losses, obligations, liabilities, damages, deficiencies, actions, settlements, judgments, costs and expenses (including reasonable costs and legal fees incident thereto or in seeking indemnification therefor) that the Surviving Corporation may incur or suffer by reason of Seller's indemnification of its officers and/or directors (whether in their capacity as officers or directors of Seller or in any other capacity) under its Certificate of Incorporation or Bylaws, applicable law, or otherwise, that are in excess of the losses that the Surviving Corporation would have incurred or suffered in the absence of such indemnification of those individuals by Seller during the period prior to the Effective Time or (ii) waive all of their rights to any such indemnification that had been provided by Seller.

5.7 Approvals and Consents. As promptly as possible, Seller and Buyer each shall take all corporate and other action, make all filings with courts or governmental authorities, and use their respective best efforts to obtain in writing all approvals and consents required to be taken, made, or obtained by them in order to effectuate the Merger and the transactions contemplated hereby, including the approvals and consents described in Section 3.4 hereof; shall cooperate with each other in effecting the foregoing; and shall deliver promptly

to the other copies of such filings, approvals, and consents.

5.8 Insurance Coverage. Seller agrees to maintain in effect, for the period prior to the Effective Time, each of the types of insurance maintained by Seller as described in Section 3.15.

5.9 Integrity of Business of Seller. During the Earnout period the Buyer will actively assist the Surviving Corporation to maintain and grow its business. Accordingly, during the Earnout period, Buyer shall not (a) materially change the business of the Surviving Corporation from Seller's historical business objectives; (b) substantially change or divert the nature of the duties of the Shareholders as employees/principals of Surviving Corporation; (c) develop alternative businesses that directly compete with the Surviving Corporation; or (d) sell the stock of the Surviving Corporation or merge the Surviving Corporation with or into any other entity or sell or transfer any part of the business or assets of Surviving Corporation (whether, in each case, to an affiliate or unrelated third party). During the Earnout period, Buyer shall (a) seek to maximize referrals of business opportunities arising during the course of the Buyer's business; (b) credit the Surviving Corporation with revenues (based on prevailing market rates of the Surviving Corporation) for the provision of services under contract by the Surviving Corporation (or any employee or subcontractor thereof) to Buyer, any affiliate of Buyer or any customer of Buyer; and (c) maintain the Surviving Corporation as a separate subsidiary of Buyer.

5.10 Buyer's Tax-Related Covenants. (a) Buyer and the Shareholders agree that it or they will not take any action that causes the Merger to not qualify as a tax-free plan of reoganization under Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the "Code"), by virtue of the provisions of Section 368(a)(2)(D) of the Code.

(b) The Shareholders agree that they shall not amend any tax return for Seller for any period ending on or prior to the Closing Date if such amendment would in any way affect any item or income, deduction or basis for income tax purposes for any period ending after the Closing Date.

5.11 Employee Benefits. The Buyer agrees that it will provide employees of the Surviving Corporation with substantially the same employee benefits, as a whole, that are provided to similarly situated employees of Buyer.

## ARTICLE 6
## Closing

6.1 Effective Time. If the Closing occurs, the Merger shall become effective at 12:01 a.m. on the day following the date that the Merger Articles are accepted for filing by the Delaware Secretary of State (the "Effective Time"), after the properly executed and certified Merger Articles have previously been duly filed with the Delaware Secretary of State. Subject to the provisions hereof, the filing shall be made by or at the direction of counsel for Buyer at any time on the Closing Date and prior to the Effective Time, the actual time of the filing to be as the parties shall mutually determine.

6.2 Closing and Execution of Merger Articles. Subject to the satisfaction (or waiver) of the conditions described in this Article 6, the appropriate officers of Acquisition Subsidiary and Seller shall execute the Merger Articles on the Closing Date. The consummation of the deliveries, exchanges, and transactions described herein shall occur on the Closing Date, but to be effective as of the Effective Time, except that the Merger Consideration described in Section 2.5 shall be delivered on the first business day following the Effective Time.

6.3 Conditions to Buyer's Obligations. The obligations of Buyer under this Agreement to consummate the Closing shall, at its discretion, be subject to the satisfaction, on or prior to the Closing Date, of all of the following conditions, any of which conditions may be waived in writing by Buyer:

(a) Seller and Shareholder Approval. Seller and the Shareholders shall have taken action to approve the Merger, and such approval shall not have been rescinded.

(b) No Misrepresentations, Breaches or Adverse Events. All representations and warranties of Seller and the Shareholders in this Agreement shall be true and correct in all material respects as of the Closing Date with the same force and effect as though made on such date, and there shall have been no material breach by, or material failure or inability of, Seller or the Shareholders in the performance of any of their material covenants or obligations herein.

(c) Approvals; Consents. All permissions, consents, releases, or approvals, governmental or otherwise, necessary on the part of Seller to consummate the transactions contemplated by this Agreement shall have been obtained by Seller and delivered to Buyer.

(d) Due Diligence. Buyer and its representatives shall have been given full access to Seller's properties, records and personnel and such other information of Seller as Buyer may reasonably request to assess and analyze Seller and its business and prospects and shall have been satisfied with the results of such due diligence.

(e) No Litigation. There shall not then be in effect any order enjoining or restraining the transactions contemplated by this Agreement and there shall not then have been instituted or pending any action or proceeding before any federal or state court or governmental agency or other regulatory or administrative agency or instrumentality (i) challenging the Merger or otherwise seeking to restrain or prohibit consummation of the transactions contemplated by this Agreement or seeking to impose any material limitations on any provisions of this Agreement; or (ii) seeking to impose limitations on Buyer's ability effectively to exercise full rights of ownership of Seller following

the Merger.

(f) Delivery of Documents. Seller and the Shareholders shall have executed and delivered to Buyer all of the documents and instruments required to be delivered by Seller and/or the Shareholders to Buyer at or prior to the Closing, including each of the following:

(i) A true and correct copy of Seller's Certificate of Incorporation, and all amendments thereto, and Bylaws, as amended to date.

(ii) Certified copy of resolutions of Seller's Board of Directors and shareholders authorizing the execution and delivery of this Agreement and performance of the transactions contemplated herein, including specifically the authorization of the Merger.

(iii) The Merger Articles as described in Section 2.1.

(iv) Any tax clearance certificates required under applicable law in order to consummate the Merger.

(v) The Employment and Bonus Compensation Agreements described in Section 5.5.

(vi) Agreements waiving or terminating the indemnification of Seller's directors and officers, as described in Section 5.6.

(g) Officer's Certificate. Buyer shall have received a certificate signed by the president and the treasurer of Seller to the effect that:

(i) The representations and warranties of Seller set forth herein are true and correct in all material respects as of the Closing.

(ii) All acts, covenants and conditions to be performed or complied with by Seller on or before the Closing have been fully performed or complied with in all material respects.

(iii) The copies of the Certificate of Incorporation and Bylaws provided by Seller to Buyer pursuant to Section 6.3(f)(i) above are current as of the Closing.

(h) Legal Opinion. Buyer shall have received a favorable opinion, addressed to Buyer, of Miles & Stockbridge, counsel to Seller, in form and substance satisfactory to counsel for Buyer, dated as of the date of the Closing, to the effect set forth on Schedule 6.3(h) hereto.

6.4 Conditions to Seller's Obligations. The obligations of Seller and the Shareholders under this Agreement to consummate the Closing shall, at Seller's discretion, be subject to the satisfaction, on or prior to the Closing Date, of all of the following conditions, any of which conditions may be waived in writing by Seller:

(a) No Misrepresentations, Breaches or Adverse Events. All representations and warranties of Buyer in this Agreement shall be true and correct in all material respects as of the Closing Date with the same force and effect as though made on such date, and there shall have been no material breach by, or material failure or inability of, Buyer in the performance of any of its material covenants or obligations herein.

(b) Approvals; Consents. All permissions, consents, releases, or approvals, governmental or otherwise, necessary on the part of Buyer to consummate the transactions contemplated by this Agreement shall have been obtained by Buyer and delivered to Seller.

(c) No Litigation. There shall not then be in effect any order enjoining or restraining the transactions contemplated by this Agreement and there shall not then have been instituted or pending any action or proceeding before any federal or state court or governmental agency or other regulatory or administrative agency or instrumentality challenging the Merger or otherwise seeking to restrain or prohibit consummation of the transactions contemplated by this Agreement or seeking to impose any material limitations on any provisions of this Agreement.

(d) Delivery of Documents. Buyer shall have executed and delivered to Seller (except for the items described in Section 6.4(d)(i) below, which Buyer shall deliver to the Shareholders on the dates described in Section 2.5) all of the documents and instruments required to be delivered by Buyer to Seller at or prior to the Closing, including each of the following:

(i) The Merger Consideration, described in Section 2.5.

(ii) The Merger Articles as described in Section 2.1.

(iii) Certified copy of resolutions of Buyer's Board of Directors authorizing execution and delivery of this Agreement and performance of the transactions contemplated herein, including specifically the authorization of the Merger and the formation of Acquisition Subsidiary.

(iv) The Registration Rights Agreement as described in Section 2.2.

(v) The Employment and Bonus Compensation Agreements described in Section 5.5.

(e) Officer's Certificate. Seller shall have received a certificate signed by an executive officer of Buyer to the effect that:

(i) The representations and warranties of Buyer set forth herein are true and correct in all material respects as of the Closing.

(ii) All acts, covenants and conditions to be performed or complied with by Buyer on or before the Closing have been fully performed or complied with by Buyer in all material respects.

(f) Legal Opinion. Seller and the Shareholders shall have received a favorable opinion, addressed to each of them, of Peter L. McCorkell, General Counsel of Buyer, in form and substance satisfactory to counsel for Seller, dated as of the date of the Closing, to the effect set forth on Schedule 6.4(f).

## ARTICLE 7
## Termination

7.1 Termination Prior to Closing. The obligation of the parties hereto to consummate the Closing may be terminated and abandoned at any time on or before the Closing as follows:

(a) By and at the option of Buyer, upon written notice to Seller, if the conditions set forth in Section 6.3 have not been satisfied and the Closing shall not have occurred by September 30, 1996.

(b) By and at the option of Seller and the Shareholders, upon written notice to Buyer, if either (i) the conditions set forth in Section 6.4 have not been satisfied and the Closing shall not have occurred by September 30, 1996.

(c) At any time, without liability of either party to the other, upon the mutual written consent of Buyer and Seller.

7.2 Consequences of Termination Prior to Closing. In the event of termination of this Agreement prior to the Closing, without limiting the parties' respective remedies for any breach of this Agreement, Buyer and Seller each will return to the other all documents and materials obtained from the other pursuant to this Agreement.

## ARTICLE 8
## Survival; Indemnification

8.1 Survival. All representations, warranties, covenants, and agreements contained in this Agreement, or any Schedule, certificate, or statement delivered pursuant hereto, shall survive (and not be affected in any respect by) the Closing, any investigation conducted by any party hereto, or any information that any party may receive, and shall remain in full force and effect until the close of business on the date that is two (2) years after the Effective Time (the "Indemnity Period"). Upon the expiration of the Indemnity Period, all such representations, warranties, covenants, and agreements shall expire, terminate, and be of no further force or effect, except that the representations and warranties contained in Section 3.6 (relating to Tax matters) and Section 3.13 (relating to environmental matters) shall not expire but shall continue in perpetuity.

8.2 Indemnification by Seller and the Shareholders. Seller and the Shareholders, jointly and severally, shall indemnify, defend and hold harmless Buyer and its officers, directors, shareholders, employees, agents and affiliates (collectively, all such indemnitees are referred to in this section as "Buyer") against and in respect of any and all claims, demands, losses, obligations, liabilities, damages, deficiencies, actions, settlements, judgments, costs and expenses (including reasonable costs and legal fees incident thereto or in seeking indemnification therefor) that Buyer may incur or suffer arising out of or based upon the breach by Seller or the Shareholders of any of their respective representations, warranties, covenants or agreements contained or incorporated in this Agreement or any agreement, certificate or document executed and delivered to Buyer by Seller in connection with the transactions hereunder. The indemnification provided for under this Section 8.2, as it relates to breaches of Seller's and the Shareholders' representations, warranties, covenants and agreements contained herein, shall specifically be interpreted to mean and include the following occurrences for which Seller and the Shareholders shall be liable pursuant hereto: (i) occurrences prior to the Effective Time (that result in any such breach giving rise to indemnification hereunder), regardless of when the claim is made or the loss is booked; and (ii) any nonpayment of an account receivable of Seller as of the Effective Time that is subsequently written off (after good faith, diligent efforts to collect such receivable by September 30, 1997), but only to the extent that the aggregate amount of such accounts receivable so written off exceed the reserve for doubtful accounts reflected on the Final Balance Sheet of Seller as described in Section 2.7(a)(i).

8.3 Indemnification by Buyer. Buyer shall indemnify, defend and hold harmless Seller, and its officers, directors, shareholders, employees, agents and affiliates (collectively, all such indemnitees are referred to in this Section as "Seller") against and in respect of any and all claims, demands, losses, obligations, liabilities, damages, deficiencies, actions, settlements,

judgments, costs and expenses (including reasonable costs and legal fees incident thereto or in seeking indemnification therefor) that Seller may incur or suffer arising out of or based upon the breach by Buyer of any of its representations, warranties, covenants or agreements contained or incorporated in this Agreement or any agreement, certificate or document executed and delivered to Seller by Buyer in connection with the transactions hereunder.

8.4 Procedure for Claims. If a claim by a third party is made against any indemnified party, and if the indemnified party intends to seek indemnity with respect thereto under this Article 8, such indemnified party shall promptly provide written notice to the indemnifying party of such claim, including the amount of the claim to the extent then known. With respect to claims for indemnification made under this Article 8, other than claims with respect to certain items specified in Section 8.1 dealing with Taxes and environmental matters, an indemnifying party shall be liable to an indemnified party only if such written notice of the claim for indemnification is given by the indemnified party to the indemnifying party prior to the expiration of the Indemnity Period. If such notice is timely given, the indemnifying party's obligation to indemnify the indemnified party shall survive the expiration of the Indemnity Period until resolved. If the indemnifying party hereunder is Seller, references in this Section 8.4 to actions to be taken by the indemnifying party shall mean and refer to the actions to be taken by the Shareholders collectively. The indemnifying party shall have twenty (20) days after receipt of the above-mentioned notice to undertake, conduct and control, through counsel of its own choosing (subject to the consent of the indemnified party, such consent not to be unreasonably withheld) and at its expense, the settlement or defense therefor, and the indemnified party shall cooperate with it in connection therewith; provided that: (i) the indemnifying party shall not thereby permit to exist any Lien upon any asset of any indemnified party, (ii) the indemnifying party shall permit the indemnified party to participate in such settlement or defense through counsel chosen by the indemnified party, with the fees and expenses of such counsel to be borne by the indemnifying party only if and to the extent that such counsel is necessary by reason of a demonstrable conflict of interest, and (iii) the indemnifying party shall agree promptly to reimburse the indemnified party for the full amount of any loss resulting from such claim and all related expenses incurred by the indemnified party pursuant to this Article 8. So long as the indemnifying party is reasonably contesting any such claim in good faith, the indemnified party shall not pay or settle any such claim. If the indemnifying party does not notify the indemnified party within twenty (20) days after receipt of the indemnified party's notice of a claim of indemnity hereunder that it elects to undertake the defense thereof, the indemnified party shall have the right to contest, settle or compromise the claim in the exercise of its exclusive discretion at the expense of the indemnifying party.

8.5 Set-off. In the event Seller or the Shareholders fail to pay when due any claim Buyer may have for indemnification pursuant to this Article 8, Buyer may, in addition to any other remedies to which it may be entitled, set-off any amount equal to Buyer's claim against the amounts otherwise owed by Buyer to the Shareholders or any of them, under this Agreement, the agreements executed pursuant to this Agreement, or otherwise. Buyer shall provide the Shareholders written notice of such set-off which written notice shall contain a description (in reasonable detail) of the claim on which the set-off is based. Such written notice shall be provided within ten (10) business days after the set-off is made.

## ARTICLE 9
## Miscellaneous Provisions

9.1 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and permitted assigns of the parties hereto. No party may assign or delegate its obligations hereunder without the written consent of the other parties, and no party may assign its rights hereunder, without the written consent of the other parties, to any person or entity unless the assignor remains liable for the performance of its obligations hereunder and the assignment is to an Affiliate of the assignor or a business organization that shall succeed to substantially all the assets and business, to which this Agreement relates, of the assignor or of such Affiliate.

9.2 Further Assurances. Buyer, on the one hand, and Seller and the Shareholders, on the other, shall, at the request of the other and without further consideration, execute and deliver such instruments of assignment, transfer, license or assumption and take such further actions as the other may reasonably request in order more effectively to carry out the intents and purposes of this Agreement and the transactions contemplated hereby.

9.3 Waiver, Discharge, Amendment, Etc. The failure of any party hereto to enforce at any time any of the provisions of this Agreement, including the election of a party to proceed with the Closing despite the nonfulfillment of conditions to such party's obligations, shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part thereof or the right of the party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated, nor may any waiver, permit, consent or approval of any kind or character on the part of any party be effective against such party, other than by a written instrument signed by the party against whom enforcement of such amendment, waiver, discharge, termination, permit, consent or approval is sought and expressly stating the extent to which such instrument shall be an amendment, waiver, discharge, termination, permit, consent or approval.

9.4 Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be personally delivered, mailed by certified or registered mail or telecopied (with confirmation of transmission) to the party receiving such notice or shall be delivered by Federal Express or similar overnight courier, addressed as follows:

if to Buyer to:

Fair, Isaac and Company, Incorporated
120 North Redwood Drive
San Rafael, California 94903
Attention: Peter L. McCorkell
Telecopy No. (415) 479-6320

if to Seller or the Shareholders to:

Credit & Risk Management Associates, Inc.
Attention: Donald J. Sanders
100 East Pratt Street
16th Floor
Baltimore, Maryland 21202
Telecopy No. (410) 244-8993

with a copy to:

Miles & Stockbridge
Attention: Mark S. Demilio, Esq.
10 Light Street
Baltimore, Maryland 21202
Telecopy No. (410) 385-3700

Any party may change the above-specified recipient and/or mailing address by notice to the other party given in the manner herein prescribed. Following the Effective Time, notices otherwise to be provided to Seller shall instead be provided to the Shareholders. All notices shall be deemed given on the day when actually delivered as provided above, if delivered personally or by telecopy, three (3) business days after the date deposited, if mailed, or the business day after the date deposited, if delivered by overnight courier.

9.5 Publicity. Seller shall make no public announcement with respect to the transactions contemplated hereby and will respond to all inquiries with respect thereto by stating that it is the policy of Seller not to comment on such matters. Seller and the Shareholders agree to maintain the absolute confidentiality of all information related to the transactions contemplated by this Agreement, including the existence of negotiations and all terms, until such information has been publicly announced by Buyer. If Buyer proposes to issue any press release or public announcement concerning any provisions of this Agreement or the transactions contemplated hereby, Buyer shall so advise Seller and review the text thereof with Seller prior to publication. After an initial public announcement has been made, simple references by Buyer to the arrangements in annual reports or other stockholder communications shall not be subject to the previous sentence.

9.6 Expenses. Each party hereto shall be solely responsible for and shall pay its own expenses and broker's fees, if any, incident to the negotiation and preparation of this Agreement and the preparation for, and consummation of, the transactions provided for herein.

9.7 Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Delaware, including all matters of construction, validity, performance and enforcement, without giving effect to principles of conflict of laws. Venue for any lawsuit or other proceeding arising under this Agreement or in any way relating to the transactions contemplated herein may be in the City of Baltimore, State of Maryland, and any such proceeding may be brought in any state or federal court in such jurisdiction. Each party hereto consents to the jurisdiction of the state and federal courts in the District of Maryland.

9.8 Arbitration. Any dispute arising out of or relating to this Agreement or the breach of it shall be discussed between the disputing parties in a good-faith effort to arrive at a mutual settlement of any such controversy. If, notwithstanding, such dispute cannot be resolved, such dispute shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award may be entered in any court having jurisdiction of the controversy. The arbitrator shall be a retired state or federal judge or an active or retired attorney experienced in business or commercial litigation selected by the mutual agreement of the parties. If the parties cannot so agree within twenty (20) days, the arbitrator shall be selected in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The costs of the proceedings shall be shared equally by the disputing parties.

9.9 Severability and Interpretation. In the event that any provision of this Agreement is held invalid by a court of competent jurisdiction, the remaining provisions shall nonetheless be enforceable according to their terms. Any provision held overbroad as written shall be deemed amended to narrow its application to the extent necessary to make the provision enforceable under applicable law, and enforced as amended. Titles and headings to sections herein are inserted for convenience of reference only and are not intended to affect the meaning or interpretation of this Agreement. This Agreement shall be construed without regard to any presumption or other rule requiring construction hereof against the party causing this Agreement to be drafted.

9.10 Knowledge. Knowledge, as used in this Agreement or the instruments, certificates or other documents required hereunder, means actual knowledge of a fact or constructive knowledge if a reasonably prudent person in a like position would have known.

9.11 Benefit. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective permitted successors or assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

9.12 Complete Agreement. This Agreement, the Exhibits and the Schedules constitute the entire agreement between the parties hereto with respect to the

subject matter hereof and supersedes all previous proposals or agreements, oral or written, with respect to the subject matter hereof, including but not limited to the Letter of Intent by and among the parties dated August 17, 1996. The Exhibits and Schedules to this Agreement shall be construed as an integral part of this Agreement to the same extent as if they had been set forth verbatim herein.

9.13 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute but one agreement.

[THIS SPACE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed in the manner appropriate for each, and to be dated and effective as of the day and year first above written.

FAIR, ISAAC AND COMPANY, INCORPORATED

By /s/ Peter L. McCorkell
---
Its Peter L. McCorkell

FIC ACQUISITION CORPORATION,

By /s/ Peter L. McCorkell
---
Its Peter L. McCorkell

CREDIT & RISK MANAGEMENT ASSOCIATES, INC.

By /s/ Donald J. Sanders
---
Donald J. Sanders

/s/ Donald J. Sanders
---
Donald J. Sanders

/s/ Paul A. Makowski
---
Paul A. Makowski

/s/ Lawrence E. Dukes
---
Lawrence E. Dukes

EXHIBIT 10.26

# CONTRACT

This contract between Dr. Robert M. Oliver ("Oliver") and Fair, Isaac and Company, Incorporated (the "Company"), is entered into in light of the following facts:

1. Oliver was elected Chairman pro tem of the Company's Board of Directors on November 21, 1995, and Chairman of the Board on January 29, 1996; and

2. The Company desires to make use of Oliver's skills and experience in various matters for so long as Oliver remains Chairman of the Company's Board of Directors.

THEREFORE, the parties have agreed as follows:

1. Oliver agrees to make himself available to the Company approximately half-time (1,000 hours per year) for so long as he remains Chairman of the Company's Board of Directors.

2. The Company agrees to pay Oliver at the rate of $100,000.00 per year, payable quarterly in arrears for his services hereunder, and to reimburse Oliver for out-of-pocket expenses incurred for the benefit of the Company in accordance with the same expense reimbursement guidelines applicable to employees of the Company. Reimbursement for expenses will be made after submission of an expense report and appropriate documentation. In addition to the above amounts, the Company shall pay Oliver the sum of $2,000.00 for each meeting of its Board of Directors which he attends while Chairman.

3. Oliver and the Company agree that, should his work for the Company exceed 1,000 hours per year, compensation for such additional work shall be subject to mutual agreement of Oliver and the Company.

4. The term of this agreement shall begin on January 1, 1996, and shall continue indefinitely until (a) it is terminated by either party on 60 days' written notice to the other, (b) Oliver resigns from or is not re-elected to the Company's Board of Directors, or (c) another person is elected as Chairman of the Company's Board of Directors. Nothing contained herein shall be construed as constituting an agreement that Oliver shall be nominated or elected to the Company's Board of Directors or elected as Chairman of said Board.

5. It is understood that this contract requires the approval of the disinterested Directors of the Company. Notwithstanding the foregoing, the Company shall in any event pay Oliver the amounts due hereunder for the period from January 1, 1996 through June 30, 1996.

Dated as of April 2, 1996.

Fair, Isaac and Company Incorporated

By: /s/ PETER L. MCCORKELL
---
Peter L. McCorkell
Its Senior Vice President and Secretary

/s/ ROBERT M. OLIVER
---
Robert M. Oliver

July 15, 1996

Mr. James Helfrich
Mr. Scott Kepner
Mr. Robert Issacson
Village Properties
562 Mission Street, Suite 201
San Francisco, CA 94105

Dear Sirs:

Thank you for your cooperation over the past several months with our evaluation of candidate sites for Fair, Isaac's corporate facilities expansion. As you know, Sandy Greenblat of H&L Commercial and AMB have been working with Fair, Isaac management to determine Fair, Isaac's best course of action. At this time, we are prepared to recommend that Fair, Isaac & Company, Inc. ("Tenant") enter into a build-to suit lease ("Lease") with Village Properties ("Landlord") on the following terms:

1. INITIAL PROCESS

1.1 Feasibility Phase. This letter presents an outline of terms that both Landlord and Tenant find acceptable given the parties' current knowledge and understanding of the intended project. Commencing with the execution of this letter of intent and extending for a period of one hundred and twenty (120) days (the "Feasibility Phase") both Landlord and Tenant will endeavor to 1) refine their respective understanding of the feasibility of the project through undertaking design studies, environmental investigations, and discussions with technical consultants, public officials and others; and 2) draft a lease and other agreements incorporating the terms of this letter with additional detail as required. A separate letter agreement will describe Landlord's and Tenant's cost responsibility during the Feasibility Phase.

2. PARTIES & PREMISES

2.1 Parties. The parties to the Lease would be Fair, Isaac & Company, Inc., a Delaware corporation and an entity affiliated with Village Builders, L.P., a California limited partnership. Landlord warrants that Village Builders, L.P. holds a valid option to purchase the parcels identified below as the PG&E Property and the City of San Rafael has passed a resolution to grant an option to purchase City Property.

2.2 Area and Location. The initial premises would consist of a building or buildings to be built according to plans and specifications to be mutually agreed upon by Tenant and Landlord, and comprising a total of approximately 200,000 gross building square feet of office space in the initial phase with structure and on-grade parking as mutually agreed upon by the Parties. The project will be located in San Rafael, California on the PG&E Property. The development process for the project is described in Paragraph 5, below.

2.2.1 PG&E Property. The PG&E Property consists of all that presently unimproved real property commonly known as 750 & 751 Lindaro Streets, San Rafael, CA, further referred to as Assessor's Parcel Numbers 13-021-10 & 13-012-12 comprising approximately 13.97 gross acres (less dedications), and described more fully in Exhibit A.

1.2.2 City Property. The City Property consists of all that presently improved site presently owned by the City of San Rafael Redevelopment Agency located between the general boundaries of Second Street on the north, Lindaro Street on the west, San Rafael Creek on the east and the confluence of Lincoln Avenue and San Rafael Creek on the south, presently occupied by the Shell Service Station at the north end of site and the City of San Rafael Corporation Yard on the balance of site. This parcel is further referred to as Assessor's Parcel Number 13-021-19, comprising approximately 2.38 acres (less dedications) and described more fully in Exhibit A.

3. TERM

3.1 Term and Commencement. The term of the Lease would commence thirty (30) days following substantial completion of the tenant improvements and issuance by the City of San Rafael of a Certificate of Occupancy and extend for a term of twenty (20) years. The Lease will address issues of phased move-in and Landlord and Tenant delay in construction. The parties anticipate the commencement date to occur not before July 1, 1999 and not later than July 1, 2000.

3.2 Extension Options. Tenant would have four (4) options to extend the Lease for a term of five (5) years each, subject to not less than twelve (12) months prior written notice. The annual base rent for each option would be no more than ninety-five percent (95%) of the Fair Market Rental Value ("FMRV") for the premises at the start of the additional term, but in no event less than the initial base rent.

FMRV would be defined in the Lease as the net effective rent per rentable square foot being charged for comparable space in comparable buildings leased on comparable terms including as relevant factors the presence or absence of tenant improvement contributions and rent concessions. The discount of the FMRV to ninety five percent (95%) would adjust for the fact that no lost rent would be incurred by the Landlord and no leasing commissions would be incurred. If the parties are unable to agree on the FMRV of the space, the rent determination would be submitted to arbitration through a procedure described in the Lease.

In the alternative, Tenant would have two options to extend the Lease for terms of ten (10) years each at ninety-two and one half percent (92.5%) of

FMRV.

3.3 Holdover. Upon twelve (12) months prior written notice, Tenant would have the option to holdover following expiration of the initial or extension term of the Lease for a fixed period designated in the notice, but not exceeding six (6) months, at a rent equal to one hundred and ten percent (110%) of the escalated base rent applying to the final month of the term. The Lease would address holdover rights absent such prior notice.

4. RENT

4.1 Initial Base Rent. The initial annual base rent for the initial premises would be established by multiplying the Project Cost times the Development Constant.

4.1.1 Project Cost. Exhibit C presents a preliminary proforma reflecting estimated Project Costs. Project Costs would include all development costs of the Project as outlined in this Section 4.

4.1.1.1 Developer Fixed Price Items ("DPFI"). These items would be paid for and contributed by the Developer at a stipulated price. The Developer would bear all cost risk on these items:

4.1.1.1.1. All land costs for the PG&E Property and all process costs of entitlement.

(1) All Developer overhead

(2) EIR

(3) Consultants

(4) City staff time

(5) City consultants

(6) Campaigns and referenda

(7) Creek Park restoration

(8) All legal fees and the cost of any litigation related to entitlements

(9) Public Relations

(10) Carrying and operating costs incurred by Landlord during the period between Landlord's purchase of the PG&E Property and commencement of construction, including interest, property taxes, insurance, maintenance and any other costs of ownership, subject to the provisions of Paragraph 5.6.

4.1.1.1.2. All Environmental Issues.

(1) Remediation including any existing and future obligations and any premiums or costs imposed on the construction of the Project solely by virtue of contamination of the soil or groundwater. During the Feasibility Phase, the parties will establish a practical method for determining the amount of this premium, if any.

(2) Reports

(3) Indemnities

Land Entitlement Stipulated Price: $10,000.00

4.1.1.1.3. One Half of all mitigations and exactions imposed by City and other parties as a condition of project approval.

(1) Including Impact Fees and Fair-Share Fees

(2) Including all required road widenings, parks (except Creek Park), signals

(3) Including all settlements with the City and other parties as a condition required to obtain or expedite project approval.

(4) Does not include: (a) curb, gutter, sidewalk and normal offsites or costs that any development project would incur; (b) utilities impact fees or capacity or hook-up fees: (c) PG&E, water or sewer district or school, park or building plan check, permit or similar regularly scheduled fees; (d) any architectural or engineering costs, including entitlement submittals and presentations.

50% of Mitigation - Stipulated Price:
$1,000,000.00

Landlord and Tenant agree that the value of the property described above, for the purposes of calculating Phase One Project Costs, are the stipulated prices shown above. A portion of the DFPI would be allocated to Phase One development with the exact amount depending on site development and parking strategies. That portion of the DFPI not included in the Project Cost would be a Forward Cost Item.

4.1.1.2 Construction Hard Costs. The following costs of constructing the project would be included in the Project Costs.

4.1.1.2.1 Off-site Utilities. The cost of installation of utilities, including extensions to offsite services, and utility impact fees will be included in Phase One Project Costs except to the extent allocable to future phases.

4.1.1.2.2 Site Work and Landscaping. The cost of site work, off-site work not related to mitigations, and landscaping will be included in Phase One Project Costs except to the extent allocable to future phases.

4.1.1.2.3 Base Buildings Shell and Core. The cost of constructing approximately 200,000 GSF of office building space will be included in Phase One Project Cost. The definition of Base Building in relation to Tenant Improvement scope of work is outlined in Exhibit D.

4.1.1.2.4 Parking Structure(s). The cost of constructing parking structures as required by the design of the Project would be included as a Project Cost.

4.1.1.2.5 Tenant Improvements. An allowance of twenty-eight dollars ($28.00) per gross square foot of building area would be included in Project Costs.

4.1.1.3 Soft Costs. The following soft costs would be included in the Project Costs:

4.1.1.3.1 Architectural and Engineering Fees. Architectural and Engineering Fees related to the planning, design, and construction of the Project would be included in the Project Cost.

4.1.1.3.2 Development Management Fees. A Development Management Fee would be included in the Project Cost. The amount of the Development Management Fee would be established based on comparable fees for similar projects, with the scope of work excluding the entitlements phase of the project. This fee would not exceed 2% of Project Cost.

4.1.1.3.3 Building Permit, Plan Check and Inspection Fees. These fees would be included at rates actually incurred.

4.1.1.3.4 Governmental Fees. Governmental fees, including school, park, utility district, and other fees normally imposed on all new office projects in San Rafael, CA. These fees would be included at rates actually incurred.

4.1.1.3.5 Construction Financing. The actual cost of obtaining a construction loan and the actual interest paid on that loan, through lease commencement, would be included in Phase One Project Cost. Interest and land option payments related to carrying the land through commencement of construction, subject to Paragraph 5.6, and associated entitlements-related costs would be excluded. Landlord would finance actual costs of land and entitlements, as opposed to the Land Entitlement Stipulated Price. The Lease will contain a provision entitling Tenant to provide substitute financing.

4.1.1.3.6 Property Tax and Insurance. The cost of property taxes and insurance, allocated to Phase One, commencing upon construction and terminating upon Lease Commencement, would be a Project Cost.

4.1.1.3.7 Permanent Financing Fees. The cost of obtaining a permanent loan, not to exceed two percent (2%) of the loan amount, would be included in Project Cost.

4.1.1.3.8 Mitigations. The portion of the mitigation and exaction costs not paid as part of the DFPI will be included in Project Costs.

4.1.2 Development Constant. The Development Constant will be 110% of the Mortgage Constant. The Mortgage Constant will be based upon an institutional loan quote for funding upon completion of the Phase One buildings upon the following terms:

Fixed rate; non-recourse; 75% loan to value or 75% loan to cost, to be determined in the Lease, for 25 year amortization for a 25-year term.

The use of the above loan-to-cost criteria is for the purpose of establishing a rental rate and is no intended to limit Landlord's ability to borrow in excess of the 75% loan level, if it so desires. Tenant will have the right to obtain a forward commitment on permanent financing with the cost of such financing to be included in Project Costs.

4.1.3 Example. Assume the Project Cost equals $38.0 Million. Further assume that on the Rent Determination Date, the interest rate for the benchmark loan having the parameters described in Paragraph 4.1.2 above, is 8.55% per annum. Given a twenty-five (25) year amortization, the Mortgage Constant would equal 9.63%. This constant would then be multiplied by 1.10 to produce the Development Constant of 10.60%. The Development Constant would, in turn, be multiplied by the Project Cost to produce the net rent of $4,025,340 per year.

4.1.4 Rent Determination Dates. The Initial Rent Determination Date will be a date determined by Tenant within thirty (30) days following acceptance by Landlord and Tenant of a Guaranteed Maximum Price construction contract. In the case in which Landlord and Tenant elect to purchase a forward loan commitment in advance of commencement of construction, the Initial Rent Determination Date will also be the date on which the commitment to an interest rate is made. In the case the parties wish to defer the mortgage loan commitment but the construction lender requires a stated rental rate, the rent will be determined by the same methodology described above except the interest rate will be based on quoted rates and no loan commitment will be made. On the date such mortgage loan commitment is made, the rent will be adjusted accordingly. The Rent will be adjusted within ninety (90) days following substantial completion of the Project to include any legitimate change order costs in excess of the Guaranteed Maximum Price, plus actual soft cost incurred, multiplied by the Development Constant.

4.2 Adjustments. The Initial Base Rent would be subject to a ten percent (10%) increase on the fifth, tenth, and fifteenth anniversaries of the Lease.

4.3 Carrying Costs Related to Future Development. It is anticipated that the Landlord will incur certain costs and expenses related to preparing the site to accept future phases of the project ("Forward Cost Items"). Examples of such Forward Cost Items include, but are not limited to, land, architectural and engineering fees, site development costs, and utilities installation costs. The Lease will describe a procedure to enable Tenant and Landlord to mutually agree on a schedule of Forward Cost Items.

Tenant will pay Landlord, as option payments for the Future Phase land, upon commencement of the Lease term, the cost of carrying these Forward Cost Items at an annual rate equal to the total actual cost of the Forward Cost Items multiplied times the Development Constant. Tenant would be responsible for paying any operating expenses and taxes associated with the Forward Cost Items. The Lease will address the prospect that future phase development might be delayed or abandoned, in which case an equitable termination payment would be made to Landlord.

4.4 Operating Expenses and Taxes. The Lease will be "triple net," with the Tenant responsible for payment of all direct building and site operating expenses, including maintenance, property management, insurance, janitorial and security services, taxes and utilities and amortization or reserves related to replacement of capital items. Landlord will be responsible for any costs related to continued monitoring and remediation of any environmental contamination identified as of the Lease Date, and one half of any continuing obligations imposed on the project as a special condition of approval (i.e., excluding municipal taxes, fees, and imposition required of all developments as a result of laws existing as of the Lease date). Tenant will have the right to select and contract directly with service providers (e.g. janitorial, landscape maintenance, etc.) subject to reasonable Landlord approval.

4.5 Property Tax Reassessment. The Lease will address Tenant's requirement for some protection from increases in property tax caused by Landlord's transfer of the project.

5. DEVELOPMENT OF PROJECT

5.1 Entitlement Process. Landlord will undertake to achieve land use entitlements for the development of four hundred fifty thousand (450,000) gross square feet of commercial office space but in no case less than four hundred thousand (400,000) gross square feet, with parking for not less than 1,600 cars on the Property. Tenant would consider a reduced amount of parking if supported by an analysis of usage patterns and acceptable to the City of San Rafael. All significant decisions affecting the design and phasing of the Project will be subject to Tenant's review and approval. Landlord will consult with Tenant regarding its conduct of the approval process. Tenant will expeditiously cooperate with Landlord in the effort to achieve the entitlements. Tenant will have the right to approve all significant documents related to the development, including all of the following: the application for planning review, the PD application, application for a vesting tentative map, and the development agreement. All costs related to the entitlement process, including fees and project expenses, and consulting expenses incurred by Landlord in furtherance of the entitlement effort, will be borne by Landlord. Tenant will pay the cost of its own consultants retained to advise it during this process. Architectural and engineering fees will be paid by Landlord subject to the overall limit described in Paragraph 4.1.1.3.1.

5.2 Construction of Base Buildings and Parking Structures. Landlord will undertake the development of office buildings and parking structures on the site, including site work and landscaping as described in plans and specifications to be approved by Tenant. The cost of this construction, including governmental fees, permits, construction interest, taxes, and the cost of architectural, engineering, and other consulting services will be borne by Landlord. Exhibit D describes the scope of base building construction in relation to the scope of tenant improvement construction. Landlord and Tenant will cooperate during the design process to develop a base building design with flexibility to enable eventual conversion for multi-tenant occupancy. The project will be developed on an "open book" basis with respect to all cost information.

5.3 Construction of Tenant Improvements Landlord would construct all improvements to the premises in accordance with plans and specifications provided by Tenant, according to a schedule and procedure mutually agreed upon in the Lease. The selection of a general contractor and subcontractors for the tenant improvement work would be subject to Tenant's approval. In the case in which Landlord provides construction management services for the tenant improvement work, the cost of such services will be charged at prevailing market rates for similar third party services. Landlord may not impose any charge for review or approval of plans and specifications, either for the initial tenant improvement work or for subsequent improvements and alterations within the project. In the alternative, Tenant would have the right to undertake its own tenant improvement construction, subject to notice, delivery and commencement provisions to be described in the Lease.

5.4 Tenant Improvement Allowance. Landlord would provide Tenant a tenant improvement allowance equal to twenty-eight dollars ($28.00) per gross square foot of space leased.

5.5 Limitation on Project Costs and Developer Equity Requirements. The Lease will address the legitimate needs of the Landlord with respect to project financing. The method of determining rent based on the Development Constant and Project Cost assumes a loan ratio of 75% or greater.

5.6 Timing of Construction. The parties intend to proceed with the project according to the Preliminary Project Schedule attached as Exhibit B. The Lease will contain a provision that will enable Tenant to defer commencement of construction for the maximum period allowable by the terms of the Development Agreement to be executed between Landlord and the City of San Rafael.

All actual costs of deferral beyond the target construction commencement date will be borne by Tenant as a current expense. The target

construction commencement date will be mutually agreed by the parties, but not before the later of June 1, 1998 or that date six (6) months following receipt of an executed development agreement, unless Tenant consents to an earlier date or the parties agree to a method to allocate risk associated with proceeding with architectural work in advance of receipt of final entitlements. The Lease will define the target date and itemize cost categories related to deferral. A similar provision will apply to construction of the second phase of the project with the objective of affording Tenant maximum flexibility with respect to timing the second phase.

6. OPTIONS TO PURCHASE

6.1 First Option to Purchase - Execution of Development Agreement. Landlord grants Tenant the right to purchase the PG&E Property and to purchase the option to purchase the City Property, complete with all plans and specifications, and subject to agreements with the City of San Rafael and other jurisdictions, for a price of Ten Million Dollars ($10,000,000). This option would become effective upon Execution of the Development Agreement and extend for sixty (60) days. An adjustment would be made to the purchase price to reflect the cost of any obligations for which Landlord would have been responsible subject to Paragraphs 4.1.1.1.1 and 4.1.1.1.2 had the option not been exercised. In addition, Tenant would reimburse Landlord any Project Costs incurred by Landlord prior to closing. No reimbursement would be made for any portion of the Development Management Fee.

6.2 Second Option to Purchase - Completion of Phase One Development. Landlord grants Tenant the right to purchase the PG&E Property and to purchase the option to purchase the City Property, including the office buildings, parking structures, and other improvements constructed pursuant to this Lease, at a price equal to one hundred and ten percent (110%) of the Project Cost plus an agreed upon price for Forward Cost Items. Notice of intent to exercise this option would be made no later than sixty (60) days following the execution of the development agreement. Landlord would remain responsible for all costs described in Paragraphs 4.1.1.1.1, 4.1.1.1.2 and 4.1.1.1.3. except to the extent the parties agree to transfer specified obligations from Landlord to Tenant in exchange for an adjustment in the purchase price. The Lease will provide for an interest bearing deposit or Letter of Credit adequate to secure the purchase, and will address accommodations to Landlord's preference for a closing deferral of one year. Closing would occur on a date corresponding to the intended Commencement Date of the Lease.

6.3 Third Option to Purchase - Completion of Phase One Development. Landlord grants Tenant the right to purchase the PG&E Property, and to purchase the option to purchase the City Property, including all office buildings, parking structures, and other improvements constructed pursuant to this Lease, at a price equal to one hundred and thirteen percent (113%) of the Project Cost plus an agreed upon price for Forward Cost Items. Notice of intent to exercise this option must be made no later than one hundred and eighty (180) days following the Commencement of the Lease. Closing would be scheduled for a mutually agreed upon date not earlier than the first anniversary of the Lease Commencement. The Lease will provide for an interest bearing deposit or Letter of Credit adequate to secure the purchase.

6.4 Financing Limitation The option prices indicated in Paragraphs 6.2 and 6.3 above are predicated on the Landlord's ability to attract sufficient equity capital to the project to enable construction. The Lease will address those circumstances in which the purchase price would be adjusted to enable financing by third-party equity sources. In addition, the Lease will describe a procedure whereby Tenant would have the right to contribute cash equity to the project prior to construction in exchange for a reduction in the purchase price corresponding to the value of the avoided financing costs.

6.4 Right of First Refusal to Purchase. Throughout the term of the Lease, Tenant will have the right of first refusal to purchase the Project, subject to a thirty (30) day response period. The details of this right would be addressed in the Lease.

7. DEVELOPMENT OF FUTURE PHASE(S)

Future phase or phases are expected to total from 200,000 to 250,000 gross square feet plus parking (the "Expansion Premises"). The Lease will grant Tenant the option to lease these Expansion Premises on the same terms and conditions as the Lease on the initial Premises, excephere circumstances dictate an appropriate notification. The Lease will describe a procedure governing notification, design, and construction of the Expansion Premises. The rent will be established according to the formula presented in Paragraph 3.1. At Tenant's option, the term of the Lease with respect to the Expansion Premises will be coterminous with that of the initial Premises, but in no case less than fifteen (15) years. The Lease will contain assurances satisfactory to Tenant regarding Landlord's obligation to develop Phase Two, if so requested.

8. TERMINATION OF LEASE

8.1 Tenant's Option to Terminate Lease Prior to Land Purchase by Landlord. The Lease will address issues related to termination of the Lease by Tenant. In general, prior to Landlord's exercise of its option to purchase the PG&E Property, Tenant will have the right to terminate the Lease upon payment to Landlord of liquidated damages in an amount to be stipulated in the Lease based on Landlord's projected overhead costs, out-of-pocket costs, and opportunity costs.

8.2 Tenant's Option to Terminate Lease Following Land Purchase by Landlord. Following Landlord's purchase of the PG&E Property, but prior to commencement of construction, Tenant will have an option to terminate the lease upon payment to Landlord of Liquidated Damages in an amount to be stipulated in the Lease based on Landlord's projected overhead costs, out-of-pocket costs, and opportunity costs.

8.3 Termination Due to Landlord Non-Performance. The Lease will provide Tenant adequate security with respect to Landlord's performance of its

obligations under the Lease.

8.4 Landlord's Termination Rights. Landlord may terminate the Lease if the City of San Rafael fails to grant the necessary entitlements or to execute a development agreement consistent with the terms of the Lease and Project plans.

9. Environmental Indemnities.

Tenant will require indemnities from Landlord and PG&E with respect to the PG&E Property, and from Landlord and the City of San Rafael with respect to the City Property, assuring Tenant that it will bear no risk of environmental liability related to the existing condition of the soil and groundwater, either as Tenant or as owner.

During the Feasibility Phase, Tenant will require cooperation from Landlord regarding access to existing documents related to the Properties. In addition, Tenant will require Landlord to obtain an agreement from PG&E and the City of San Rafael to undertake additional Phase II environmental investigations, subject to Tenant cost reimbursement.

10. OTHER PROVISIONS

10.1 Assignment and Subleasing. Tenant would have the right to assign the Lease or sublease space in the premises with the consent of the Landlord, which consent would not be unreasonably withheld.

Tenant would have the right to assign the Lease in its entirety or sublease all or a portion of the premises without the consent of the Landlord to any entity resulting from merger or consolidation with Tenant, or any subsidiary or affiliate of Tenant. This waiver of Landlord's consent would be contingent upon the financial worth and organizational structure of the resulting entity being greater than or equal to that of the Tenant as of the date of such assignment.

Subsequent to a sublease notification or sublease, the Landlord would have no right to terminate the Lease, "recapture" the premises by the right of first refusal, or otherwise. The Landlord would have no right to additional rent from subleases entered into by Tenant.

10.2 Restoration of Premises. Landlord would agree to waive any requirement that Tenant restore the premises or remove any improvements including stairs, floor penetrations, cabling, supplemental HVAC units, or any other construction upon expiration of the Lease.

10.3 Building Identity. Within the terms and conditions of existing local ordinances, the subject property will be identified as exclusively the site of Fair, Isaac & Co. with signage and/or other identity designed in such a way as to compliment the project. Such identity will be subject to the approval of Landlord with such approval not to be unreasonably withhold.

10.4 Tenant Security. The Lease will address Landlord's reasonable concerns with respect to Tenant's financial capability to undertake the Lease's obligations.

11. CESSATION OF TENANT'S SEARCH AND LANDLORD'S MARKETING EFFORTS

Upon mutual execution of this Letter of Intent, Tenant and Landlord agree to end their respective search and marketing efforts related to the subject property for a period of one hundred and twenty (120) days.

12. Non-Binding Agreement

With the exception of Paragraph 11 above, this letter is a general expression of interest and does not constitute a binding agreement. Neither Tenant nor Landlord will be bound until a definitive, mutually-satisfactory lease has been executed and both Tenant and Landlord warrant that they will not act in reliance on any terms of this agreement, except Paragraph 11, above.

We would appreciate receiving a response by July 14, 1996. If the above terms are acceptable to you, please indicate by signing in the space provided below. When counter-signed by Fair, Isaac, this letter will constitute a Letter of Intent with regard to the matters agreed upon.

Sincerely,

AMB CORPORATE REAL ESTATE ADVISORS, INC.
/s/ Richard Springwater
- -------------------------
Richard Springwater

ACCEPTED AND AGREED

| | |
|---|---|
| Village Properties | Fair, Isaac & Company |
| By: /s/James A. Helfrich | By: /s/Gerald de Kerchove |
| - ------------------------ | ---------------------------- |
| Its: Partner | Its: Executive Vice President |
| Date: July 15, 1996 | Date: July 16, 1996 |

Map of Site

Exhibit B

Preliminary Project Schedule

| | |
|---|---|
| Execute Letter of Intent - Commence Feasibility Phase | July 15, 1996 |
| End of Feasibility Phase - Execute Lease | November 10, 1996 |
| Submit Application for Planning Review | January 1, 1997 |
| EIR Certification, Development Agreement Executed | January 1, 1998 |
| PG&E Option Exercise Date | May 1, 1998 |
| Complete Construction Documents | June 1, 1998 |
| Accept Guaranteed Maximum Price | July 1, 1998 |
| Rent Determination Date | August 1, 1998 |
| Commence Construction | September 1, 1998 |
| Occupancy | January 1, 2000 |

Exhibit C
Hypothetical Proforma

| Phase One Costs | Total | Cost/SF |
|---|---|---|
| Land | 5,800 | $29.00 |
| Mitigation Guarantee | 580 | $2.90 |
| EIR & Entitlements | Landlord | |
| Environmental Compliance | Landlord | |
| Subtotal Land | 6,380 | $31.90 |
| | | |
| Construction Costs | | |
| Offsite Utilities and Improvements | 650 | $3.25 |
| Sitework/Landscaping | 2,000 | $10.00 |
| Building Shell | 14,600 | $73.00 |
| Tenant Improvement Allowance | 5,600 | $28.00 |
| Parking Structure | 3,500 | $17.50 |
| Subtotal Construction | 26,350 | $131.75 |
| | | |
| Soft Costs | | |
| Architecture/Engineering | 1,307 | $6.53 |
| Development Management | 600 | $3.00 |
| Permits/Fees | 500 | $2.50 |
| Construction Financing | 2,250 | $11.25 |
| Property Tax/Insurance | 350 | $1.75 |
| Permanent Financing | 400 | $2.00 |
| Mitigations - Tenant's Share | 500 | $2.50 |
| Subtotal Soft Costs | 5,907 | $29.53 |
| | | |
| Total Phase One | 38,637 | $193.18 |
| | | |
| Forward Cost Items | | |
| Land | 4,200 | $21.00 |
| Offsite Utilities | 650 | $3.25 |
| | | |
| Total Forward Cost Items | 4,850 | $24.25 |

Exhibit D

BASE BUILDING CHECKLIST

Exhibit 10.27

First Amendment to Letter of Intent
Between Village Properties and
Fair, Isaac and Company, Inc.
Dated July 15, 1996

The following additions and modifications to the Letter of Intent are agreed upon by the parties:

1. The date for expiration of the Feasibility Phase is extended to November 21, 1996.

2. Landlord and Tenant agree that any disputes involving this Letter will be resolved through arbitration, performed subject to the rules of the American Arbitration Association.

3. Landlord warrants that James Helfrich is duly authorized to execute the Letter of Intent and this Amendment to the Letter of Intent on behalf of Village Properties and Village Builders, L.P.

ACCEPTED AND AGREED

| Village Properties | Fair, Isaac & Company |
|---|---|
| By: /s/ SCOTT KEPNER | By: /s/ GERALD DE KERCHOVE |
| Its: Vice President | Its: Executive Vice President |
| Date: July 17, 1996 | Date: July 18, 1996 |

EXHIBIT 10.28

OFFICE BUILDING LEASE

Regency Center II
San Rafael, California

OFFICE BUILDING LEASE

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OFFICE BUILDING LEASE

1. PARTIES. This Lease, dated for reference purposes only November 14, 1996, is made by and between Regency Center, a California general partnership (herein called "Landlord") and Fair, Isaac and Company, Incorporated, a Delaware corporation (herein called "Tenant").

2. PREMISES. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord that certain office space (herein called the "Premises") consisting of the entire building commonly known as Regency Center II, located on Smith Ranch Road, San Rafael, California (the "Building"), the three (3) floors of which shall be tendered, improved and occupied in accordance with the provisions of this Lease. For the purposes of this Lease, the Premises are agreed to contain 124,196 rentable square feet (43,512; 40,342 and 40,342 for the first, second and third floors, respectively) and 111,668 usable square feet (38,105; 36,221 and 37,342 for the first, second and third floors, respectively).

This Lease is subject to the terms, covenants and conditions herein set forth and Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of said terms, covenants and conditions and that this Lease is made upon the condition of said performance.

3. TERM; PARTIAL SURRENDER; OPTION TO EXTEND.

A. The term of this Lease shall commence on the earlier of (i) March 1, 1997, or (ii) the date on which Tenant first takes occupancy of the second floor of the Building ("Term Commencement Date"), and shall expire on February 28, 2017 (the "Term Expiration Date").

B. As of July 31, 2008 and as of July 31 of each second year thereafter (that is, July 31, 2010, July 31, 2012, etc.) (the "Surrender Date(s)"), Tenant shall have the right to surrender to Landlord, and to terminate this Lease only with respect to, one-half (1/2) of one (1) floor of the Building (the "Surrendered Space(s)). The particular Surrendered Space to be surrendered to Landlord on any Surrender Date shall be designated by Tenant in a written notice delivered to Landlord no later than the date that is twelve (12) months prior to the applicable Surrender Date, time being of the essence. After Tenant first surrenders to Landlord a Surrendered Space, then any additional Surrendered Space must be surrendered in a manner such that Tenant shall at no time occupy only one-half (1/2) of more than one (1) floor of the Building. In addition, Tenant shall not have the right to surrender to Landlord more than one (1) Surrendered Space (that is, not more than one-half (1/2) of (1) floor in the Building) on any Surrender Date. On each Surrender Date, Tenant shall deliver the Surrendered Space to Landlord in accordance with Section 4.E. of this Lease.

C. Provided this Lease is then in effect and Tenant is then occupying the entirety of the Premises, Landlord grants to Tenant the option to extend the term of this Lease for one (1) ten- (10-) year period commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Tenant gives to Landlord and Landlord receives notice of the exercise of the option to extend this Lease for such additional term no later than twenty-four (24) months prior to the time that the option term would commence if the option were exercised, time being of the essence. If said notification of the exercise of such option is not so given and received, such option shall automatically expire.

(ii) At the time said written notification of exercise of such option is given and received, or at the time such option term is to commence, Tenant shall not be in default under any of the material obligations of this Lease to be performed by Tenant and this Lease shall not have previously terminated nor terminated prior to the commencement of the option term.

(iii) All of the terms and conditions of this Lease, except where specifically modified by this option, shall apply.

(iv) the monthly rent for each month of the option term shall be calculated as follows:

The rent payable by Tenant during the option term shall be the "Fair Market Rental Value" of the Premises (as defined below) at the commencement date of the option term. There shall be an annual C.P.I. increase in the rent during the option term not to exceed four percent (4%) per annum. All of the C.P.I. increases during the option term shall be calculated on the basis of the formula provided in Lease Section 5.A. Anything herein to the contrary notwithstanding, if the rent in effect for the Premises for the twelve (12) months immediately prior to the option term is higher than the Fair Market Rental Value for the Premises at the commencement of the option term, then the rent for the Premises for the option term shall be the lesser of: (i) the rent for the last twelve (12) months of the initial term, or (ii) one hundred five percent (105%) of the Fair Market Rental Value. If Landlord and Tenant cannot agree on the Fair Market Rental Value of the Premises for the periods within forty-five (45) days after the Tenant has notified Landlord of its exercise of the option, Landlord and Tenant shall each select, within forty-five (45) days of such notification, an appraiser who must be a qualified M.A.I. appraiser to determine said Fair Market Rental Value. If one party fails to so designate an appraiser within the time required, the determination of Fair Market Rental Value of the one appraiser who has been designated by the other party hereto within the time required shall be binding upon both parties. The appraisers shall submit their determinations of Fair Market Rental Value to both parties within thirty (30) days after their selection. If the difference between the two determinations is ten percent (10%) or less of the higher appraisal, then the average between the two determinations shall be the Fair Market Rental Value of the Premises. If said difference is greater than ten percent (10%), then the two appraisers shall within twenty (20) days of the date that the later submittal is submitted to the parties designate a third appraiser who must also be a qualified M.A.I. appraiser. The sole responsibility of the third appraiser will be to determine which of the determinations made by the first appraisers is most accurate. The third appraiser shall have no right to propose a middle ground or any modification of either of the determinations made by the first two appraisers. The third appraiser's choice shall be submitted to the parties within thirty (30) days after his or her selection. Such determination shall bind both of the parties and shall establish the Fair Market Rental Value of the Premises. Each party shall pay for their own appraiser and shall pay an equal share of the fees and expenses of the third appraiser.

Fair Market Rental Value for purpose of this Lease shall mean the then prevailing rent for premises comparable in size, quality, and orientation to the Premises, located in buildings comparable in size to, and in the general vicinity of, the Building in which the Premises are located, leased on terms comparable to the terms contained in this Lease.

4. POSSESSION; CONSTRUCTION OF IMPROVEMENTS.

A. Landlord will tender the second floor of the Building to Tenant in a partially-completed shell condition on or about November 25, 1996. Landlord will tender to Tenant the first or third floor of the Building (such floor to be determined at Tenant's option by written notice thereof to Landlord no later than May 1, 1997) on or about August 1, 1997. The floor which is not tendered to Tenant on or about August 1, 1997 will be

tendered to Tenant on or about August 1, 1998. Tenant's rental obligation with respect to the first and third floors will commence on the date that is the earlier of: (i) the date the respective floor is tendered to Tenant, or (ii) the date Tenant first takes occupancy of such floor.

B. Tenant shall be responsible for construction of all tenant improvements, as set forth on Exhibit A attached hereto.

C. The Premises when delivered by Landlord to Tenant shall include two (2) partially completed decks on the second floor of the Building. Tenant, at its option, may complete such decks and/or construct a covered walkway at ground level between the Building and that certain building adjacent to the Building commonly known as Regency Center I ("Regency I"). All such work shall be part of Tenant's improvement work described in Exhibit A hereto, and the actual cost thereof shall be part of the Allowance (as defined in Exhibit A). If Tenant elects to complete such work, Tenant shall submit to Landlord plans and specifications therefor for Landlord's approval, which approval shall not be unreasonably withheld.

D. Prior to actual striping of the parking lot adjacent to the Building, Landlord will notify Tenant so that Tenant may have input into the selection of reserved areas for loading zone, car/vanpool, maintenance vehicles, and the like.

E. On the Term Expiration Date or upon earlier termination of this Lease, or on any Surrender Date, Tenant shall deliver to Landlord possession of the Premises or portion thereof together with all improvements, alterations or additions thereto in substantially the same condition as received or first installed, reasonable wear and tear excepted. Tenant may, upon the termination of this Lease, remove its trade fixtures and personal property, repairing any damage caused by such removal.

5. RENT; RENT ESCALATIONS; FIRST/THIRD FLOOR RENT; HOLD-OPEN RENT.

A. Tenant agrees to pay to Landlord as rental for the second floor of the Premises, each month during the term, without prior notice or demand, an amount equal to the product of the rentable square footage of the second floor and Two and 10/100 Dollars ($2.10) (that is, $84,718.20 per month) (the "Base Rent"). The Base Rent shall be payable on or before the first day of the first full calendar month of the term hereof and a like sum on or before the first day of each and every successive calendar month thereafter during the term hereof, except that the first month's Base Rent shall be paid upon mutual execution of this Lease. Base Rent for any period during the term which is for less than one (1) month shall be a prorated portion of the monthly installment herein, based upon a thirty (30) day month. Base Rent shall be paid to Landlord without deduction or offset in lawful money of the United States of America, which shall be legal tender at the time of payment, at 100 Smith Ranch Road, Suite 325, San Rafael, California 94903, or to such other place as Landlord may from time to time designate in writing.

The Base Rent for the second floor of the Premises shall be adjusted as of the first day of each Lease Year in accordance with increases, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers, San Francisco-Oakland-San Jose (1984=100), "All Items" herein referred to as "CPI."

The CPI increase shall be calculated as follows: The Base Rent payable for the first month of the term of this Lease shall be multiplied by the percentage change in the CPI for the twelve (12) months preceding the first adjustment. On each anniversary following, the Base Rent shall be multiplied by the percentage change in the CPI for the twelve (12) months preceding. No single increase shall exceed four percent (4%) of the previous year's Base Rent and in no event shall the new Base Rent be less than the Base Rent payable for the month immediately preceding the date for rent adjustment. "Lease Year", as used herein, shall mean the twelve (12) month period commencing the Term Commencement Date, and each consecutive twelve (12) month period thereafter.

B. The Base Rent for the first and third floors of the Building shall, as of the rent commencement date with respect to each of such floors, be equal to the then-effective Base Rent for the second floor. The Base Rent for the first and third floors shall increase at the same time as the Base Rent increases for the second floor in accordance with changes in the CPI, as set forth in Section 5.A of this Lease.

C. Tenant shall pay to Landlord, monthly in advance, in addition to and concurrently with the payment of Base Rent for the second floor of the Premises, Base Rent for the floors which have not yet been tendered to Tenant, in the following amounts:

(i) Base Rent for the floor which will be tendered to Tenant in August 1997: Zero Dollars ($0.00).

(ii) Base Rent for the floor which will be tendered to Tenant in August 1998: One and 25/100 Dollars ($1.25) per rentable square foot per month commencing August

1, 1997.

6. SECURITY DEPOSIT.

Tenant shall deposit with Landlord the sum of One Hundred Twenty-Five Thousand Dollars ($125,000.00) upon mutual execution of this Lease by Landlord and Tenant. Said sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease including, but not limited to, the provisions relating to the payment of rent, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any other sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's default to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the security deposit to its original amount and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep this security deposit separate from its general fund and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the security deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) at the expiration of the Lease term. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer said deposit to Landlord's successor in interest.

7. OPERATING EXPENSE ADJUSTMENTS. For the purposes of this Article, the following terms are defined as follows:

| | |
|---|---|
| Base Year | The Base Year shall be 1997. |
| Comparison Year | Each calendar year of the term after the Base Year. |
| Direct Expenses | All direct costs of operation and maintenance, as determined by standard accounting practices, including the following costs by way of illustration, but not be limited to: real property taxes and assessments; rent taxes, gross receipt taxes, (whether assessed against the Landlord or assessed against the Tenant and collected by the Landlord, or both); water and sewer charges; insurance premiums; utilities; janitorial services; labor; costs incurred in the management of the Building; air conditioning & heating; elevator maintenance; supplies; materials; equipment and tools; and maintenance, costs and upkeep of all parking and common areas. ("Direct Expenses" shall not include depreciation on the Building of which the Premises are a part or equipment therein, loan payments, executive salaries or real estate broker's commissions.) |

If the Direct Expenses paid or incurred by the Landlord for the Comparison Year on account of the operation or maintenance of the Building of which the Premises are a part are in excess of the Direct Expenses paid or incurred for the Base Year, then the Tenant shall pay one hundred percent (100%) of the increase. This percentage is that portion of the total rentable area of the Building occupied by the Tenant hereunder. Landlord shall endeavor to give to Tenant on or before the first day of March of each year following the respective Comparison Year a statement of the increase in rent payable by Tenant hereunder, but failure by Landlord to give such statement by said date shall not constitute a waiver by Landlord of its right to require an increase in rent. Upon receipt of the statement for the first Comparison Year, Tenant shall pay in full the total amount of the increase due for the first Comparison Year and, in addition for the then current year, the amount of any such increase shall be used as an estimate for said current year and this amount shall be divided into twelve (12) equal monthly installments and Tenant shall pay to Landlord, concurrently with the regular monthly rent payment next due following the receipt of such statement, an amount equal to one (1) monthly installment multiplied by the number of months from January in the calendar year in which said statement is submitted to the month of such payment, both months inclusive. Subsequent installments shall be payable concurrently with the regular monthly rent payments for the balance of that calendar year and shall continue until the next Comparison Year's statement is rendered. If the next or any succeeding Comparison Year results in a greater increase in Direct Expenses, then upon receipt of a statement from Landlord, Tenant shall pay a lump sum equal to such total increase in Direct Expenses over the Base Year, less the total of the monthly installments to be paid for the next year, following said Comparison Year, shall be adjusted to reflect such increase. If in any Comparison Year the Tenant's share of Direct Expenses be less than the preceding year, then upon receipt of Landlord's statement, any overpayment made by Tenant on the monthly installment basis provided above shall be credited towards the next monthly rent falling due and the estimated monthly installments of Direct Expenses to be paid shall be adjusted to reflect such lower Direct Expenses for the most recent Comparison Year.

Although the term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's share of Direct Expenses

for the year in which this Lease terminates, Tenant shall immediately pay any increase due over the estimated expenses paid and conversely any overpayment made in the event said expenses decrease shall be immediately rebated by Landlord to Tenant.

Notwithstanding anything contained in this Article to the contrary, the rent payable by Tenant hereunder shall in no event be less than the rent specified in Article 5 above.

During the initial term of this Lease, the management costs for the Building shall not be increased by more than three percent (3%) in any Lease Year.

Landlord shall keep full, accurate, and separate books of account and records covering all Direct Expenses, which books of accounts and records shall accurately reflect total Direct Expenses, and Landlord's billings to Tenant for Direct Expense Adjustments.

Tenant shall have the right to protest any charge to Tenant by Landlord for Direct Expense Adjustments, provided that said protest is made within thirty (30) days after receipt of Landlord's notice of such charge. In the event that Tenant shall protest, Tenant shall be entitled to audit Landlord's books of account, records, and other pertinent data regarding Direct Expenses. The audit shall be limited to the determination of direct Expenses and charges to Tenant for Direct Expense Adjustments and shall be conducted during normal business hours. If the audit shows that there has been an overpayment by Tenant, the overpayment shall be immediately due and repayable by Landlord to Tenant.

Anything in this Lease to the contrary notwithstanding, during the first five (5) years of the term of this Lease, Tenant shall pay no portion of any increase in real estate taxes resulting solely from a "change of ownership" (as such phrase is defined in California Revenue and Taxation Code Section 60).

Anything in this Lease to the contrary notwithstanding, Tenant shall pay its share of increases in real estate taxes within ten (10) days after Landlord furnishes copies of invoices marked "Paid" for such taxes, which invoices may be furnished to Tenant no more often than semi-annually.

8. USE. Tenant shall use the Premises for general office purposes and shall not use or permit the Premises to be used for any other purposes without the prior written consent of Landlord. General office purposes shall be defined for purposes of this Lease to include computer rooms of any size required by Tenant. Tenant shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein which will in any way increase the existing rate of or affect any fire or other insurance upon the Building or any of its contents, or cause cancellation of any insurance policy covering said Building or any part thereof or any of its contents. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building on injure or annoy them or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

9. COMPLIANCE WITH LAW; HAZARDOUS SUBSTANCES.

A. Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules now in force or which may hereafter be in force, and with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted, relating to, or affecting the condition, use or occupancy of the Premises, excluding changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between the Landlord and Tenant.

B. Tenant shall not cause or permit the escape, disposal or release of any biologically or chemically active or other hazardous substances or materials (a "Release"). Tenant shall not allow the storage or use of such substances or materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such substances or materials, nor allow to be brought into the Building any such materials or substances except to use in the ordinary course of Tenant's business, and then only after written notice is given to Landlord of the identity of such substances or materials. If any lender or governmental agency requires testing to ascertain whether there has been any Release, then the reasonable costs thereof shall be reimbursed by Tenant to Landlord upon demand as additional charges if such requirement applies to the Premises. In addition Tenant shall execute affidavits, representations and the like from time to time at Landlord's reasonable request concerning Tenant's best knowledge and belief regarding the presence of hazardous substances or materials on the Premises. In all

events, Tenant shall indemnify Landlord, its agents and employees from and against any and all clean-up costs and expenses, losses, damages, claims, or liability for any damage to any property or injury, illness or death of any person from any Release on the Premises occurring while Tenant is in possession, or elsewhere if caused by Tenant or persons acting under Tenant. The covenants contained herein shall survive the expiration or earlier termination of this Lease. California Health and Safety Code Section 25359.7(b) requires any tenant of real property who knows, or has reasonable cause to believe, that any release of a hazardous substance has come to be located on or beneath such real property to give written notice of such condition to the owner. Tenant shall comply with the requirements of Section 25359.7(b) and any successor statute thereto and with all other statutes, laws, ordinances, rules, regulations and orders of governmental authorities with respect to hazardous substances.

10. ALTERATIONS AND ADDITIONS. Tenant shall not make or suffer to be made any alterations, additions or improvements to or of the Premises or any part thereof without the written consent of Landlord first had and obtained. Any alterations, additions or improvements to or of said Premises including, but not limited to, wallcovering, paneling, air conditioning units and built-in cabinet work, but excepting movable furniture and trade fixtures, shall on the expiration of the term become a part of the realty and belong to the Landlord and shall be surrendered with the Premises. In the event Landlord consents to the making of any alterations, additions or improvements to the Premises by Tenant, the same shall be made by Tenant at Tenant's sole cost and expense, and any contractor or persons, selected by the Tenant to make the same must first be approved in writing by the Landlord. Such approval shall not be unreasonably withheld. Upon the expiration or sooner termination of the term hereof, Tenant shall, upon written demand by Landlord, which shall be given at the time Landlord approves the tenant improvement work, at Tenant's sole cost and expense, forthwith and with all due diligence, remove any alterations, additions, or improvements made by Tenant, designated by Landlord to be removed, and Tenant shall, forthwith and with all due diligence at its sole cost and expense, repair any damage to the Premises caused by such removal.

11. REPAIRS.

A. By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises as being in good, sanitary order, condition and repair. Tenant shall, at Tenant's sole cost and expense, keep the Premises and every part thereof in good condition and repair. Tenant shall upon the expiration or sooner termination of this Lease hereof surrender the Premises to the Landlord in good condition, ordinary wear and tear and damage from causes beyond the reasonable control of Tenant excepted. Except as specifically provided in this Lease, Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof once the initial tenant improvements are completed and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Premises or the Building except as specifically herein set forth.

B. Notwithstanding the provisions of Section 11.A. above, Landlord shall repair and maintain the structural portions of the Building, including the basic plumbing, air conditioning, heating and electrical systems installed or furnished by Landlord unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the reasonable cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Article 22 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Building or the Premises, or in or to fixtures, appurtenances and equipment therein. Tenant waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect, (including the provisions of California Civil Code Sections 1941 and 1942 and any successor sections or statutes of a similar nature); provided, however, if Landlord fails to perform any repair work required of Landlord with respect to the Premises pursuant to this Section, within thirty (30) days after Landlord receives Tenant's written notice of the need for such repair (or such period of time in excess of thirty (30) days as is reasonably necessary based upon the nature of the required work), then Tenant shall be permitted to make such repairs, using contractors reasonably approved by Landlord, provided (i) Tenant first gives Landlord an additional two (2) business days prior written notice indicating that Tenant intends to undertake such repair, and (ii) Landlord fails to commence such repair within such two (2) business day period. If Tenant performs any repair as permitted under this Section, Landlord agrees to reimburse Tenant for the reasonable, actual and documented costs of such repair performed by Tenant, but without any offset rights against rent or any other amounts payable by Tenant under this

Lease. Any repair work done by Tenant shall be done in accordance with the provisions of this Lease, including without limitation, Article 12, keeping the Premises free from liens.

12. LIENS. Tenant shall keep the Premises and the property in which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. Landlord may require, at Landlord's sole option, that Tenant shall provide to Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half (1-1/2) times any and all estimated cost of any improvements, additions or alteration in the Premises to insure Landlord against any liability for mechanics' and materialmen's liens and to insure completion of the work.

13. ASSIGNMENT AND SUBLETTING.

A. Tenant shall not either voluntarily or by operation of law, assign, transfer, mortgage, pledge, or encumber this Lease or any interest therein, and shall not sublet the said Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the said Premises or any portion thereof, without written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld. In the event Tenant desires to assign this Lease or any interest therein or sublet all or part of the Premises, Tenant shall give Landlord written notice thereof, which notice shall include (i) the name of the proposed assignee, subtenant or occupant ("Transferee"), (ii) reasonable financial information regarding the Transferee, (iii) a description of the Transferee's business to be carried on in the Premises, and (iv) the terms of the assignment or sublease and a description of the portion of the Premises to be affected. Tenant shall also provide Landlord such additional information regarding the Transferee or the proposed assignment or sublease as Landlord may reasonably request.

B. Notwithstanding the foregoing, Tenant shall have the right to assign or sublet the Premises, or a portion thereof, to a wholly owned affiliated company or subsidiary, without the Landlord's consent. Tenant shall be required, however, to give written notice to Landlord in advance of such assignment or sublet and to prepare assignment or sublet agreements on forms that are reasonably satisfactory to Landlord. In no event shall such assignment or sublet release Tenant from its obligations under the terms of this Lease.

C. Consent to one assignment, subletting, occupation or use by any other person shall not be deemed to a consent to any subsequent assignment, subletting, occupation or use by another person. Any assignment or subletting without such consent shall be void, and shall, at the option of the Landlord, constitute a default under this Lease.

D. In the event Tenant desires to assign this Lease or sublet the Premises for a period in excess of five (5) years (or, if there are less than five (5) years remaining in the term, for the entire remaining term of this Lease), Landlord shall have the option, in Landlord's sole and absolute discretion, exercisable by giving notice to Tenant at any time within twenty (20) days after Landlord's receipt of Tenant's notice to assign or sublet, to terminate this Lease as to the portion of the Premises which Tenant desires to assign or sublease (the "Space") as of the date on which Tenant desires to do so, in which event Tenant shall be relieved of all further obligations hereunder as to such Space as of the date of Landlord's notice.

E. In the event Landlord consents to an assignment or subletting, fifty percent (50%) of any sums or other economic consideration received by Tenant as a result of such assignment or subletting (except reasonable leasing commissions and rental or other payments received which are attributable to the amortization of the cost of tenant improvements made to the Space by Tenant, at Tenant's cost) whether denominated rent or otherwise, which exceed in the aggregate the total sums which Tenant is obligated to pay Landlord under this Lease (prorated as to any sublease to reflect obligations allocable to that portion of the Premises subject to such sublease) shall be payable to Landlord as additional rent under this Lease, without affecting or reducing any other obligation of Tenant hereunder. Tenant shall deliver to Landlord a statement within thirty (30) days after the end of each calendar year in which any part of the Term occurs specifying as to such calendar year, and within thirty (30) days after the expiration or earlier termination of the Term, specifying with respect to the elapsed portion of the calendar year in which such expiration or termination occurs, each sublease and assignment in effect during the period covered by such statement and, (i) the date of its execution and delivery, the number of square feet of the rentable area demised thereby, and the term thereof; and (ii) a computation showing the amounts (if any) paid and payable by Tenant to Landlord pursuant to this Section with respect to such sublease or assignment.

14. HOLD HARMLESS.

A. Tenant shall indemnify and hold harmless Landlord against and from any and all claims arising from Tenant's use of Premises for the conduct of its business or from any activity, work or other thing done, permitted or suffered by the Tenant in or about the Building, and shall further indemnify and hold harmless Landlord against and from any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any act or negligence of the tenant, or any officer, agent, employee, guest or invitee of Tenant, and from and against all cost, attorney's fees, expenses and liabilities incurred in or about any such claim or any action or proceeding brought thereon and in any case, action or proceeding brought against Landlord by reason of any such claim. Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord. Tenant as a material part of the consideration to Landlord hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises, from any cause other than Landlord's negligence or willful act, and Tenant hereby waives all claims in respect thereof against Landlord.

B. Landlord or its agents shall not be liable for any damage to property entrusted to employees of the Building, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak dampness or any other cause whatsoever, unless caused by or due to the negligence or willful acts of Landlord, its agents, servant or employees. Landlord or its agents shall not be liable for interference with the light or other incorporeal hereditaments, less of business by Tenant, nor shall Landlord be liable for any latent defect in the Premises or in the Building. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building or of defects therein or in the fixtures or equipment.

15. SUBROGATION. Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage and other property insurance policies existing for the benefit of the respective parties. Each party shall obtain any special endorsements, if required by their insurer to evidence compliance with the aforementioned waiver.

16. LIABILITY INSURANCE. Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Lease, (1) a policy of comprehensive general liability insurance insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto with a minimum combined single limit of bodily injury, personal injury and property damage coverage of Two Million Dollars ($2,000,000), (2) workers compensation insurance as required by law, and (3) "all risk" property insurance on Tenant's above-standard tenant improvements (specifically those improvements exceeding the Allowance as defined in Exhibit A hereto), personal property, equipment, furniture and fixtures. The limit of said insurance shall not, however, limit the liability of the Tenant hereunder. Tenant may carry said insurance under a blanket policy, providing, however, said insurance by Tenant shall have a Landlord's protective liability endorsement attached thereto. If Tenant shall fail to procure and maintain said insurance, Landlord may, but shall not be required to, procure and maintain same, but at the expense of Tenant.

All the insurance required under this Lease shall:

A. Be issued by insurance companies authorized to do business in the State of California, with a financial rating of at least an AAA status as rated in the most recent edition of Best's Insurance Reports.

B. Be issued as a primary policy.

C. Contain an endorsement requiring thirty (30) days' written notice from the insurance company to both parties and to Landlord's lender before cancellation or change in the coverage, scope, or amount of any policy.

Each policy, and a certificate of the policy, together with evidence of payment of premiums, shall be deposited with Landlord at the commencement of the term, and on renewal of the policy not less than twenty (20) days before expiration of the term of the policy.

17. SERVICES AND UTILITIES.

A. Provided that Tenant is not in default hereunder, Landlord agrees to furnish to the Premises five- (5-) day per week janitorial service. Landlord shall also maintain and keep lighted, heated and air conditioned during reasonable hours of generally recognized business days, the common entries, common corridors, common stairs and toilet rooms in the Building of which Premises are a part. Landlord shall not be liable for, and Tenant shall not be entitled to, any reduction of rental by reason of Landlord's failure to furnish any of the foregoing when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord. Landlord shall not be liable under any circumstances

for a loss of or injury to property, however occurring, through or in connection with or incidental to failure to furnish any of the foregoing.

B. Tenant shall have twenty-four- (24-) hour per day, seven- (7-) day per week access to its Premises.

C. Landlord shall provide Tenant a monthly allowance of $.11 per usable square foot in the Premises (that is, $4,191.55; $3,984.31 and $4,107.62 for the first, second and third floors of the Building, respectively) for Tenant's electrical service. This allowance is included in the Base Rent as defined in Article 5 of this Lease. Landlord and Tenant recognize that Tenant's electrical service shall cost in excess of Eleven Cents ($.11) per square foot per month due to Tenant's heavy electrical and air conditioning requirements, and Tenant shall pay any such excess costs for electrical service.

D. The hours of operation of the heating and air conditioning system for the Building are as follows:

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| Monday through Friday: | 7:00 a.m. to 6:00 p.m. |
| Saturdays: | 8:00 a.m. to 3:00 p.m. |

E. In the event Tenant requires the operation of the heating and air conditioning system beyond the normal hours of operation for the Building, Tenant shall notify the Building manager in advance of the required extended hour usage, and the Building manager shall program the heating and air conditioning system to operate during the time period requested by Tenant.

F. In the event Tenant shall request that an override mechanism be installed during the term of this Lease, an override mechanism shall be installed on the heating and air conditioning system which services the Premises. The cost of this mechanism shall be paid by the Tenant at the time of the installation. This mechanism shall allow Tenant to have control of the heating and air conditioning system for the Premises in hours other than the normal Building hours.

Along with the override mechanism, an hourly meter shall be attached to the override mechanism which shall measure Tenant's use of the heating and air conditioning system beyond the normal Building hours. On a monthly basis, Landlord shall charge Tenant for this usage by multiplying the number of hours used by the per hour charge for operating the heating and air conditioning system which shall be determined by Landlord's electrical engineer and heating and air conditioning contractor.

18. PROPERTY TAXES. Tenant shall pay, or cause to be paid, before delinquency, any and all taxes levied or assessed and which become payable during the term hereof upon all Tenant's leasehold improvements, equipment, furniture, fixtures and personal property located in the Premises; except that which has been paid for by Landlord, and is the standard of the Building. In the event any or all of the Tenant's leasehold improvements, equipment, furniture, fixtures and personal property shall be assessed and taxed with the Building, Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.

19. RULES AND REGULATIONS. Tenant shall faithfully observe and comply with the reasonable rules and regulations for the Building that Landlord shall from time to time promulgate. A copy of the current Rules and Regulations for the Building is attached hereto as Exhibit B. Landlord reserves the right from time to time to make all reasonable modifications to said rules. The additions and modifications to those rules shall be binding upon Tenant upon delivery of a copy of them to Tenant. Landlord shall not be responsible for the nonperformance of any said rules by any other tenants or occupants. The rules and regulations shall be applied equally to all tenants occupying the Building.

20. HOLDING OVER. If Tenant remains in possession after the expiration or sooner termination of this Lease, all of the terms, covenants and agreements hereof shall continue to apply and bind Tenant so long as Tenant remains in possession insofar as the same are applicable, except that if Tenant remains in possession without Landlord's written consent (regardless of whether Landlord accepts rent payments in a lesser amount during such holdover period), the Base Rent shall be one hundred twenty-five percent (125%) of the Base Rent payable for the last month of the term, prorated on a daily basis for each day that Tenant remains in possession, and Tenant shall indemnify Landlord against any and all claims, losses and liabilities for damages resulting from failure to surrender possession, including, without limitation, any claims made by any succeeding tenant. If Tenant remains in possession with Landlord's written consent, such tenancy shall be from month to month, terminable by either party on not less than thirty (30) days' written notice.

21. ENTRY BY LANDLORD. Landlord reserves and shall at any and all times have the right to enter the Premises, inspect the same, supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to submit said Premises to prospective purchasers or tenants, to post notices of non-responsibility, and to alter, improve or repair the Premises and any portion of the Building of which the Premises are a part that Landlord may deem necessary or desirable, without abatement of rent and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always providing that the

entrance to the Premises shall not be blocked thereby, and further providing that the business of the Tenant shall not be interfered with unreasonably. Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults, safes and files, and specific, secured, sensitive and confidential offices and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in any emergency, in order to obtain entry to the Premises without liability to Tenant except for any failure to exercise due care for Tenant's property. Any entry to the Premises obtained by Landlord by any of said means, or otherwise shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof.

22. RECONSTRUCTION.

A. In the event the Premises or the Building of which the Premises are a part are damaged by fire or other perils covered by all-risk insurance, Landlord agrees to forthwith repair the same, and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by Tenant in the Premises. If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

B. In the event the Premises or the Building of which the Premises are a part are damaged as a result of any cause other than the perils covered by fire or extended coverage insurance, then Landlord shall forthwith repair the same provided the extent of the destruction be less than ten (10%) of the then full replacement cost of the Premises or the Building of which the Premises are a part. In the event the destruction of the Premises or the Building is to an extent greater than ten (10%) of the full replacement cost, then Landlord shall have the option (1) to repair or restore such damage, this Lease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove in this Article provided; or (2) give notice to Tenant at any time within sixty (60) days after such damage terminating this Lease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Lease shall expire and all interest of the Tenant in the Premises shall terminate on the date so specified in such notice and the Rent, reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Premises, shall be paid up to date of said such termination.

C. Notwithstanding anything to the contrary contained in this Article, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore any damage to the Premises resulting from any casualty covered under this Article which occurs during the last twelve (12) months of the term of this Lease or any extension thereof.

D. Tenant shall repair any injury or damage by fire or other cause, and make any repairs to or replacements of any over-standard tenant improvements (specifically those exceeding Allowance as defined in Exhibit A hereto) or Tenant's trade fixtures, equipment, furniture or personal property. Landlord shall have no obligation to make any such repairs or replacements.

E. Except for abatement of rent as provided above, the Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises, Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

23. DEFAULT. The occurrence of any or more of the following events shall constitute a default and breach of this Lease by Tenant:

A. The vacating or abandonment of the Premises by Tenant, except in cases when Tenant is current with all rental payments.

B. The failure by Tenant to make any payment of rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of ten (10) days after written notice thereof by Landlord to Tenant.

C. The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by the Tenant, other than described in Sections 23.A. and 23.B. above, where such failure shall continue for a period of thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently

prosecutes such cure to completion.

D. The making by Tenant of any general assignment or general arrangement for the benefit of creditors, or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition or reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interests in this Lease, where such seizure is not discharged in thirty (30) days.

24. REMEDIES IN DEFAULT. In the event of a default by Tenant, Landlord, at any time thereafter, may give a written termination notice to Tenant, and on the date specified in such notice (which shall be not less than three (3) days after the giving of such notice), Tenant's right to possession shall terminate and this Lease shall terminate, unless on or before such date all sums identified in such three (3) day notice have been paid by Tenant and all other breaches of this Lease by Tenant at the time existing shall have been fully remedied to the satisfaction of Landlord. If Landlord terminates this Lease pursuant to the provisions of this Section, Landlord shall have all the rights and remedies of a landlord provided by Section 1951.2 of the California Civil Code or any successor code section. Upon such termination, in addition to any other rights and remedies to which Landlord may be entitled under applicable law, Landlord may recover from Tenant: (a) the worth at the time of award of the unpaid rent which had been earned at the time of termination; (b) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rent loss that Tenant proves could have been reasonably avoided; (c) the worth at the time of award of the amount by which the unpaid rent for the balance of the term of this Lease after the time of award exceeds the amount of such rent loss that Tenant proves could be reasonably avoided; and (d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom. The "worth at the time of award" of the amounts referred to in clauses (a) and (b) above shall be computed by allowing interest at the lesser of (i) twelve percent (12%) per annum, or (ii) the highest rate permitted by applicable law. The worth at the time of award of the amount referred to in clause (c) above shall be computed by discounting such amount at a rate equal to the discount rate of the Federal Reserve Board of San Francisco at the time of award plus one percent (1%).

25. EMINENT DOMAIN. If more than twenty-five (25%) percent of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain, either party hereto shall have the right, at its option, to terminate this Lease, and Landlord shall be entitled to any and all income, rent, award or any interest therein whatsoever which may be paid or made in connection with such public or quasi-public use or purpose, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease. If either less than or more than twenty-five (25%) percent of the Premises is taken, and neither party elects to terminate as herein provided, the rental thereafter to be paid shall be equitably reduced. If any part of the Building other than the Premises may be so taken or appropriated, Landlord shall have the right at its option to terminate this Lease and shall be entitled to the entire award as above provided. Notwithstanding the foregoing, Tenant shall be entitled to that portion of any condemnation award made specifically on account of Tenant's relocation expenses, increased rental costs, improvements contracted at Tenant's expense or disruption of Tenant's business.

26. ESTOPPEL CERTIFICATE. At any time and from time to time, but in no event on less than ten (10) days prior written request by Landlord, Tenant shall execute, acknowledge and deliver to Landlord, promptly upon request, a certificate certifying: (a) that Tenant has accepted the Premises (or, if Tenant has not done so, that Tenant has not accepted the Premises, and specifying the reasons therefor); (b) the commencement and expiration dates of this Lease; (c) whether there are then existing any defaults by Landlord in the performance of its obligations under this Lease (and, if so, specifying the same); (d) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification); (e) the capacity of the person executing such certificate, and that such person is duly authorized to execute the same on behalf of Tenant; (f) the date, if any, to which rent and other sums payable hereunder have been paid; (g) that no notice has been received by Tenant of any default which has not been cured, except as to defaults specified in the certificate; (h) the amount of any security deposit and prepaid rent; and (i) such other matters as may be reasonably requested by Landlord. Any such certificate may be relied upon by any prospective purchaser, mortgagee or beneficiary under any deed of trust affecting the Building or any part thereof.

27. PARKING. Tenant shall have the right to use, in common with other tenants or occupants of the Building, the parking facilities of the Building. Tenant agrees that, after the effective date of this Lease, at Landlord's option, Landlord may construct (in conjunction with the construction of a third building adjacent to the Building and for Regency I) a parking structure in portions of the common areas

currently used for grade-level parking, provided the parking ratios are not thereby reduced. Tenant acknowledges that the parking facilities for the Building, for Regency I and for the property adjacent thereto commonly known as the Regency Theater are subject to an existing written reciprocal parking rights agreement.

28. COMMUNICATIONS INSTALLATION. Tenant may install certain communications equipment on the roof of the Building in compliance with applicable law. On or before the Term Expiration Date or earlier termination of this Lease, Tenant, at Tenant's sole cost and expense, shall remove such communications equipment and shall, forthwith and with all due diligence, repair any damage to the Premises or the Building caused by such removal.

29. AUTHORITY OF PARTIES; LIMITATION

A. Authority. Each individual executing this Lease on behalf of either party represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of such party.

B. Limitation of Liability. It is understood and agreed that any recovery made upon any claim by Tenant against Landlord shall be limited solely to Landlord's ownership interest of Landlord in the Building, and furthermore, Tenant expressly waives any and all rights to proceed against the other assets of Landlord, or against any trustee, employee, partner, shareholder, director or agent of Landlord.

30. GENERAL PROVISIONS.

A. Plats and Riders. Clauses, plats and riders, if any, signed by the Landlord and the Tenant and endorsed on or affixed to this Lease are by this reference made a part hereof.

B. Waiver. The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptances of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.

C. Notices. All notices and demands which may or are to be required or permitted to be given by either party to the other hereunder shall be in writing. All notices and demands by the Landlord to the Tenant shall be sent by United States Mail, postage prepaid, addressed to the Tenant at 120 North Redwood Drive, San Rafael, California 94903, or to such other places as Tenant may from time to time designate in a notice to the Landlord. All notices and demands by the Tenant to the Landlord shall be sent by United States Mail, postage prepaid, addressed to the Landlord at 100 Smith Ranch Road, Suite 325, San Rafael, California 94903, or to such other person or place as the Landlord may from time to time designate in a notice to the Tenant.

D. Joint Obligation. If there be more than one Tenant the obligations hereunder imposed upon Tenants shall be joint and several.

E. Marginal Headings. The marginal headings and titles to the Articles of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

F. Time. Except with respect to the delivery of the Premises to Tenant, time is of the essence of this Lease and each and all of its provisions in which performance is a factor.

G. Successors and Assigns. The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

H. Recordation. Neither Landlord nor Tenant shall record this Lease or a short form memorandum hereof without the prior written consent of the other party.

I. Quiet Possession. Upon Tenant paying the rent reserved hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Lease.

J. Hazardous Materials. Landlord hereby represents that, to the best of Landlord's actual knowledge, there are no hazardous or toxic materials on the real property on which the Building and Regency I are located, nor, to the best of Landlord's actual knowledge, have any hazardous or toxic materials been removed from such real property. Notwithstanding the foregoing, Tenant has been advised and is aware that property adjacent to the Building has previously been used as a sanitary landfill.

K. Late Charges. Tenant hereby acknowledges that late payment by

Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after said amount is past due, then Tenant shall pay to Landlord a late charge equal to five (5%) percent of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

L. Prior Agreements. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.

M. Inability to Perform. This Lease and the obligations of the Tenant hereunder shall not be affected or impaired because the Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the reasonable control of the Landlord.

N. Attorneys' Fees. In the event of any action or proceeding brought by either party against the other under this Lease the prevailing party shall be entitled to recover all costs and expenses including the fees of its attorneys in such action or proceeding in such amount as the court may adjudge reasonable as attorneys' fees.

O. Sale of Premises by Landlord. In the event of any sale of the Building, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale; and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such purchaser to have assumed and agreed to carry out any and all of the covenants and obligations of the Landlord under this Lease.

P. Subordination and Attornment. Landlord represents and warrants to Tenant that, as of the date hereof, no person or entity holds a mortgage or deed of trust affecting the Premises or the Building. Upon request of the Landlord, Tenant will in writing subordinate its rights hereunder to the lien of any first mortgage or deed of trust to any bank, insurance company or other lending institution, now or hereafter in force against the real property and Building of which the Premises are a part, and upon any buildings hereafter placed upon the real property of which the Premises are a part, and to all advances made or hereafter to be made upon the security thereof. Notwithstanding such subordination, neither Tenant's right to quiet possession of the Premises nor this Lease shall be disturbed or affected if Tenant is not in default hereunder and so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms.

Q. Foreclosure. In the event any proceedings are brought for foreclosure, or in the event of the exercise of power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, the Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease.

R. Name. Tenant shall not use the name of the Building or of the development in which the Building is situated and is a part for any purpose other than as an address of the business to be conducted by the Tenant in the Premises.

S. Separability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and such other provision shall remain in full force and effect.

T. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

U. Choice of Law. This Lease shall be governed by the laws of the State of California.

V. Signs and Auctions. Tenant shall not place any sign upon the Premises or the Building or conduct any auction thereon

without Landlord's prior written consent.

31. BROKERS. Tenant warrants that it has had no dealings with any real estate brokers or agents in connection with the negotiation of this Lease and Tenant knows no real estate broker or agent who is entitled to a commission in connection with this Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the dates set forth below and this Lease shall be effective on the later of such dates.

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| REGENCY CENTER,<br>A CALIFORNIA GENERAL<br>PARTNERSHIP | FAIR, ISAAC AND COMPANY,<br>INCORPORATED,<br>A DELAWARE CORPORATION |
| BY: /S/ JOSEPH PELL<br>ITS: GENERAL PARTNER | BY: /S/ GERALD de KERCHOVE<br>ITS: EXECUTIVE VICE PRESIDENT |
| DATE: NOVEMBER 22, 1996 | DATE: NOVEMBER 18, 1996 |

EXHIBIT 10.29

SIXTH ADDENDUM T0 LEASE
BY AND BETWEEN
THE JOSEPH PELL AND EDA PELL REVOCABLE TRUST
(THE LANDLORD)
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
(THE TENANT)
DATED
JULY 1, 1993

This Addendum to Lease dated January 10, 1996, ("Sixth Addendum") is hereby attached to and incorporated into and made a part of that lease dated July 1, 1993, by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated and First Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated July 1, 1993, and Second Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated January 31, 1994, and Third Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company Incorporated dated January 31, 1994, and Fourth Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated December 15, l994 and the Fifth Addendum to Lease by and between the Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated May 24, 1995. The parties agree to the following terms and conditions set forth herein below:

LEASE

2. PREMISES: Paragraph 2 shall be amended to provide that Tenant's Premises on the Third Floor shall be increased from approximately 18,115 rentable square feet and 16,210 usable square feet ("Original Premises") to 27,320 rentable square feet and 24,392 usable square feet ("Added Premises") to include the Premises known as Suite 301 (9,205 rentable SF and 8,182 useable SF) as shown on the attached Exhibit A.

4. POSSESSION: Tenant shall take possession of the Added Premises on March 18, l996, the first business day after Headquarters Companies vacates the premises in accordance with its Lease Termination Agreement dated January 9, 1996.

5. A. RENT: Paragraph 5.A. of the Lease shall be amended to provide that Tenant agrees to pay Landlord as Base Rent for the Added Premises the sum of Nineteen Thousand Two Hundred Thirty-eight and 45/100 Dollars ($19,238.45) (9,205 rentable SF x $2.09 per square foot) which makes the total Base Rent for the Third Floor Premises Fifty-five Thousand Four Hundred Sixty-eight and 45/100 Dollars ($55,468.45).

If Fair, Isaac executes a long-term lease at Regency Center 1 (ten years minimum), the base rental rate on the Added Premises of this Addendum shall be the same as all the other space in the building.

7. OPERATING EXPENSES ADJUSTMENTS: Paragraph 7 shall be amended to provide that Tenant shall pay 26% of the increase in Direct Expenses (27,320RSF/105,000SF).

The Base Year for the Added Premises shall be 1996.

FIRST ADDENDUM

4. TENANT IMPROVEMENT ALLOWANCE:

Landlord shall provide a tenant improvement allowance of Twenty-five Thousand Dollars ($25,000.00) to be used on design and construction for the Added Premises. Landlord shall pay this allowance to Fair, Isaac within thirty (30) days after occupancy of the Premises by Fair. Isaac.

SECOND ADDENDUM

5. SERVICES AND UTILITIES

Paragraph C shall be amended as follows:

Tenant's monthly allowance for the entire Third Floor Premises shall be $3,005.20 (27,320 rentable SF x $.11).

Tenant shall pay the amount of $2,683.12 (24,392 useable SF x $.11) per month as a projected expense for over-standard electrical usage.

SIXTH ADDENDUM

1. MOVE-OUT COMPENSATION: In the event Fair, Isaac does not sign a long-term lease (ten years minimum) at Regency Center I and moves out of the Added Premises, it shall pay as compensation on or before the date the Premises are vacated, six (6) months rent at the then existing rate. If the Added Premises are leased and occupied prior to the end of that six (6) month period, the move-out compensation shall be reduced for each month the space is occupied and rent is paid.

LANDLORD The Joseph Pell and Eda Pell Revocable Trust

By: /s/Joseph Pell
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Joseph Pell, Trustee

Date: 3-7-96

TENANT Fair, Isaac and Company, Incorporated

By: /s/ Michael C. Gordon

Its:

Date: 3-7-96

EXHIBIT 10.29

SEVENTH ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST
("THE LANDLORD")
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
("THE TENANT")

This Seventh Addendum to Lease dated November 22, 1996 ("Seventh Addendum"), is hereby attached to and incorporated into and made a part of that Lease dated July 1, 1993, by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated as amended by a First Addendum to dated July 1, 1993; a Second Addendum to Lease dated January 31, 1994; a Third Addendum to Lease dated January 31, 1994; and a Fourth Addendum to Lease dated December 15, 1995; a Fifth Addendum to Lease dated May 24, 1995; and a Sixth Addendum to Lease dated January 10, 1996 ("the Lease"). The parties agree to the following terms and conditions set forth herein below:

Recitals

A. Landlord and Tenant are parties to the Lease pursuant to which Landlord leased to Tenant and Tenant leased from Landlord office space containing approximately 27,320 rentable square feet and 24,392 useable square feet comprising part of the of the Third Floor of that certain office building known as Regency Center I ("Regency I") located at 100 Smith Ranch Road, San Rafael, California ("the Premises").

B. Landlord is currently constructing a building adjacent to Regency I, which new building will be known as Regency Center II, and which will be leased in its entirety to Tenant pursuant to an Office Building Lease of even date herewith.

C. Landlord and Tenant now desire to amend the Lease as hereinafter set forth.

D. The capitalized terms herein, unless otherwise indicated, shall have the meanings ascribed to them in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Paragraph 3 ("Right of First Opportunity") of the First Addendum to Lease is hereby deleted in its entirety.

2. Subparagraph A and sub-subparagraph (i) of Paragraph 2 ("Option to Extend") of the First Addendum to Lease are hereby deleted and the following substituted therefor:

> "A. Landlord grants to Tenant the option to extend the term of this Lease for the Existing Premises for one (1) ten (10) year period commencing upon expiration of the Term for the lease of the Existing Premises, upon each and all of the following terms and conditions:"
>
> > "(i) Tenant gives to Landlord and Landlord receives notice of the exercise of the option to extend this Lease for said additional term no later than twelve (12) months prior to the time that the option period would commence if the option were exercised, time being of the essence. If said notification of the exercise of said option is not so given and received, this option shall automatically expire;"

3. Except as set forth herein, the Lease shall remain unmodified and in full force and effect. Should there by any conflict between the terms of the Lease and the terms of this Seventh Addendum, the terms of this Seventh Addendum shall control.

IT WITNESS WHEREOF, the parties have executed this Seventh Addendum to Lease as of the date first written above.

The Joseph and Eda Pell Revocable Trust

By: /s/ JOSEPH PELL
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Joseph Pell, Trustee

By: /s/ EDA PELL
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Eda Pell, Trustee

Fair, Isaac and Company, Incorporated

By: /s/ MICHAEL C. GORDON
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Its: Vice President
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Exhibit A

Map of the Third Floor of Regency Center

Approximately 9205 Rentable Sq. Ft.

FIRST ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST, LANDLORD
AND
FAIR, ISAAC AND COMPANY, INCORPORATED, TENANT
DATED JULY 10, 1993

1. TENANT IMPROVEMENTS

A. Working Drawings and Specifications ("Bid Package"): Tenant shall authorize Richard Pollack and Associates or any other architect or architectural firm of Tenant's choice ("Architect") to prepare a space plan, construction drawings and design specifications for the Premises. Tenant may direct Architect to utilize the services of consultants ("Consultants") to provide engineered drawings and design specifications for the mechanical, electrical and plumbing systems in the Premises, including, but not limited to any air conditioning system, duct work, heating and electric facilities. (All such architectural and engineering drawings and specifications are herein referred to collectively as the "Bid Package"). In putting together the Bid Package, Architect and Consultants shall exert their best efforts to reuse all existing improvements in the Premises where possible and in conformance with Tenant's requirements in the Premises. Tenant shall not be required to reuse existing light fixtures in the Premises, but rather shall specify its own light fixtures. Landlord shall provide the Architect and Consultants with the base building capacity for (1) electrical power, (2) HVAC and (3) floor loading (live and dead load capacities and design criteria for the Premises). The Bid Package shall be submitted to Tenant for its review and written approval which shall be evidenced by Tenant's signing the Bid Package. The Bid Package shall also be submitted to Landlord for Landlord's approval which shall also be evidenced by Landlord's signing the Bid Package. Landlord's approval shall not be unreasonably withheld. It is the understanding of the parties that Tenant intends to provide its employees with high quality office space which meets the current needs of the workforce and enhances the work performance of the employees and the company, while remaining flexible enough to accommodate the growth and changing needs of the Tenant. In other words, the Tenant may not always be looking for the most economical solution or method of construction, but rather one which provides Tenant with the highest ability to perform its work while maintaining flexibility for future needs.

All architectural design, engineering, and consulting fees shall be included in the Tenant Improvement Allowance. See Addendum 1[1.C. Tenant may require that certain subcontractors be used by the Contractor in bidding and performing the work, including, but not limited to, WBE Electrical, WBE Telecom and Peerless Lighting.

The Bid Package shall include the Construction Contract which shall be provided by Tenant. Landlord shall have the right to review and approve the Construction Contract and make any necessary changes with respect to preserving and protecting Landlord's rights, remedies and property.

The Bid Package shall be completed and accepted by both Landlord and Tenant no later than July 1, 1994. Each party shall have at least ten (10) working days to review the Bid Package. Tenant will prepare a schedule for delivery and review of the Bid Package by January 1, 1994.

B. Contractor: The Contractor who shall perform the tenant improvement work in the Premises shall be selected from two bidders. Landlord shall select one Contractor and Tenant shall select one Contractor. No later than June 1, 1994, Landlord and Tenant shall provide each other with the name and address of their respective Contractor. Landlord shall have fourteen (14) days to evaluate the Contractor selected by Tenant. Landlord's criteria for evaluation of Tenant's Contractor shall include, but not be limited to, reputation and quality of workmanship, record of completing previous jobs on schedule and within budget, relationship with the City of San Rafael Building and Planning Departments, cooperativeness in dealing with Landlord and its employees, financial strength and billing procedure. Tenant shall have fourteen (14) days to evaluate Landlord's Contractor. Tenant's criteria for evaluation of Landlord's Contractor shall include, but not be limited to, cost effectiveness, quality of workmanship, creativity, record of completing work on schedule and within budget, and an understanding of Tenant's current and future requirements and a good working relationship with Tenant and Tenant's employees. Landlord and Tenant shall each use best efforts in ensuring that their evaluation process of each other's Contractors is fair and reasonable. A copy of the Bid Package may be given to each Contractor and may be used in evaluating the Contractor. Landlord and Tenant shall have the right to reject each other's Contractor based on any of the above criteria or any other relevant criteria. If a Contractor is rejected, the reasons for the rejection shall be stated in a letter to Landlord or Tenant. If a Contractor is rejected by Landlord or Tenant, another Contractor shall be selected and its name submitted in writing within five (S) days. Each Contractor shall be evaluated using the same criteria stated above. Neither Tenant nor Landlord may reject more than three Contractors submitted by the other.

Landlord may submit its own name as a Contractor.

As soon as Landlord approves Tenant's choice of a Contractor ("Tenant's Contractor") and as soon as Tenant approves Landlord's

choice of a Contractor ("Landlord's Contractor") Tenant's Contractor and Landlord's Contractor shall be requested in writing to submit a bid on the Bid Package. Ten (10) working days after receipt of the request for bid and the complete Bid Package, both Contractors shall submit a sealed fixed price contract bid (on such contract form as Landlord, Tenant and Architect shall designate) to construct the tenant improvements specified in the Bid Package. Landlord and Tenant shall jointly open and review the bids. Landlord and Tenant (after adjustments for any inconsistent assumptions to reflect an "apples-to-apples" comparison) shall select the lowest price bidder as the Contractor ("Contractor"). The Contractor shall enter into a construction contract with Tenant consistent with the terms of the Bid Package and its bid to construct the tenant improvements. That contract must state that Tenant shall hold Landlord harmless from any and all liability for the work to be performed under the terms of that construction contract.

If Landlord's Contractor is not selected as the successful bidder, Tenant shall pay Landlord or its representative a reasonable owner's representation fee to compensate Landlord for its time and effort in inspecting and overseeing the construction of the tenant improvement work and assuring itself of good quality materials and workmanship, that the work contained in the Request for Disbursement (see Addendum 1[1.D.) is complete, and that there is no interference with the day-to-day operations of the Building as a result of Tenant's construction. The parties agree that the maximum fee chargeable by Landlord shall be $50.00 per hour for up to five (5) hours per week. This fee shall be deducted from the Tenant Improvement Allowance (see Addendum to Lease 111.C.

C. Tenant Improvement Allowance: Landlord shall contribute Seven Hundred Sixty-two Thousand Two Hundred Twenty Dollars ($762,220.00) ($23.00 x 33,140 usable SF) toward the construction of the tenant improvements for Tenant's Premises ("Tenant Improvement Allowance"). The Tenant Improvement Allowance shall include all architectural, engineering and consultant fees, and all other fees charged in conjunction with preparation of the Bid Package. All costs exceeding the Tenant Improvement Allowance shall be borne by Tenant.

D. Disbursement of Tenant Improvement Allowance: Once a month, on or before the 10th day of the month, Tenant shall present to Landlord a Request for Disbursement ("Request for Disbursement") requesting payment by Landlord of any costs associated with the design, engineering or construction of the tenant improvements. The Request for Disbursement shall include the following information:

1) A certificate from Tenant confirming that all of the work contained in the Request for Disbursement has been completed in accordance with the applicable contracts.

2) A Certificate from Tenant's Architect confirming that all of the work contained in the Request for Disbursement has been completed in accordance with the applicable contracts and certifying that materials have arrived on the job.

3) Unconditional mechanics lien releases and copies of invoices from the Contractor, subcontractors, suppliers and materialmen marked "Paid."

4) And such other reasonable documentation as may be requested by Landlord not later than the 25th day of the previous month.

Payment shall not be made on any Request for Disbursement until all of the information and documentation above is complete.

Payment shall be made only for those materials which have been installed or which have been delivered to the Premises. Landlord shall have five (5) calendar days from the date of receipt of the Request for Disbursement to review same and request clarification. If Landlord is in Agreement with the Request for Disbursement, payment shall be made to Tenant within ten (10) days of receipt of the Request for Disbursement. If any items are in dispute, Landlord shall not make payment on those items until the dispute is resolved, but Landlord shall make payment to Tenant of all amounts not in dispute within ten (10) days of receipt of the Request for Disbursement. Landlord shall not unreasonably withhold its approval of any Request for Disbursement or on any specific request for payment made therein. A final disbursement of Twenty-five Thousand Dollars ($25,000.00) shall be held until all punchlist items in Tenant's Premises are complete, and the time for the filing of any mechanics liens claimed or which might be filed on account of any work performed by Tenant, Contractor, subcontractors, suppliers or materialmen has passed. Any damage to Landlord's property will be repaired to Landlord's satisfaction. Once Landlord has disbursed the entire amount of the Tenant Improvement Allowance (See Addendum 1[1.C.) to Tenant, except the final disbursement of $25,000.00, any and all costs associated with the design, engineering or construction of Tenant's Premises shall be paid directly by Tenant.

E. Change Orders: Tenant may, but only by written instructions or drawings issued to Landlord and Contractor ("Change Order Request"), make changes to the work specified in the Bid Package, including without limitation, requiring additional work, directing the omission of work previously ordered or changing the quantity or type of any materials, equipment or services. Promptly upon receipt of a Change Order Request, Contractor will provide Tenant with a statement in detail setting forth the cost of said change (including a breakdown of costs attributable to labor and materials, construction equipment exclusively necessary for the change, and preparation or amendment to shop drawings resulting from said change and any time delays

anticipated to result from said change). Tenant will have two (2) days after receipt of such statement in which to confirm the Change Order Request and authorize the work to be performed or to withdraw such request. Change Orders will be signed by Landlord and Tenant in advance of any work being performed on a Change Order.

F. Substantial Completion: For purposes of this Lease, "Substantial Completion" shall mean that construction of the tenant improvements has been completed in accordance with the Bid Package, except for minor finishing details of construction, decoration, mechanical adjustment, minor replacement of defective or damaged materials, and other items of a type commonly found on architectural punchlists, all of which do not materially interfere with the occupancy and use of the Premises by Tenant or with Tenant's ability to complete the improvements to the Premises to be made by Tenant. Within three (3) days of Substantial Completion Tenant's, Architect shall notify Landlord in writing that the Premises are Substantially Complete. If Tenant is conducting business in any part of the Premises the space shall be automatically deemed Substantially Complete.

Within ten (10) calendar days after Substantial Completion of the tenant improvements, Tenant, accompanied by Landlord or Landlord's representative, shall make an inspection of the Premises and prepare a punchlist of items needing additional work by the Contractor. Contractor shall complete all punchlist items reasonably identified by Tenant or Landlord within thirty (30) calendar days after the inspection or as soon as practicable thereafter. If there is any dispute as to whether Contractor has substantially completed the work, a good faith decision of Tenant's Architect shall be final and binding on the parties.

G. Standard of Construction: Contractor shall complete all work in accordance with the Bid Package approved by Landlord and Tenant and shall make no alterations, additions, or reinforcements to the structure of the building except as specifically approved by Landlord in the Bid package, or in writing thereafter. Tenant, or Contractor, at its expense, shall procure all building and other permits required for completion of Tenant's work. Tenant agrees that all work done by Tenant, its Contractor and subcontractors shall be performed in full compliance with all laws, rules, orders, permits, ordinances, directions, regulations and requirements of all governmental agencies, offices, and departments having jurisdiction, including without limitation applicable provisions pertaining to use of hazardous or toxic materials and the Americans with Disabilities Ac't, and in full compliance with the rules, orders, directions, regulations and requirements of the Board of Fire Underwriters or any other organization performing a similar function.

Landlord shall have the right to enter the Premises at any time to post any Notice of Non-Responsibility or other notice on the Premises during Tenant's construction. Contractor and all contractors and subcontractors retained by Tenant or Contractor shall be bondable and bonded, licensed contractors, possessing good labor relations, adequate financials, and with a record of performing quality workmanship.

During the course of construction, Tenant shall maintain builder's risk insurance in form and content reasonably satisfactory to Landlord. Tenant's insurance shall name Landlord as an additional insured and shall provide that it may not be canceled or amended without twenty (20) days prior written notice to Landlord. At least seven (7) calendar days prior to commencement of construction, Tenant shall provide Landlord with a certificate of such insurance and evidence of any required bonds in form satisfactory to Landlord.

Contractor shall complete the tenant improvement work with diligence and in such a manner as not to interfere with the use or enjoyment of other portions of the Project or common areas by Landlord or other tenants. Contractor shall provide for all temporary power, water and other utility facilities as required in connection with the construction of Tenant's work. Contractor shall provide its own dumpster for collection and disposition of construction debris, which shall be located at a location approved by Landlord, and all construction debris from construction shall be disposed of in Contractor's dumpster and not in trash facilities for the Project. Contractor's construction materials, tools, equipment and debris shall be stored only within the Premises, or in areas designated for that purpose by Landlord. Work space exterior to the Premises shall be available only with the written approval of Landlord. Tenant's construction work shall be subject to the inspection and supervision of Landlord and Landlord's representatives.

Tenant and Contractor shall indemnify and hold harmless Landlord for any and all claims arising from Tenant's work. Tenant shall pay for all damage to the Building, the Project, or appurtenant areas or equipment, as well as all damage to tenants or occupants thereof or their licensees, or invitees, including, but not limited to, losses incurred as the result of power outages caused by Tenant's or Contractor's work in the Building. Any such damages may be deducted from the Tenant Improvement Allowance.

H. Liability: The parties acknowledge that Landlord is not an architect or engineer and that the tenant improvement work will be designed by independent Architects, Engineers and Consultants. Accordingly, Landlord does not guarantee or warrant that any part of the Bid Package will be free from errors or omissions, and Landlord shall have no liability therefor.

Tenant shall be solely responsible for the adequacy in all respects of the Bid Package, including without limitation compliance with all

governmental requirements, compatibility with the building shell, and any special requirements of Tenant's proposed equipment or machines with respect to ambient temperatures, electrical use or current, or water availability. Landlord shall warrant only that the information provided regarding the base building (referred to in Addendum to Lease 111.A.) is true and correct to the best of its knowledge. Tenant acknowledges that in connection with obtaining Landlord's approval of the Bid Package, Tenant may provide Landlord with certain information regarding its specific needs relating to the Premises in developing plans and specifications for Tenant's work and that Tenant may provide some of its own equipment for installation in the Premises. Tenant further acknowledges that Landlord will make no independent review of any such information and that Landlord does not warrant, either expressly or impliedly, the adequacy of the Bid Package for Tenant's requirements or Tenant's equipment for Tenant's intended purpose.

I. Ownership of Tenant Improvements: Upon termination of the Lease, all of the tenant improvements shall remain in the Premises unless Landlord shall consent in writing to the removal thereof by Tenant. However, all Tenant's trade fixtures, equipment, furniture and personal property shall remain the property of Tenant.

J. Life Safety: With respect to Life Safety System, Landlord believes to the best of its knowledge that Regency Center meets all current code requirements including handicap access compliance. If any code requirements are not met with respect to the Building's Life Safety System all costs to accomplish changes necessary to the Building shall be covered by Landlord. All code compliance costs with respect to Tenant's Premises shall be covered by the Tenant Improvement Allowance or by Tenant.

K. Use of Current Fixtures in Space: Tenant shall have the right to reuse the fixtures currently in the Premises including but not limited to all cafeteria built-ins, the moveable partitions (retractable wall) in the training rooms and fire extinguishers and cases. The food trolley located in the cafeteria and the equipment purchased or leased by the previous Tenant including, but not limited to, the cafeteria tables and chairs, ice dispenser, training room tables, chairs, white boards, projection screen, reception desk, counter and hutch are not part of the fixtures in the Premises.

3. POSSESSION

A. Possession of the Premises ("Possession") shall be delivered to Tenant no later than October 1, 1994 for the purpose of constructing the tenant improvements. If possession of the space cannot be delivered by Landlord by that date, for any reason whatsoever, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the expiration date of the term of Lease be in any way extended, but in that event, of Commencement Date (as defined in Addendum 14.A.) shall be extended by the exact number of days of Landlord's delay in delivering possession. Landlord shall inform Tenant of the date of Possession in writing at least thirty (30) days prior to Possession.

B. If Landlord shall not have delivered Possession of the Premises within ninety (90) days after the Commencement Date (as defined in Addendum 1[4.A.), Tenant may, at Tenant's option, by notice in writing to Landlord within ten (10) days thereafter, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder; provided, however, that if such written notice by Tenant is not received by Landlord within said ten (10) day period, Tenant's right to cancel this lease hereunder shall terminate and be of no further force or effect.

4. COMMENCEMENT

A. If Possession is delivered on October 1, 1994 the Commencement Date ("Commencement") shall be defined as December 1, 1994 or five (5) days after Substantial Completion of the tenant improvement work (as defined in Addendum 111.E.) whichever is earlier. If Possession is delivered prior to October 1, 1994, the Commencement Date shall be sixty (60) calendar days after the date of Possession or five (5) days after Substantial Completion of the tenant improvement work, whichever is earlier.

Landlord shall notify Tenant in writing of the actual Commencement Date no later than thirty (30) days after Substantial Completion. In the event Substantial Completion is delayed by Tenant Caused Delays (as defined in Addendum 1[4.C.) the same number of days shall be deducted from total number of days of the build-out and that date shall be the Commencement.

5. FREE RENT

Landlord shall allow Tenant and Contractor to occupy and perform the tenant improvement work in the Premises without payment of rent after Possession (as defined in Addendum 1[3) for a period of two (2) months. Landlord shall allow Tenant to occupy one-half (1/2) of the Premises (approximately 17,630 rentable square feet) for six (6) months after the Commencement Date without payment of rent. Tenant's first month's rent paid upon execution of this Lease shall cover the rent on the remaining one-half (1t2) of the Premises for the first two (2) months after the Commencement Date.

6. OPERATING EXPENSE ADJUSTMENTS (Continued from Article 7 of the Lease.)

A. During the initial term of this Lease, management costs for the building shall not exceed three percent (3%) of the gross rental income for the building.

B. Landlord shall keep full, accurate, and separate books of account and records covering all Direct Expenses, which books of accounts and records shall accurately reflect the total Direct Expenses, and Landlord's billings to Tenant for Operating Expense Adjustments.

C. Tenant shall have the right to protest any charge to Tenant by Landlord for Operating Expense Adjustments, provided that said protest is made within thirty (30) days after receipt of Landlord's notice of such charge. In the event that Tenant shall protest, Tenant shall be entitled to audit Landlord's books of account, records, and other pertinent data regarding Direct Expenses. The audit shall be limited to the determination of direct Expenses and charges to Tenant for Operating Expense Adjustments and shall be conducted during normal business hours. If the audit shows that there has been an overpayment by Tenant, the overpayment shall be immediately due and repayable by Landlord to Tenant.

7. OPTION TO EXTEND

A. Landlord grants to Tenant the option to extend the term of this Lease for two 3-year periods commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Tenant gives to Landlord and Landlord receives notice of the exercise of the option to extend this Lease for said additional term no later than twelve (12) months prior to the time that the option period would commence if the option were exercised, time being of the essence. If said notification of the exercise of said option is not so given and received, this option shall automatically expire;

(ii) At the time said written notification of exercise of option is given and received, Tenant shall not be in default under any of the material obligations of this Lease to be performed by Tenant and this Lease shall not have previously terminated nor terminated prior to the commencement of the option term;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows:

The rent payable by Tenant during the first option period shall be the Fair Market Rental Value of the Premises (as defined below) at the commencement date of the option period. There shall be an annual C.P.I. increase not to exceed four percent (4%) in each subsequent year of the first option period. The rent in the first year of the second option period shall be the rent in the last year of the first option period to which will be added a C.P.I. increase not to exceed four percent (4%). There shall be an annual C.P.I. increase not to exceed four percent (4%) in each subsequent year of the second option period. All of the C.P.I. increases during the option periods shall be calculated on the basis of the formula provided in the Lease 1 5.B. If Landlord and Tenant cannot agree on the Fair Market Rental Value of the Premises for the extension periods within forty-five (45) days after the Tenant has notified Landlord of its exercise of the option, Landlord and Tenant shall each select, within forty-five (45) days of such notification, an appraiser who must be a qualified M.A.I. appraiser to determine said Fair Market Rental Value. If one party fails to so designate an appraiser within the time required, the determination of Fair Market Rental Value of the one appraiser who has been designated by the other party hereto within the time required shall be binding upon both parties. The appraisers shall submit their determinations of Fair Market Rental Value to both parties within thirty (30) days after their selection. If the difference between the two determinations is ten percent (10%) or less of the higher appraisal, then the average between the two determinations shall be the Fair Market Rental Value of the Premises. If said difference is greater than ten percent (10%), then the two appraisers shall within twenty (20) days of the date that the later submittal is submitted to the parties designate a third appraiser who must also be a qualified M.A.I. appraiser. The sole responsibility of the third appraiser will be to determine which of the determinations made by the first appraisers is most accurate. The third appraiser shall have no right to propose a middle ground or any modification of either of the determinations made by the first two appraisers. The third appraiser's choice shall be submitted to the parties within thirty (30) days after his or her selection. Such determination shall bind both of the parties and shall establish the Fair Market Rental Value of the Premises. Each party shall pay for their own appraiser and shall pay an equal share of the fees and expenses of the third appraiser.

Fair Market Rental Value for purpose of this Lease shall mean the then prevailing rent for premises comparable in size, quality, and orientation to the demised Premises, located in buildings comparable in size to, and in the general vicinity of, the building which the demised Premises are located, leased on terms comparable to the terms contained in this Lease.

8. RIGHT OF FIRST OPPORTUNITY TO LEASE ADDITIONAL PREMISES AT 100 SMITH RANCH ROAD, SAN RAFAEL

At any time during the term hereof, or any options to extend which Tenant has exercised, provided that Tenant is not in default as defined herein, Tenant shall have a right of First Opportunity to Lease for all office space that becomes available for lease at 100 Smith Ranch Road, San Rafael, based on the terms and conditions as outlined below.

Landlord and Tenant acknowledge that there are existing tenants at 100 Smith Ranch Road, which tenants have options to renew or wish to renew their respective leases, and that these existing options and requests to renew would take precedent over the Right of First Opportunity to Lease described herein.

Landlord and Tenant further acknowledge that this Right of First Opportunity to Lease shall apply only to premises, from which existing tenants vacate or which is currently vacant.

Landlord shall notify Tenant in writing of the availability of additional office premises at 100 Smith Ranch Road, San Rafael within thirty (30) days of Landlord receiving notice from an existing Tenant at 100 Smith Ranch Road of that Tenant's intent to vacate their premises. Landlord's notice to Tenant shall include the size of premises, the projected date at which the premises may be available, and a floor plan indicating the current configuration of the premises.

Tenant shall have ten (10) days after receipt of notice from Landlord to notify Landlord of Tenant's intent to lease the premises which was the subject of the notice. In the event Landlord does not receive notice from Tenant of Tenant's intent to lease said available space, Landlord shall have the right to lease said space to any other Tenant which Landlord chooses, and Tenant's Right of First Opportunity to lease that specific premises shall be deemed waived.

In the event Tenant notifies Landlord of its intent to lease said premises, Landlord and Tenant shall proceed as soon as is reasonably possible to execute a lease agreement for the specific premises that became available. Terms and conditions of the Lease shall be based on the same terms and conditions of the lease(s) on the other space Tenant occupies in the Building at the time the lease is executed. Landlord and Tenant shall make a good faith effort to execute a Lease for the specific available space within thirty (30) days after Tenant has notified Landlord of its intent to lease said space.

This Right of First Opportunity to Lease shall in no way limit the Landlord from executing leases with new tenants for terms of any length, with options to renew for any length, for those spaces for which Tenant has not exercised its Right of First Opportunity to lease as defined herein.

9. SERVICES AND UTILITIES

A. Provided that Tenant is not in default hereunder, Landlord agrees to furnish to the Premises five-day per week janitorial service. Landlord shall also maintain and keep lighted, heated and air conditioned during reasonable hours of generally recognized business days, the common entries, common corridors, common stairs and toilet rooms in the building of which Premises are a part. Landlord shall not be liable for, and Tenant shall not be entitled to, any reduction of rental by reason of Landlord's failure to furnish any of the foregoing when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord. Landlord shall not be liable under any circumstances for a loss of or injury to property, however occurring, through or in connection with or incidental to failure to furnish any of the foregoing.

B. Tenant shall have 24-hour per day, seven-day per week access to its Premises.

C. Landlord shall provide Tenant a monthly allowance of $3,878.71 (35,261 rentable SF x $.11) for Tenant's electrical service. This allowance is included in the Base Rent as defined in Article 5 of the Lease.

Landlord and Tenant recognize that Tenant's electrical service shall cost in excess of $.11 per square foot per month due to Tenant's heavy electrical and air conditioning requirements.

Tenant shall be charged for all PG&E charges to the building over and above the monthly allowance provided above, less any over-standard charges to other tenant's in the building (any usage over the $.11 allowance provided to each Tenant.) At the time of Lease execution, no per square foot tenants in the Building other than Fireman's Fund who currently occupies the entire second floor, have any over-standard usage. Landlord shall notify Tenant as to any changes in the existing tenant's electrical usage or any over-standard usage of new tenants to the building. Tenant may at any time notify Landlord that in Tenant's view, a particular tenant may be using over-standard electrical and Landlord will investigate that usage with the assistance of an electrical engineer and shall report to Tenant its findings regarding the usage and shall charge the other tenant for any actual over-standard usage, which amount shall be deducted from Tenant's over-standard charges. If Tenant does not agree with Landlord or Landlord's engineer's calculation, Tenant may have its own engineer evaluate the other tenant's usage.

For the first year of Tenant's occupancy, Landlord shall charge Tenant $.11 per useable square foot per month for over-standard electrical usage as a projected expense, which amount is an average paid by Tenant in its other Premises located at 111 Smith Ranch Road and 120 North Redwood Drive. This amount ($3,645.40) shall be paid along with the monthly rent. At the end of the first year of occupancy, Landlord shall prepare a PG&E invoice analysis showing the actual cost of over-standard usage by Tenant. Landlord shall credit Tenant for any amounts paid in excess of the actual cost of overstandard usage. Tenant shall pay Landlord for any costs in excess of the total projected sum paid by Tenant over the first year of occupancy. The amount paid by Tenant for over-standard electrical usage for each subsequent year of occupancy shall be based on the previous year's charges and a similar accounting between Landlord and Tenant will occur annually.

D. The hours of operation of the heating and air conditioning system for the building are as follows:

| | |
|---|---|
| Monday thru Friday: | 7:00 a.m. to 6:00 p.m. |
| Saturdays: | 8:00 a.m. to 3:00 p.m. |

E. In the event Tenant requires the operation of the heating and air conditioning system beyond the normal hours of operation for the building, Tenant shall notify the building manager in advance of the required extended hour usage, and the building manager shall program the heating and air conditioning system to operate during the time period requested by Tenant.

F. In the event Tenant shall request that an override mechanism be installed during the term of the Lease, an override mechanism shall be installed on the heating and air conditioning system which services Tenant's premises. The cost of this mechanism shall be paid by the Tenant at the time of the installation. This mechanism shall allow Tenant to have control of the heating and air conditioning system for its premises in hours other than the normal building hours stated above.

Along with the override mechanism, an hourly meter shall be attached to the override mechanism which shall measure Tenant's use of the heating and air conditioning system beyond the normal building hours. On a monthly basis, Landlord shall charge Tenant for this usage by multiplying the number of hours used by the per hour charge for operating the heating and air conditioning system which shall be determined by Landlord's electrical engineer and heating and air conditioning contractor.

10. COMMUNICATIONS INSTALLATION

Tenant has installed certain communications equipment on the roof of the Building.

Prior to the end of the term of this Lease, Tenant, at Tenant's sole cost and expense, shall remove the communications equipment and shall, forthwith and with all due diligence, repair any damage to the Premises caused by such removal.

11. CONSENT

Landlord and Tenant agree that in the event their consent is required pursuant to the provisions of the Lease, such consent shall not be unreasonably withheld.

LANDLORD The Joseph and Eda Pell Revocable Trust

By: /s/Joseph Pell
---
Joseph Pell

Its:
---

By: /s/ Eda Pell
---
Eda Pell

Its:
---

Date: March 30, 1994

TENANT Fair, Isaac and Company, Incorporated

By: /s/ Robert D. Sanderson
---

Its: Executive Vice President
---

Date: March 10, 1994

EXHIBIT 10.30

SECOND ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST
("THE LANDLORD")
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
("THE TENANT")

This Second Addendum to Lease dated November 22, 1996 ("Second Addendum"), is hereby attached to and incorporated into and made a part of that Lease dated July 10, 1993, by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated as amended by a First Addendum to Lease dated July 10, 1993 ("the Lease"). The parties agree to the following terms and conditions set forth herein below:

Recitals

A. Landlord and Tenant are parties the Lease pursuant to which Landlord leased to Tenant and Tenant leased from Landlord office space containing approximately 35,261 rentable square feet and 33,140 useable square feet comprising part of the of the Second Floor of that certain office building known as Regency Center I ("Regency I") located at 100 Smith Ranch Road, San Rafael, California ("the Premises").

B. Landlord is currently constructing a building adjacent to Regency I, which new building will be known as Regency Center II, and which will be leased in its entirety to Tenant pursuant to an Office Building Lease of even date herewith.

C. Landlord and Tenant now desire to amend the Lease as hereinafter set forth.

D. The capitalized terms herein, unless otherwise indicated, shall have the meanings ascribed to them in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Paragraph 8 ("Right of First Opportunity") of the First Addendum to Lease is hereby deleted in its entirety.

2. Subparagraph A and sub-subparagraph (i) of Paragraph 7 ("Option to Extend") of the First Addendum to Lease are hereby deleted and the following substituted therefor:

"A. Landlord grants to Tenant the option to extend the term of this Lease for the Existing Premises for one (1) ten (10) year period commencing upon expiration of the Term for the lease of the Existing Premises, upon each and all of the following terms and conditions:"

"(i) Tenant gives to Landlord and Landlord receives notice of the exercise of the option to extend this Lease for said additional term no later than twelve (12) months prior to the time that the option period would commence if the option were exercised, time being of the essence. If said notification of the exercise of said option is not so given and received, this option shall automatically expire;"

3. Except as set forth herein, the Lease shall remain unmodified and in full force and effect. Should there by any conflict between the terms of the Lease and the terms of this Second Addendum, the terms of this Second Addendum shall control.

IT WITNESS WHEREOF, the parties have executed this Second Addendum to Lease as of the date first written above.

The Joseph and Eda Pell Revocable Trust

By: /s/ Joseph Pell
---
Joseph Pell, Trustee

By: /s/ Eda Pell
---
Eda Pell, Trustee

Fair, Isaac and Company, Incorporated

By: /s/ Michael C. Gordon
---
Vice President

EXHIBIT 10.31

FIFTH ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST
("THE LANDLORD")
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
("THE TENANT")

This Fifth Addendum to Lease dated November 22, 1996 ("Fifth Addendum"), is hereby attached to and incorporated into and made a part of that Lease dated October 11, 1993, by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated as amended by a First Addendum to Lease; a Second Addendum to Lease dated January 31, 1994; a Third Addendum to Lease dated December 15, 1994; and Fourth Addendum to Lease dated April 3, 1995 ("the Lease"). The parties agree to the following terms and conditions set forth herein below:

Recitals

A. Landlord and Tenant are parties to the Lease pursuant to which Landlord leased to Tenant and Tenant leased from Landlord office space containing approximately 11,875 rentable square feet and 10,642 useable square feet comprising part of the of the First Floor of that certain office building known as Regency Center I ("Regency I") located at 100 Smith Ranch Road, San Rafael, California ("the Premises").

B. Landlord is currently constructing a building adjacent to Regency I, which new building will be known as Regency Center II, and which will be leased in its entirety to Tenant pursuant to an Office Building Lease of even date herewith.

C. Landlord and Tenant now desire to amend the Lease as hereinafter set forth.

D. The capitalized terms herein, unless otherwise indicated, shall have the meanings ascribed to them in the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Paragraph 3 ("Right of First Opportunity") of the First Addendum to Lease is hereby deleted in its entirety.

2. Subparagraph A and sub-subparagraph (i) of Paragraph 2 ("Option to Extend") of the First Addendum to Lease are hereby deleted and the following substituted therefor:

> "A. Landlord grants to Tenant the option to extend the term of this Lease for the Existing Premises for one (1) ten (10) year period commencing upon expiration of the Term for the lease of the Existing Premises, upon each and all of the following terms and conditions:"
>
> > "(i) Tenant gives to Landlord and Landlord receives notice of the exercise of the option to extend this Lease for said additional term no later than twelve (12) months prior to the time that the option period would commence if the option were exercised, time being of the essence. If said notification of the exercise of said option is not so given and received, this option shall automatically expire;"

3. Except as set forth herein, the Lease shall remain unmodified and in full force and effect. Should there by any conflict between the terms of the Lease and the terms of this Fifth Addendum, the terms of this Fifth Addendum shall control.

IT WITNESS WHEREOF, the parties have executed this Fifth Addendum to Lease as of the date first written above.

The Joseph and Eda Pell RevocableTrust

By: /s/ Joseph Pell
---
Joseph Pell, Trustee

By: /s/ Eda Pell
---
Eda Pell, Trustee

Fair, Isaac and Company, Incorporated

By: /s/ Michael C. Gordon
---
Its: Vice President

Exhibit 11.1

FAIR, ISAAC AND COMPANY, INCORPORATED

COMPUTATION OF EARNINGS PER SHARE
(In thousands except per share data)

| | Year Ended September 30, | | |
|---|---|---|---|
| | 1996 | 1995 | 1994 |
| Primary Earnings Per Share: | | | |
| Weighted Average Common Shares Outstanding | 12,414 | 12,206 | 11,810 |
| Dilutive effect of outstanding options (as determined by the treasury stock method) | 335 | 517 | 666 |
| Weighted Average Common Shares outstanding, as Adjusted | 12,749 | 12,723 | 12,476 |
| Net Income | $16,179 | $12,695 | $10,049 |
| Primary Earnings per Share | $ 1.27 | $ 1.00 | $ .81 |
| Fully Diluted Earnings Per Share: | | | |
| Weighted Average Common Shares Outstanding | 12,414 | 12,206 | 11,810 |
| Dilutive effect of outstanding options (as determined by the treasury stock method) | 380 | 561 | 736 |
| Weighted Average Common Shares, as Adjusted | 12,794 | 12,767 | 12,546 |
| Net Income | $16,179 | $12,695 | $10,049 |
| Fully Diluted Earnings Per Share | $ 1.26 | $ .99 | $ .80 |

Subsidiaries of

Fair, Isaac and Company, Incorporated

| Name of Company and Name under which it Does Business | Jurisdiction of Incorporation or Organization |
|---|---|
| Fair, Isaac International Corporation(1) | California |
| DynaMark, Inc.(1) | Minnesota |
| Fair, Isaac International Germany Corporation(2) | California |
| Fair, Isaac International Canada Corporation(2) | California |
| Fair, Isaac International UK Corporation(2) | California |
| Fair, Isaac International Japan Corporation(2) | California |
| Fair, Isaac International Ltd(2) | England |
| Fair, Isaac International France Corporation(2) | California |
| Fair, Isaac International Mexico Corporation(2) | California |
| Fair, Isaac International, S. A.(3) | Monaco |

(1) 100% owned by Fair, Isaac and Company, Incorporated.
(2) 100% owned by Fair, Isaac International Corporation.
(3) 100% owned by Fair, Isaac International Corporation except for qualifying shares.

EXHIBIT 21.1

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS IN THE COMPANY'S 1996 ANNUAL REPORT ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR
SEP-30-1996
SEP-30-1996
8,247
7,487
28,120
445
0
61,477
43,676
20,457
113,054
28,158
1,552
126
0
0
78,221
113,054
0
148,749
0
56,396
24,583
574
148
27,200
11,021
16,179
0
0
0
16,179
1.27
1.26