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

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, 1997

[ ] 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

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 .
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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. [X]

As of December 5, 1997, the aggregate market value of the Registrant's common stock held by nonaffiliates of the Registrant was $324,231,823.50 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 5, 1997 was 13,507,887 (excluding 12,008 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 3, 1998.

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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 financial services, direct marketing and personal lines insurance 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.

Approximately 48 percent of fiscal 1997 revenues were derived from usage-priced products and services marketed through alliances with major credit bureaus and third-party credit card processors. Sales of decision management products and services directly to credit industry end-users accounted for approximately 29 percent of revenues.

In more recent years Fair, Isaac has branched out, applying its proven risk/reward modeling capabilities to auto and home insurance underwriting, small business and mortgage lending, telecommunications and most recently, healthcare. 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 $29.8 million or 15 percent of Fair, Isaac's fiscal 1997 revenues. The Company's Insurance business unit generated revenues in fiscal 1997 of $5.8 million or 3 percent of revenues, and in fiscal l997 the Company recorded its first revenues from its new Healthcare Information business unit.

In July 1997 the Company acquired Risk Management Technologies (RMT), a privately held company that is the leading provider of enterprise-wide risk management and performance measurement solutions to major financial institutions around the world. This acquisition enables the Company to extend its franchise in providing data-driven decision support to the financial services industries beyond its current focus on individual customers. With RMT's products and services, the Company has positioned itself to support an institution's entire financial risk management operation, encompassing both the consumer and enterprise levels. RMT's revenues in fiscal l997 were $8.4 million or 4 percent of the Company's revenues. The Company's historical financial statements for prior fiscal year periods have been restated to account for the Company's merger with RMT on a pooling-of-interests basis.

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 27 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 17 percent of Fair, Isaac's fiscal 1997 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. In September l997 the Company signed an agreement with Serasa Centralizaco de Servicos dos Banco, Brazil's largest credit reporting agency, which will result in the first bureau-based score delivery service in Brazil.

Since 1993, Fair, Isaac's revenues and earnings per share have increased at a compound rate of 31 percent and 41 percent, respectively. The Company attributes this growth to rising market demand for credit scoring and account management services; success in increasing its share of the 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.

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 adjusting for the effect of acquisitions--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 to: (1) develop new, high-value products, (2) increase its penetration of established or emerging credit markets outside the U.S. and Canada and (3) 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.

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. Its RMT subsidiary provides management tools to larger, more sophisticated financial institutions for enterprise-wide, integrated financial risk and profitability management.

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, direct marketing, telecommunications and healthcare. Consumer credit accounted for over 77 percent of the Company's revenues in each of the three years in the period ended September 30, 1997. Sales to customers in the direct marketing business, including the marketing arms of financial service businesses, accounted for 13 to 15 percent of revenues in each of the three years in the period ended September 30, 1997. Revenues from sales to the insurance industry accounted for 2 to 3 percent of revenues in each of the three years in the period ended September 30, 1997. In fiscal 1997 the Company's recorded the first revenues from its new Healthcare Information business unit.

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 management 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 and marketers. 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. In 1995, with Equifax Inc., the Company introduced a risk prediction score for automobile insurance called Casualty Loss Score ("CLS") service. Equifax subsequently spun off its Insurance Unit, which is now Choicepoint. In 1996 with Acxiom, the Company introduced a risk prediction score for homeowners' and automobile insurance called InfoScore. PLS, ASSIST, CLS and InfoScore are similar to the credit bureau scoring services in that a purchaser of data from Choicepoint, Trans Union or Acxiom can use the scores to evaluate the risk posed by applicants for homeowners' or automobile insurance. The Company and Choicepoint, Trans Union or Acxiom, 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 tradenames "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 600 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; in Buenos Aires, through Argencard S.A.; and in Frankfurt, through B+S Card Service Gmbh. 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.

Risk Management Technologies

Risk Management Technologies (RMT) provides management tools to larger, more sophisticated financial institutions around the world for enterprise-wide, integrated financial risk and profitability management. Financial institutions must constantly evaluate the effect of interest rate changes and other factors on their entire operation including their loan, credit card and investment portfolios, to determine bottom line exposure and potential revenues. RMT's financial decision support software, the RADAR System, is a comprehensive enterprise management system that performs asset-liability management, transfer pricing, and performance measurement modeling. RMT's Genesis product is a graphical data integration management tool used to integrate data rapidly from multiple legacy systems and other sources into a consolidated, client/server data warehouse. Within this warehouse, data remains readily available for use in multiple decision-support applications.

Healthcare

The Company is currently providing analytical marketing services to a large pharmaceuticals manufacturer to help improve customer relationship and "compliance" management using a variety of techniques including internet communications. "Compliance" in this instance refers to whether prescriptions are actually filled and taken to completion. The Company has also introduced a receivables management system for hospitals and other healthcare providers which is currently in beta testing.

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. ("CRMA").

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 41 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.

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 over 600 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 40 banks in the United Kingdom; more than 70 retailers; 7 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, telecommunications 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. RMT markets to large financial institutions throughout the world. Its clients are typically large financial institutions with a wide range of products, investments and operational units and a sophisticated balance sheet.

No single end-user customer accounted for more than 10% of the Company's revenues in fiscal 1997. 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 eight to ten percent of the Company's total revenues in fiscal 1997.

The percentage of revenues derived from customers outside the United States was approximately 17 percent in fiscal 1997, 17 percent in fiscal 1996, and 14 percent in fiscal 1995. RMT derives more than half of its revenues from clients outside the United States. DynaMark had virtually no non-U.S. revenues prior to fiscal 1997. The United Kingdom, Japan and Canada are the largest international market segments. Mexico, 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 50 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, insurance and healthcare 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 and RMT employ a combination of fixed fee and volume-or usage-based pricing for their services.

As of September 30, 1997, the Company's backlog, which includes only firm contracts, was approximately $70,168,000, as compared with approximately $64,650,000 as of September 30, 1996. Most usage-based revenues do not appear as part of the backlog. The Company believes that approximately 30 percent of the September 30, 1997 backlog will be delivered after the end of the current fiscal year ending September 30, 1998. Most DynaMark contracts include unit or usage charges, the total amount of which cannot be determined until the work is completed. DynaMark's and CRMA's backlog are not significant in amount, are not considered a significant indicator of future revenues, and are not included in the foregoing figures. RMT's backlog is included in the foregoing backlog 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.

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. 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. RMT is a leading provider of enterprise-wide risk management and performance-measurement solutions to major financial institutions. There are a number of companies offering enterprise-wide "solutions", or serving sub-segments of this market (such as trading operations of financial institutions), in competition with RMT. The Company believes that no direct competitor currently offers the depth and scope of analytical functionality in products and services for financial risk management that RMT provides, which gives RMT an advantage in this market.

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, 1997, the Company employed approximately 1,221 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 270,000 square feet of office space in four buildings at that location under leases expiring in 2001 or later. It also leases approximately 7,822 square feet of warehouse space in San Rafael for its hardware operations and for storage under month-to-month leases. The Company has also exercised an option to purchase land in San Rafael for construction of approximately 406,000 square feet of additional office space with an expected initial occupancy date in the year 2000. DynaMark leases approximately 109,000 square feet of office and data processing space in three buildings in Arden Hills, Minnesota under leases which expire in 2006. DynaMark's Printronic Division leases approximately 25,000 square feet of office and data processing space in New York City under a lease expiring in 2004. RMT leases approximately 9,200 square feet of office space in Berkeley, California. The Company also leases a total of approximately 36,000 square feet of office space for offices in Baltimore, Maryland; 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 in the Consolidated Financial Statements for information regarding the Company's obligations under leases and Note 15 in the Consolidated Financial Statements for information with respect to the proposed purchase of land in San Rafael. 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.	51
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.	54
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.	57
Patrick G. Culhane	Executive Vice President since August 1995; Senior Vice President 1992-1995; Vice President 1990-1992; joined the Company in 1985.	43
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. 1991-1993, Executive Vice President of Visa International 1989-1991.	57
Jeffrey F. Robinson	Senior Vice President since 1986, Vice President 1980-1986. Treasurer 1981-1983. Joined the Company in 1975.	48
Kenneth M. Rapp	Senior Vice President since August 1994, and President and Chief Operating Officer of DynaMark, Inc. since it was founded in 1985.	51
Peter L. McCorkell	Senior Vice President since August 1995; Vice President, Secretary and General Counsel since joining the Company in 1987.	51
Patricia Cole	Senior Vice President, Chief Financial Officer and Treasurer since November 1996; Controller since joining the Company in September 1995. Vice President and Controller of Quest Communications International Inc. 1993-1995; Controller of Los Angeles Cellular Telephone Company 1990-1992.	48
David M. LaCross	President, Chief Executive Officer of Risk Management Technologies since it was founded in 1989.	45

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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 5, 1997, Fair, Isaac had 312 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, 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
October 1 - December 31, 1996	39 3/8	33 5/8
January 1 - March 31, 1997	43 1/8	35
April 1 - June 30, 1997	44 7/8	30 1/4
July 1 - September 30, 1997	47 1/2	40 3/4

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 1997. There are no current plans to change the cash dividend or to issue any further stock dividend.

Unregistered Equity Sales

On July 21, l997, the Company acquired all the outstanding stock of Risk Management Technologies ("RMT"), a privately held California corporation, pursuant to a merger of a wholly owned subsidiary of the Company and RMT in which RMT became a wholly-owned subsidiary of the Company (the "Merger").The Merger was effected pursuant to an Agreement and Plan of Reorganization dated as of June 12, l997 (the "Merger Agreement") among the Company, RMT and the shareholders and option holders of RMT. RMT was founded in 1989 to provide enterprise-wide risk management and performance measurement solutions to major financial institutions.

Under the terms of the Merger Agreement, each outstanding share of RMT common stock and options to purchase RMT stock (after adjustment for the exercise price) were exchanged for .3254 shares of Company common stock or option equivalents. The number of shares and option equivalents issued by the Company in connection with the Merger is 1,252,655. The Company accounted for the Merger under the "pooling of interests" method.

At the time of the transaction, the shares of the Company common stock and the options to purchase the Company common stock issued to the former RMT security holders in the Merger were not registered under the Securities Act of 1933, as amended (the "1933 Act"), because the transaction involved a non-public offering exempt from registration under Section 4(2) of the 1933 Act and Regulation D promulgated thereunder.

ITEM 6. Selected Financial Data

	(dollars in thousands, except per share data)				
Fiscal year ended September 30,	1997	1996	1995	1994	1993
Revenues	$199,009	$155,913	$117,089	$92,046	$67,269
Income from operations	37,756	29,518	19,828	16,420	7,599
Income before income taxes	35,546	28,704	21,390	17,178	8,143
Net income	20,686	17,423	12,753	10,559	4,768
Earnings per share	$1.46	$1.25	$ .93	$ .79	$ .37
Dividends per share *	$ .08	$ .08	$ .055	$ .07	$ .07

At September 30,	1997	1996	1995	1994	1993
Working capital	$ 47,727	$ 34,699	$ 23,448	$17,436	$15,126
Total assets	145,228	118,023	91,009	72,056	54,875
Long-term obligations	1,183	1,552	1,930	2,333	2,729
Stockholders' equity	103,189	79,654	56,176	42,929	31,133

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

The financial data for the fiscal years ended September 30, 1993 through 1997 have been restated to reflect the merger, effective July 1997, between Fair, Isaac and Company, Incorporated and Risk Management Technologies which has been accounted for under the pooling-of-interests method.

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, prospective customers and existing portfolios. 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 activities, many of which are in the credit and insurance industries.

On July 21, l997, the Company acquired Risk Management Technologies (RMT), a privately held company, which provides enterprise-wide risk management and performance measurement solutions to major financial institutions. The Company's historical statements for prior periods have been restated to account for the Company's merger with RMT on a pooling-of-interests basis.

The Company is organized into business units that correspond to its principal markets: consumer credit, insurance, direct marketing (DynaMark), enterprise-wide financial risk management (RMT) and a new unit, healthcare information. 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 and RMT employ a combination of fixed-fee and usage-based pricing, and the Healthcare Information unit intends to employ a combination of fixed-fee and usage-based pricing for its products.

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 that 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.

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, RMT, Insurance and Healthcare Information business units; and (b) the percentage change in revenues within each category from the prior fiscal year. Credit fixed-price revenues include all revenues from custom scorecard, software and consulting projects. Most credit usage revenues are generated through third-party alliances such as those with credit bureaus and third-party credit card processors. In addition, some credit scorecards and software products are licensed under volume-based fee arrangements and these are included in credit usage-priced revenues.

	Percentage of revenue Years ended September 30,			Period-to-period percentage changes	
	1997	1996	1995	1996 to 1997	1995 to 1996
Credit:					
Fixed-price	29	29	29	28	34
Usage-priced	48	50	51	23	31
DynaMark	15	13	15	41	19
RMT	4	5	3	18	123
Insurance	3	3	2	27	63
Healthcare Information	1	--	--	NM*	NM*
Total Revenues	100	100	100	28	33

* Not meaningful

Revenues from credit application scoring products increased by 36 percent in fiscal 1996 compared with fiscal 1995, and by 22 percent in fiscal 1997 compared with fiscal 1996, due primarily to the Company's sales of new products and increased sales of small business loan scoring products. ASAP revenues increased by 30 percent in fiscal l996 compared with fiscal l995, and by 47 percent in fiscal 1997 compared with fiscal 1996, primarily due to increased sales of PC-based ASAP products (CreditDesk) and sales of StrategyWare(TM), a new decision support software product released in September l996.

Revenues from sales of credit account management systems (TRIAD) sold to end-users increased by 38 percent from 1995 to 1996, but decreased by 5 percent from l996 to l997. The major factor in the decline in revenues in fiscal l997 was a delay in the completion of the next major release of the software. That release (TRIAD 5.0) was completed in November l997. 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.

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 increased by 30 percent in fiscal l996 and 22 percent in fiscal l997 and accounted for approximately 37 percent and 35 percent of revenues in fiscal 1996 and 1997, respectively. Revenues from services provided through bankcard processors also increased in each of these years, primarily due to increases in the number of accounts at each of the major processors.

The Company provides credit risk management consulting services primarily through CRMA, which was acquired in September 1996. CRMA completed its first year as part of the Credit business unit on September 30, l997. CRMA's revenues were 3 percent of the Company's Credit revenues.

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 eight to ten percent of the Company's total revenues in fiscal 1996 and 1997.

On November 14, 1996, it was announced that Experian had been 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 acquisition had no apparent impact on the Company's revenues from Experian in fiscal l997.

On September 30, 1997, amendments to the federal Fair Credit Reporting Act became effective. 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 enacted or proposed state regulation of the insurance industry has had a negative impact on its efforts to sell insurance risk scores through credit reporting agencies.

DynaMark`s revenues increased from $17.8 million in fiscal 1995 to $21.2 million in fiscal 1996 and to $29.8 million in fiscal 1997. The increases in DynaMark's revenues (excluding inter-company revenues) were due primarily to increased revenues from customers in the financial services industry. Gross margins for fiscal 1995, 1996 and 1997 were approximately 38, 39 and 42 percent, respectively. 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 1997, such inter-company revenue represented approximately 14 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.

RMT's revenues for fiscal l996 increased by 123 percent compared with fiscal l995, and in fiscal 1997 increased by 18 percent compared with fiscal 1996. The rapid growth in revenues in fiscal l996 was a result of the acquisition by RMT in June l995 of Software Alliance Corporation, with which RMT had formed an alliance for marketing of all RMT products and sharing of revenues from such product sales. Under the terms of the alliance, RMT received and recorded 25 percent of the revenues from sales made by Software Alliance. After the acquisition, RMT received and recorded 100 percent of the revenues from such sales.

Increases in insurance revenues for fiscal l997, compared with fiscal 1996, were due to strong growth in both insurance products sold to end-users and in the insurance scoring services offered through consumer reporting agencies. The Company recorded its first revenues from its Healthcare Information business unit in fiscal 1997.

The Company's revenues derived from clients outside the United States increased from $16.4 million in fiscal 1995 to $26.1 million in 1996 and to $33.9 million in fiscal l997. RMT contributed $1.5 million, $4.3 million and $4.6 million to the Company's non-U.S. revenues for fiscal years 1995, l996 and l997, respectively. DynaMark has not had significant non-U.S. revenues. Sales of software products, including TRIAD and CreditDesk, 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 increase in international revenues in fiscal 1996 and 1997.

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, 1997, 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 adjusting for the effect of acquisitions--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 to: (1) develop new, high-value products, (2) increase its penetration of established or emerging credit markets outside the U.S. and Canada and (3) 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. Management believes this constraint 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 that 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.

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	
	1997	1996	1995	1996 to 1997	1995 to 1996
Total revenues	100	100	100	28	33
Costs and expenses:					
Cost of revenues	36	37	37	26	32
Sales and marketing	15	17	20	13	11
Research and development	9	6	4	90	86
General and administrative	20	21	21	23	33
Amortization of intangibles	1	--	1	74	3
Total costs and expenses	81	81	83	28	30
Income from operations	19	19	17	28	49
Other income (expense)	(1)	(1)	1	NM*	NM*
Income before income taxes	18	18	18	24	34
Provision for income taxes	8	7	7	32	31
Net income	10	11	11	19	37

* 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, remained essentially unchanged from fiscal l995 to fiscal 1996, and declined slightly in fiscal l997. The decrease in fiscal l997 was due primarily to the reassignment to research and development activities of certain personnel whose primary assignment had been production and delivery.

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 decreased in fiscal 1996 compared with fiscal 1995 and further decreased in fiscal l997 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 increased sharply from fiscal l995 to fiscal 1996 and from fiscal 1996 to fiscal 1997. After several years of concentrating on developing new markets--either geographically or by industry--for its existing technologies, in fiscal 1996 and fiscal l997 the Company renewed its historical 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, general and administrative expenses were essentially unchanged for fiscal l995, l996 and l997.

Amortization of intangibles

The Company is amortizing the intangible assets arising from various acquisitions over periods ranging from 2 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 CRMA, a privately held company acquired at the end of fiscal l996. See below, under "Capital Resources and Liquidity."

Other income (expense)

The table in Note 14 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, 1997, the Company had approximately $26.1 million invested in U.S. treasury securities and other interest-bearing instruments. Interest income increased in fiscal 1996 due to rising interest rates and the increasing balance in interest-bearing accounts and instruments, and in fiscal 1997 due to higher average cash balances.

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. During the quarter ended September 30, l997, the Company wrote off non-marketable investments with an equity basis of $773,000, principally an Italian start-up venture due to the potential negative impact on the start-up's operations from a new privacy law. 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. The write-offs and the Company's share of losses in early-stage development companies were primarily responsible for the difference between the increase in operating income in fiscal l996 and 1997 (49 percent and 28 percent, respectively) and the increase in net income (37 percent and 19 percent, respectively). 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 was 40.4 percent, 39.3 percent and 41.8 percent in fiscal l995, l996 and l997, respectively. The increase to 41.8 percent in fiscal 1997 was due primarily to the nondeductible nature of goodwill, one-time acquisition costs for RMT and an increase in the valuation allowance of deferred tax assets. The Company expects its effective tax rate in fiscal 1998 to be approximately 40 percent, barring any change in the tax laws.

CAPITAL RESOURCES AND LIQUIDITY

Working capital increased from $23,448,000 at September 30, 1995 to $34,699,000 at September 30, 1996, and to $47,727,000 at September 30, l997. The increase in fiscal 1996 was due primarily to increases in accounts receivable, cash and cash equivalents and prepaid expenses and other assets, which more than offset the increase in accrued compensation and employee benefits and accounts payable and other accrued liabilities.

The increase in fiscal 1997 was due primarily to increases in accounts receivable and unbilled work in progress, which more than offset the increase in accrued compensation and employee benefits and the decrease in prepaid expenses and other assets.

The Company's exposure to collection risks is comprised of the sum of accounts receivable plus unbilled work in progress, less billings in excess of earned revenues. Changes in contract terms and product mix, along with variations in timing, may cause fluctuations in any or all of these items. During fiscal 1997, the increase in accounts receivable and billings in excess of earned revenues were proportional to the increase in revenues. The greater increase in unbilled work was due primarily to changes in product mix and contract terms.

The Company has capitalized as goodwill the amount of $45,000 for amounts due to the former stockholders of CRMA based upon its financial results in fiscal 1997 under the CRMA purchase agreement. Additional payments to the former stockholders of CRMA based upon CRMA's financial results in fiscal 1998 and 1999 may also be required. Those amounts, which will be paid 55 percent in Company stock and 45 percent in cash, will not exceed $1,833,000 per year.

In fiscal 1996, 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. 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 the reduction of capital lease obligations, partially offset by cash generated by the exercise of stock options.

In fiscal 1997, cash provided by operations resulted primarily from net income before depreciation and amortization, decreases in prepaid expenses and other assets 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 and the purchase of interest-bearing investments, partially offset by the maturities of interest-bearing investments. Cash was used in financing activities for the payment of dividends, reduction of capital lease obligations and repurchase of Company stock, 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, 1997, the Company had no significant capital commitments other than those obligations described in Notes 3, 6 and 12 of the Consolidated Financial Statements.

On December 1, 1997, the Company exercised an option to purchase undeveloped land in San Rafael, California, with the intention of constructing an office complex to accommodate future growth. The purchase price is $9.35 million plus certain costs incurred by the seller as defined in the agreement. Development is expected to commence in fiscal 1998 and will involve a material capital commitment by the Company. The Company intends to fund the acquisition and development of this land using long-term debt, equity or other financing. Excepting external financing of this capital commitment, 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.

YEAR 2000

The Company is performing Year 2000 conversion work on its software products marketed to customers. The updated versions of its software products currently being shipped to customers are Year 2000 compliant. The Year 2000 conversion work for earlier versions of the Company's software installed at customer sites will be performed as part of the Company's normal upgrade and maintenance process. Additionally, the Company has completed its Year 2000 audit of internal systems applications and determined that approximately 95 percent of its internally developed systems are Year 2000 compliant. Applications supplied by third parties are either Year 2000 compliant or have patches currently available to bring them into compliance. The Company plans to be fully compliant by the end of fiscal l998. The Company cannot now estimate the costs that will be incurred in performing Year 2000 conversion work.

QUARTERLY RESULTS

The table in Note 16 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 revenues 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 7A. Quantitative and Qualitative Disclosures About Market Risks

None.

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, 1997 and 1996, 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, 1997. 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, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1997, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

San Francisco, California
October 29, 1997, except as to note 15,
which is as of December 1, 1997

CONSOLIDATED STATEMENTS OF INCOME

Years ended September 30,	(dollars in thousands, except per share data) 1997	1996	1995
Revenues	$199,009	$155,913	$117,089
Costs and expenses:			
Cost of revenues	72,566	57,732	43,652
Sales and marketing	29,162	25,722	23,236
Research and development	17,572	9,265	4,973
General and administrative	40,679	32,942	24,689
Amortization of intangibles	1,274	734	711
Total costs and expenses	161,253	126,395	97,261
Income from operations	37,756	29,518	19,828
Other income (expense), net	(2,210)	(814)	1,562
Income before income taxes	35,546	28,704	21,390
Provision for income taxes	14,860	11,281	8,637
Net income	$ 20,686	$ 17,423	$ 12,753
Earnings per share	$1.46	$1.25	$.93
Shares used in computing earnings per share	14,202,000	13,922,000	13,693,000

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

September 30,	(dollars in thousands) 1997	1996
Assets		
Current assets:		
Cash and cash equivalents	$ 13,209	$ 11,487
Short-term investments	6,108	7,487
Accounts receivable, net of allowance 1997: $758; 1996: $485	36,147	28,206
Unbilled work in progress	18,176	10,565
Prepaid expenses and other current assets	3,673	4,778
Deferred income taxes	4,517	2,904
Total current assets	81,830	65,427
Long-term investments	13,261	12,647
Property and equipment, net	34,486	23,652
Intangibles, net	8,361	9,557
Deferred income taxes	3,369	2,304
Other assets	3,921	4,436
	$ 145,228	$ 118,023
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 8,228	$ 7,899
Accrued compensation and employee benefits	19,160	17,511
Billings in excess of earned revenues	6,346	4,940
Capitalized leases	369	378
Total current liabilities	34,103	30,728
Other liabilities	6,753	6,089
Capitalized leases	1,183	1,552
Commitments and contingencies	--	--
Total liabilities	42,039	38,369
Stockholders' equity:		
Preferred stock	--	--
Common stock	135	133
Paid in capital in excess of par value	26,025	21,628
Retained earnings	77,453	58,009
Less treasury stock (1997: 12,114; 1996: 15,938 shares at cost)	(433)	(68)
Cumulative translation adjustments	(308)	(145)
Unrealized gains on investments	317	97
Total stockholders' equity	103,189	79,654
	$ 145,228	$ 118,023

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Period from September 30, 1994, to September 30, 1997 (in thousands)

	Common Stock		Paid in capital in excess of par value	Retained earnings	Treasury stock	Pension adjust-ments	Cumulative translation adjustments	Unrealized gains on invest-ments	Total stock-holders' equity
	Shares	Par value							
Balances at September 30, 1994	12,640	$67	$13,649	$29,554	$(341)	$--	$--	$--	$42,929
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	--	--	--	12,753	--	--	--	--	12,753
Dividends declared	--	--	--	(668)	--	--	--	--	(668)
Stock dividend	--	62	--	(62)	--	--	--	--	--
Adoption of SFAS No. 115 at October 1, 1995	--	--	--	--	--	--	--	(77)	(77)
Unrealized gains on investments	--	--	--	--	--	--	--	233	233
Pension adjustment	--	--	--	--	--	(406)	--	--	(406)
Balances at September 30, 1995	12,909	130	14,947	41,577	(228)	(406)	--	156	56,176
Issuance of common stock	101	1	3,586	--	--	--	--	--	3,587
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/sale to ESOP	38	--	945	--	160	--	--	--	1,105
Net income	--	--	--	17,423	--	--	--	--	17,423
Dividends declared	--	--	--	(991)	--	--	--	--	(991)
Pension adjustment	--	--	--	--	--	406	--	--	406
Unrealized losses on investments	--	--	--	--	--	--	--	(59)	(59)
Cumulative translation adjustments	--	--	--	--	--	--	(145)	--	(145)
Balances at September 30, 1996	13,270	133	21,628	58,009	(68)	--	(145)	97	79,654
Issuance of common stock	47	--	1,044	--	--	--	--	--	1,044
Vesting of restricted stock	--	--	289	--	--	--	--	--	289
Exercise of stock options	141	2	1,018	--	--	--	--	--	1,020
Tax benefit of stock options	--	--	1,474	--	--	--	--	--	1,474
Contribution/sale to ESOP	41	--	504	--	105	--	--	--	609
Deferred compensation	--	--	68	--	--	--	--	--	68
Purchase of treasury stock	(37)	--	--	--	(470)	--	--	--	(470)
Net income	--	--	--	20,686	--	--	--	--	20,686
Dividends declared	--	--	--	(1,028)	--	--	--	--	(1,028)
Charge to reflect change in RMT's fiscal year	--	--	--	(214)	--	--	--	--	(214)
Unrealized gains on investments	--	--	--	--	--	--	--	220	220
Cumulative translation adjustments	--	--	--	--	--	--	(163)	--	(163)
Balances at September 30, 1997	13,462	$135	$26,025	$77,453	$(433)	$ --	$(308)	$317	$103,189

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30,	1997	(dollars in thousands) 1996	1995
Cash flows from operating activities			
Net income	$20,686	$17,423	$12,753
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	11,753	7,928	6,227
Equity loss in investments	2,082	821	97
Investment write-off	773	1,535	--
Deferred income taxes	(2,824)	84	(1,714)
Charge to reflect change in RMT's fiscal year	(214)	--	--
Changes in operating assets and liabilities:			
Increase in accounts receivable	(8,104)	(7,824)	(5,380)
Decrease (increase) in unbilled work in progress	(7,611)	1,425	(5,149)
Decrease (increase) in prepaid expenses and other assets	2,945	(3,180)	(1,585)
Decrease (increase) in other assets	515	(40)	(355)
Increase in accounts payable and other accrued liabilities	329	2,894	753
Increase in accrued compensation and employee benefits	3,659	5,105	4,796
Increase (decrease) in billings in excess of earned revenues	1,406	(1,244)	2,679
Increase (decrease) in other liabilities	664	(1,002)	(32)
Net cash provided by operating activities	26,059	23,925	13,090
Cash flows from investing activities			
Purchases of property and equipment	(21,653)	(13,472)	(10,912)
Proceeds from sale of property and equipment	340	--	--
Purchase of Printronic and CRMA, net of cash acquired	(78)	(1,682)	--
Purchase of DynaMark	--	(1,129)	(2,150)
Purchases of investments	(9,658)	(10,781)	(9,240)
Proceeds from maturities of investments	7,568	5,913	7,104
Net cash used in investing activities	(23,481)	(21,151)	(15,198)
Cash flows from financing activities			
Principal payments of capital lease obligations	(378)	(391)	(478)
Issuance of stock	1,020	928	494
Dividends paid	(1,028)	(991)	(668)
Repurchase of company stock	(470)	--	--
Net cash used in financing activities	(856)	(454)	(652)
Increase (decrease) in cash and cash equivalents	1,722	2,320	(2,760)
Cash and cash equivalents, beginning of year	11,487	9,167	11,927
Cash and cash equivalents, end of year	$13,209	$11,487	$9,167

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, including credit and insurance scoring algorithms. The Company also offers direct marketing and database management services, and enterprise-wide risk management and performance measurement solutions to major financial institutions through its wholly owned subsidiaries, DynaMark, Inc. (DynaMark) and Risk Management Technologies (RMT), respectively.

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 consolidated 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

Investments in U.S. government obligations and marketable equity securities are classified as "available-for-sale" and carried at market. 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 classified as available-for-sale securities with remaining maturities over one year and non-marketable securities 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 ten 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 based upon milestones which are defined using management's estimates of costs incurred at various stages of the project as compared to total estimated project 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. Amounts due under such arrangements are recorded as unbilled work in progress until collected. Revenues from non-customized software licenses and shrink-wrapped products are recognized upon delivery of product and services, or license renewal. 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, 1997, 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, 1997, 1996 and 1995, amortization of capitalized software was $1,069,000, $248,000 and $573,000, respectively. At September 30, 1997 and 1996, unamortized purchased computer software costs were $3,228,000 and $1,241,000, 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 which 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-average 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, 1997.

Reclassifications

Certain reclassifications were made to the 1995 and 1996 financial statements to conform to the 1997 presentation.

Accounting pronouncements

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS No. 128). SFAS No. 128 establishes standards for computing and presenting earnings per share (EPS) and applies to entities with publicly held common stock or potential common stock. SFAS No. 128 simplifies the standards for computing earnings per share previously found in Accounting Principles Board (APB) Opinion No. 15, Earnings per Share, and replaces the presentation of primary EPS with a presentation of basic EPS. It also requires dual presentation of basic and diluted EPS on the face of the income statement and requires reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. SFAS No. 128 is effective for financial statements issued for both interim and annual periods ending after December 15, 1997; earlier application is not permitted. This statement requires restatement of all prior-period EPS data presented. Management does not believe the impact of the diluted EPS is materially different than the primary EPS amounts currently reported in the accompanying consolidated financial statements; however, basic EPS would be higher than the primary EPS.

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," SFAS No. 130 established standards for reporting comprehensive income and its components in financial statements. This statement requires that all items which are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income is equal to net income plus the change in "other comprehensive income." SFAS No. 130 requires that an entity: (a) classify items of other comprehensive income by their nature in a financial statement, and (b) report the accumulated balance of other comprehensive income separately from common stock and retained earnings in the equity section of the statement of financial position. This statement is effective for financial statements issued for fiscal years beginning after December 15, 1997. Management intends to conform its consolidated financial statements to this pronouncement.

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

In October 1997, the American Institute of Certified Public Accountants issued Statement of Position No. 97-2, "Software Revenue Recognition." This statement establishes standards for when to recognize revenue on software transactions and in what amounts for licensing, selling, leasing or otherwise marketing computer software. This statement is effective for financial statements issued for fiscal years beginning after December 15, 1997. Management intends to conform its consolidated financial statements to this pronouncement. The Company is currently evaluating the impact of the statement in the accompanying consolidated financial statements.

Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivable and accounts payable are approximately equal to their carrying amounts 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. Mergers and Acquisitions

In July 1997, the Company issued 1,252,665 shares of its common stock (including 544,218 shares underlying options assumed by the Company) in connection with the merger with RMT. The acquisition has been accounted for under the pooling-of-interests method. Accordingly, the financial statements have been restated for all prior periods to include RMT. Further, all common share and per share data have been restated for prior periods.

For the pre-merger periods indicated, revenues and net income of the Company and RMT are as follows:

(dollars in thousands)	Nine-months ended June 30, 1997 (Unaudited)	Years ended September 30, 1996	1995
Revenues			
Fair, Isaac and Company, Incorporated	$137,031	$148,749	$113,881
Risk Management Technologies	5,746	7,164	3,208
	$142,777	$155,913	$117,089
Net Income			
Fair, Isaac and Company, Incorporated	$13,732	$16,179	$12,695
Risk Management Technologies	630	1,244	58
	$14,362	$17,423	$12,753

RMT previously used the fiscal year ended December 31 for its financial reporting. RMT's operating results for the year ended December 31, 1996 are included in the accompanying statement of income in the column headed September 30, 1996. The statement of income's comparative 1997 results reflect the operations of the Company and RMT for the year ended September 30, 1997. Accordingly, the duplication of RMT's net income, for the three months ended December 31, 1996, has been adjusted by a $214,000 charge to retained earnings in fiscal 1997. The balance sheet at September 30, 1996 has been derived from the combination of the audited consolidated financial statements of the Company at that date and the audited financial statements of RMT at December 31, 1996.

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 for the year ended September 30, 1996. 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 contingent cash and Company stock payments to the former CRMA shareholders not to exceed $5,499,000 based on specified financial performance of CRMA through September 1999. For the year ended September 30, 1997, an additional $45,000 was capitalized as goodwill relating to the additional contingent cash and Company stock payments.

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) (dollars in thousands except per share data)	Years ended September 30, 1996	 1995
Revenue	$162,491	$122,557
Net income	$17,495	$12,425
Earnings per share	$1.25	$.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)	Years ended September 30, 1997	 1996	 1995
Income tax payments	$14,278	$13,785	$10,641
Interest paid	$ 336	$ 223	$ 243
Non-cash investing and financing activities:			
Tax benefit of stock options	$ 1,474	$ 1,124	$ 115
Issuance of common stock to ESOP	$ 969	$ --	$ --
Contributions of treasury stock to ESOP	$ 609	$ 1,105	$ 842
Vesting of restricted stock	$ 289	$ 115	$ --
Purchase of Printronic and CRMA with common stock	$ --	$ 3,572	$ --

5. Investments

The following is a summary of available-for-sale securities and other investments at September 30, 1997 and 1996:

	1997				1996			
(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	$ 6,069	$ 39	$--	$ 6,108	$ 7,475	$ 14	$ (2)	$ 7,487
Long-term investments:								
U.S. government obligations	$ 10,480	$ 93	$--	$ 10,573	$ 10,520	$ 99	$ (23)	$ 10,596
Non-marketable securities	306	--	--	306	1,900	--	--	1,900
Marketable equity securities	1,987	716	(321)	2,382	79	77	(5)	151
	$ 12,773	$ 809	$(321)	$ 13,261	$ 12,499	$ 176	$ (28)	$ 12,647

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

For the years ended September 30, 1997 and 1996, the Company made purchases of non-marketable equity investments of $2,285,000 and $2,343,000, respectively. For the year ended September 30, 1997, a non-marketable investment with an equity basis of $773,000 in an overseas start-up venture, principally an Italian credit reporting agency, was written off due to the potential negative impact on the agency's operations from a new Italian privacy law. The Company may continue funding future operating losses of this venture, if any. Currently, the Company is in negotiations to liquidate its equity share of this non-marketable security. The Company also recognized its equity share of losses from these non-marketable equity investments, which includes this Italian venture, of $2,082,000, $821,000 and $97,000 for the years ended September 30, 1997, 1996 and 1995, respectively.

For the year ended September 30, 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. The Company does not have any further financial commitments with respect to the investment.

6. Property and Equipment

Property and equipment at September 30, 1997 and 1996 valued at cost, consist of the following:

(dollars in thousands)	1997	1996
Data processing equipment	$34,248	$21,893
Office furniture, vehicles and equipment	14,383	11,424
Leasehold improvements	12,003	8,111
Capitalized leases	2,841	2,969
Less accumulated depreciation and amortization	(28,989)	(20,745)
Net property and equipment	$34,486	$23,652

Depreciation and amortization charged to operations were $10,479,000, $7,194,000 and $4,874,000 for the years ended September 30, 1997, 1996 and 1995, 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, 1997:

Years ended September 30,	(dollars in thousands)
1998	$ 466
1999	466
2000	466
2001	375
	1,773
Less: Amount representing interest	(221)
Present value of net minimum lease payments	$1,552

7. Intangibles

Intangibles at September 30, 1997 and 1996, consist of the following:

(dollars in thousands)	1997	1996
Goodwill	$10,138	$10,060
Other	2,270	2,270
Less accumulated amortization	(4,047)	(2,773)
	$ 8,361	$ 9,557

Amortization charged to operations was $1,274,000, $734,000 and $711,000 for the years ended September 30, 1997, 1996 and 1995, respectively.

8. Income Taxes

The provision for income taxes consists of the following:

	Years ended September 30,		
(dollars in thousands)	1997	1996	1995
Current:			
Federal	$14,685	$ 9,026	$ 7,992
State	2,863	1,901	2,168
Foreign	136	270	191
	17,684	11,197	10,351
Deferred:			
Federal	(2,400)	183	(1,441)
State	(424)	(99)	(273)
	(2,824)	84	(1,714)
	$14,860	$11,281	$ 8,637

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, 1997 and 1996 are, as follows:

(dollars in thousands)	1997	1996
Deferred tax assets:		
Depreciation and amortization	$ 2,637	$ 1,899
Officers' incentives	2,042	1,429
Loss on investments	1,530	919
Compensated absences	1,070	849
State taxes	1,007	581
Bad debt provision	283	170
Employee benefit plans	280	(226)
Tax on net unrealized gains on available-for-sale securities	(210)	(64)
Other	330	254
	8,969	5,811
Less valuation allowance	(1,083)	(603)
	$ 7,886	$ 5,208

The valuation allowance for deferred tax assets at September 30, 1997 and 1996 was for $1,083,000 and $603,000, respectively. The valuation allowance was needed to reduce the deferred tax assets since the Company does not meet the more-likely-than-not requirement for utilization of the capital loss carryforward.

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, 1997	1996	1995
Income tax provision at federal statutory rates in 1997, 1996 and 1995	$ 12,441	$ 10,031	$ 7,487
State income taxes, net of federal benefit	1,586	1,190	1,229
Increase in valuation allowance	480	603	--
Other	353	(543)	(79)
	$ 14,860	$ 11,281	$ 8,637

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. 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, 1997 and 1996:

(dollars in thousands)	1997	1996
Vested benefit obligation	$ 7,578	$ 6,349
Nonvested benefit obligation	479	486
Effect of projected future earnings	3,710	2,778
Projected benefit obligation	11,767	9,613
Fair value of plan assets	(10,266)	(7,883)
Projected benefit obligation in excess of plan assets	1,501	1,730
Unrecognized prior service cost	68	77
Unrecognized net loss	(2,692)	(3,226)
Unrecognized net obligation remaining to be amortized	(158)	(177)
Prepaid pension cost	$(1,281)	$(1,596)

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

The projected benefit obligation includes an accumulated benefit obligation of $8,057,000 and $6,835,000 at September 30, 1997 and 1996, respectively. The obligation exceeded the fair value of the pension plan assets for the years ended September 30, 1997 and 1996. 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 7.5 and 5.0 percent, respectively, at September 30, 1997, and 8.0 and 5.0 percent, respectively, at September 30, 1996. The expected long-term rate of return on assets was 8.5 percent at September 30, 1997 and 1996.

The net pension cost for the fiscal years ended September 30, 1997 and 1996, included the following components:

(dollars in thousands)	1997	1996
Service costs	$1,011	$ 809
Interest cost on projected benefit obligation	745	609
Actual return on plan assets	(2,050)	(362)
Net amortization and deferral	1,502	66
Net periodic pension plan cost	$1,208	$1,122

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 $1,534,000, $1,445,000 and $1,046,000 for the years ended September 30, 1997, 1996 and 1995, respectively.

At September 30, 1997, the ESOP held 970,566 shares of Company stock. The amount of dividends on ESOP shares were $81,000, $94,000 and $64,000 for the years ended September 30, 1997, 1996 and 1995, 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 either vests immediately or over five years. The Company contributions to 401(k) plans were $673,000, $470,000 and $363,000 for years ended September 30, 1997, 1996 and 1995, 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 $132,000, $104,000 and $91,000 for the years ended September 30, 1997, 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 $3,842,000, $3,560,000 and $4,030,000 for the years ended September 30, 1997, 1996 and 1995, 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, 1997 and 1996, the long-term officers' incentive plan payable was $3,475,000 and $3,678,000, 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 $5,211,000, $4,426,000 and $5,401,000 for the years ended September 30, 1997, 1996 and 1995, respectively.

10. Stock

Common

A total of 35,000,000 shares of common stock, $.01 par value, are authorized, of which 13,474,382 shares (including 12,114 shares of treasury stock) were outstanding at September 30, 1997, and 13,286,222 shares (including 15,938 shares of treasury stock) were outstanding at September 30, 1996.

Preferred

A total of 1,000,000 shares of preferred stock, $.01 par value, are authorized; no preferred stock has been issued.

11. Stock Option Plans

The Company has two stock option plans, one of which is for the granting of stock options, stock appreciation rights, restricted stock and common stock that reserves shares of common stock for issuance to officers, key employees and non-employee directors. The Company accounts for the fair value of its stock options under these plans in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation." The Company has elected to continue to apply the provisions of APB No. 25, and provide the pro forma disclosures of SFAS No. 123. Granted awards generally have a maximum term of ten years and vest over one to five years. Under this plan approved by the stockholders, the total number of shares that may be granted is 1,400,000. The other plan is limited to the former employees of RMT, who as of the merger date, held unexpired and unexercised stock option grants under the RMT stock option plans. Granted awards have a maximum term of ten years and vest over three years. The total number of issuable options under the plan is 650,800.

The fair value of options at the date of grant was estimated using the Black-Scholes model with the following weighted-average assumptions for the years ended September 30:

	1997	1996
Expected life (years)	5	5
Interest rate	6.5%	6.2%
Volatility	45 %	45 %
Dividend yield	0 %	0 %

The following information regarding these option plans for the years ended September 30 is as follows:

	1997		1996		1995	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding at beginning of year	1,387,767	$12.21	1,324,407	$ 6.72	1,176,529	$ 4.95
Granted	613,261	$36.82	285,500	$ 32.57	365,378	$11.28
Exercised	(141,452)	$ 7.19	(222,140)	$ 5.62	(217,500)	$ 4.83
Forfeited	(17,000)	$28.96	--	$ --	--	$ --
Outstanding at end of year	1,842,576	$20.63	1,387,767	$12.21	1,324,407	$ 6.72
Options exercisable at year end	782,358	$ 5.33	693,902	$ 3.73	759,029	$ 3.61

The weighted-average fair value of options granted for the years ended September 30, 1997 and 1996 was $17.47 and $15.35, respectively.

The following table summarizes information about significant fixed-price stock option groups outstanding at September 30, 1997:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number outstanding	Weighted average exercise price
$ .92 to $ 8.50	725,026	3.85	$ 2.87	640,018	$ 2.25
$13.25 to $19.31	230,000	4.63	$ 16.87	104,000	$ 13.90
$20.75 to $33.88	347,550	6.77	$ 30.82	27,340	$ 23.73
$34.00 to $40.00	417,500	8.68	$ 38.02	9,000	$ 40.00
$41.13 to $45.63	122,500	8.50	$ 44.69	2,000	$ 41.88
$ .92 to $45.63	1,842,576	5.90	$ 20.63	782,358	$ 5.33

Stock-based compensation under SFAS No. 123 would have had the following pro forma effects for the years ended September 30:

(In thousands, except per share data)	1997	1996
Net income, as reported	$20,686	$17,423
Pro forma net income	$18,091	$17,002
Earnings per share, as reported	$ 1.46	$ 1.25
Pro forma earnings per share	$ 1.27	$ 1.22

The pro forma effect on net income for each of the years ended September 30, 1997 and 1996 may not be representative of the effects on reported net income in future years.

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)
1998	$ 7,806
1999	8,162
2000	7,174
2001	6,582
2002	4,316
Thereafter	34,016
	$68,056

Rent expense under operating leases, including month-to-month leases, was $6,413,000, $4,821,000 and $3,030,000 for the years ended September 30, 1997, 1996 and 1995, 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. 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 $33,879,000, $26,142,000 and $16,370,000 for the years ended September 30, 1997, 1996 and 1995, respectively.

14. Other Income (Expense)

Other income (expense) for the years ended September 30, 1997, 1996 and 1995, consists of the following:

(dollars in thousands)	1997	1996	1995
Interest income	$ 2,040	$1,748	$1,574
Equity loss in investments	(2,082)	(821)	(97)
Investment write-off	(773)	(1,535)	--
Foreign currency gain (loss)	(677)	(97)	261
Acquisition expenses	(558)	--	--
Interest expense	(336)	(223)	(243)
Other	176	114	67
	$(2,210)	$ (814)	$1,562

15. Subsequent Events

On November 26, 1997, the Company entered into an option agreement to purchase undeveloped land in San Rafael, California, with the intention of constructing an office complex to accommodate future growth. On December 1, 1997, the Company exercised the option to purchase the land for $9.35 million plus amounts necessary to reimburse certain costs incurred by the seller as defined in the agreement. The consummation of the purchase is subject to a variety of closing conditions, including receipt of required government approvals.

On November 26, 1997, the Company also signed a lease agreement and land purchase agreement related to the undeveloped land discussed in the above paragraph. However, these agreements will not be in effect if the purchase of the land described in the above paragraph is consummated.

16. 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, 1997. 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 consolidated financial information for the period presented.

(in thousands except per share data)	Dec. 31, 1995	Mar. 31, 1996	June 30, 1996	Sept. 30, 1996
Revenues	$34,218	$36,950	$39,213	$45,532
Cost of revenues	13,531	13,838	14,622	15,741
Gross profit	$20,687	$23,112	$24,591	$29,791
Net income	$3,785	$4,573	$4,867	$4,198
Earnings per share	$.27	$.33	$.35	$.30
Shares used in computing earnings per share	13,791	13,857	13,829	13,891

(in thousands except per share data)	Dec. 31, 1996	Mar. 31, 1997	June 30, 1997	Sept. 30, 1997
Revenues	$43,337	$48,366	$51,074	$56,232
Cost of revenues	16,372	17,825	18,715	19,654
Gross profit	$26,965	$30,541	$32,359	$36,578
Net income	$4,698	$5,370	$4,294	$6,324
Earnings per share	$.33	$.38	$.30	$.44
Shares used in computing earnings per share	14,144	14,228	14,325	14,452

The financial data for the above quarterly information has been restated to reflect the merger, effective July 1997, between Fair, Isaac and Company, Incorporated and Risk Management Technologies which has been accounted for under the pooling-of-interests method.

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 3, 1998.

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 3, 1998.

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 Arrangements" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on February 3, 1998.

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 3, 1998.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference from the information under the captions "Director Consulting Arrangements" 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 3, 1998.

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 Company 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 Agreement and Plan of Reorganization, dated June 12, l997, among the Company, FIC Acquisition Corporation, Risk Management Technologies ("RMT"), and the shareholders and optionholders of RMT. Pursuant to Item 601(b)(2) of Regulation S-K, certain schedules have been omitted but will be furnished supplementally to the Commission on request.

2.3 Employment Agreement, dated July 21, l997, by and between the Company and David LaCross.*

2.4 Employment and Non-Competition Agreement, dated December 31, 1992, by and between the Company 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 June 23, l997, among the Company, David LaCross and Kathleen O. LaCross, Trustees U/D/T dated April 2, 1997, Jefferson Braswell, Software Alliance LLC, Robert Ferguson, James T. Fan and Leland Prussia.

4.2 Registration Rights Agreement, dated September 30, 1996, among the Company, Donald J. Sanders, Paul A. Makowski and Lawrence E. Dukes, filed as Exhibit 4.2 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.

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 No.1 to the Company's 1992 Long-Term Incentive Plan (as amended and restated effective November 21, 1995).*

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 Amendment No.2 to the Company's 1992 Long-Term Incentive Plan (as amended and restated effective November 21, 1995).*

10.16 The Company's 1992 Long-Term Incentive Plan as amended and restated effective November 21, 1995, filed as Exhibit 10.16 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.*

10.17 Amendment No.3 to the Company's Stock Option Plan for Non-Employee Directors.*

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, filed as Exhibit 10.24 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.

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, filed as Exhibit 10.25 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.

10.26 Contract between the Company and Dr. Robert M. Oliver, dated April 2, 1996, filed as Exhibit 10.26 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.*

10.27 Letter of Intent dated July 15, 1996, between the Company and Village Properties, and the First Amendment thereto dated July 18, 1996, filed as Exhibit 10.27 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.

10.28 Office Building Lease, dated November 14, 1996, between the Company and Regency Center, filed as Exhibit 10.28 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.

10.29 Sixth and Seventh Addenda to the Lease, dated July 1, 1993, between the Company and the Joseph and Eda Pell Revocable Trust, filed as Exhibit 10.29 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.

10.30 First and Second Addenda to the Lease dated July 10, 1993, between the Company and the Joseph and Eda Pell Revocable Trust, filed as Exhibit 10.30 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.

10.31 Fifth Addendum to the Lease, dated October 11, 1993, between the Company and the Joseph and Eda Pell Revocable Trust, filed as Exhibit 10.31 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.

10.32 First Addendum to Lease, dated August 13, l997, by and between the Company and Regency Center.

10.33 Option Agreement, dated November 26, l997, by and between the Company and Village Builders, L.P.

10.34 Leasehold Improvements Agreement, dated November 26, l997, by and between the Company and Village Builders, L.P.

10.35 Lease, dated March 11, l997, by and between DynaMark, Inc. and CSM.

10.36 First Amendment to Lease, dated September 24, l997, by and between DynaMark, Inc. and CSM.

10.37 Chase Database Agreement, dated October 29, l997, by and among DynaMark, Inc. and Chase Manhattan Bank USA, National Association. Confidential treatment has been requested for certain portions of this document. Such portions have been omitted from the filing and have been filed separately with the Commission.

11.1 Computation of net income per common share.

21.1 Subsidiaries of the Company.

23.1 Consent of KPMG Peat Marwick LLP (see page 48 of this Form 10-K).

24.1 Power of Attorney (see page 46 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, 1997.

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, 1997

By /s/ 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 --- Larry E. Rosenberger	President, Chief Executive Officer (Principal Executive Officer) and Director	December 26, 1997
PATRICIA COLE --- Patricia Cole	Senior Vice President, Chief Financial Officer and Controller	December 26, 1997
A. GEORGE BATTLE --- A. George Battle	Director	December 26, 1997
BRYANT J. BROOKS --- Bryant J. Brooks	Director	December 26, 1997
H. ROBERT HELLER --- H. Robert Heller	Director	December 26, 1997
GUY R. HENSHAW --- Guy R. Henshaw	Director	December 26, 1997
DAVID S. P. HOPKINS --- David S. P. Hopkins	Director	December26, 1997
ROBERT M. OLIVER --- Robert M. Oliver	Director	December 26, 1997
ROBERT D. SANDERSON --- Robert D. Sanderson	Director	December 26, 1997
JOHN D. WOLDRICH --- John D. Woldrich	Director	December 26, 1997

SCHEDULE II

FAIR, ISAAC AND COMPANY, INCORPORATED
VALUATION AND QUALIFYING ACCOUNTS
RULE 12-09
SEPTEMBER 30, 1997 AND 1996

Description	Balance at Beginning of Period	Additions Charged to Expense	Additions Other (1)	Write-offs	Balance at End of Period
September 30, 1997:					
Allowance for Doubtful Accounts	$485,000	$438,000	$ --	$(165,000)	$758,000
September 30, 1996:					
Allowance for Doubtful Accounts	$332,450	$600,000	$11,000	$(458,450)	$485,000
September 30, 1995:					
Allowance for Doubtful Accounts	$539,000	$ 16,000	$ --	$(222,550)	$332,450

(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. 333-02121) on Form S-8, the registration statement (No. 333-32309) on Form S-8, the registration statement (No. 333-42473) on Form S-3 of Fair, Isaac and Company, Incorporated and subsidiaries of our reports dated October 29, 1997, except as to note 15, which is as of December 1, 1997, relating to the consolidated balance sheets of Fair, Isaac and Company, Incorporated and subsidiaries as of September 30, 1997 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows and related financial statement schedule for each of the years in the three-year period ended September 30, 1997, which reports appear in the September 30, 1997 annual report on Form 10-K of Fair, Isaac and Company, Incorporated, and subsidiaries.

KPMG PEAT MARWICK LLP

San Francisco, California
December 26, 1997

EXHIBIT INDEX
TO FAIR, ISAAC AND COMPANY, INCORPORATED
REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1997

Exhibit No.	Exhibit
2.2	Agreement and Plan of Reorganization, dated June 12, l997, among the Company, FIC Acquisition Corporation, Risk Management Technologies ("RMT"), and the shareholders and optionholders of RMT. Pursuant to Item 601(b)(2) of Regulation S-K, certain schedules have been omitted but will be furnished supplementally to the Commission on request.
2.3	Employment Agreement, dated July 21, l997, by and between the Company and David LaCross.
3.1	Restated Certificate of Incorporation of the Company.
3.2	Restated By-laws of the Company.
4.1	Registration Rights Agreement dated June 23, l997, among the Company, David LaCross and Kathleen O. LaCross, Trustees U/D/T dated April 2, 1997, Jefferson Braswell, Software Alliance LLC, Robert Ferguson, James T. Fan and Leland Prussia.
10.10	Amendment No.1 to the Company's 1992 Long-Term Incentive Plan (as amended and restated effective November 21, 1995).
10.15	Amendment No.2 to the Company's 1992 Long-Term Incentive Plan (as amended and restated effective November 21, 1995).
10.17	Amendment No.3 to the Company's Stock Option Plan for Non-Employee Directors.
10.32	First Addendum to Lease, dated August 13, l997, by and between the Company and Regency Center.
10.33	Option Agreement, dated November 26, l997, by and between the Company and Village Builders, L.P.
10.34	Leasehold Improvements Agreement, dated November 26, l997, by and between the Company and Village Builders, L.P.
10.35	Lease dated March 11, l997, by and between DynaMark, Inc. and CSM.
10.36	First Amendment to Lease, dated September 24, l997, by and between DynaMark, Inc. and CSM.
10.37	Chase Database Agreement, dated October 29, l997, by and among DynaMark, Inc. and Chase Manhattan Bank USA, National Association. Confidential treatment has been requested for certain portions of this document. Such portions have been omitted from the filing and have been filed separately with the Commission.
11.1	Computation of net income per common share.
21.1	Subsidiaries of the Company.
23.1	Consent of KPMG Peat Marwick LLP (see page 48 of this Form 10-K).
24.1	Power of Attorney (see page 46 of this Form 10-K).
27	Financial Data Schedule.

EXHIBIT 2.2

AGREEMENT AND PLAN OF REORGANIZATION

Among

FAIR, ISAAC AND COMPANY, INCORPORATED,

FIC ACQUISITION CORPORATION,

RISK MANAGEMENT TECHNOLOGIES,

AND CERTAIN SECURITYHOLDERS OF
RISK MANAGEMENT TECHNOLOGIES

June 12, 1997

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AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (this "Agreement"), made and entered into as of June 12, 1997, by and among FAIR, ISAAC AND COMPANY, INCORPORATED, a Delaware corporation ("FIC"), FIC ACQUISITION CORPORATION, a California corporation and wholly owned subsidiary of FIC ("Acquisition Corporation"), RISK MANAGEMENT TECHNOLOGIES, a California corporation ("RMT"), and the shareholders and optionholders of RMT listed on the signature pages hereto (collectively, the "Signing Holders"),

W I T N E S S E T H:

WHEREAS, subject to the terms and conditions of this Agreement, on the date provided for in Article 8 hereof (the "Closing Date"), Acquisition Corporation and RMT shall execute three copies of the Agreement of Merger (the "Agreement of Merger") in substantially the form attached hereto as Exhibit A, which provide for the merger (the "Merger") of Acquisition Corporation into RMT at the Effective Time (as defined in Section 2.1 hereof); and

WHEREAS, the Merger is intended to qualify as a "reorganization" under the provisions of section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, following the Merger in accordance with the terms of this Agreement, RMT shall be a wholly owned subsidiary of FIC and all shares of Common Stock, no par value per share, of RMT ("RMT Common") issued and outstanding will be converted into shares of Common Stock, $0.01 par value per share, of FIC ("FIC Common") in accordance with this Agreement; and

WHEREAS, the parties hereto desire to enter into this Agreement for the purpose of setting forth certain representations, warranties and covenants made by each to the other as an inducement to the execution and delivery of this Agreement and the conditions precedent to the consummation of the Merger and the transactions related thereto:

NOW, THEREFORE, in consideration of the premises and of the mutual provisions, agreements and covenants herein contained, FIC, RMT and the Signing Holders agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Certain Definitions. The terms defined in this Section 1.1 shall, for all purposes of this Agreement, have the meanings herein specified:

"Acquisition Corporation Common" shall mean the Common Stock, no par value per share, of Acquisition Corporation.

"Acquisition Transaction" is defined in Section 5.5.

"Affiliate" is defined in Section 6.9.

"Antitrust Division" shall mean the Antitrust Division of the Department of Justice.

"Agreement of Merger" is defined in the first recital hereof.

"Benefit Arrangements" is defined in Section 3.23(d).

"Closing" and "Closing Date" are defined in Section 8.1.

The "Closing Stock Price" shall mean $39.8375.

"Code" is defined in the second recital hereof.

"Consents" is defined in Section 3.4.

The terms "contract" and "agreement" include every contract, agreement, commitment, understanding and promise, whether written or oral.

"Dissenting Share" and "Dissenting Shareholder" are defined in Section 2.3(f).

"Effective Time" is defined in Section 2.1.

"Employee Plans" is defined in Section 3.23(a).

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" is defined in Section 3.23(b).

"Escrow Agent" is defined in Section 9.3(a).

"Escrow Agreement" and "Escrow Fund" are defined in Section 9.3.

"Escrow Shares" is defined in Section 2.3(c).

"Exchange Ratio" is defined in Section 2.3(c).

"FIC Common" is defined in the third recital hereof.

"FIC Indemnitees" is defined in Section 9.2.

"FIC Options" is defined in Section 4.4.

"FIC Preferred Stock" is defined in Section 4.4.

"FIC SEC Documents" is defined in Section 4.5.

"Filing Date" is defined in Section 8.2.

"Filing Fees" is defined in Article 10.

"FTC" shall mean the Federal Trade Commission.

"GAAP" shall mean generally accepted accounting principles in the United States.

"Governmental Entity" is defined in Section 3.4.

"Hazardous Substances" shall mean any pollutant, contaminant, material, substance or waste regulated, restricted or prohibited by any law, regulation or ordinance or designated by any governmental agency to be hazardous, toxic, radioactive, biohazardous or otherwise a danger to health or the environment, including but not limited to "hazardous substances" as defined under the Federal Comprehensive Environmental Responsibility, Cleanup and Liability Act of 1980 or any "hazardous wastes" as defined under the Federal Resource Conservation Recovery Act of 1976.

"Holders" is defined in Section 2.3(c).

"Holders' Representatives" shall mean David LaCross and Thomas Loo, Esq. or such successor to each of them as may be agreed upon by a majority in interest of the other Holders (as defined in Section 2.3(c) hereof) and identified to FIC by such Holders in writing.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indemnifiable Damages" is defined in Section 9.2.

"Indemnitee" and "Indemnitor" are defined in Section 9.4.

"Intellectual Property Disclosure Schedule" shall mean Schedule 3.17 hereto.

"ISO" shall mean an "incentive stock option" within the meaning of section 422 of the Code.

"Merger" is defined in the first recital hereof.

"Merger Shares" is defined in Section 2.3(c).

"NYSE" shall mean, in the context of references to stock prices, the New York Stock Exchange Composite Transactions Tape, and in other contexts, the New York Stock Exchange.

"Option Plans" is defined in Section 6.10.

The term "patent" shall mean any and all patents and patent applications, including any divisions, substitutions, continuations, continuations-in-part, reissues, reexaminations, or extensions thereof, and all corresponding foreign patents and patent applications filed or issued in any country which are based upon or derived from such patents or patent applications.

"Permits" is defined in Section 3.11.

A "Principal Optionholder" shall mean any holder of Vested Options to purchase more than 50,000 shares of RMT Common immediately prior to the Closing.

"Proprietary Rights" is defined in Section 3.17(b).

"Purchase Price" shall mean forty-six million dollars ($46,000,000).

"RMT Balance Sheet" is defined in Section 3.5.

"RMT Common" is defined in the third recital hereof.

"RMT Financial Statements" and "RMT Balance Sheet Date" are defined in Section 3.5.

"RMT Indemnitors" is defined in Section 9.2.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Stock" is defined in Section 2.3(c).

"Subject Optionholders" is defined in Section 6.6.

"Subject Options" is defined in Section 6.6.

"Subsidiary" of a specified entity means a corporation whose voting securities are owned directly or indirectly by the specified entity in such amounts as are sufficient to elect at least a majority of the Board of Directors.

"Surviving Corporation" is defined in Section 2.2.

The term "Tax" (including, with correlative meaning, the term "Taxes") includes all federal, state, local and foreign income, profits, franchise, gross receipts, environmental, customs duty, capital stock, severance, stamp, payroll, sales, employment, unemployment, disability, use, property, withholding, excise, production, value added, goods and services, occupancy and other taxes, duties, imposts or assessments or any nature whatsoever, together with all interest, penalties and additions imposed with respect to such amounts and any interest in respect of such penalties and additions. The term "Tax Return" includes all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority relating to Taxes.

"Underlying Shares" is defined in Section 2.3(c).

"Vested Options" shall mean the options to purchase RMT Common that had fully vested (in accordance with the terms thereof and as disclosed to FIC in Schedule 3.2 hereto) immediately prior to the Effective Time.

1.2 Other Definitions. A representation or warranty made by Software Alliance LLC or Leland Prussia concerning matters "to the knowledge" (or similar phrase) of Software Alliance LLC or Leland Prussia shall be deemed to refer to the actual knowledge of the members and officers of Software Alliance LLC and of Leland Prussia, respectively, without any requirement that such persons conduct an independent investigation into such matter. In addition to the terms defined in Section 1.1, certain other terms are defined elsewhere in this Agreement, and,

whenever such terms are used in this Agreement, they shall have their respective defined meanings, unless the context expressly or by necessary implication otherwise requires.

ARTICLE 2

THE MERGER AND RELATED TRANSACTIONS

2.1 Effective Time of the Merger. Subject to the provisions of this Agreement, as soon as practicable on or after the Closing Date (as defined in Article 8 of this Agreement), the Agreement of Merger in substantially the form attached hereto as Exhibit A shall be duly prepared, executed and acknowledged by RMT and Acquisition Corporation and thereafter delivered to the Secretary of State of the State of California for filing in accordance with the California General Corporation Law. The Merger shall become effective upon the later to occur of the acceptance of such filing by the Secretary of State of the State of California or such time thereafter as is provided by the Agreement of Merger (the "Effective Time").

2.2 Effects of the Merger. At the Effective Time, (a) the separate existence of Acquisition Corporation shall cease and Acquisition Corporation shall be merged with and into RMT as the surviving corporation (the "Surviving Corporation"); (b) the Articles of Incorporation of RMT, in the form attached hereto as Exhibit B, shall be the Articles of Incorporation of the Surviving Corporation; (c) the Bylaws of RMT, in the form attached hereto as Exhibit C, shall be the Bylaws of the Surviving Corporation; (d) the directors of the Surviving Corporation shall be as set forth in Section 2.5 herein; (e) the officers of the Surviving Corporation shall be as set forth in Section 2.5 herein; and (f) the Merger shall, from and after the Effective Time, have all the effects provided by applicable law.

2.3 Effect of Merger on Capital Stock and Options. As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of the issued and outstanding shares of RMT Common or any options to purchase shares of RMT Common:

(a) Capital Stock of Acquisition Corporation. All issued and outstanding shares of capital stock of Acquisition Corporation shall continue to be issued and shall be converted into 1,000 shares of Common Stock of the Surviving Corporation. Each stock certificate of Acquisition Corporation evidencing ownership of any such shares shall continue to evidence ownership of such shares of capital stock of the Surviving Corporation.

(b) Cancellation of RMT-Owned and FIC-Owned Stock. All shares of RMT Common, if any, that are owned directly or indirectly by RMT, and all shares of RMT Common, if any, that are owned directly or indirectly by FIC or any of its Subsidiaries, shall be canceled, and no stock of FIC or other consideration shall be delivered in exchange therefor.

(c) Conversion of the Stock; Escrow Shares. Except for shares to be canceled pursuant to Section 2.3(b) hereof, fractional shares as provided in Section 2.3(e) and Dissenting Shares as provided in Section 2.3(f), and subject to adjustment pursuant to Section 2.3(d), the shares of RMT Common issued and outstanding immediately prior to the Effective Time (all shares not so excepted, the "Stock"), shall cease to be outstanding and shall be converted by virtue of the Merger and without any action on the part of the holders thereof (collectively, the "Holders") into shares of FIC Common (collectively, the "Merger Shares") as provided below.

The aggregate number of Merger Shares shall equal the Exchange Ratio multiplied by the number of shares of RMT Common outstanding immediately prior to the Effective Time. The Exchange Ratio shall equal the quotient obtained by dividing (i) the quotient obtained by dividing (a) the sum of the Purchase Price plus the aggregate exercise price of the Vested Options by (b) the Closing Stock Price by (ii) the sum of the number of outstanding RMT Common shares immediately prior to the Effective Time plus the number of shares of RMT Common for which the Vested Options are exercisable immediately prior to the Effective Time, rounded to the nearest one-hundred thousandth (or if there shall not be a nearest one-hundred thousandth, to the next highest one-hundred thousandth).

Of the Merger Shares, one hundred fifteen thousand four hundred sixty-nine (115,469) (the "Escrow Shares") shall be issued in accordance with the terms of the Escrow Agreement in the names of the Holders, but shall be delivered at the Effective Time to the Escrow Agent to be held and distributed in accordance with the provisions of Article 9 hereof. Additional shares of FIC Common issued after the Effective Time upon exercise of Subject Options which are deposited into escrow pursuant to the Escrow Agreement shall thereafter constitute a portion of the Escrow Shares. As provided in the Escrow Agreement, Subject Options shall be at risk of forfeiture in the event of the satisfaction of indemnification claims from the escrow.

(d) Adjustment of Exchange Ratio or Allocation. If, between the date of this Agreement and the Effective Time, the outstanding shares of FIC Common or RMT Common shall have been changed into a different number of shares or a different class by reason of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, the number of shares of FIC Common to be delivered pursuant to this Agreement shall be correspondingly adjusted.

(e) Fractional Shares. No fractional shares of FIC Common shall be issued, but in lieu thereof each Holder who would otherwise be entitled to receive a fraction of a share of FIC Common (after aggregating all fractional shares of FIC Common to be received by such Holder) shall receive from FIC an amount of cash (rounded up to the nearest whole cent) equal to the product of (i) the fraction of a share of FIC Common to which such Holder would otherwise be entitled, times (ii) the Closing Stock Price.

(f) Dissenting Shares; Dissenting Shareholders. Notwithstanding anything in this Agreement to the contrary, no share of RMT Common, the holder of which (a "Dissenting Shareholder") has properly exercised and perfected appraisal rights under section 1300 of the California Corporations Code (a "Dissenting Share"), shall be converted into the right to receive any Merger Shares, but such Dissenting Shareholder shall be entitled to receive such consideration as shall be determined pursuant to section 1300 of the California Corporations Code with respect to such Dissenting Share; provided that if any such Dissenting Shareholder shall fail to perfect or shall have effectively withdrawn or otherwise lost his, her or its rights to dissent to the Merger under the California Corporations Code, each of such Dissenting Shareholder's Dissenting Shares shall thereupon be deemed to have been converted into the number of Merger Shares applicable thereto as if such Dissenting Share had not been a Dissenting Share at the Effective Time, without any interest thereon, and such share shall no longer be a Dissenting Share.

2.4 Issuance and Exchange of Certificates.

(a) FIC to Make Common Stock Available. Promptly after the Effective Time, FIC shall make available for exchange in accordance with this Agreement, through such reasonable procedures as FIC may adopt, the shares of FIC Common issuable to the Holders pursuant to

Section 2.3(c) in exchange for the Stock. In no event shall FIC make any payment in excess of the number of shares of FIC Common specified in Section 2.3.

(b) Exchange Procedures. As soon as practicable after the Effective Time, FIC shall mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of RMT Common (collectively, the "Certificates") whose shares are being converted into FIC Common pursuant to Section 2.3, instructions for use in effecting the surrender of the Certificates in exchange for FIC Common. Upon surrender of a Certificate for cancellation to FIC, the holder of such Certificate shall be entitled to receive in exchange therefor the certificates representing the number of shares of FIC Common and payments in lieu of fractional shares to which such Holder is entitled pursuant to Section 2.3 and is represented by the Certificate so surrendered. The Certificates so surrendered shall forthwith be canceled. In the event of a transfer of ownership of RMT Common which is not registered in the transfer records of RMT, the stock certificates representing shares of FIC Common may be delivered to a transferee if the Certificate representing the right to receive such FIC Common is presented to FIC and accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid. FIC shall follow the same procedure with respect to lost, stolen or mutilated RMT Certificates as it follows with respect to lost, stolen or mutilated FIC certificates. Unless and until any such Certificate shall be so surrendered, or such procedures respecting lost, stolen or mutilated Certificates are followed, the holders of the Certificate shall not be entitled to receive certificates for the FIC Common or cash for any fractional share of FIC Common and any dividends paid or other distributions made to holders of record of FIC Common after the Effective Time shall be paid to and retained by FIC and paid over to such holder when such Certificate is surrendered or such procedures are implemented in accordance with this Section 2.4(b).

(c) Affiliates. Notwithstanding anything herein to the contrary, Certificates formerly representing the Stock surrendered for exchange for FIC Common by any "affiliate" (as determined pursuant to Section 6.9) of RMT shall not be exchanged for certificates representing FIC Common until FIC has received a written Affiliate Agreement from such person as provided in Section 6.9 hereof.

2.5 Board of Directors; Officers. Upon the Effective Time:

(a) The directors and officers of the Surviving Corporation shall be as named in the Agreement of Merger and each shall remain a director or officer from the Effective Time until his or her successor shall have been elected or appointed and shall qualify, or as otherwise provided in the Bylaws of the Surviving Corporation.

(b) If at the Effective Time a vacancy shall exist in the Board of Directors or in any of the offices of the Surviving Corporation, such vacancy may thereafter be filled in the manner provided in the Bylaws of the Surviving Corporation.

2.6 No Further Ownership Rights in Stock. All FIC Common delivered upon the surrender for exchange of shares of RMT Common in accordance with the terms hereof shall be deemed to have been delivered in full satisfaction of all rights pertaining to such shares of stock. There shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of RMT Common which were outstanding immediately prior to the Effective Time.

2.7 Tax Treatment. The parties intend that the transactions contemplated hereby will be a reorganization within the meaning of section 368 of the Code.

2.8 Accounting Treatment. The parties intend that the Merger shall be treated as a pooling of interests for accounting purposes.

2.9 Assumption of Stock Options. At the Effective Time, all options to purchase shares of RMT Common that had not been exercised or expired prior to the Effective Time shall be assumed by FIC and shall thereafter constitute options to purchase shares of FIC Common, in accordance with the provisions of Section 6.10 hereof.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF RMT AND THE SIGNING HOLDERS

RMT and each of the Signing Holders represent and warrant to FIC as of the date hereof as follows:

3.1 Organization. RMT is a corporation duly organized, validly existing and in good standing under the laws of the State of California, and is not required to be qualified in any other jurisdiction except where the failure to be so qualified will not have a material adverse effect on RMT. Radar International, Inc. is a corporation duly organized, validly existing and in good standing under the laws of the United States Virgin Islands. Each of RMT and its subsidiary has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted. RMT has delivered or made available to FIC true, complete and correct copies of its and its subsidiary's (a) Articles of Incorporation and Bylaws, as amended to the date hereof, (b) minutes of all meetings of directors, shareholders and Board committees and copies of actions by written consent of the foregoing, all of which are complete and accurate as of the date hereof, (c) stock certificate books and all other records that collectively correctly set forth the record ownership of all outstanding shares of its capital stock and all rights to purchase capital stock, and (d) form of stock certificates, option agreements and rights to purchase shares of its capital stock.

3.2 Capital Structure.

(a) The authorized capital stock of RMT consists of 10,000,000 shares of RMT Common, of which 2,117,163 are issued and outstanding. The Signing Holders collectively own 2,116,830 of the issued and outstanding shares of RMT Common, and each Signing Holder severally represents and warrants that such holder has good and valid title to his, her or its shares of RMT Common free and clear of all liens, encumbrances, rights of first refusal, restrictions and adverse claims.

(b) All of the outstanding shares of RMT Common were issued in compliance with applicable federal and state securities laws. All of the outstanding shares of RMT Common are duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights created by statute, RMT's Articles of Incorporation or Bylaws or any agreement to which RMT is a party or by which it is bound.

(c) Except as set forth in Schedule 3.2, there are no equity securities of any class of RMT or its subsidiary, or any security exchangeable into or exercisable for such equity securities, issued, reserved for issuance or outstanding, and there are no options, warrants, calls, rights, commitments or agreements of any character to which RMT or its subsidiary is a party or by which it is bound obligating RMT or its subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock of RMT or its subsidiary or obligating RMT or its subsidiary to grant, extend or enter into any such option, warrant, call, right, commitment or agreement.

(d) Schedule 3.2 contains complete and accurate lists of, and the number of shares owned of record by, the holders of outstanding RMT Common and the number of shares subject to options, and the holders of outstanding options to purchase RMT Common, including in each case the addresses of such holders. Schedule 3.2 is complete and accurate on the date hereof and, if required, an updated Schedule 3.2 to be attached hereto will be complete and accurate as of the Closing Date. Schedule 3.2 identifies the vesting schedule, applicable legends, and repurchase rights or other risks of forfeiture of any outstanding security of RMT.

(e) Schedule 3.2 contains a complete and accurate list of each stock option plan, stock appreciation rights or other equity-related stock incentive plan of RMT and its subsidiary.

(f) Except for any restrictions imposed by applicable state and federal securities laws, there is no right of first refusal, co-sale right, right of participation, right of first offer, option or other restriction on transfer applicable to any shares of RMT Common or any shares of capital stock of RMT's subsidiary.

(g) RMT and each Signing Holder is not a party or subject to any agreement or understanding, and there is no voting trust, proxy, or other agreement or understanding between or among any persons, that affects or relates to the voting or giving of written consent with respect to any outstanding security of RMT, the election of directors, the appointment of officers or other actions of RMT's Board of Directors or the management of RMT.

3.3 Equity Investments. RMT does not own any equity interest, directly or indirectly, in any corporation, partnership, limited liability company, joint venture, firm or other entity, other than Radar International, Inc. RMT owns all of the issued and outstanding capital stock of Radar International, Inc., free and clear of all liens, encumbrances, rights of first refusal, restrictions and adverse claims.

3.4 Authority. RMT has all requisite corporate power and authority to enter into this Agreement and the Agreement of Merger and, subject to satisfaction of the conditions set forth herein, to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Agreement of Merger and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of RMT and the Holders except that this Agreement and the transactions contemplated hereby are subject to approval by the holders of a majority of the voting power of RMT. This Agreement has been duly executed and delivered by RMT and the Signing Holders and the Agreement of Merger will be duly executed and delivered by RMT, and constitutes or in the case of the Agreement of Merger when executed will constitute valid and binding obligations of RMT and the Signing Holders, enforceable in accordance with their terms, subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar federal or state laws affecting the rights of creditors and the effect or availability of rules of law governing specific performance,

injunctive relief or other equitable remedies (regardless of whether any such remedy is considered in a proceeding at law or in equity). Provided the conditions set forth in Article 7 are satisfied, and except as set forth in Schedule 3.4, the execution and delivery of this Agreement and the Agreement of Merger do not or will not, and the consummation of the transactions contemplated hereby and thereby will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or loss of a material benefit under (a) any provision of the Articles of Incorporation or Bylaws of RMT or (b) any agreement or instrument, permit, franchise, license, judgment or order, applicable to RMT, its subsidiary, the Signing Holders and their respective properties or assets, other than any such conflicts, violations, defaults, terminations, cancellations or accelerations which individually or in the aggregate would not have a material adverse effect on RMT and its subsidiary.

Schedule 3.4 sets forth a full and complete list of all necessary consents, waivers and approvals ("Consents") of third parties (other than those described in the following paragraph) applicable to the operations of RMT and its subsidiary and relating to agreements or obligations involving more than $25,000 to be paid by any party thereto within the twelve (12) months following the signing of this Agreement that are required to be obtained by RMT or its subsidiary in connection with the execution and delivery of this Agreement or the Agreement of Merger by RMT and the performance of RMT's obligations hereunder or thereunder. Prior to the Closing Date, RMT will use its best efforts to obtain all such consents.

No consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental authority or instrumentality (a "Governmental Entity"), is required by or with respect to RMT or its subsidiary in connection with the execution and delivery of this Agreement or the Agreement of Merger by RMT or the consummation by RMT of the transactions contemplated hereby or thereby, except for (a) the filing of the Agreement of Merger and related certificates with the California Secretary of State, and (b) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal and state securities laws in connection with the transactions contemplated hereby.

3.5 Financial Statements.

(a) RMT has furnished to FIC its audited consolidated statement of operations, statement of stockholders' equity and statement of cash flows for the two (2) fiscal years ended December 31, 1996 and RMT's unaudited consolidated financial statements and balance sheets at and for the four (4) months ended April 30, 1997. RMT shall furnish monthly unaudited unconsolidated financial statements to FIC for each month after April 30, 1997 until the Closing Date. The consolidated balance sheet at December 31, 1996 is hereinafter referred to as the "RMT Balance Sheet," and all such financial statements are hereinafter referred to collectively as the "RMT Financial Statements." The RMT Financial Statements have been and will be prepared in accordance with GAAP applied on a consistent basis during the periods involved, are and will be in accordance with RMT's books and records, and fairly present or will fairly present the financial position of RMT and the results of its operations as of the date and for the periods indicated thereon, subject in the case of the unaudited portion of the RMT Financial Statements to normal year-end audit adjustments which will not be material individually and in the aggregate. At the date of the RMT Balance Sheet (the "RMT Balance Sheet Date") and as of the Closing Date, RMT and its subsidiaries had and will have no liabilities or obligations, secured or unsecured (whether accrued, absolute, contingent or otherwise and whether or not required to be reflected on the

Balance Sheet under GAAP)) not reflected on the RMT Balance Sheet or the accompanying notes thereto or on Schedule 3.5 hereto, except for (i) liabilities incurred in the ordinary course of business since the RMT Balance Sheet Date which are usual and normal in amount and (ii) liabilities incurred in connection with the Merger and the transactions related thereto, and are set forth in Schedule 3.5 hereto. RMT maintains and will continue to maintain a standard system of accounting established and administered in accordance with GAAP. Attached as Schedule 3.5.1 is RMT's budget and business plan for calendar years 1997 and 1998, including RMT's budgeted revenues and expenses on a monthly basis over such period, and RMT's annual budget and business plan for calendar year 1999.

3.6 Business Changes. Since the RMT Balance Sheet Date, except as otherwise contemplated by this Agreement or set forth in Schedule 3.6, RMT and its subsidiary have conducted their businesses only in the ordinary and usual course and, without limiting the generality of the foregoing:

(a) There have been no changes in the condition (financial or otherwise), business, net worth, assets, prospects, properties, employees, operations, obligations or liabilities of RMT or its subsidiary which, in the aggregate, have had or may be reasonably expected to have a materially adverse effect on the condition, business, net worth, assets, prospects, properties or operations of RMT and its subsidiary.

(b) Neither RMT nor its subsidiary has issued, or authorized for issuance, or entered into any commitment to issue, any equity security, bond, note or other security of RMT or its subsidiary.

(c) Neither RMT nor its subsidiary has incurred additional debt for borrowed money, or incurred any obligation or liability except in the ordinary and usual course of business and in any event not in excess of $25,000 for any single occurrence, and except for legal and accounting fees incurred in connection with the transactions contemplated by this Agreement (which shall not exceed $75,000).

(d) Neither RMT nor its subsidiary has paid any obligation or liability, or discharged, settled or satisfied any claim, lien or encumbrance, except for current liabilities in the ordinary and usual course of business and in any event not in excess of $10,000 for any single occurrence.

(e) Neither RMT nor its subsidiary has declared or made any dividend, payment or other distribution on or with respect to any share of capital stock of RMT or its subsidiary.

(f) Neither RMT nor its subsidiary has purchased, redeemed or otherwise acquired or committed itself to acquire, directly or indirectly, any share or shares of capital stock of RMT or its subsidiary.

(g) Neither RMT nor its subsidiary has mortgaged, pledged, or otherwise, voluntarily or involuntarily, encumbered any of its assets or properties, except for liens for current taxes which are not yet delinquent and purchase-money liens arising out of the purchase or sale of services or products made in the ordinary and usual course of business and in any event not in excess of $10,000 for any single item or $50,000 in the aggregate.

(h) Neither RMT nor its subsidiary has disposed of, or agreed to dispose of, by sale, lease, license or otherwise, any asset or property, tangible or intangible, except in the ordinary and

usual course of business, and in each case for a consideration believed to be at least equal to the fair value of such asset or property and in any event not in excess of $10,000 for any single item or $50,000 in the aggregate.

(i) Neither RMT nor its subsidiary has purchased or agreed to purchase or otherwise acquire any securities of any corporation, partnership, joint venture, firm or other entity.

(j) Neither RMT nor its subsidiary has made any expenditure or commitment for the purchase, acquisition, construction or improvement of a capital asset, except in the ordinary and usual course of business and in any event not in excess of $10,000 for any single item or $50,000 in the aggregate.

(k) Neither RMT nor its subsidiary has sold, assigned, transferred or conveyed, or committed itself to sell, assign, transfer or convey, any Proprietary Rights (as defined in Section 3.17).

(l) Neither RMT nor its subsidiary has paid or committed itself to pay to or for the benefit of any of its directors, officers, employees or shareholders any compensation of any kind other than wages, salaries and benefits at times and rates in effect on the RMT Balance Sheet Date, adopted or amended any bonus, incentive, profit-sharing, stock option, stock purchase, pension, retirement, deferred-compensation, severance, life insurance, medical or other benefit plan, agreement, trust, fund or arrangement for the benefit of employees of any kind whatsoever, nor entered into or amended any agreement relating to employment, services as an independent contractor or consultant, or severance or termination pay, nor agreed to do any of the foregoing.

(m) Neither RMT nor its subsidiary has effected or agreed to effect any change in its directors, officers or key employees.

(n) Neither RMT nor its subsidiary has effected or committed itself to effect any amendment or modification in its Articles of Incorporation or Bylaws, except as contemplated in this Agreement or the RMT Agreement of Merger.

(o) Neither RMT nor its subsidiary has entered into any transaction or contract, or made any commitment to do the same, except in the ordinary and usual course of business, and except for transactions, contract or commitments involving less than $5,000 for any single item and less than $25,000 in the aggregate.

(p) To the best knowledge of RMT and the Signing Holders, no statute has been enacted nor has any rule or regulation been adopted by any state or any federal agency or authority which may have a material adverse effect on the condition (financial or otherwise), business, net worth, assets, prospects, properties, employees, operations, obligations or liabilities of RMT and its subsidiary.

3.7 Properties.

(a) Neither RMT nor its subsidiary owns any real property. The RMT Balance Sheet reflects all of the real and personal property used by RMT and its subsidiary in its business or otherwise held by RMT and its subsidiary, except for (i) property acquired or disposed of in the ordinary and usual course of the business of RMT since the date of such balance sheet, and (ii) real and personal property not required under GAAP to be reflected thereon. Except as

reflected in the notes to the RMT Balance Sheet and in Schedule 3.7, RMT has good title to all assets and properties listed on the RMT Balance Sheet and thereafter acquired, free and clear of any imperfections of title, lien, claim, encumbrance, restriction, charge or equity of any nature whatsoever, except for the lien of current taxes not yet delinquent. All of the fixed assets and properties reflected on the RMT Balance Sheet or thereafter acquired are in good condition and repair for the requirements of the business as presently conducted by RMT.

(b) Schedule 3.7 sets forth a full and complete list of all real property leased by RMT or its subsidiary or under option to lease by RMT or its subsidiary. RMT and its subsidiary have no real property under option to purchase. To the knowledge of the Signing Holders and RMT all such property leased by RMT or its subsidiary is held under valid, subsisting and enforceable leases. Except as disclosed in Exhibit 3.7(b) to Schedule 3.7, either any real property leased by RMT or its subsidiary nor the operations of RMT or its subsidiary thereon violate any applicable material building code, zoning requirement or classification, or pollution control ordinance or statute relating to the property or to such operations, and such non-violation is not dependent, in any instance, on so-called non-conforming use exemptions.

(c) There are no Hazardous Substances released or discharged by or resulting from the occupancy or operations of RMT or its subsidiaries that are in, under or about the soil, sediment, surface water or groundwater on, under or around any properties at any time owned, leased or occupied by RMT or its subsidiary in which any part of the premises owned, leased or occupied by RMT were at or below ground level, and to the knowledge of RMT and the Signing Holders there are no Hazardous Substances in, under or about the soil, sediment, surface water or groundwater on, under or around any property at any time owned, leased or occupied by RMT or any of its subsidiaries. Neither RMT nor any of its subsidiaries has disposed of any Hazardous Substances on or about any property at any time owned, leased or occupied by RMT or any of its subsidiaries. RMT has not disposed of any materials at any site being investigated or remediated for contamination or possible contamination of the environment.

(d) RMT and its subsidiaries have conducted their business in accordance with all applicable laws, regulations, orders and other requirements of governmental authorities relating to Hazardous Substances and the use, storage, treatment, disposal, transport, generation, release and exposure of others to Hazardous Substances. To the knowledge of RMT and the Signing Holders, there have been no judicial or administrative proceedings or other investigations and there are no judicial or administrative proceedings or other investigations pending or threatened alleging violation by RMT or its subsidiaries of any local, state or federal laws respecting land use, pollution or protection of the environment including, without limitation, laws regulating the use, storage, transportation or disposal of Hazardous Substances. RMT has not received any notice of any investigation, claim or proceeding against RMT or its subsidiaries relating to Hazardous Substances. Neither RMT nor any Signing Holder has any knowledge of any fact or circumstance which could involve RMT or any of its subsidiaries in any environmental litigation, proceeding, investigation or claim or impose any environmental liability upon RMT or any of its subsidiaries.

(e) RMT has provided FIC with a complete list of all permits, consents and approvals which RMT or any of its subsidiaries is required to have under local, state or federal laws respecting land use, pollution or protection of the environment for the construction or occupation of its facilities and the operation of its business. RMT and its subsidiaries have obtained all such permits, consents and approvals and are, and at all times have been, in compliance with every material term and condition thereof. All of the listed permits, consents and approvals are in full force and effect, none have been modified, and there is no proceeding pending which may result in

the reversal, rescission, termination, modification or suspension of any such permit, consent or approval.

(f) RMT and its subsidiaries have kept all records and made all filings required by all applicable local, state and federal laws relating to land use, pollution and protection of the environment with respect to all exposures, emissions, discharges and releases into the environment and the proper use, storage, transportation and disposal of all Hazardous Substances.

3.8 Accounts Receivable. All of the accounts receivable of RMT and its subsidiaries shown on the RMT Balance Sheet or thereafter arose in the ordinary and usual course of its business. The values at which accounts receivable are carried reflect the accounts receivable valuation policy of RMT which is consistent with past practice and in accordance with GAAP applied on a consistent basis.

3.9 Taxes. RMT and each of its subsidiaries has prepared in good faith and duly and timely filed (taking into account any extensions of time within which to file) all Tax Returns required to be filed by it, and all such filed Tax Returns are true, complete and accurate. RMT and each of its subsidiaries has paid all Taxes that are shown as due on such filed Tax Returns, or that it is required to withhold from amounts owing to any employee, creditor or third party. There are not pending nor, to the knowledge of RMT or any Signing Holder, threatened any audits, actions, suits, proceedings, investigations, examinations or other proceedings in respect of Taxes or Tax matters relating to RMT or any of its subsidiaries or their respective assets or business. To the knowledge of RMT, there are no unresolved questions or claims concerning the Tax liability of RMT or any of its subsidiaries. RMT and each of its subsidiaries has no liability with respect to Taxes in excess of the amounts accrued in respect thereof and reflected in the RMT Balance Sheet for all periods up to and including the RMT Balance Sheet Date. All Taxes for which RMT or any of its subsidiaries is or will become liable after the RMT Balance Sheet Date and ending on or prior to the Closing Date (whether or not the period ends for Tax purposes on the Closing Date) have been or will be paid when due or adequately reserved against on the books of RMT on or prior to the Closing Date. RMT has never been a member of a consolidated, combined or unitary group. Except as set forth in Schedule 3.9, neither RMT nor any of its subsidiaries is a party to any tax sharing, tax allocation, tax indemnity or other similar agreement. No extension of the statute of limitations for the assessment of Taxes has been granted by RMT and is currently in effect. Neither RMT nor any of its subsidiaries is required to file a Tax Return in any jurisdiction where it does not currently file a Tax Return. Neither RMT nor any of its subsidiaries nor any of their assets or properties are subject to any liens for Taxes, other than liens for property Taxes not yet delinquent and for which adequate reserves have been established. No payments made or to be made to any officers and employees of RMT as a result of or in connection with the Merger will be subject to the deduction limitations under section 280G of the Code.

3.10 Employees.

(a) Schedule 3.10 sets forth a full and complete list of all directors, officers, employees or consultants of RMT and its subsidiary as of the date hereof, specifying their names and job designations, their dates of hire, the total amount paid or payable as wages, salaries or other forms of direct compensation, the basis of such compensation, whether fixed or commission or a combination thereof, together with a description of any written or oral employment contracts, commitments, consulting or termination agreements to which RMT or its subsidiary is a party.

(b) Except as set forth in Schedule 3.10, (i) neither RMT nor its subsidiary has any employment contract with any officer or employee or any other consultant or person which is not terminable by it at will without liability, except as the right of RMT or its subsidiary to terminate its employees at will may be limited by applicable federal, state or foreign law, (ii) neither RMT nor its subsidiary has any bonus plan or obligations to pay any bonuses, (iii) there are no amounts (whether currently payable or payable in the future) payable as a result of a change in control of RMT or its subsidiary to which current or former officers, directors or employees of RMT or its subsidiary are entitled or would become entitled after the Merger, and (iv) the consummation of the transactions contemplated by this Agreement will not result in any payment in the nature of severance pay or in any cost or benefit accelerating, becoming due or accruing with respect to any director, officer, employee or consultant of RMT or its subsidiary.

(c) The employee relations of RMT are good and there is no pending or threatened labor dispute. None of the employees of RMT or its subsidiary is represented by any union or is a party to any collective bargaining arrangement to which RMT or its subsidiary is a party, and to the best knowledge of RMT and the Signing Holders no attempts are being made to organize or unionize any of the RMT employees. To the best knowledge of RMT and the Signing Holders, RMT and its subsidiary have complied with all applicable foreign, state and federal equal employment opportunity and other laws and regulations related to employment practices, terms and conditions or employment and wages and hours.

(d) To the best knowledge of RMT and the Signing Holders, no employee of RMT or its subsidiary has been injured in the workplace or in the course of his or her employment, except for injuries that are covered by insurance or for which a claim has been made under worker's compensation or similar laws. Except as disclosed on Schedule 3.10, no employees of RMT or its subsidiary are absent from active employment on account of illness or injury, other than those employees whose absence has lasted less four weeks as of the date hereof.

(e) To the best knowledge of RMT and the Signing Holders, (i) RMT and its subsidiary have complied in all material respects with the verification requirements and the recordkeeping requirements of the Immigration Reform and Control Act of 1986 or its successor ("IRCA"), and (ii) the information and documents upon which RMT and its subsidiary relied to comply with IRCA are true and correct.

3.11 Compliance with Law. Schedule 3.11 sets forth all material licenses, franchises, permits, clearances, consents, certificates and other evidences of authority of RMT which are necessary to the conduct of RMT's business as conducted during the two (2) years prior to the Closing Date ("Permits"). All such Permits are in full force and effect and neither RMT nor its subsidiary is in violation of any Permit except for violations which would not, singly or in the aggregate, have a material adverse effect on the condition (financial or otherwise), business, net worth, assets, prospects, properties or operations of RMT. Except for possible exceptions, the curing or non-curing of which would not have a material adverse effect on the condition (financial or otherwise), business, net worth, assets, prospects, properties or operations of RMT, the business of RMT and its subsidiary has been conducted in accordance with all applicable laws, regulations, orders and other requirements of governmental authorities, employment practices and procedures, the health and safety of employees and export controls.

3.12 [Reserved].

3.13 Litigation. Schedule 3.13 sets forth each claim, dispute, action, proceeding, notice, order, suit, appeal or investigation, at law or in equity, pending against RMT or its subsidiary, or involving any of their assets or properties, before any court, agency, authority, arbitration panel or other tribunal (other than those, if any, with respect to which service of process or similar notice has not yet been made on RMT or the Signing Holders), and to the knowledge of the Signing Holders and of RMT none have been threatened. The Signing Holders and RMT have no knowledge of facts which, if known to shareholders, customers, governmental authorities or other persons, would result in any such claim, dispute, action, proceeding, suit or appeal or investigation which would have a material adverse effect on the condition (financial or otherwise), business, net worth, assets, prospects, properties or operations of RMT. Neither RMT nor its subsidiary is subject to any order, writ, injunction or decree of any court, agency, authority, arbitration panel or other tribunal, nor is RMT or its subsidiary in default with respect to any notice, order, writ, injunction or decree.

3.14 Contracts. Schedule 3.14 sets forth a complete list of each existing oral or written contract and agreement in the following categories to which RMT or its subsidiary is a party, or by which either of them is bound in any respect: (a) agreements for the purchase, sale, lease or other disposition of equipment, goods, materials, research and development, supplies, studies or capital assets, or for the performance of services, in any case involving more than $10,000; (b) contracts or agreements for the joint performance of work or services, and all other joint venture agreements; (c) management or employment contracts, consulting contracts, collective bargaining contracts, termination and severance agreements; (d) notes, mortgages, deeds of trust, loan agreements, security agreements, guarantees, debentures, indentures, credit agreements and other evidences of indebtedness; (e) contracts or agreements with agents, brokers, consignees, sale representatives or distributors; (f) contracts or agreements with any director, officer, employee, consultant or shareholder; (g) pension, retirement, profit-sharing, deferred compensation, bonus, incentive, life insurance, hospitalization or other employee benefit plans or arrangements (including, without limitation, any contracts or agreements with trustees, insurance companies or others relating to any such employee benefit plan or arrangement); (h) stock option, stock purchase, warrant, repurchase or other contracts or agreements relating to any shares of capital stock of RMT or its subsidiary; (i) powers of attorney or similar authorizations granted by RMT to third parties; (j) licenses, sublicenses, royalty agreements, development agreements and other contracts or agreements to which RMT or its subsidiary is a party, or otherwise subject, relating to technical assistance, software development or Proprietary Rights as defined below (other than standard "shrinkwrap" licenses of generally available, off-the-shelf software from third parties); (k) any agreement pursuant to which RMT or its subsidiary has granted or may grant in the future, to any party, a source code license or option or other right to use or acquire source code; (l) each contract or agreement providing for payments or rights that are triggered upon a change in control of RMT or its subsidiary; and (m) other material contracts. Except as set forth in Schedule 3.14 and except for (i) the binding portions of the letter dated April 21, 1997 between RMT and FIC, as amended, and (ii) this Agreement, neither RMT nor its subsidiary has entered into (A) any contract or agreement containing covenants limiting the right of RMT or its subsidiary to compete in any business or with any person or (B) any contract, agreement or arrangement for sale of a significant portion of its stock or assets or for any merger, consolidation or other combination with a third party.

3.15 No Default.

(a) Each of the contracts, agreements or other instruments referred to in Section 3.14 of this Agreement is a legal, binding and enforceable obligation by or against RMT (or its subsidiary,

as the case may be), subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar federal or state laws affecting the rights of creditors and the effect or availability of rules of law governing specific performance, injunctive relief or other equitable remedies (regardless of whether any such remedy is considered in a proceeding at law or in equity). To the knowledge of the Signing Holders and RMT no party with whom RMT or its subsidiary has an agreement or contract is in default thereunder or has breached any terms or provisions thereof.

(b) Except as disclosed in Schedule 3.14, each of RMT and its subsidiary in all material respects has performed, or is now performing, the obligations of, and neither RMT nor its subsidiary is in material default (or would by the lapse of time and/or the giving of notice be in material default) in respect of, any contract, agreement or commitment binding upon it, its assets or its properties. Except as disclosed in Schedules 3.6, 3.14 or 3.16, no third party has raised any claim, dispute or controversy with respect to any executory contract of RMT or its subsidiary, nor has RMT or its subsidiary received notice or warning of alleged nonperformance, delay in delivery or other noncompliance by RMT or its subsidiary with respect to its obligations under any contract, nor are there any facts which exist indicating that any contract may be totally or partially terminated or suspended by the other parties thereto.

3.16 Customers. Schedule 3.16 sets forth all customers of RMT from whom more than $50,000 in revenues are expected to be received in the twelve (12) months following the Closing Date indicating revenues for fiscal 1996, first quarter fiscal 1997 and second quarter fiscal 1997 to date, estimated fiscal 1997 revenues and the expiration date of any agreement. Except as disclosed in Schedules 3.6 or 3.16, RMT and the Signing Holders have no knowledge of any circumstances likely to result in termination or failure to renew any customer contract.

3.17 Proprietary Rights.

(a) Schedule 3.17 (the "Intellectual Property Disclosure Schedule") sets forth a complete and accurate list of all patents, patent applications, copyrights, trademarks, trade names, service marks or logos owned or used by RMT or its subsidiary or in which they have any rights or licenses, and all applications therefor and registrations and registration applications thereof. Such list specifies, as applicable: (i) the title of the patent, trademark, trade name, service mark, copyright or application therefor or registration thereof; (ii) the jurisdiction by or in which such patent, trademark, trade name, service mark or copyright has been issued or registered or in which an application has been filed, including the registration or application numbers; and (iii) material licenses, sublicenses and similar agreements to which RMT or its subsidiary is a party or pursuant to which any other party is authorized to use, exercise or receive any benefit from any Proprietary Rights (as defined below) of RMT. The Intellectual Property Disclosure Schedule sets forth a complete and accurate description of all agreements of RMT and its subsidiary with each officer, employee or consultant of RMT or its subsidiary providing RMT or its subsidiary with title and ownership to patents, patent applications, trade secrets and inventions developed or used by RMT or its subsidiary in its business, all of which agreements are valid, enforceable and legally binding (subject to the effect or availability of rules of law governing specific performance, injunctive relief or other equitable remedies).

(b) Except as disclosed in Schedule 3.7, RMT and its subsidiary own or possess licenses or other rights to use all computer software and hardware, source code, patents, patent applications, trademarks, trademark applications, trade secrets, service marks, trade names, logos, trade dress, copyrights, inventions, business and marketing plans, industrial property rights, copy-

rights, trademarks, trade names, logos and service marks (and all goodwill associated therewith, including, without limitation, the right to the names "Risk Management Technologies," "RMT Genesis" and "RADAR") and applications therefor, and all technical information, customer lists, management information systems, drawings, designs, processes and quality control data and all similar materials recording or evidencing proprietary expertise or information, or other rights with respect thereto (collectively referred to as "Proprietary Rights"), used or currently proposed to be used in the business of RMT, and the same are sufficient to conduct RMT's business as it has been and is now being conducted or as it is currently proposed by RMT to be conducted. Except as set forth on the Intellectual Property Disclosure Schedule, RMT is the owner of, or has the right to use, all right, title, and interest in and to each of the Proprietary Rights, free and clear of all liens, security interests, charges, encumbrances, equities, and other adverse claims, and has the right to use, sell, license, sublicense, assign and dispose, in each case without payment to a third party, all of the Proprietary Rights and the products, processes and materials covered thereby.

(c) The operations of RMT and its subsidiary as currently and formerly conducted and as planned to be conducted do not conflict with or infringe, and no person or entity has asserted to RMT or its subsidiary that such operations or past operations conflict with or infringe, any Proprietary Rights, owned, possessed or used by any third party. There are no claims, disputes, actions, proceedings, suits or appeals pending against RMT or its subsidiary with respect to any Proprietary Rights, and, to the knowledge of RMT and the Signing Holders, none has been threatened against RMT or its subsidiary. To the knowledge of RMT and the Signing Holders, there are no facts or alleged facts which would reasonably serve as a basis for any claim that RMT or its subsidiary does not have the right to use and to transfer the right to use, free of any rights or claims of others, all Proprietary Rights in the development, manufacture, use, sale or other disposition of any or all products or services presently being used, furnished or sold in the conduct of the business of RMT and its subsidiary as it has been and is now being conducted. The Proprietary Rights referred to in the preceding sentence are free of any unresolved ownership disputes with respect to any third party and there is no unauthorized use, infringement or misappropriation of any of such Proprietary Rights by any third party, including any employee or former employee of RMT and its subsidiary, nor is there any breach of any license, sublicense or other agreement authorizing another party to use such Proprietary Rights. Except as disclosed in part (c) of the Intellectual Property Disclosure Schedule, neither RMT, RMT's subsidiary nor any Signing Holder has entered into any agreement (i) granting any third party the right to bring infringement actions with respect to, or otherwise to enforce rights with respect to, any such Proprietary Right, or (ii) agreeing to indemnify anyone or any entity for or against any interference, infringement, misappropriation or other conflict with respect to any Proprietary Right.

(d) The Intellectual Property Disclosure Schedule contains a complete and accurate list of any proceedings before any patent or trademark authority to which RMT or its subsidiary is a party, a description of the subject matter of each proceeding, and the current status of each proceeding, including, without limitation, interferences, priority contests, opposition, and protests. Such list includes any pending applications for reissue or reexamination of a patent. RMT has the exclusive right to file, prosecute and maintain any such applications for patents, copyrights or trademarks and the patents and registrations that issue therefrom.

(e) All patents and registered trademarks, service marks, and other company, product or service identifiers and registered copyrights held by RMT and its subsidiary are valid and enforceable, are currently in compliance with formal legal requirements and are not subject to any maintenance or renewal fees or taxes or actions falling due within ninety (90) days after the date of Closing.

(f) All fees to maintain RMT's and its subsidiary's rights in the Proprietary Rights, including, without limitation, patent and trademark registration and prosecution fees and all professional fees in connection therewith, which have been presented for payment, have been paid by RMT or will be paid by RMT before the Closing Date.

(g) Except as set forth in the Intellectual Property Disclosure Schedule, all disclosures of RMT's and its subsidiary's trade secrets to third parties have been pursuant to non-disclosure agreements pursuant to which the confidentiality and use of such information has been protected. RMT and its subsidiary have taken all other measures it deems reasonable to maintain the confidentiality of the Proprietary Rights used or proposed to be used in the conduct of its business the value of which to RMT is contingent upon maintenance of the confidentiality thereof.

(h) RMT and its subsidiary have secured valid written assignments from all consultants, independent contractors and employees who contributed to the creation or development of RMT's Proprietary Rights of all rights to such contributions that RMT does not already own by operation of law.

(i) Except as set forth in the Intellectual Property Disclosure Schedule, each current and former employee and officer of and consultant to RMT or its subsidiary has executed a written confidentiality agreement and a written assignment of inventions agreement that assign to RMT all rights to any inventions, improvements, discoveries, or information relating to the business conducted or to be conducted by RMT, and all such agreements are in the forms provided to FIC. To the knowledge of RMT and the Signing Holders, no employee or consultant of RMT or its subsidiary is in violation of any term of any employment contract, proprietary information agreement, inventions agreement, non-competition agreement, consulting agreement, or any other contract or agreement relating to the relationship of any such employee with RMT or its subsidiary or any previous employer. To the knowledge of RMT and the Signing Holders, no employee of RMT or its subsidiary has entered into any contract that restricts or limits in any way the scope or type of work in which the employee may be engaged to anyone other than RMT or its subsidiary or requires the employee to transfer, assign, or disclose information concerning his work to anyone other than RMT or its subsidiary, as the case may be.

3.18 Insurance. Schedule 3.18 sets forth a complete list of all policies of insurance to which RMT or its subsidiary is a party or is a beneficiary or named insured. RMT and its subsidiary have in full force and effect, with all premiums due thereon paid, the policies of insurance set forth therein. Except as disclosed in Schedule 3.18, to the knowledge of RMT and the Signing Holders, there were no claims in excess of $5,000 asserted under any of the insurance policies of RMT or its subsidiary in respect of all motor vehicle, general liability, professional liability, errors and omissions, and worker's compensation, and medical claims for the period from January 1, 1996 to the date of this Agreement.

3.19 Bank Accounts. Schedule 3.19 sets forth a true and correct list of the names and addresses of all banks, other institutions and state governmental departments at which RMT and its subsidiary have accounts, deposits or safety deposit boxes, or special deposits required to be held by such state governmental departments with the nature of such account and the names of all persons authorized to draw on or give instructions with respect to such accounts or deposits, or to have access thereto, and the names and addresses of all persons, if any, holding a power-of-attorney on behalf of RMT or its subsidiary. All cash in such accounts is held in demand deposits and is not subject to any restriction or limitation as to withdrawal.

3.20 Brokers or Finders. Neither RMT nor any of its officers, directors or employees nor any of RMT's Subsidiaries or any of their officers, directors or employees has engaged any broker or finder or incurred, or will incur directly or indirectly, any liability for any brokerage, agent's or finder's fees or commissions in connection with the transactions contemplated by this Agreement.

3.21 Certain Advances. Other than as disclosed in the RMT Balance Sheet, there are no receivables of RMT or its subsidiary owing from directors, officers, employees, consultants or shareholders of RMT or of RMT's subsidiary, or owing by any affiliate of any director or officer of RMT or its subsidiary, other than advances in the ordinary and usual course of business to officers and employees for reimbursable business expenses which are not in excess of $10,000 for any one individual.

3.22 Related Parties. Except as previously disclosed in writing to FIC or listed on Schedule 3.22, no officer or director of RMT or of RMT's subsidiary, or to the knowledge of RMT and the Signing Holders any affiliate of any such person, has, either directly or indirectly, (a) an interest in any corporation, partnership, firm or other person or entity which furnishes or sells services or products which are similar to those furnished or sold by RMT or its subsidiary or which competes or potentially will compete, directly or indirectly, with RMT or its subsidiary, or (b) a beneficial interest in any contract or agreement to which RMT or its subsidiary is a party or by which RMT or its subsidiary may be bound. For purposes of this Section 3.22, there shall be disregarded any interest which arose solely from the ownership of less than a five percent (5%) equity interest in a corporation whose stock is regularly traded on any national securities exchange or on Nasdaq.

3.23 Employee Benefit Plans; ERISA.

(a) Schedule 3.23 sets forth each "employee benefit plan," as defined in section 3(3) of ERISA, and all other plans, agreements, or arrangements involving direct or indirect compensation (excluding workers' compensation, unemployment compensation and similar government-mandated programs) currently or previously maintained, contributed to or entered into by RMT or its subsidiary for the benefit of any employee or former employee of RMT or its subsidiary under which RMT or its subsidiary has any present or future obligation or liability (collectively, the "Employee Plans"). Copies of all Employee Plans (and, if applicable, related trust agreements), and all amendments thereto and material written interpretations thereof have been provided to FIC. RMT and its subsidiary have no Employee Plan which, individually or collectively, constitute(s) (i) an "employee pension benefit plan," as defined in section 3(2) of ERISA, that is subject to Title IV of ERISA, except as disclosed in Schedule 3.23, or (ii) a "multiemployer plan," as defined in section 3(37) of ERISA.

(b) No other entity ("ERISA Affiliate") that is a member of a "controlled group of corporations" with or under "common control" with RMT, as defined in section 414(b) or 414(c) of the Code currently or previously maintained, contributed or entered into an employee benefit plan, as defined in section 3(3) of ERISA.

(c) Each Employee Plan that is intended to be qualified under section 401(a) of the Code is so qualified and has been so qualified during the period from its adoption to the date of this Agreement.

(d) RMT has furnished to FIC copies or descriptions of each severance or other similar contract, arrangement or policy and each plan, agreement, policy or arrangement (written or oral) providing for insurance coverage (including any self-insured arrangements), vacation benefits, disability benefits, early retirement benefits, death benefits, hospitalization benefits, retirement benefits, deferred compensation, profit-sharing, bonuses, stock options, stock purchase, phantom stock, stock appreciation or other forms of compensation or post-retirement benefits that (i) is not an Employee Plan, (ii) is entered into, maintained or contributed to, as the case may be, by RMT or its subsidiary and (iii) covers any employee or former employee of RMT or its subsidiary or any ERISA Affiliate of RMT or its subsidiary. Such contracts, plans and arrangements as are described in this Section are herein referred to collectively as the "Benefit Arrangements." Each Benefit Arrangement has been maintained in substantial and material compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations that are applicable to such Benefit Arrangements.

(e) Except for continued "COBRA" health coverage required pursuant to Code section 4980B, neither RMT nor its subsidiary is a party to any Employee Plan, Benefit Arrangement or other agreement, contract, arrangement or policy, written or unwritten, that requires RMT or its subsidiary to provide, at any cost to RMT, any health or life insurance coverage to any former employee of RMT or its subsidiary.

(f) Except as described in Schedule 3.23, neither RMT nor its subsidiary is a party to any contract, instrument, agreement or arrangement with a "disqualified individual" (as defined in section 280G(c) of the Code) that could result in a disallowance of the deduction for any "excess parachute payment" (as defined in section 280G(b)(i) of the Code) or subject any such disqualified individual to the excise tax imposed under section 4999 of the Code.

(g) Each Employee Plan and Benefit Arrangement complies in all material respects with all applicable requirements of (i) the Age Discrimination in Employment Act of 1967, as amended, and the regulations thereunder, (ii) Title VII of the Civil Rights Act of 1964, as amended, and the regulations thereunder, and (iii) any other applicable law.

(h) There is no pending or, to the knowledge of RMT and the Signing Holders, threatened litigation relating to any Employee Plan or Benefit Arrangement. All contributions due under each Employee Plan or Benefit Arrangement have been paid or accrued on the books of RMT.

3.24 Customers and Other Relationships. To the knowledge of the Signing Holders and RMT, no client or customer of RMT or its subsidiary intends to cancel or refrain from renewing the services provided by RMT or its subsidiary or any contract or arrangement with RMT or its subsidiary, except as disclosed in Schedule 3.6 or Schedule 3.16. With respect to the agreements with Oracle Corporation, Risk Management GmbH, IBM Corporation, Digital Equipment Corporation and Informix Software, Inc., and their respective subsidiaries, listed in Schedule 3.14, to the knowledge of RMT and the Signing Holders, (i) such agreements are enforceable agreements of the respective parties thereto, (ii) none of such companies or their subsidiaries intends to cancel or refrain from renewing such agreements, (iii) no party to any such agreements has given RMT notice of a breach or default thereunder, and (iv) except as disclosed in Schedule 3.14, neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will constitute a breach of any such agreement or requires the consent of any party to such agreement.

3.25 Underlying Documents. Copies of any underlying documents listed or described as having been disclosed to FIC pursuant to this Agreement, if requested by FIC, have been furnished to FIC. All such documents furnished to FIC are true and correct copies, and there are no amendments or modifications thereto, that have not been disclosed to FIC. The minute books of RMT and its subsidiary contain complete and accurate records of all meetings and other corporate actions taken by the directors and shareholders of RMT and its subsidiary, respectively.

3.26 Full Disclosure. Any information furnished by or on behalf of RMT and the Signing Holders to FIC in writing pursuant to this Agreement as of the date such information is required by this Agreement to be so furnished, and any information contained in the Schedules referred to in this Agreement at any time prior to the Effective Time, does not and will not contain any untrue statement of a material fact and does not and will not omit to state any material fact necessary to make any statement, in light of the circumstances under which such statement is made, not misleading.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF FIC

Except as contemplated by this Agreement, FIC represents and warrants to RMT and the Signing Holders as of the date hereof as follows:

4.1 Organization. Each of FIC and Acquisition Corporation is a corporation duly incorporated, validly existing and in good standing under the laws of its state of incorporation. Each of FIC and Acquisition Corporation is duly qualified to do business and is in good standing in its state of incorporation and in each of the other jurisdictions in which it owns or leases property or conducts business, except where the failure to be so qualified would not have a material adverse effect on the business of FIC. Each of FIC and Acquisition Corporation has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted, and possesses all licenses, franchises, rights and privileges material to the conduct of its respective business.

4.2 Acquisition Corporation Capital Structure. The authorized capital stock of Acquisition Corporation consists of 1,000 shares of Acquisition Corporation Common. On or before the Closing Date, 1,000 shares of Acquisition Corporation Common will be validly issued and outstanding and will be held by FIC of record and beneficially.

4.3 Authority. Each of FIC and Acquisition Corporation has all requisite corporate power and authority to enter into this Agreement, the Agreement of Merger and the related agreements contemplated herein and therein and, subject to satisfaction of the conditions set forth herein, to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and (when executed and delivered) the Agreement of Merger and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of FIC and will be so authorized by Acquisition Corporation. This Agreement has been duly executed and delivered by FIC and the Agreement of Merger will be duly executed and delivered by FIC and Acquisition Corporation, and constitutes (and in the case of the Agreement of Merger when executed as to Acquisition Corporation will constitute) valid and binding obligations of FIC and Acquisition Corporation, enforceable in accordance with their terms, subject to the effect of applicable bankruptcy, insolvency, reorganization, fraudulent

conveyance, moratorium or other similar federal or state laws affecting the rights of creditors and the effect or availability of rules of law governing specific performance, injunctive relief or other equitable remedies (regardless of whether any such remedy is considered in a proceeding at law or in equity). Provided the conditions set forth in Article 7 are satisfied, the execution and delivery of this Agreement and the Agreement of Merger do not, and the consummation of the transactions contemplated hereby and thereby will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under (a) any provision of the Certificate of Incorporation or Bylaws of FIC, (b) any provision of the Articles of Incorporation or Bylaws of Acquisition Corporation or (c) any agreement or instrument, permit, license, judgment, order, statute, law, ordinance, rule or regulation applicable to FIC or Acquisition Corporation or their respective properties or assets, other than any such conflicts, violations, defaults, terminations, cancellations or accelerations which individually or in the aggregate would not have a material adverse effect on FIC and Acquisition Corporation taken as a whole.

No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to FIC or Acquisition Corporation in connection with the execution and delivery of this Agreement or the Agreement of Merger by FIC and Acquisition Corporation or the consummation by FIC and Acquisition Corporation of the transactions contemplated hereby or thereby, except for (i) filings to be effected in connection with the organization of Acquisition Corporation, (ii) the filing of the Agreement of Merger and related certificates with the California Secretary of State, and appropriate documents with the relevant Governmental Entities of other states in which Acquisition Corporation is qualified to do business, (iii) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable state securities laws in connection with the transactions set forth herein, (iv) filings required pursuant to the HSR Act and (v) such other consents, authorizations, filings, approvals and registrations which if not obtained or made would not have a material adverse effect on FIC and Acquisition Corporation, taken as a whole.

4.4 Capital Structure. The authorized capital stock of FIC consists of 35,000,000 shares of FIC Common, and 1,000,000 shares of Preferred Stock, $0.01 par value ("FIC Preferred Stock"). At the close of business on June 4, 1997: (i) 12,717,263 shares of FIC Common were issued and outstanding, of which 998,263 were held by FIC's Employee Stock Ownership Plan; (ii) 7,843 shares of FIC Common were held by FIC as treasury stock; and (iii) 1,614,460 shares of FIC Common were reserved for issuance upon exercise of options (the "FIC Options") under FIC's 1992 Long-term Incentive Plan, 1987 Stock Option Plan and Stock Option Plan for Non-employee Directors, of which options to purchase 1,231,910 shares were outstanding. No shares of FIC Preferred Stock are outstanding.

Except for the FIC Options and the employee benefit plans set forth above, employment agreements between FIC and certain of its employees, or as otherwise disclosed in Schedule 4.4, there are no options, warrants, calls, rights, commitments or agreements of any character to which FIC is a party or by which it is bound obligating FIC to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock of FIC or obligating FIC to grant, extend or enter into any such option, warrant, call, right, commitment or agreement, and there are no voting trusts, proxies or other agreements or understandings with respect to the shares of capital stock of FIC.

All of the outstanding shares of FIC Common are, and any shares of FIC Common issuable upon exercise of any FIC Option, when issued pursuant to such exercise, will be duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights created by statute, FIC's Certificate of Incorporation or Bylaws or any agreement to which FIC is a party or by which it is bound.

4.5 SEC Documents. FIC has made available to the Signing Holders a true and complete copy of FIC's Form 10-K for the year ended September 30, 1996 and Form 10-Q for the three (3) months ended December 31, 1996 and any other statement, report, registration statement or definitive proxy statement filed by FIC with the SEC since January 1, 1997 to the Effective Time (the "FIC SEC Documents"). As of their respective filing dates, FIC has made all necessary SEC filings, the FIC SEC Documents comply or will comply in all material respects with the requirements of the Securities Exchange Act of 1934 or the Securities Act, and none of the FIC SEC Documents contain or will 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 made therein, in light of the circumstances under which they were made, not misleading, except to the extent corrected by a subsequently filed FIC SEC Document. Without limiting the foregoing, each of the consolidated balance sheets included in or incorporated by reference into the FIC SEC Documents fairly presented the consolidated financial position of FIC and its subsidiaries as of its date and each of the consolidated statements of income, stockholders' equity and cash flows included in or incorporated by reference into the FIC SEC Documents fairly presented the results of operations, stockholders' equity and cash flows of FIC and its subsidiaries for the period set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material and the absence of certain footnote disclosures), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved.

4.6 Information Supplied. None of the information supplied or to be supplied by FIC at the date such information is supplied, contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

4.7 No Conflict. The execution and delivery of this Agreement and the Agreement of Merger by FIC and Acquisition Corporation and the performance of their respective obligations hereunder or thereunder, (a) are not in violation or breach of, and will not conflict with or constitute a default under, any of the terms of the Certificate of Incorporation or Bylaws of FIC, or any contract, agreement or commitment binding upon FIC or any of its assets or properties, other than violations, breaches, conflicts or defaults which individually or in the aggregate would not have a material adverse effect on FIC; (b) will not result in the creation or imposition of any lien, encumbrance, equity or restriction in favor of any third party upon any of the assets or properties of FIC; and (c) will not to the actual knowledge of FIC conflict with or violate any applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court having jurisdiction over FIC or any of its assets or properties.

4.8 Shares of Common Stock. The Merger Shares will, when issued and delivered to the Holders in accordance with this Agreement, be duly authorized, validly issued, fully paid and nonassessable.

4.9 Brokers or Finders. FIC has not dealt with any broker or finder in connection with the transactions contemplated by this Agreement in a manner which will cause RMT or any of the

Signing Holders to incur, directly or indirectly, any liability to such broker or finder for any brokerage or finders' fees or agents commissions or any similar charges.

ARTICLE 5

COVENANTS RELATING TO CONDUCT OF BUSINESS

During the period from the date of this Agreement and continuing until the Closing, RMT agrees to act and to cause its subsidiary to act as follows (except as expressly contemplated by this Agreement or to the extent that FIC shall otherwise consent in writing), and each of the Signing Holders shall agree to use its best efforts to cause RMT to act as follows:

5.1 Ordinary Course. Each of RMT and its subsidiary shall carry on its business in the usual, regular and ordinary course, including the payment of all Taxes, in substantially the same manner as heretofore conducted and, to the extent consistent with such businesses, use all commercially reasonable efforts consistent with past practice and policies to preserve intact its present business organizations, use its best efforts to keep available the services of its present officers and key employees and preserve its relationships with present and potential customers, software developers, system integrators, service providers and others having business dealings with them to the end that its goodwill and ongoing business shall be unimpaired at the Effective Time.

5.2 Dividends; Changes in Stock. Neither RMT nor its subsidiary shall, nor shall either of them propose to, directly or indirectly, (a) make, declare or pay any dividends or other distribution on or in respect of any of its capital stock, (b) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of capital stock of RMT or its subsidiary, or (c) repurchase, redeem or otherwise acquire any shares of its capital stock or rights to acquire any shares of its capital stock.

5.3 Issuance of Securities. Neither RMT nor its subsidiary shall issue, deliver or sell or authorize or propose the issuance, delivery or sale of, or purchase or propose the purchase of, any shares of its capital stock of any class or securities convertible into, or rights, warrants or options to acquire, any such shares or other convertible securities, or enter into any agreement, understanding or arrangement with respect to the sale or voting of its capital stock.

5.4 Governing Documents. RMT shall not amend its Articles of Incorporation or Bylaws. RMT's subsidiary shall not amend its charter documents.

5.5 No Other Bids or Contacts. Neither the Signing Holders nor RMT nor any of any of RMT's directors, officers, employees, affiliates or agents (including investment bankers, attorneys and accountants) will, directly or indirectly, take any of the following actions with any person, entity or group other than FIC and Acquisition Corporation without the prior written consent of FIC: (i) solicit, initiate, facilitate or encourage, or furnish information with respect to RMT or access to RMT's books, records, personnel or properties in connection with, any inquiry, proposal or offer with respect to any merger, consolidation or other business combination involving RMT or any of its subsidiaries, liquidation or dissolution of RMT, sale or other disposition of any securities of RMT or of all or a substantial portion of the assets of RMT (each, an "Acquisition Transaction"); (ii) negotiate, discuss, explore or otherwise communicate or cooperate in any way with any person, entity or group other than FIC and Acquisition Corporation with respect to any Acquisition Transaction; or (iii) enter into any agreement, arrangement or understanding with

respect to an Acquisition Transaction or requiring RMT to abandon, terminate or refrain from consummating a transaction with FIC or FIC's affiliates. RMT shall (a) promptly advise FIC orally and in writing of any such offer, inquiries or proposals of or contacts with respect to any possible Acquisition Transaction, and (b) not accept (nor shall RMT's Board of Directors or any committee thereof recommend) any such proposal or offer without giving FIC five days' prior written notice of the intention of RMT (or such Board or committee) to take such action.

5.6 No Acquisitions. Neither RMT nor its subsidiary shall (a) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or (a) otherwise acquire or agree to acquire any assets which are material, individually or in the aggregate, to RMT except in the ordinary course of business consistent with prior practice.

5.7 No Dispositions. Neither RMT nor its subsidiary shall sell, lease, encumber, pledge or otherwise dispose of any of its assets or properties, except in the ordinary course of business consistent with prior practice and in any event not in excess of $10,000 in the aggregate.

5.8 Indebtedness. Neither RMT nor its subsidiary shall assume or incur any indebtedness or guarantee any indebtedness, enter into, extend or renew any credit agreement, line of credit or similar arrangement, issue or sell any debt securities or warrants or rights to purchase debt securities, or enter into, extend or renew any lease or any agreement to maintain the financial condition of another person or entity, other than operating leases of personal property entered into in the ordinary course of RMT's business consistent with past practice and which provide for annual payments by RMT of less than $5,000 in any one case and less than $25,000 in the aggregate with respect to all such operating leases.

5.9 Benefit Plans, Etc. Neither RMT nor its subsidiary shall adopt or amend in any material respect any Employee Plan, Benefit Arrangement or any other agreement with any employee or employees, shall not hire any employees other than as set forth on Schedule 5.9, shall not increase in any manner the compensation or benefits for its employees, grant any stock option, stock appreciation right or other equity-related compensation right, or pay or accrue any benefit not required by existing policies, plans and agreements that are described on Schedule 5.9. Neither RMT nor its subsidiary shall take any action with respect to (a) the grant of any severance pay, termination pay or any payment or right triggered upon a change in control of RMT or (b) any increase of benefits payable under its severance pay, termination pay or change in control arrangements in effect as of the date hereof.

5.10 Business Relations. Without making any commitment on behalf of or which would be binding upon FIC, each of RMT and its subsidiary will use its best efforts to preserve its business organization, to keep available to FIC the services of present employees, agents and representatives (except those employees terminated for cause or consistent with sound business practices) and to preserve for FIC the goodwill and relationships of software developers, systems integrators, service providers, consultants, suppliers and others with whom business relationships exist.

5.11 Other Actions. Without limiting the generality of the foregoing, except as expressly contemplated by this Agreement, neither RMT nor its subsidiary shall, and the Signing Holders shall use their best efforts to cause RMT and its subsidiary not to:

(a) Enter into any material commitment or transaction not in the ordinary course of business consistent with past practice;

(b) Transfer to any person or entity any material rights to the Proprietary Rights, other than pursuant to licenses in the ordinary course of business consistent with past practice;

(c) Enter into any material agreements (or material amendments thereto) pursuant to which any third party is granted marketing, distribution or similar rights of any type or scope with respect to any products or services of RMT other than in the ordinary course of business consistent with past practice;

(d) Amend or otherwise modify, except in the ordinary course of business consistent with past practice, or violate the material terms of, any of the agreements set forth or described in the Schedules to this Agreement;

(e) Commence any material litigation;

(f) Revalue any of its assets, including without limitation writing down the value of inventory or writing off notes or accounts receivable, other than in the ordinary course of business consistent with past practice;

(g) Pay, discharge or satisfy, in an amount in excess of $25,000 (in any one case) or $50,000 (in the aggregate), any claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business of liabilities reflected or reserved against in the RMT Financial Statements or that arose in the ordinary course of business subsequent to December 31, 1996 or unless payment of such claim, liability or obligation is due in accordance with its terms or expenses consistent with the provisions of this Agreement incurred in connection with the transactions contemplated hereby not in excess of $50,000;

(h) Make or change any material election in respect of Taxes, adopt or change any accounting method in respect of Taxes, enter into any closing agreement, settle any claim or assessment in respect of Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes; or

(i) Take, or agree to take, any of the actions described in this Section or any other action that would prevent RMT from performing or cause RMT not to perform its covenants hereunder, or that would or reasonably would be expected to result in any of its, his or her representations and warranties set forth in this Agreement being or becoming untrue in any material respect or in any of the conditions set forth in Article 7 not being satisfied.

5.12 Advice of Changes; Government Filings. RMT shall confer on a regular and frequent basis with FIC, report on operational matters and promptly advise FIC orally and in writing of any change or event having, or, insofar as can reasonably be foreseen, could have, a material adverse effect on RMT or which would cause or constitute a material breach of any of the representations, warranties or covenants of RMT contained herein. RMT shall promptly provide FIC (or its counsel) with copies of any filings made by RMT, RMT's subsidiary or any Signing Holder with any Governmental Entity in connection with this Agreement or the transactions contemplated hereby.

5.13 Accounting Methods. RMT shall not change its methods of accounting in effect at the RMT Balance Sheet Date, except as required by changes in GAAP as concurred in by RMT's independent auditors. RMT shall notify FIC immediately of any such change and shall provide all details thereof.

5.14 Intellectual Property Matters. Without limiting the generality of the foregoing agreements, each of RMT and its subsidiary shall use its best efforts to preserve its Proprietary Rights free and clear of any liens, claims or encumbrances and to assert, contest and prosecute any infringement of any issued patent, trademark, service mark, tradename or copyright that is part of the Proprietary Rights or any misappropriation or disclosure of any trade secret, know-how or confidential information that is part of the Proprietary Rights.

ARTICLE 6

ADDITIONAL AGREEMENTS

6.1 Access to Information. RMT shall, and shall cause its subsidiary to, afford to FIC and shall cause its independent accountants to afford to FIC, and its accountants, counsel and other representatives, reasonable access during normal business hours during the period prior to the Effective Time to RMT's and its subsidiary's properties, books, contracts, commitments and records, and to the audit work papers and other records of RMT's accountants. During such period, RMT shall use reasonable efforts to furnish promptly to FIC all other information concerning the business, properties and personnel of RMT and its subsidiary as FIC may reasonably request.

6.2 Legal Conditions to the Merger and Related Transactions. Each party will take all reasonable actions necessary to comply promptly with all legal requirements which may be imposed on such party with respect to the Merger and will promptly cooperate with and furnish information to the other party in connection with any such requirements imposed upon such other party in connection with the Merger. Each party will take all reasonable actions to obtain (and to cooperate with the other party in obtaining) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity, or other third party required to be obtained or made by such party (or by the other party) in connection with the Merger or the taking of any action contemplated thereby or by this Agreement. Notwithstanding the generality of the foregoing, (i) FIC shall cause Acquisition Corporation to take all necessary corporate action required by this Agreement, and (ii) RMT shall obtain its shareholders' written consent in favor of this Agreement and the transactions contemplated hereby as soon as practicable, and the Board of Directors of RMT shall recommend approval of this Agreement and the transactions contemplated hereby to the shareholders of RMT.

6.3 Communications; Confidentiality. Each of the parties hereto hereby agrees to and reaffirms the terms and provisions of the Mutual Nondisclosure Agreement between FIC and RMT dated as of April 21, 1997, except to the extent expressly modified hereby. Between the date hereof and the Effective Time, neither RMT, on the one hand, nor FIC, on the other hand, will furnish any communication to its shareholders (other than communications required pursuant to Section 6.2) or to the public generally if the subject matter thereof relates to the other party or to the transactions contemplated by this Agreement without the prior approval of the other party as to the content thereof, which approval shall not be unreasonably withheld, and subject to each party's compliance with applicable law. Notwithstanding the foregoing, FIC may make a public

announcement concerning the existence of this Agreement following the execution thereof, which announcement shall be mutually agreed upon in advance by FIC and RMT.

6.4 Update to Disclosures. Without limiting FIC's right to rely on the representations and warranties as of the date of this Agreement, RMT shall provide FIC with updates to the disclosures provided or made available to FIC as to material facts which arise between the date of this Agreement and the Closing Date and which, if they had occurred and been known prior to the date of this Agreement, would have been required to have been disclosed in order to make the representations and warranties contained in Article 3 true and correct as of the date of this Agreement.

6.5 Certain Notifications. At all times from the date hereof and prior to the Effective Time, each party shall promptly notify the other parties in writing of the occurrence of any event known to such party which will or is likely to result in the failure to satisfy any of the conditions specified in Article 7 hereof.

6.6 Treatment of Plans, Agreements and Options. RMT shall obtain prior to the Closing all necessary consents or releases from holders of options to purchase RMT Common and take all such other lawful action as may be necessary to give effect to the transactions contemplated hereby with respect to such options. Without limiting the generality of the foregoing, RMT shall use its best efforts to obtain prior to the Closing a written agreement (in form satisfactory to FIC) from each of the Principal Optionholders to be bound by the Escrow Agreement and of all of the arrangements relating thereto (including without limitation the appointment of the Holders' Representatives to act for and on behalf of such persons with respect to claims by FIC Indemnitees and other matters relating to the Escrow Fund) and consenting to any amendment of such holders' Vested Options which may be necessary to give full effect to the provisions of the Escrow Agreement with respect to such options. The Principal Optionholders delivering the foregoing written agreements and/or consents in form satisfactory to FIC prior to the Closing are referred to as the "Subject Optionholders." The "Subject Options" means, collectively, those options to purchase FIC Common held by the Subject Optionholders which constituted Vested Options immediately prior to the Closing, and which collectively have a Merger Value (as defined below) equal to ten percent (10%) of the Merger Value of all options to purchase FIC Common which constituted Vested Options immediately prior to the Closing (including those held by persons other than the Subject Optionholders) as of the Effective Time. The Subject Options owned by each individual Subject Optionholder shall be determined on a pro rata basis according to the Merger Value of each such holder's Subject Options in comparison to the collective Merger Value of all Subject Options, as provided in the Escrow Agreement. The "Merger Value" of an option to purchase FIC Common refers to the difference between the per-share exercise price of such option and the Closing Stock Price, multiplied by the number of shares of FIC Common issuable upon exercise of such option.

6.7 [Reserved].

6.8 [Reserved].

6.9 Agreements by Affiliated Stockholders. At least thirty (30) days prior to the Closing Date, RMT shall deliver to FIC a list of names and addresses of those persons who were, in RMT's reasonable judgment, at the record date for its shareholders' meeting or written consent to approve the Merger, "affiliates" of RMT within the meaning of Rule 145 of the rules and regulations promulgated under the Securities Act ("Rule 145") (each such person, an "Affiliate").

RMT shall provide FIC such information and documents as RMT shall reasonably request for purposes of reviewing such list. RMT shall use all reasonable efforts to deliver or cause to be delivered to FIC, prior to the Closing Date, from each of the Affiliates of RMT identified in the foregoing list, a written Affiliate Agreement in the form attached hereto as Exhibit D. FIC shall be entitled to place legends as specified in such Affiliate Agreements on the certificates evidencing any FIC Common to be received by such Affiliates pursuant to the terms of this Agreement, and to issue appropriate stop transfer instructions to the transfer agent for the FIC Common, consistent with the terms of such agreements.

6.10 Options.

(a) Assumption. Consistent with the terms of the documents governing each Option, the Merger will not terminate or accelerate any Option or any right of exercise, vesting or repurchase relating thereto with respect to FIC Common acquired upon exercise of such Option assumed by FIC. Holders of Options will not be entitled to acquire shares of the Surviving Corporation after the Merger. Subject to the provisions of this Section, as of the Effective Time, FIC will assume each Option and all obligations of RMT under the RMT option plans relating to Options (the "Option Plans"). Each Option so assumed by FIC under this Agreement will continue to have, and be subject to, substantially the same terms and conditions set forth in the Option Plans and in the other documents governing such Option immediately prior to the Effective Time, except that (i) such Option will be exercisable for that number of whole shares of FIC Common equal to the product of the number of shares of RMT Common that were purchasable under such Option immediately prior to the Effective Time multiplied by the Exchange Ratio, rounded down to the nearest whole number of shares of FIC Common, and (ii) the per share exercise price for the shares of FIC Common issuable upon exercise of such Option will be equal to the quotient determined by dividing the exercise price per share of RMT Common at which such Option was exercisable immediately prior to the Effective Time by the Exchange Ratio, and rounding the resulting exercise price up to the nearest whole cent. In addition, by virtue of the Merger, each Subject Option held by the Subject Optionholders shall be amended to the extent set forth in the Escrow Agreement with respect to the depositing into escrow of Escrow Shares issuable upon the exercise of such option and the forfeiture of all or a portion of such option in accordance with the Escrow Agreement upon satisfaction of indemnification claims under the Escrow Agreement. FIC shall establish a Successor Option Plan for the purpose of the administration of the Options assumed by FIC under this Section. The right to receive an assumed Option may not be assigned or transferred in any manner except as permitted by the Successor Option Plan, by operation of law, by will or by the laws of descent. Any attempted assignment in violation of this Section shall be void.

(b) Qualification as ISOs. It is the intention of the parties that each assumed Option qualify as an ISO to the extent that such Option constituted an ISO immediately prior to the Effective Time. No assumed Option will entitle the holder thereof to any additional benefits within the meaning of section 424(a)(2) of the Code that were not available prior to such assumption.

(c) Registration. FIC shall file a Registration Statement on Form S-8 as soon as reasonably practicable after the Effective Time, which registration statement shall cover the Successor Option Plan and the shares of FIC Common issuable upon the exercise of the assumed Options that can be registered on a Form S-8, and FIC will use commercially reasonable efforts to cause such FIC shares to be registered under the Securities Act and to maintain such registration in effect until the exercise or termination of all such assumed options.

(d) Option Documents. As soon as practicable after the Effective Time, FIC shall issue to each holder of an assumed Option a document evidencing the conversion of such option as provided above and any amendment thereto which is contemplated by this Agreement or the Escrow Agreement.

6.11 Senior Management Participation. It is currently contemplated that the current Chairman and President of RMT will participate in established senior management councils of FIC, such as the Corporate Strategy Council and the Operations Committee, on such terms as may be determined by the FIC Board of Directors or senior management of FIC.

6.12 Employees. Consistent with FIC's employee benefit plans, all RMT employees who become employees of FIC or a subsidiary of FIC as of the Effective Time: (a) shall be entitled to participate in FIC's Employee Stock Ownership Plan (ESOP) and pension plan; (b) shall receive the same or reasonably comparable benefits as such RMT employees currently receive, including participation in RMT's 1997 Incentive Plan through December 31, 1997 and including RMT's current paid time off (PTO) policy and 401(k) plan (in each case, as and to the extent disclosed in writing to FIC prior to the date hereof); and (c) to the extent not prohibited by law, shall receive service credit (other than for benefit accrual under a defined benefit pension plan) that includes their employment by RMT prior to the Effective Time. Any such employment of such former RMT employees shall not affect the "at will" employment status of any such employee or limit any right of FIC or its applicable subsidiary to terminate any employee with or without cause following the Effective Time.

6.13 Employee Option Grants; Retention Bonuses. FIC will, after the Effective Time, (a) grant certain employees of RMT who are employed by FIC or a subsidiary of FIC immediately after the Effective Time, stock options to purchase approximately 100,000 shares of FIC Common, vesting 25% on each anniversary of the grant date; and (b) implement a bonus program for certain such employees, providing for an aggregate of $1.0 million in bonuses vesting approximately twenty-five percent (25%) after twelve (12) months, thirty-five percent (35%) after twenty-four (24) months, and forty percent (40%) after thirty-six (36) months, in each case as previously disclosed in writing to RMT. Such obligations of FIC will be subject to any limitations necessary or advisable in order for the Merger to qualify for pooling-of-interest accounting treatment and as a tax-free reorganization, and to compliance with applicable law.

6.14 Good Faith. Each party shall act in good faith in an attempt to cause to be satisfied all the conditions precedent to its obligations and those of the other parties to this Agreement over which it has control or influence. Each party will act in good faith and take all reasonable action within its capability necessary to render accurate as of the Effective Time its representations and warranties contained in this Agreement.

6.15 Treatment of Merger as Qualifying Reorganization. RMT and FIC shall (a) treat the Merger as a qualified reorganization under section 368 of the Code, (b) report the Merger and all related transactions consistently therewith, (c) take such actions as may be reasonably required to cause the Merger to be treated as a qualifying reorganization, and (d) take no action which could disqualify the Merger from reorganization status under section 368 of the Code.

6.16 State Statutes. If any state takeover law shall become applicable to the transactions contemplated by this Agreement, FIC and its Board of Directors or RMT and its Board of Directors, as the case may be, shall use their reasonable best efforts to obtain such approvals and

take such actions as are necessary so that the transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated by this Agreement.

ARTICLE 7

CONDITIONS PRECEDENT

7.1 Conditions to Obligations of FIC, Acquisition Corporation and RMT. The obligations of FIC, Acquisition Corporation and RMT (but no other party to this Agreement) to effect the Merger shall be subject to the satisfaction on or prior to the Closing Date of the following conditions unless waived by all of FIC, Acquisition Corporation and RMT:

(a) Government Approvals. All authorizations, consents, orders or approvals of, or declarations or filings with, any Governmental Entity deemed necessary or appropriate by FIC or RMT for the consummation of the transactions contemplated by this Agreement including, but not limited to, the California Secretary of State and applicable federal or state securities law regulatory bodies, shall have been filed, occurred or been obtained, in each case subject to no term, condition or restriction unacceptable to FIC or RMT. FIC and RMT agree to cooperate with each other to the fullest extent practicable in satisfying all applicable federal and state filing requirements, and in obtaining all applicable federal and state regulatory approvals.

(b) Third-Party Approvals. Any and all consents or approvals required from third parties relating to contracts, agreements, licenses, leases and other instruments, material to the respective businesses of FIC (unless waived by RMT) and RMT (unless waived by FIC) shall have been obtained.

(c) FTC or Antitrust Division Actions. No action shall have been instituted or authorized to be instituted by the FTC or the Antitrust Division challenging or seeking to enjoin the consummation of the Merger, which action shall not have been withdrawn or terminated.

(d) Legal Action. No temporary restraining order, preliminary injunction or permanent injunction or other order preventing the consummation of the Merger shall have been issued by any federal or state court and remain in effect, and no litigation seeking the issuance of such an order or injunction, shall be pending which, in the good faith judgment of RMT or FIC, has a reasonable probability of resulting in such order, injunction or damages. In the event any such order or injunction shall have been issued, each party agrees to use its reasonable efforts to have any such injunction lifted.

(e) Statutes. There shall not be in effect any statute, rule or regulation which would (i) make the consummation of the Merger illegal, (ii) prohibit FIC's or Surviving Corporation's ownership or operation of all or a material portion of the business or assets of RMT, or compel FIC or Surviving Corporation to dispose of or hold separate all or a material portion of the business or assets of RMT, as a result of the Merger, or (iii) render FIC, RMT or Acquisition Corporation unable to consummate the Merger, except for any waiting period provisions.

(f) RMT Shareholder Approval. The shareholders of RMT shall have duly approved this Agreement, the Agreement of Merger and the transactions contemplated hereby and thereby.

(g) Dissenting Shares. No more than five percent (5%) of the shares of RMT Common Stock shall be Dissenting Shares.

(h) Registration Rights Agreement. The Registration Rights Agreement in the form attached hereto as Exhibit K shall have been executed and delivered by FIC and the other parties thereto.

(i) Tax-Free Reorganization. The Merger shall be a tax-free reorganization within the meaning of section 368(a) of the Code.

(j) Escrow Agreement. The Escrow Agent shall have executed and delivered the Escrow Agreement in the form attached hereto as Exhibit L.

7.2 Conditions to Obligations of FIC and Acquisition Corporation. The obligations of FIC and Acquisition Corporation to effect the Merger are subject to the satisfaction on or prior to the Closing Date of the following additional conditions, unless waived by FIC:

(a) Representations and Warranties. The representations and warranties of RMT and the Signing Holders set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as if made at and as of the Closing Date, except as otherwise contemplated by this Agreement, and FIC shall have received a certificate or certificates signed by the chief executive officer and chief financial officer of RMT, and by the Signing Holders, respectively, to such effect.

(b) Performance of Obligations of RMT. RMT shall have performed in all material respects all obligations required to be performed by it under this Agreement prior to the Closing Date, and FIC shall have received a certificate signed by the chief executive officer and chief financial officer of RMT to such effect. The Signing Holders shall have performed in all material respects all obligations required to be performed by them under this Agreement prior to the Closing Date and shall have delivered certificates to such effect to FIC.

(c) Agreements Regarding Equity Securities. Neither RMT nor its subsidiaries shall be bound by any options, warrants, rights or agreements which would entitle any person, other than FIC, to own any capital stock of RMT or any subsidiary of RMT or to receive any payment in respect thereof.

(d) Opinion of RMT's Counsel. FIC shall have received an opinion dated the Closing Date of Whitehead & Porter LLP, counsel to RMT, in the form of Exhibit I.

(e) No Material Adverse Change. Since the date of this Agreement there shall have been no changes in the condition (financial or otherwise), business, prospects, employees, operations, obligations or liabilities of RMT or its subsidiaries which, in the aggregate, have had or may be reasonably expected to have a materially adverse effect on the financial condition, business or operations of RMT.

(f) Change in Laws or Regulations. Since the date of this Agreement, no statute shall have been enacted and no rule or regulation shall have been adopted by the State of California or any federal agency or authority which has had or may reasonably be expected to have a material adverse effect on the condition (financial or otherwise), business, net worth, assets, prospects, properties, employees, operations, obligations or liabilities of RMT or its subsidiaries.

(g) Employment Agreements. FIC and David LaCross, Jefferson Braswell and Jeffrey Dandridge shall have entered into employment agreements substantially in the forms attached hereto as Exhibit E, Exhibit F and Exhibit G, respectively.

(h) Non-Compete Agreements. David LaCross, Jefferson Braswell and Jeffrey Dandridge shall have entered into non-compete agreements with FIC substantially in the form attached hereto as Exhibit H.

(i) Affiliate Agreements. The Affiliate Agreements described herein shall have been executed and delivered to FIC.

(j) Resignations. Each individual who serves as a member of the Board of Directors or as an officer of RMT shall have resigned from the Board of Directors or from such office effective on or prior to the Effective Time.

(k) Satisfactory Completion of Review. FIC shall have completed its review of the business, books, records, properties and assets of RMT and its subsidiaries and such review shall have been satisfactory to FIC in its sole discretion.

(l) Pooling of Interests Accounting Treatment. FIC shall have received the opinion of KPMG Peat Marwick, independent accountants, in form and substance satisfactory to FIC and to the effect that the Merger shall qualify for the pooling-of-interests method of accounting in accordance with GAAP and all applicable rules, regulations and policies of the SEC. In addition, there shall have been no determination by any court, tribunal, regulatory agency or other governmental entity, that the Merger fails or will fail to qualify for pooling-of-interests accounting treatment.

(m) Good Standing Certificate. FIC shall have received certificates of good standing in the State of California, dated as of a recent date, with respect to RMT.

(n) Fairness Opinion. FIC shall have received from Alliant Partners a written opinion dated not earlier than two (2) days before the Closing Date, stating that the consideration to be paid by FIC in the Merger is fair to FIC from a financial point of view, and such opinion shall not have been withdrawn or modified.

(o) Escrow Agreement. RMT and the shareholders and Subject Optionholders of RMT, and the Holders' Representatives, shall have executed and delivered the Escrow Agreement in the form of Exhibit L hereto.

(p) Software Alliance Note and Lien. RMT shall have made arrangements satisfactory to FIC to repay, on or prior to the Closing, all of its indebtedness outstanding to Software Alliance LLC and shall have obtained a written agreement of Software Alliance LLC to release any lien, charge, pledge, security interest or encumbrance on any assets of RMT or its subsidiary in favor of Software Alliance LLC upon such repayment, and written evidence of the foregoing, in form and substance satisfactory to FIC, shall have been delivered to FIC.

7.3 Conditions to Obligations of RMT. The obligations of RMT to effect the Merger are subject to the satisfaction on or prior to the Closing Date of the following additional conditions unless waived by RMT:

(a) Representations and Warranties. The representations and warranties of FIC and Acquisition Corporation set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as if made at and as of the Closing Date, except as otherwise contemplated by this Agreement, and RMT and the Signing Holders shall have received a certificate or certificates signed by the chief executive officer or an executive vice president and by the chief financial officer of FIC, and by the chief executive officer, president or vice president and by the chief financial officer of Acquisition Corporation to such effect.

(b) Performance of Obligations of FIC and Acquisition Corporation. FIC and Acquisition Corporation shall have performed in all material respects all obligations required to be performed by them under this Agreement prior to the Closing Date, and RMT and the Signing Holders shall have received a certificate or certificates signed by the chief executive officer or executive vice president and by the the chief financial officer of FIC, and by the chief executive officer, president or vice president and by the chief financial officer of Acquisition Corporation, to such effect.

(c) Opinion of FIC's Counsel. RMT shall have received an opinion dated the Closing Date of Peter L. McCorkell, General Counsel of FIC, in the form of Exhibit J.

(d) No FIC Charter Amendment or Change in Control. Since the date of this Agreement, FIC shall not have amended its Certificate of Incorporation, and no change in control of FIC resulting in the changed beneficial ownership of more than fifty percent (50%) of the outstanding FIC Common shall have occurred and become effective.

(e) Escrow Agreement. FIC shall have executed and delivered the Escrow Agreement in the form attached hereto as Exhibit L.

ARTICLE 8

CLOSING

8.1 Closing Date. The Closing under this Agreement (the "Closing") shall be held not more than two (2) business days following the satisfaction of all conditions precedent to the Merger specified in this Agreement (other than the delivery of the documents and other items required by this Agreement to be delivered at the Closing), unless duly waived by the party entitled to satisfaction thereof; provided, however, that if the Closing would otherwise be held on June 25 through June 30, 1997, inclusive, FIC may in its discretion elect by written notice to the other parties hereto to hold the Closing on July 1, 1997. In any event, if the Closing has not occurred on or before July 31, 1997, this Agreement may be terminated as provided in Section 11.1(c). Such date on which the Closing is to be held is herein referred to as the "Closing Date." The Closing shall be held at the offices of Pillsbury Madison & Sutro LLP, 235 Montgomery Street, San Francisco, California, at 10:00 a.m. on such date, or at such other time and place as FIC, Acquisition Corporation and RMT may agree upon in writing.

8.2 Filing Date. Subject to the provisions of this Agreement, on the Closing Date fully executed and acknowledged copies of the Agreement of Merger, along with required related certificates of RMT and Acquisition Corporation, meeting the requirements of the California General Corporation Law shall be filed with the California Secretary of State, all in accordance with the provisions of this Agreement (the date on which the later of these filings occurs is referred to as the "Filing Date").

8.3 Best Efforts. All the parties hereto shall use their respective best efforts to cause the Closing Date and Filing Date to be not later than July 31, 1997.

ARTICLE 9

INDEMNIFICATION AND ESCROW

9.1 Survival of Representations and Warranties. All of RMT's and the Signing Holders' representations and warranties in this Agreement or in any instrument or document delivered pursuant to this Agreement (a) shall survive the Merger and continue until 5:00 p.m., California time, on the date which is four (4) years after the Closing Date, except the representations and warranties contained in Sections 3.2 (Capital Structure), 3.7 (Properties) and 3.11 (Compliance with Law), which shall survive and continue without limitation, and (b) shall not be affected by any investigation conducted for or on behalf of FIC with respect thereto or any knowledge acquired by FIC or its officers, directors, employees, stockholders or agents as to the accuracy or inaccuracy of any such representation or warranty. The waiver of any condition based on the accuracy of any representation or warranty, or the performance or compliance of any covenant or obligation, will not affect the right to indemnification set forth in this Article 9 or the right to any other remedy.

9.2 Indemnification by RMT and the Signing Holders.

(a) RMT and the Signing Holders, in each case subject to the limitations set forth herein, severally (but not including RMT after the Closing), agree to defend and indemnify Acquisition Corporation and FIC (and, after the Closing, RMT), and their respective affiliates, directors, officers and shareholders, and their respective successors and assigns (collectively, "FIC Indemnitees"), against and hold each of them harmless from any and all losses, liabilities, taxes, claims, suits, proceedings, demands, judgments, damages, expenses and costs, including, without limitation, reasonable counsel fees, costs and expenses incurred in the investigation, defense or settlement of any claims covered by this indemnity (net of any insurance recovery) (in this Section 9.2 and in Section 9.3, collectively, the "Indemnifiable Damages") which any such FIC Indemnitee may suffer or incur by reason of (i) the inaccuracy or breach of any of the representations, warranties and covenants of RMT or the Signing Holders contained in this Agreement or any document, certificate or agreement delivered pursuant hereto, and (ii) any claim by any person or entity relating to or arising out of transactions, events, acts or omissions of or by RMT or any subsidiary of RMT prior to the Effective Time that is not adequately accrued or otherwise reflected on the RMT Balance Sheet and the nature and amount of which is not expressly stated in the Schedules delivered by RMT to FIC and Acquisition Corporation on or prior to the date hereof, other than liabilities incurred after the date of the RMT Balance Sheet in the ordinary course of RMT's business and which are usual and normal in amount (including without limitation and without giving effect to the foregoing exception in this clause (ii) any claim relating to Taxes of RMT or any of its subsidiaries for periods prior to the Closing or relating to the matters described in Schedule 3.9). FIC, RMT and the Signing Holders each acknowledge that such Indemnifiable Damages would relate to unresolved contingencies existing at the Effective Time, which if resolved at the Effective Time would have led to a reduction in the aggregate Merger consideration. Notwithstanding the generality of the foregoing, the full amount of the Escrow Fund shall be available as partial security for the satisfaction of all Indemnifiable Damages which any FIC Indemnitee may suffer or incur. RMT or the Signing Holders, as the case may be, are hereinafter

referred to as the "RMT Indemnitors." Notwithstanding the foregoing, in no event will the aggregate liability of the RMT Indemnitors under this Section 9.2 (but explicitly excluding liability by reason of the inaccuracy or breach of the representations contained in Section 3.2 (Capital Structure) of this Agreement and liability for breaches of covenants that are willful or inaccuracies that constitute actual fraud, which shall not be subject to limitation) exceed four million six hundred thousand dollars ($4,600,000), and then only for the amount by which Indemnifiable Damages recovered or recoverable hereunder cumulatively exceeds fifty thousand dollars ($50,000); provided, however, that for purposes of determining whether the foregoing $50,000 threshold has been exceeded, any materiality limitations expressly stated in the representations, warranties and covenants of RMT and the Signing Holders herein shall not be taken into account.

(b) Without limiting the generality of the foregoing, with respect to the measurement of Indemnifiable Damages, Acquisition Corporation and FIC and, after the Closing Date, Acquisition Corporation, FIC, Surviving Corporation and the affiliates of any of them shall have the right to be put in the same financial position as they would have been in had each of the representations, warranties and covenants of RMT and the Signing Holders been true and accurate or the same said parties had not breached any such covenants or had any of the events, claims or liabilities referred to in clause (a) of this Section 9.2 not occurred or been made or incurred. In determining whether RMT or a Signing Holder has breached a covenant, representation or warranty, the knowledge of FIC or Acquisition Corporation prior to the Closing of any inaccuracy in such representation, covenant or warranty shall not be considered and it shall not be a defense to any claim for indemnification hereunder that any FIC Indemnitee knew or should have known prior to the Closing of the facts giving rise to such claim for indemnification. No FIC Indemnitee shall have any express or implied obligation hereunder to inform RMT as to any inaccuracy in any representation, covenant or warranty of RMT or the Signing Holders, which is discovered by any FIC Indemnitee or any of their officers, directors, employees or agents prior to the Closing.

(c) The RMT Indemnitors waive any right to require FIC or any other FIC Indemnitee to (i) proceed against any person or entity including any other Signing Holder, (ii) proceed against or exhaust any collateral or security or any part thereof, or (iii) pursue any other remedy in its power, and waives any defense arising by reason of any inability of any other obligor to pay or any defense based on bankruptcy or insolvency or other similar limitations on creditors' remedies with respect to any other person. Until any claims which have been asserted have been settled and indefeasibly paid in full, each RMT Indemnitor shall have no right of subrogation and each RMT Indemnitor waives any right to enforce any remedy which any FIC Indemnitee now has or may hereafter have against any other person and waives any benefit or any right to participate in any collateral or security whatsoever now hereafter held by the FIC Indemnitees.

9.3 Escrow Fund.

(a) As partial security for the indemnity provided for in Section 9.2 of this Agreement, the Escrow Shares (defined in Section 0(c) hereof) shall be registered in the names of the Holders but shall be deposited (together with assignments in blank executed by the Holders) with First Trust of California, N.A. (or other institution selected by FIC with the reasonable consent of the Holders' Representatives) as escrow agent (the "Escrow Agent"), such deposit to constitute an escrow fund (the "Escrow Fund") to be governed by the terms set forth herein and in an Escrow Agreement among FIC, the Escrow Agent and the Holders (the "Escrow Agreement") substantially in the form attached hereto as Exhibit L. Subject to the terms of Section 9.3(b) of this Agreement, upon compliance with the terms hereof and the terms of the Escrow Agreement FIC and the other FIC Indemnitees shall be entitled to obtain indemnification from the Escrow Fund for all Indemnifiable

Damages covered by the indemnity provided for in Section 9.2 of this Agreement. From and after the Closing, upon the valid exercise of Subject Options held by the Subject Optionholders as specified in the Escrow Agreement, FIC shall deliver to the Escrow Agent a certificate or certificates issued in the name of such optionholder (or the Escrow Agent under the circumstances specified in the Escrow Agreement) representing additional Escrow Shares, to the extent set forth in the Escrow Agreement. The adoption and approval of this Agreement by RMT's shareholders shall constitute approval of the Escrow Agreement and of all of the arrangements relating thereto, including without limitation the placement of the Escrow Shares in escrow and the appointment of the Holders' Representatives to act for and on behalf of Holders to give and receive notices and communications, to authorize delivery of any shares of FIC Common from the Escrow Fund in satisfaction of claims by FIC Indemnitees, to object to such deliveries, to agree to, negotiate and enter into settlements and compromises of, and demand arbitration and comply with orders of courts and awards of arbitrators with respect to such claims, and to take all actions necessary or appropriate in the judgment of such representatives for the accomplishment of the foregoing.

(b) At any time until the earlier of (i) 11:59 p.m., Pacific time, on the first anniversary of the Closing Date or (ii) the termination of the Escrow Agreement as provided therein, if FIC or any other FIC Indemnitee makes a claim for Indemnifiable Damages and is entitled to indemnification pursuant to Section 9.2 hereof, the Escrow Agent shall, upon compliance with the procedures set forth in the Escrow Agreement, release to FIC or such other FIC Indemnitee, as applicable, such amount from the Escrow Fund which is equal in value to such Indemnifiable Damages. Escrow Shares so released shall be valued as set forth in Section 2(c) of the Escrow Agreement. Some or all of the amount to be so released may, under the circumstances and on the terms and conditions specified in the Escrow Agreement, be satisfied by the forfeiture of Subject Options in lieu of the release of Escrow Shares. Upon a distribution by the Escrow Agent to FIC or any other FIC Indemnitee pursuant to this Section, the Escrow Fund will be correspondingly reduced.

9.4 Indemnification Procedure. A party seeking indemnification (the "Indemnitee") shall use its best efforts to minimize any liabilities, damages, deficiencies, claims, judgments, assessments, costs and expenses in respect of which indemnity may be sought under this Agreement. The Indemnitee shall give prompt written notice to the party from whom indemnification is sought (the "Indemnitor") of the assertion of a claim for indemnification, but in no event longer than (a) thirty (30) days after service of process in the event litigation is commenced against the Indemnitee by a third party, or (b) sixty (60) days after the assertion of such claim. No such notice of assertion of a claim shall satisfy the requirements of this Section 9.4 unless it describes in reasonable detail and in good faith the facts and circumstances upon which the asserted claim for indemnification is based. If any action or proceeding shall be brought in connection with any liability or claim to be indemnified hereunder, the Indemnitee shall provide the Indemnitor twenty (20) calendar days to decide whether to defend such liability or claim. During such period, the Indemnitee shall take all necessary steps to protect the interests of itself and the Indemnitor, including the filing of any necessary responsive pleadings, the seeking of emergency relief or other action necessary to maintain the status quo, subject to reimbursement from the Indemnitor of its expenses in doing so. The Indemnitor shall (with, if necessary, reservation of rights) defend such action or proceeding at its expense, using counsel selected by the insurance company insuring against any such claim and undertaking to defend such claim, or by other counsel selected by it and approved by the Indemnitee, which approval shall not be unreasonably withheld or delayed. The Indemnitor shall keep the Indemnitee fully apprised at all times of the status of the defense and shall consult with the Indemnitee prior to the settlement of any indemnified matter. The Indemnitee agrees to use reasonable efforts to cooperate with the Indemnitor in connection with its defense of indemnifiable claims. In the event the Indemnitee has a claim or claims against any third party

growing out of or connected with the indemnified matter, then upon receipt of indemnification, the Indemnitee shall fully assign to the Indemnitor the entire claim or claims to the extent of the indemnification actually paid by the Indemnitor and the Indemnitor shall thereupon be subrogated with respect to such claim or claims of the Indemnitee.

ARTICLE 10

PAYMENT OF EXPENSES

Except as provided in Section 2.3 or as set forth below, FIC, RMT and the Signing Holders shall each pay its own fees and expenses incurred incident to the preparation and carrying out of the transactions herein contemplated (including legal, accounting and travel). Notwithstanding the foregoing, (i) FIC and RMT shall share equally all government filing fees paid to any state securities commission and the California Secretary of State (collectively, the "Filing Fees"), and each party shall promptly advance on request or reimburse such party's portion of the Filing Fees; and (ii) FIC shall pay the fees imposed by the Escrow Agent pursuant to the Escrow Agreement.

ARTICLE 11

TERMINATION, AMENDMENT AND WAIVER

11.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of matters presented in connection with the Merger by the Signing Holders:

(a) by mutual written consent of the parties hereto; or

(b) by either FIC, on the one hand, or RMT, on the other hand, if there has been a material breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of any other party set forth in this Agreement and, if such breach is curable, such breach has not been promptly cured after written notice of such breach; or

(c) by FIC or RMT if, without fault of the terminating party, the Effective Time shall not have occurred on or before July 31, 1997; or

(d) by FIC or RMT if (i) there shall be a final nonappealable order of a federal or state court in effect preventing consummation of the Merger or (ii) there shall be any action taken, or any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the Merger by any Governmental Entity which would make consummation of the Merger illegal; or

(e) by FIC or RMT if there shall be any action taken, or any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the Merger by any Governmental Entity, which would (i) prohibit FIC's or RMT's ownership or operation of all or a material portion of the business or assets of RMT or FIC, or compel FIC or RMT to dispose of or hold separate all or a material portion of the business or assets of RMT or FIC, as a result of the Merger or (ii) render FIC or RMT unable to consummate the Merger; or

(f) By FIC, on or prior to the Closing Date in the event that RMT or any Signing Holder supplements or amends the Schedules to this Agreement pursuant to the terms hereof and such supplements and amendments contain disclosures which collectively would or would reasonably be expected to have a material adverse effect on the condition, business, net worth, assets, prospects, properties or operations of RMT; or

(g) by FIC if any condition to FIC's obligation to complete the Merger has not been satisfied or waived by FIC; or

(h) by RMT if any condition to RMT's obligations to complete the Merger has not been satisfied or waived by RMT.

11.2 Effect of Termination. In the event of termination of this Agreement by RMT or FIC as provided in Section 11.1, this Agreement and the Agreement of Merger shall forthwith become void and there shall be no liability or obligation on the part of the parties hereto or their respective officers or directors except as set forth in Section 6.3 and Article 10 and except to the extent that such termination results from the (a) willful breach by a party hereto of any of its representations or warranties, or (b) a breach by a party hereto of its covenants or agreements set forth in this Agreement. The obligations of the parties under the Mutual Nondisclosure Agreement shall survive any termination of this Agreement.

11.3 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of all the parties hereto. After approval of this Agreement and the transactions contemplated hereby by the shareholders of RMT, no amendment hereto shall be made which by law requires the further approval of shareholders without obtaining such further approval.

11.4 Extension; Waiver. At any time prior to the Effective Time, FIC or RMT, by such corporate action as shall be appropriate, may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties made to FIC, RMT or the Signing Holders contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions for the benefit thereof contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE 12

GENERAL

12.1 Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other shall be in writing and delivered personally or sent by certified mail, postage prepaid by telecopy, or by courier service, as follows:

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

with a copy to:

Pillsbury Madison & Sutro LLP
2700 Sand Hill Road
Menlo Park, CA 94025
Attention: Jorge Del Calvo, Esq.
Fax: (415) 233-4545

and to:

Risk Management Technologies
2150 Shattuck Avenue
Berkeley, CA 94704
Attention: Mr. David LaCross
Fax: (510) 841-3750

with a copy to:

Whitehead & Porter LLP
220 Montgomery Street, Suite 1850
San Francisco, CA 94104
Attention: David Whitehead, Esq.
Fax: (415) 788-6521

or to such other persons as may be designated in writing by the parties, by a notice given as aforesaid.

12.2 Headings. The descriptive headings of the several sections of this Agreement are inserted for convenience of reference only and are not intended to affect the meaning or interpretation of this Agreement.

12.3 Counterparts. This Agreement may be executed in counterparts, and when so executed each counterpart shall be deemed to be an original, and said counterparts together shall constitute one and the same instrument.

12.4 Binding Effect; Parties in Interest.

(a) This Agreement shall be binding upon and inure solely to the benefit of each party hereto and nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

(b) This Agreement shall be binding upon the parties hereto only upon execution by each of FIC, Acquisition Corporation, RMT and the Signing Holders; provided, however, that Section 5.5, Section 6.3 and Section 6.14 shall be immediately binding upon each of FIC, Acquisition Corporation and RMT upon the execution of this Agreement by such parties.

12.5 Entire Agreement; Assignment. This Agreement along with each of the exhibits and schedules hereto and the Mutual Nondisclosure Agreement dated April 21, 1997 between RMT and FIC (a) constitute the entire agreement among the parties with respect to the subject matter

hereof and supersede all other prior agreements, understandings, representations and warranties, both written and oral, among the parties or any of them with respect to the subject matter hereof and (b) may not be assigned by operation of law or otherwise.

12.6 Schedules and Exhibits. All Exhibits and Schedules attached hereto are by this reference incorporated herein and made a part hereof for all purposes as if fully set forth herein. The disclosures in any Schedule must relate only to the representations and warranties in the Section of this Agreement to which they expressly relate and not to any other representation or warranty in this Agreement. In the event of any inconsistency between the statements in the body of this Agreement and those in the Schedules hereto (other than an exception expressly set forth as such in the Schedules with respect to a specifically identified representation or warranty), the statements in the body of this Agreement will control.

12.7 Applicable Law. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of California as applied to contracts entered into solely between residents of, and to be performed entirely in, such state.

12.8 Severability. If for any reason whatsoever, any one or more of the provisions of this Agreement shall be held or deemed to be inoperative, unenforceable or invalid as applied to any particular case or in all cases, such circumstances shall not have the effect of rendering such provision invalid in any other case or of rendering any of the other provisions of this Agreement inoperative, unenforceable or invalid.

12.9 Remedies Cumulative. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power or privilege under this Agreement or the documents referred to herein will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of any other right, power or privilege. Without limiting the generality of the foregoing, each party's right of termination under Section 11.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies.

12.10 Specific Performance. The parties hereto agree and acknowledge that, in the event of a breach of any provision of this Agreement, the aggrieved party may be without an adequate remedy at law. The parties therefore agree that in the event of a breach of any provision of this Agreement the aggrieved party may elect to institute and prosecute proceedings in any court of competent jurisdiction to obtain specific performance or to enjoin the continuing breach of such provision, as well as to obtain damages for breach of this Agreement and to obtain reasonable attorneys' fees. By seeking or obtaining any such relief, the aggrieved party will not be precluded from seeking or obtaining any other relief to which it may be entitled.

12.11 Best Efforts; Further Assurances. Subject to the terms and conditions of this Agreement, each party shall use its best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable consistent with applicable laws and regulations to consummate the transactions contemplated by this Agreement as promptly as possible. The parties hereto shall do and perform or cause to be done and performed all such further actions and things and shall execute and deliver all such other agreements, certificates, instruments or documents as any other party hereby may reasonably request in order to carry out the intent and purposes of this Agreement and the consummation of the transactions contemplated hereby.

IN WITNESS WHEREOF, FIC, Acquisition Corporation and RMT have caused this Agreement to be signed by their respective officers thereunto duly authorized, and the Signing Holders have signed this Agreement, all as of the date first above written.

FAIR, ISAAC AND COMPANY, INCORPORATED, a Delaware corporation

By

Title

FIC ACQUISITION CORPORATION, a California corporation

By

Title

RISK MANAGEMENT TECHNOLOGIES, a California corporation

By

Title

SIGNING HOLDERS:

David LaCross and
Kathleen O. LaCross,
Trustees U/D/T dated
4/2/97

Jefferson Braswell

SOFTWARE ALLIANCE LLC, a California limited liability company

By

Print Name:
Title:

Robert Ferguson

Leland Prussia

James T. Fan

Jeffrey Dandridge

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of July 21, 1997 by and between FAIR, ISAAC AND COMPANY, INCORPORATED, a Delaware corporation ("FICO") located at 120 North Redwood Drive, San Rafael, California 94903, and David LaCross, residing at 59 Singingwood Lane, Orinda, California 94563 ("Employee").

W I T N E S S E T H:

WHEREAS, Employee is currently employed by Risk Management Technologies ("RMT"), as Chairman of the Board and Chief Executive Officer; and

WHEREAS, pursuant to an Agreement and Plan of Reorganization dated as of June 10, 1997, among FICO, RMT and others (the "Merger Agreement"), FICO is acquiring all of the outstanding shares of RMT by way of the merger of RMT with a wholly owned subsidiary of FICO (the "Merger"), with RMT as the surviving entity (such surviving entity being hereinafter referred to as the "Company"); and

WHEREAS, FICO intends to maintain and operate the business of the Company after the Merger; and

WHEREAS, FICO desires to have the benefits of Employee's knowledge and experience as a full-time employee of the Company without distraction by employment-related uncertainties and considers such employment a vital element to protecting and enhancing the best interests of the Company and its stockholders, and Employee desires to be employed full-time with the Company; and

WHEREAS, FICO and Employee desire to enter into an agreement reflecting the terms under which Employee will be employed by the Company after the Merger;

NOW, THEREFORE, in consideration of the mutual covenants set forth in the Merger Agreement and this Agreement, the parties hereto agree as follows:

1. Effectiveness. This Agreement shall become effective upon the Closing of the Merger as defined in the Merger Agreement (the "Closing").

2. Term. FICO hereby agrees to cause the Company to employ Employee and Employee hereby agrees to be employed by the Company on a full-time basis for a three-year period commencing on the Closing and ending on the third anniversary thereof (the "Term"), unless sooner terminated as provided in Section 8 hereof; provided, however, that Employee's employment is contingent on his ability to prove his identity and authorization to work in the United States for the Company and his compliance with the Immigration and Naturalization Service's employment verification requirements.

3. Duties. Employee shall serve as Chief Executive Officer of the Company and hold such positions with any of the Company's future subsidiaries as Employee and the Company shall agree. Employee shall report directly to the Chairman of the Board of Directors (the "Chairman") of the Company, who shall initially be the Chief Executive Officer of FICO appointed as Chairman by the Company's Board of Directors (the "Board"). Subject to the control of the Chairman or of another officer designated by the Chairman, Employee will be responsible for cooperating with the Company and FICO in identifying areas of potential synergy between FICO's businesses and the Company's business and for developing and implementing plans and actions to realize the benefits of such synergies for the Company, including cross-selling opportunities, the development of integrated products and services and the consolidation of certain functional areas. Employee also

agrees to participate, on such terms and to such extent as may be determined from time to time by FICO's senior management, in established senior management councils of FICO. Employee will also have such other powers and duties as may be prescribed by the Chairman, the Board, the Company's bylaws, or by an officer of FICO or its subsidiaries designated by the Board or the Chairman. Employee's duties may change from time to time on reasonable notice, based on the needs of the Company and his skills, as determined by the Company.

Employee is required to exercise his specialized expertise, independent judgment and discretion to provide high-quality services, and to devote his full business time, energies, efforts and abilities exclusively to his employment, and shall use his best efforts and abilities to promote the Company's interests. Employee shall follow office policies and procedures adopted from time to time by the Company, which the Company may change at any time, and shall follow such directions as may be given from time to time by his superiors. During the Term, Employee may not engage, directly or indirectly, in any business activity that competes with or is adverse to the Company's business, whether alone or as a partner, officer, director, employee, consultant or investor in such business activity.

4. Compensation. FICO shall cause the Company to compensate Employee for the services rendered under this Agreement as follows:

(a) A base salary at the annual rate of $196,310, less regular payroll deductions, which covers all hours worked (the "Base Salary"). The Base Salary will be payable in accordance with the then-customary payroll practices of FICO for the payment of its subsidiaries' officers.

(b) Reimbursement for all reasonable business expenses incurred on behalf of the Company while on business, upon submission of appropriate documentation in accordance with the Company's general policies, as they may be amended from time to time during the Term.

(c) A bonus upon each of the first three anniversaries of this Agreement, provided in each case that Employee remains employed by the Company hereunder at the close of business on such anniversary and is not at such time in breach of any provision of this Agreement (including the Proprietary Information Agreement incorporated herein) or of his Agreement Not to Compete of even date herewith:

First Anniversary:	$40,000
Second Anniversary:	$56,000
Third Anniversary:	$64,000

(d) All payments made by the Company hereunder to Employee will be subject to tax withholding pursuant to applicable laws and regulations.

5. Employee Benefits. Employee (a) shall be entitled to participate in FIC's Employee Stock Ownership Plan (ESOP) and pension plan in accordance with their terms; (b) shall continue to participate in RMT's 1997 Incentive Plan through December 31, 1997 and in RMT's current paid time off (PTO) policy (in each case, as and to the extent disclosed in writing to FIC prior to the date hereof); (c) to the extent not prohibited by law, shall receive service credit (other than for benefit accrual under a defined benefit pension plan) that includes his employment by RMT prior to the Effective Time; and (d) shall be entitled to participate, in accordance with their terms, in all plans of medical, disability and similar benefits which generally are made available to senior executives of subsidiaries of FICO. A list and description of the foregoing benefits has been provided to Employee. These benefits may change from time to time.

6. Stock Options. Employee shall be granted an option to purchase sixteen thousand (16,000) shares of FICO common stock as of the Effective Time of the Merger (as defined in the Merger Agreement), at an exercise price equal to the closing sale price of the FICO common stock

on the New York Stock Exchange Composite Transactions Tape on the date of grant, pursuant to the Fair, Isaac and Company, Incorporated 1992 Long-term Incentive Plan and the Stock Option Agreement to be entered into as of the Effective Time between FICO and Employee. Such agreement shall provide that 25% of such options shall be subject to vesting on each of the first four anniversaries of the grant date, conditioned upon Employee's continued employment by the Company.

7. Waiver of Certain Rights. Employee agrees to irrevocably relinquish and waive any rights he has pursuant to any employment or other service arrangements and agreements he has with RMT, and all such arrangements and agreements shall be deemed terminated as of the Closing.

8. Termination.

(a) Employee may terminate this Agreement for any reason upon thirty (30) days' prior written notice to the Company. This Agreement will terminate automatically upon the death of Employee. The Company may terminate this Agreement, with or without "Cause" (as defined below), upon thirty (30) days' prior written notice to Employee; provided, however, that, immediately upon receipt of such notice, Employee shall cease to hold himself out to any third party as an officer of the Company, shall refrain from acting as an officer of the Company (including but not limited to refraining from executing contracts and instruments in the name or on behalf of the Company) and shall refrain from taking any action which may lead any third party to believe that he is authorized to act on behalf of the Company.

(b) In the event that this Agreement is terminated by the Company without "Cause" or by Employee for "Good Reason," then, if (and only if) Employee has not breached any term of this Agreement or of the Agreement Not to Compete of even date herewith and Employee has executed and delivered to the Company a full and unconditional release of all past, present and potential claims and causes of action against the Company, FICO and their respective officers, directors, employees and affiliates, in form satisfactory to the Company, Employee shall be entitled to the following payments:

(i) the lesser of (x) the balance of the Base Salary to which Employee is entitled during the period from the date of termination through the end of the Term or (y) twelve (12) months of Base Salary, in each case in accordance with the payroll practices described in Section 4(a) (the "Base Salary Severance");

(ii) a prorated bonus, consisting of any bonus specified in Section 4(c) that would have been payable upon the next anniversary of this Agreement had Employee remained employed on such anniversary, multiplied by a fraction, the numerator of which shall be the number of days during the year ending on such anniversary for which Employee was employed hereunder and the denominator of which shall be 365 (the "Pro Rata Bonus"), it being understood that no bonus with respect to any succeeding anniversary or anniversaries would thereafter be payable; and

(iii) any accrued but unused vacation through the date of termination.

(c) In the event of any termination of this Agreement by the Employee except for "Good Reason," any termination hereof by the Company for "Cause," or any termination hereof due to the death of Employee, Employee shall not be entitled to the Base Salary Severance or the Pro Rata Bonus.

(d) "Good Reason" for purposes of this Agreement shall mean, unless otherwise consented to by Employee, any one or more of (i) a material breach of this Agreement by the Company or FICO which is not cured promptly after written notice, (ii) relocation of Employee

required by the Company, outside of the San Francisco Bay Area, or (iii) a significant and unilateral reduction by the Company in Employee's duties with the Company, as described in Section 3, after the Closing. "Cause" for purposes of this Agreement shall mean any one or more of (i) Employee's failure to perform his duties and responsibilities hereunder as contemplated by Section 3, including without limitation failure to follow the directions of the Board, the Chairman or other officer designated by the Chairman as contemplated by Section 3; (ii) a breach by Employee of any other covenant or condition in this Agreement (including the Proprietary Information Agreement incorporated herein by reference) or of a covenant or condition in the Agreement Not to Compete of even date herewith; (iii) without limiting the generality of the foregoing, (1) fraud, dishonesty, negligence or willful or negligent misconduct, (2) Employee's conviction of or plea of guilty or no contest to any misdemeanor involving dishonesty or moral turpitude or which is punishable by imprisonment, or any felony, or (3) any other act or omission by Employee which, in light of his position with the Company, has or is reasonably likely to have the effect of subjecting the Company or any of its affiliates to ridicule, embarrassment or other negative reaction among members of the public or among current or potential customers or business partners.

(e) Regardless of the reason for the termination of this Agreement, Employee shall continue to be subject to and bound by the provisions of Sections 9 through 17, inclusive, after any termination of this Agreement.

9. Proprietary Information. Employee is required to abide by, and agrees to sign and abide by, the Customer Information Confidentiality Agreement and Non-Disclosure Agreement attached hereto as Exhibit A, which are incorporated into this Agreement by reference (collectively, such agreements are referred to as the "Proprietary Information Agreement").

10. Dispute Resolution Procedure. The parties agree that any dispute arising out of or related to this Agreement and the employment relationship between them, including the termination of that relationship and any allegations of unfair or discriminatory treatment arising under state or federal law or otherwise, shall be resolved by final and binding arbitration pursuant to the following procedures, except where the law specifically forbids the use of arbitration as a final and binding remedy.

(a) The party claiming to be aggrieved shall furnish to the other party a written statement of the grievance identifying any witnesses or documents that support the grievance and the relief requested or proposed, not less than thirty (30) days after the transaction, occurrence or event giving rise to such dispute.

(b) If the other party does not agree to furnish the relief requested or proposed, or otherwise does not satisfy the demand of the party claiming to be aggrieved, the parties shall submit the dispute to nonbinding mediation before a mediator to be jointly selected by the parties. The Company will pay the cost of the mediation.

(c) If the mediation does not produce a resolution of the dispute, the parties agree that the dispute shall be resolved by final and binding arbitration. The parties shall attempt to agree to the identity of an arbitrator, and, if they are unable to do so, the Company shall provide Employee with a list of no fewer than five (5) names of arbitrators, each of whom have been appointed in at least ten (10) cases, excluding cases in which the Company or FICO shall have been involved, and Employee shall select one arbitrator from that list.

The arbitrator shall have the authority to determine whether the conduct complained of in paragraph (a) of this section violates the rights of the complaining party and, if so, to grant any relief authorized by law; provided, however, that nothing in this Agreement shall limit the right of the Company and FICO to seek and obtain injunctive or other relief with respect to any violation or threatened violation of the Proprietary Information Agreement. The arbitrator shall not have the

authority to modify, change or refuse to enforce the terms of any employment agreement between the parties. In addition, the arbitrator shall not have theauthority to require FICO or the Company to change any lawful policy or benefit plan.

The hearing shall be transcribed. The non-prevailing party will pay the costs of the arbitration. Each party shall be responsible for paying its own attorneys' fees.

(d) Arbitration shall be the exclusive, final remedy for any dispute between the parties, and the parties agree that no dispute shall be submitted to arbitration where the party claiming to be aggrieved has not complied with the preliminary steps provided for in paragraphs (a) and (b) above.

(e) Nothing herein shall limit any remedy available under the Proprietary Information Agreement with respect to violations or threatened violations thereof, including the pursuit of injunctive relief in court.

11. Representation and Warranty of Employee. Employee represents and warrants to FICO and the Company that the performance of his duties hereunder will not violate any agreement with or any trade secret of any other person or entity.

12. Notices. All notices, requests, demands and other communication called for or contemplated hereunder shall be in writing and shall be deemed to have been duly given when delivered personally or when mailed by United States certified or registered mail, postage prepaid, addressed to the parties or their successors in interest at the following addresses or such other addresses as the parties may designate by notice in the manner aforesaid:

If to the Company or FICO: Risk Management Technologies
2150 Shattuck Avenue
Berkeley, CA 94704
Attn: Chairman of the Board

With a copy to: Fair, Isaac and Company, Incorporated
120 North Redwood Drive
San Rafael, CA 94903
Attn: General Counsel

If to Employee: 59 Singingwood Lane
Orinda, CA 94563

13. Governing Law. This Agreement and the resolution of any disputes hereunder shall be governed by and construed in accordance with the laws of the State of California.

14. Entire Agreement. The terms of this Agreement (and of the Agreement Not to Compete for the purposes expressed herein) are intended by the parties to be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous agreements, representations or promises of any kind, whether written, oral, express or implied, between RMT or FICO and Employee with respect to the subject matters herein, including any former employment agreements. This Agreement is intended as the complete and exclusive agreement between the parties with respect to Employee's employment by the Company, and no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding involving this Agreement.

15. Validity. If any provision of this Agreement, or the application thereof to any person, place or circumstance, shall be held to be invalid, unenforceable or void, the remainder of

this Agreement and such provision as applied to other persons, places and circumstances shall remain in full force and effect.

16. Beneficiaries; Assignment. The Company is expressly made a beneficiary of the obligations of Employee hereunder. This Agreement is personal to and may not be assigned by Employee.

17. Amendment. This Agreement may not be modified or amended except by an instrument in writing signed by Employee and an officer of FICO.

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

FAIR, ISAAC AND COMPANY, INCORPORATED

By_____

Title: _____

EMPLOYEE

_____

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.

B Y - L A W S
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.

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement"), made as of the 23rd day of June, 1997 by and among FAIR, ISAAC AND COMPANY, INCORPORATED, a Delaware corporation (the "Company"), and the persons listed on the signature pages hereto,

W I T N E S S E T H:

WHEREAS, the Company, the Holders (as hereinafter defined) and Risk Management Technologies, a California corporation ("RMT"), are parties to that certain Agreement and Plan of Reorganization, dated the date hereof (the "Merger Agreement"), pursuant to which, among other things, the Company has agreed to issue to the shareholders of RMT shares of common stock, $.01 par value, of the Company ("Common Stock") pursuant to a merger of a wholly owned subsidiary of the Company and RMT in which RMT will become a wholly owned subsidiary of the Company, and

WHEREAS, in connection with the transactions referred to above, the Company and the Holders desire to provide for the rights of the Holders with respect to the registration of shares of the Company's Common Stock (the "Shares") constituting forty-five percent 45% of the Merger Shares (as such term is defined in the Merger Agreement), 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 persons listed on the signature pages hereto 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) any shares of 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 or Rule 145 under the Securities Act, and any shares otherwise sold or transferred in a transaction in which the transferor's rights under this Agreement are not assigned in accordance with this Agreement, 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 After the Company has publicly released a report including the combined financial results of the Company and RMT for a period of at least 30 days of combined operations of the Company and RMT within the meaning of Accounting Series Release No. 135, as amended, of the Commission (the date of such release being referred to as the "Release Date"), and upon prior written notice to the Holders, the Company shall file a registration statement covering such of the Holders' Registrable Securities as are the subject of the Notices defined below, for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act; provided, that the Company shall have no obligation to file or effect any such registration unless the Holder or Holders submitting Notices (as defined below) propose to sell less than five thousand (5,000) Shares pursuant to such registration; and provided, further, that the Company shall have no obligation to register any Registrable Securities as to which it has not received, a reasonable time prior to the filing of the foregoing registration statement, a written notice (each, a "Notice") stating the name and address of the Holder of such Registrable Securities, the number of shares of Registrable Securities to be disposed of pursuant to such registration (in each case not to exceed 45% of such Holder's Shares) and the intended methods of distribution. The Company's obligations under this Section 2 are subject to the further conditions and limitations set forth below.

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

2.3 So long as the Company has complied with its obligations hereunder, any registration proceeding commenced pursuant to this Agreement which is subsequently withdrawn by the Holders shall be counted as the single registration required of the Company for purposes of Section 2.1 hereof.

3. Obligations of the Company.

When obligated 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 reasonable efforts to cause such registration statement to become effective on or before December 1, 1997 and to keep such registration statement continuously effective under the Securities Act until the earlier of the expiration of sixty (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 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 sole discretion and judgment of the Company's Board of Directors, be detrimental to the Company or premature, (ii) the Company has filed, or proposes to file within ninety (90) days after the Release Date, 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 Securities 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 or premature), (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 notify in writing each Holder participating in such registration, which notice shall state that its obligations hereunder have been suspended in accordance with this Section 3.1.

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 all reasonable efforts to register and qualify the securities covered by such registration statement under the 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.

3.5 Use all reasonable efforts to cause the Registrable Securities registered pursuant to such registration to be listed on the principal securities exchange on which the Common Stock is then listed.

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 Holders requesting inclusion of securities in the Company's registration statement shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and to be disposed of 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 Commission 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 immediately 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.

4.3 Each Holder shall notify the Company in writing within five (5) calendar days of the disposition of a Holder's Registrable Securities covered by a registration statement as provided in Section 3.1 above.

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, 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 (i) the fees and disbursements of counsel for the selling Holders, (ii) stock transfer taxes that may be payable by the selling Holders, and (iii) all brokerage or similar commissions relating to Registrable Securities, all of which shall be borne by the Holders whose Registrable Securities are covered by such registration statement.

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, expense, liability or action to the extent that it arises out of or is based upon a Violation which arises out of or is based upon information furnished in writing expressly for use in connection with such registration by any such Holder or controlling person; provided, further, that the Company will not be liable to any Holder or controlling person with respect to any loss, claim, damage, expense or liability arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission to state a material fact in any preliminary prospectus which is corrected in an amended, supplemented or final prospectus provided to such Holder if the purchaser asserting such loss, claim, damage, expense or liability purchased from such Holder and was not sent or given a copy of such amended, supplemented or final prospectus at or prior to the sale of Registrable Securities to such purchaser.

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 arises out of or is based upon information furnished in writing 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 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 Holder, which consent shall not be unreasonably withheld.

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. It is understood, however, that an indemnifying party shall not, in connection with any proceeding or related proceedings, be liable for the reasonable fees and expenses of more than one separate firm for all indemnified parties. 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 pursuant to 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 such Holder is eligible to sell all of such Holder's Registrable Securities pursuant to Rule 144 or

Rule 145 under the Securities Act during any 90-day period or (ii) the first anniversary of the date hereof.

8. Representations and Warranties of the Company.

The Company hereby represents and warrants to the Holders that 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 under the Securities Act.

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 upon the death 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 or to a trust for the benefit of one or more members of such Holder's immediate family; provided in either such case that the Company is given written notice at the time of or within a reasonable time after said transfer or assignment, stating the name and address of the permitted transferee or assignee and identifying the Registrable Securities to which such registration rights are being transferred or assigned and, provided further, that the transferee or assignee of such rights assumes in writing the obligations of such Holder under this Agreement; and provided, further, that no rights, interests or obligations hereunder may be assigned, transferred or delegated except to a transferee or assignee of at least 5,000 shares of Registrable Securities (as presently constituted and subject to subsequent adjustments for stock splits, reverse stock splits and the like). 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 Legends.

(a) Each certificate representing Registrable Securities shall (unless otherwise permitted by the provisions of this Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws):

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

(b) The Company shall be obligated to reissue promptly unlegended certificates at the request of any holder thereof if the holder shall have obtained an opinion of counsel at such Holder's expense (which counsel may be counsel to the Company) reasonably acceptable to the Company to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend.

(c) Any legend endorsed on an instrument pursuant to applicable state securities laws and the related stop-transfer instructions with respect to such securities shall be removed upon receipt by the Company of an order of the appropriate Blue Sky authority authorizing such removal.

9.3 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
2700 Sand Hill Road
Menlo Park, CA 94025
Telecopier: (415) 233-4545
Attention: Jorge A. del Calvo, Esq.

If to the Holders:

to their respective addresses shown on the signature pages hereto

with a copy to:

Whitehead & Porter LLP
220 Montgomery Street, Suite 1850
San Francisco, CA 94104
Telecopier: (415) 788-6521
Attention: David Whitehead, Esq.

9.4 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 any 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 any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter.

9.5 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.

9.6 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.

9.7 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).

9.8 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.

9.9 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

Name

Title

HOLDERS:

David LaCross and Kathleen O. LaCross
Trustees U/D/T dated April 2, 1997
Address: 59 Singingwood Lane
Orinda, CA 94563

By: David LaCross, Co-Trustee

By: Kathleen O. LaCross, Co-Trustee

Name of Holder: Jefferson Braswell
Address: 2800 Regent St.
Berkeley, CA 94705

Name of Holder: Software Alliance LLC
Address: P.O. Box 7370

Incline Village, NY 89452

Name of Holder: Robert Ferguson
Address: 1040 Greenwich St.
San Francisco, CA 94133

Name of Holder: James T. Fan
Address: 5112 Amberwood Court
Fremont, CA 94555

Name of Holder: Leland Prussia
Address: 16 Redondo Court
Alameda, CA 94501

Amendment 1

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

Effective as of December 23, 1996, the Fair, Isaac and Company, Incorporated 1992 Long-Term Incentive Plan (As amended and restated effective November 21, 1995) is hereby amended as follows:

Section 15 is amended by designating the existing two paragraphs as subsection (i) and adding the following new subsection at the end thereof:

"(ii) Notwithstanding paragraph (i) above, an NSO or portion thereof may be transferred by the Optionee by gift to (a) the Optionee's immediate family, (b) a partnership consisting solely of the Optionee and/or immediate family, or (c) to a trust established for the benefit of the Optionee and/or one or more members of the immediate family of the Optionee (including a charitable remainder trust whose income beneficiaries consist solely of such persons), provided that such transfer will not be effective until notice of such transfer is delivered to the Corporation. For purposes of this paragraph (ii) "immediate family" means spouse, children and grandchildren. An Option or portion thereof may also be transferred pursuant to a domestic relations order of a court of competent jurisdiction."

To record the adoption of this amendment to the Fair, Isaac and Company, Incorporated Stock Option Plan for Non-Employee Directors by an Executive Committee of the Board on December 23, 1996, the Corporation has caused its authorized officers to affix the corporate name hereto.

Fair, Isaac and Company, Incorporated

By /s/ PETER L. MCCORKELL

Peter L. McCorkell
Senior Vice President & Secretary

Amendment 2

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

Effective as of November 25, 1997, the Fair, Isaac and Company, Incorporated 1992 Long-Term Incentive Plan (As amended and restated effective November 21, 1995) is hereby amended as follows:

1. Section 3.1 of the Plan is amended by deleting the last sentence of that section, and adding the following at the end thereof:

> "Effective October 1, 1997, and on each October 1 thereafter for the remaining term of the Plan, the aggregate number of Shares which may be issued under the Plan to individuals shall be increased by a number of Common Shares equal to 4 percent of the total number of Common Shares outstanding at the end of the most recently concluded fiscal year. Any Common Shares that have been reserved but not issued as Restricted Shares, Stock Units or Options during any fiscal year shall remain available for grant during any subsequent fiscal year. Notwithstanding the foregoing, no more than 1,500,000 Common Shares shall be available for the grant of ISOs for the remaining term of the Plan. The aggregate number of Common Shares which may be issued under the Plan shall at all times be subject to adjustment pursuant to Article 10."

2. Section 16.1 of the Plan is amended by substituting the following for the last sentence thereof:

> "The Plan shall remain in effect until it is terminated under Section 16.2, except that no ISOs shall be granted after November 24, 2007."

To record the adoption of this amendment to the Fair, Isaac and Company, Incorporated Stock Option Plan for Non-Employee Directors by an Executive Committee of the Board on November 25, 1997, the Corporation has caused its authorized officers to affix the corporate name hereto.

Fair, Isaac and Company, Incorporated

By /s/ PETER L. McCORKELL

Peter L. McCorkell
Senior Vice President & Secretary

Amendment 3

FAIR, ISAAC AND COMPANY, INCORPORATED
STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

Effective as of December 23, 1996, the Fair, Isaac and Company, Incorporated Stock Option Plan for Non-Employee Directors is hereby amended as follows:

Section 7(e) is amended by designating the existing two paragraphs as subsection (i) and adding the following new subsection at the end thereof:

"(ii) Notwithstanding paragraph (i) above, an Option or portion thereof may be transferred by the Optionee by gift to (a) the Optionee's immediate family, (b) a partnership consisting solely of the Optionee and/or immediate family, or (c) to a trust established for the benefit of the Optionee and/or one or more members of the immediate family of the Optionee (including a charitable remainder trust whose income beneficiaries consist solely of such persons), provided that such transfer will not be effective until notice of such transfer is delivered to the Corporation. For purposes of this paragraph (ii) "immediate family" means spouse, children and grandchildren. An Option or portion thereof may also be transferred pursuant to a domestic relations order of a court of competent jurisdiction."

To record the adoption of this amendment to the Fair, Isaac and Company, Incorporated Stock Option Plan for Non-Employee Directors by an Executive Committee of the Board on December 23, 1996, the Corporation has caused its authorized officers to affix the corporate name hereto.

Fair, Isaac and Company, Incorporated

By /s/ PETER L. McCORKELL

Peter L. McCorkell
Senior Vice President & Secretary

FIRST ADDENDUM TO LEASE
BY AND BETWEEN
REGENCY CENTER
("THE LANDLORD")
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
("THE TENANT")

This First Addendum to Lease, dated August 13, 1997 ("First Addendum"), is hereby attached to and incorporated into and made a part of that Lease dated November 14, 1996, by and between Regency Center ("Landlord") and Fair, Isaac and Company, Incorporated ("Tenant").

The following Lease provisions are hereby amended as follows:

17. SERVICES AND UTILITIES

Paragraph C shall be amended as follows:

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 $4,107.62 for the first, second and third floors of the Building, respectively) for Tenant's electrical services. This allowance is included in the Base Rent as defined in Article 5 of the Lease. Landlord and Tenant recognize that Tenant's electrical service shall cost in excess of Eleven Cents ($.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.

Tenant shall be charged for all PG&E charges to the building over and above the monthly allowance provided above.

For the first year of Tenant's occupancy, Landlord shall charge Tenant $.11 per usable square foot per month based on the Third Floor usable square footage for over-standard electrical usage as a projected expense. This amount ($4,107.62) 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 over-standard 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.

IN WITNESS WHEREOF, the parties have executed this First Addendum to Lease as of the date first written above.

Regency Center, a California general partnership

By: /s/ Joseph Pell

Joseph Pell, General Partner

Fair, Isaac and Company, Incorporated

By: /s/ Michael C. Gordon

Its: Vice President

OPTION AGREEMENT

by and between

Village Builders, L.P.,

a California limited partnership

("Optionor")

and

Fair, Isaac and Company, Inc.,
a Delaware corporation

("Optionee")

Dated as of November 26, 1997

EXHIBIT 10.33

OPTION AGREEMENT

This Option Agreement (this "Option Agreement") is made as of the 26th day of November, 1997, by and between Village Builders, L.P., a California limited partnership ("Optionor"), and Fair, Isaac and Company, Inc., a Delaware corporation ("Optionee").

RECITALS

A. Optionor as buyer, and Pacific Gas & Electric Company ("PG&E") as seller, have entered into an Asset Sale Agreement, dated as of June 25, 1996, as amended (collectively, the "Asset Sale Agreement") regarding the purchase of those certain parcels of real property commonly known as 750 and 751 Lindaro Street, San Rafael, California, more particularly described on Exhibit D hereto and depicted on the Site Plan (as defined below) (the "PG&E Property").

B. The City of San Rafael or its Redevelopment Agency (the "Agency") is the owner of those certain parcels of real property described on Exhibit C hereto (the "City Property"). The Agency has begun the process necessary to dispose of the City Property, and it is Optionor's intention to obtain an option to purchase the City Property from the Agency, if possible.

C. Optionor and Optionee are entering into the Lease (as defined below), whereby Optionor will lease to Optionee, and Optionee will lease from Optionor, upon and subject to the terms, covenants, provisions and conditions of such Lease, office buildings to be constructed on the Phase I Land (as defined below).

D. Optionor and Optionee are also entering into the Leasehold Improvements Agreement (as defined below), whereby Optionor will construct certain Site and Shell Improvements and Tenant Improvements (as those terms are defined below) on the PG&E Property for the use of Optionee.

E. Optionee desires to obtain from Optionor certain options, one of which is to purchase all of the PG&E Property, and the others of which are to purchase only the Phase I Land (and with respect to each option, Optionee also shall purchase all improvements located on the PG&E Property or the Phase I Land, as applicable, as of the date of Optionee's purchase), and Optionor desires to grant such options to Optionee, all on the terms and subject to the conditions set forth herein.

F. In consideration whereof, Optionor and Optionee have reached an understanding regarding the granting of such options and other rights and concerning other matters relating thereto.

Now, therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Optionor and Optionee mutually agree as follows:

1. DEFINITIONS.

Certain terms used in this Option Agreement and the Exhibits hereto shall have the meaning set forth below for each such term. Certain other terms shall have the meaning set forth elsewhere in this Option Agreement and the Exhibits hereto. Unless otherwise defined in this Option Agreement or in the Exhibits hereto, defined terms shall have the meaning ascribed to them in the Lease or the Leasehold Improvements Agreement.

1.1. "Access Agreement" shall mean an agreement between Optionor and PG&E permitting PG&E to have access to the Project in connection with the operation, maintenance, repair, replacement and relocation of the Containment Facilities.

1.2. "Base Building Improvements" shall have the meaning ascribed to that term in the Leasehold Improvements Agreement.

1.3. "Break-Up Fee Maximum Amount" shall mean an amount equal to the aggregate amount of all application fees, commitment fees, appraisal or property or plan review fees, financing-related legal fees of lender, reasonable fees and expense reimbursements paid to a mortgage broker, prepayment fees or penalties, yield maintenance fees, hedge fees and costs, break-up fees, deposits, closing costs and loan fees and other costs and charges which either (i) were incurred by Optionor in connection with the Take-Out Financing on or before the Closing Date (whether or not then paid), but which are ultimately to be paid by Optionor, or (ii) in the event that Take-Out Financing has not been obtained by Optionor at or before the Closing Date, the actual amount thereof incurred and ultimately paid or to be paid by Optionor in connection with the termination of any agreements for the provision of funds for equity capital and Take-Out Financing for the Project. Notwithstanding the foregoing, in no event shall Optionee be responsible for any such amount described in this Section 1.3 which, in the aggregate, exceed Thirty Thousand Dollars ($30,000), and which are paid or incurred before December 1, 1997.

1.4. "Buildings" shall mean the buildings to be constructed by Optionor on the Phase I Land pursuant to the Leasehold Improvements Agreement; "Building" shall mean one such building, without inherent specificity as to which of them.

1.5. "City" shall mean the City of San Rafael or the San Rafael Redevelopment Agency, without inherent specificity as to which of them.

1.6. "Closing Date" shall mean and refer to the date specified in Section 9.2 below, unless such date is changed in accordance with the other provisions of this Option Agreement.

1.7. "Construction Financing" shall have the meaning ascribed to that term in the Leasehold Improvements Agreement.

1.8. "Contingent Purchase Price" shall mean the amount of One Million Dollars ($1,000,000.00).

1.9. "Declaration" shall have the meaning ascribed to that term in the Lease.

1.10. "Development Agreement" shall mean and refer to a development agreement between Optionor and the City, which provides vested rights for the development of the Project and Phase II with not less than three hundred fifty thousand (350,000) square feet of gross

building area and parking facilities at a rate of not less than three (3) spaces per one thousand (1,000) square feet of such gross building area.

1.11. "Development Management Fee" shall mean and refer to the development management fee which is included within Phase I Project Cost in accordance with the provisions of the Leasehold Improvements Agreement.

1.12. "Escrow" shall mean and refer to the escrow depository and disbursement services to be provided by the Title Company in closing the purchase and sale transaction described in this Option Agreement.

1.13. "First Option" shall mean and refer to the option to purchase the PG&E Option Property granted by Optionor to Optionee pursuant to Section 0.

1.14. "First Option Permitted Exceptions" shall mean and refer to those liens, encumbrances, defects or other matters pertaining to title which are referred to in Section 2.10.

1.15. "First Option Purchase Price" shall mean the purchase price for the PG&E Option Property if the First Option is duly exercised by Optionor, as such purchase price is determined in accordance with the provisions of Section 2.5, but excluding therefrom the Contingent Purchase Price.

1.16. "First Option Term Expiration Date" shall mean and refer to the date so described in Section 2.2 below.

1.17. "Hazardous Materials" shall mean and refer to any substance or material now or hereafter defined or regulated by any Environmental Law as "hazardous substance," "hazardous waste," hazardous material," "extremely hazardous waste," "designated waste," "restricted hazardous waste," "toxic substance," or similar term. As used herein, the term "Hazardous Materials" also means and includes any substance or material: (1) which is explosive, corrosive, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is regulated by any appropriate governmental authority as a hazardous material; or (2) which is or contains oil, gasoline, diesel fuel or other petroleum hydrocarbons; or (3) which is or contains polychlorinated biphenyls, asbestos, urea formaldehyde foam insulation, radioactive materials; or (4) which is radon gas. The term "Hazardous Substances" may include without limitation raw materials, building components, wastes, and the products of any manufacturing or other activities on the Project.

1.18. "Laws" shall mean all present and future Laws, statutes, ordinances, resolutions, regulations, codes, proclamations, orders or decrees of any municipal, county, state or federal government or other governmental or regulatory authority or special district with jurisdiction over the Project, or any portion thereof, whether currently in effect or adopted in the future and whether or not in the contemplation of the parties hereto.

1.19. "Lease" shall mean that certain "Lease Agreement (Phase I)" by and between Optionor, as landlord, Optionee, as tenant, of even date herewith, which lease pertains to the Buildings to be constructed on the Phase I Land.

1.20. "Leasehold Improvements Agreement" shall mean that certain "Leasehold Improvements Agreement" between Optionor and Optionee of even date herewith.

1.21. "Option" shall mean and refer to the First Option, the Second Option and the Third Option, without inherent specificity as to which of them. "Options" shall collectively mean and refer to the First Option, the Second Option and the Third Option.

1.22. "Optionee" shall mean and refer to Fair, Isaac and Company, Inc., a Delaware corporation, and its successors and assigns.

1.23. "Optionor" shall mean and refer to Village Builders, L.P., a California limited partnership, and its successors and assigns.

1.24. "Parking Easement Agreement" shall have the meaning ascribed to that term in the Leasehold Improvements Agreement.

1.25. "Permitted Exceptions" shall mean and refer: (i) if Optionee is purchasing the PG&E Property pursuant to a valid exercise of the First Option, to the First Option Permitted Exceptions; (ii) if Optionee is purchasing the Phase I Land pursuant to a valid exercise of the Second Option, to the Second Option Permitted Exceptions; or, (iii) if Optionee is purchasing the Phase I Land pursuant to a valid exercise of the Third Option, to the Third Option Permitted Exceptions.

1.26. "PG&E Option Property" shall mean and refer to all of the following: (i) the PG&E Property; and (ii) the rights, if any, of Optionor in all plans, drawings, maps, reports, studies, designs, computer data and similar documents for the development of the PG&E Property. All rights of Optionor in all such materials for the development of the PG&E Property are subject to any rights and interests in such materials held by the persons or firms which produced them; provided, however, Optionor shall use commercially reasonable efforts to obtain from all such persons and firms their agreement that the rights of Optionor; if any, may be assigned to Optionee as part of Optionee's purchase of the PG&E Option Property.

1.27. "PG&E Property" shall mean that certain real property owned by PG&E as of the date of this Option Agreement and more particularly described in Exhibit D. The parties acknowledge and agree that the legal description of the PG&E Property attached hereto as Exhibit D is intended to describe the real property depicted as the "West Parcel" and "Central Parcel" on that certain Site Plan of the Fair Isaac Office Park, prepared by Backen, Arrigoni & Ross, Inc., last revised on November 10, 1997 (sheet no. A1.01) (the "Site Plan"). The parties further acknowledge and agree that the legal description of the PG&E Property may need to be revised on or before the Closing Date in order to consummate the transactions contemplated herein and cause the Title Company to insure the same, and neither party shall unreasonably withhold or delay its consent thereto. Furthermore, neither party shall withhold such consent if it obtains a title policy endorsement or other reasonably satisfactory evidence that the revised legal description describes the land which is depicted on the Site Plan described above.

1.28. "Phase I Land" shall mean that portion of the PG&E Property described in Exhibit A. The parties acknowledge and agree that the legal description of the Phase I Land attached hereto as Exhibit A is intended to describe the real property depicted as the "Phase I Land" on the Site Plan. The parties further acknowledge and agree that the legal description of the Phase I Land may need to be revised on or before the Closing Date in order to consummate the transactions contemplated herein and cause the Title Company to insure the same, and neither party shall unreasonably withhold or delay its consent thereto. Furthermore, neither party shall withhold such consent if it obtains a title policy endorsement or other reasonably satisfactory evidence that the revised legal description describes the land which is depicted on the Site Plan described above.

1.29. "Phase I Option Property" shall mean and refer to all of the following: (i) the Phase I Land; and (ii) the rights, if any, of Optionor in all plans, drawings, maps, reports, studies, designs, computer data and similar documents for the development of the Phase I Land. All rights of Optionor in all such materials for the development of the Phase I Land are subject to

any rights and interests in such materials held by the persons or firms which produced them; provided, however, Optionor shall use commercially reasonable efforts to obtain from all such persons and firms their agreement that the rights of Optionor, if any, may be assigned to Optionee as part of Optionee's purchase of the Phase I Option Property.

1.30. "Phase I Project Cost" shall have the meaning ascribed to that term in the Leasehold Improvements Agreement.

1.31. "Phase II" shall mean the Phase II Land and the improvements which may hereafter be constructed on the Phase II Land.

1.32. "Phase II Current Costs" shall have the meaning ascribed to that term in the Leasehold Improvements Agreement.

1.33. "Phase II Land" shall mean those certain parcels of real property described in Exhibit B. The parties acknowledge and agree that the legal description of the Phase II Land attached hereto as Exhibit B is intended to describe the real property depicted as the "Phase II Land" on the Site Plan. The parties further acknowledge and agree that the legal description of the Phase II Land may need to be revised on or before the Closing Date in order to consummate the transactions contemplated herein and cause the Title Company to insure the same, and neither party shall unreasonably withhold or delay its consent thereto. Furthermore, neither party shall withhold such consent if it obtains a title policy endorsement or other reasonably satisfactory evidence that the revised legal description describes the land which is depicted on the Site Plan described above.

1.34. "Phase II Purchase Agreement" shall mean that certain "Purchase Agreement" between Village Builders, L.P., and Fair Isaac and Company, Inc. of even date herewith by which Optionor agrees to sell, and Optionee agrees to purchase, Phase II (unless Optionee acquires the PG&E Option Property pursuant to the First Option).

1.35. "Project" shall mean the Phase I Land and the Buildings and all other improvements to be constructed thereon pursuant to the Leasehold Improvements Agreement or which are hereafter constructed thereon by Optionor or Optionee in accordance with the provisions of this Option Agreement or the Leasehold Improvements Agreement.

1.36. "Purchase Price" shall mean and refer: (i) if Optionee is purchasing the PG&E Property pursuant to a valid exercise of the First Option, the First Option Purchase Price; (ii) if Optionee is purchasing the Phase I Land pursuant to a valid exercise of the Second Option, the Second Option Purchase Price; or, (iii) if Optionee is purchasing the Phase I Land pursuant to a valid exercise of the Third Option, the Third Option Purchase Price.

1.37. "Second Option" shall mean and refer to the option to purchase the Phase I Option Property granted by Optionor to Optionee pursuant to Section 3.

1.38. "Second Option Permitted Exceptions" shall mean and refer to those liens, encumbrances, defects or other matters pertaining to title which are referred to in Section 3.11.

1.39. "Second Option Purchase Price" shall mean the purchase price for the Phase I Option Property if the Second Option is duly exercised by Optionor, as such purchase price is determined in accordance with the provisions of Section 3.5.

1.40. "Second Option Term Expiration Date" shall mean and refer to the date so described in Section 3.2 below.

1.41. "Site and Shell Improvements" shall have the meaning ascribed to that term in the Leasehold Improvements Agreement.

1.42. "Substantial Completion", as it pertains to any Building on the Phase I Land, shall be as defined in the Leasehold Improvements Agreement.

1.43. "Synthetic Lease Lessor" shall mean (i) those entities identified by Optionee in its October 23, 1997 letter to Optionor, and (ii) any other entity to which Optionee conveys the PG&E Option Property (or any portion thereof, with the obligation to lease the PG&E Option Property (or such portion thereof) back in a Synthetic Lease Transaction, so long as such other entity (and any entity which directly or indirectly controls such other entity) does not conduct as its primary business the acquisition, development or ownership of real property assets.

1.44. "Synthetic Lease Transaction" shall mean a transaction whereby Optionee conveys or causes the conveyance of the PG&E Option Property (or any portion thereof) to a Synthetic Lease Lessor from which Optionee (or its affiliate) leases back the PG&E Option Property (or such portion thereof) from such Synthetic Lease Lessor pursuant to a lease which would be categorized under Generally Accepted Accounting Principles as an operating lease and which has the following characteristics: (i) the initial term of such lease is less than ten (10) years; and, (ii) at the expiration of the term of such lease, subject to any rights of the tenant to extend the term of the lease, the tenant would be required, at its sole election made not more than two (2) years prior to the expiration of the term of the lease, either to repurchase the property so leased and the improvements thereon for the Synthetic Lease Lessor's then outstanding loan balance or, acting as the Synthetic Lease Lessor's agent, to sell the property which is the subject of the lease to a third party and to guarantee to the Synthetic Lease Lessor any deficiency between the proceeds of such sale and the Synthetic Lease Lessor's then outstanding loan balance, up to a stipulated amount of deficiency.

1.45. "Take-Out Financing" shall have the meaning ascribed to that term in the Leasehold Improvements Agreement.

1.46. "Taking" shall mean the exercise by a governmental authority of the power of eminent domain or the conveyance of the Project or Phase II or any portion thereof to, or at the direction of, a governmental authority which has the power of eminent domain and which has threatened to exercise such power if such a conveyance were not made.

1.47. "Tenant Improvements" shall have the meaning ascribed to that term in the Leasehold Improvements Agreement.

1.48. "Third Option" shall mean and refer to the option to purchase the Phase I Option Property granted by Optionor to Optionee pursuant to Section 4.

1.49. "Third Option Permitted Exceptions" shall mean and refer to those liens, encumbrances, defects or other matters pertaining to title which are referred to in Section 4.10.

1.50. "Third Option Purchase Price" shall mean the purchase price for the Phase I Option Property if the Third Option is duly exercised by Optionor, as such purchase price is determined in accordance with the provisions of Section 4.5.

1.51. "Third Option Term Expiration Date" shall mean and refer to the date so described in Section 4.2 below.

1.52. "Title Company" shall mean and refer to First American Title Company of Marin, San Rafael, California.

2. FIRST OPTION.

2.1. Grant of First Option. Optionor hereby grants to Optionee an option and right (the "First Option") to purchase the PG&E Option Property at the price and on both the terms and conditions set forth in this Section 2 and the terms and conditions set forth in the remainder of this Option Agreement (other than in Sections 3 and 4, the provisions of which shall not be applicable to the First Option herein granted).

2.2. Term of First Option. The First Option and the term thereof shall commence on the date hereof, and shall terminate on the date (the "First Option Term Expiration Date") which is the later to occur of: (i) the fifth (5th) day following both the execution of the Development Agreement by the City and the approval by the California Public Utilities Commission of PG&E's Application to Sell Two Parcels of Vacant Land (Application No. 97 10 003), filed on October 1, 1997 as such application may hereafter be amended or superseded by PG&E (the "Application"); or, (ii) February 2, 1998. The foregoing notwithstanding, in the event that, for any reason, a Development Agreement is not executed by the City on or before May 1, 1998, then the First Term Option Expiration Date shall be May 15, 1998. Optionee also shall have the right to exercise the First Option in such other circumstances as are specifically provided in this Option Agreement, the Lease, the Leasehold Improvements Agreement or the Phase II Purchase Agreement. Each of Optionor or Optionee agrees that it shall not request any delay in the execution of the Development Agreement or the approval of the Application.

2.3. Method of Exercise of First Option. The First Option may be exercised at any time between the date hereof and 5:00 p.m. on the First Option Term Expiration Date. In order to exercise the First Option, Optionee shall, before 5:00 p.m. on the First Option Term Expiration Date, deliver to Optionor an unconditional and irrevocable written notice of such exercise. Within five (5) days after that exercise, Optionor and Optionee shall execute standard form escrow instructions which are provided by the Title Company and which are in all respects consistent with the terms of this Option Agreement, at which time Optionee shall then deposit with Escrow the sum of One Million Dollars ($1,000,000.00) in cash or immediately available funds as a non-refundable deposit against the First Option Purchase Price, which deposit shall be applicable to the First Option Purchase Price for the PG&E Option Property. The First Option may be exercised, if at all, by Optionee only as to the entirety of the PG&E Option Property. The First Option shall expire and be of no force or effect at 5:00 p.m. on the First Option Term Expiration Date, unless by that time Optionee has delivered to Optionor the notice referred to in this Section 2.3.

2.4. Effect of Exercise of First Option. Subject to the provisions of Sections 2.9 and 2.13, upon exercise of the First Option: (i) Optionor shall take all steps required under the Asset Sale Agreement to enable Optionor to perform its obligations to Optionee as and when required by this Agreement, and (ii) the parties shall be deemed to have entered into an agreement to purchase and sell the PG&E Option Property on both the terms and conditions set forth in this Section 2 and the terms and conditions set forth in the remainder of this Option Agreement (other than in Sections 3 and 4, the provisions of which shall not be applicable to the First Option herein granted). In addition, upon exercise of the First Option, the parties respective obligations under the Phase II Purchase Agreement shall be suspended until the earlier to occur of: (a) the date on which Optionee acquires the PG&E Option Property pursuant to the First Option (in which event the Phase II Purchase Agreement shall automatically terminate on such date and neither party shall have any further obligations thereunder); or (b) the date on which Optionee fails, for any reason, to

acquire the PG&E Option Property pursuant to the First Option.

2.5. Amount of First Option Purchase Price. In the event Optionee exercises the First Option, the First Option Purchase Price for the PG&E Option Property shall be the aggregate of: (i) the Net Stipulated Value of the PG&E Property (as defined in the Leasehold Improvements Agreement); (ii) all Aggregate Development Costs (as defined in the Leasehold Improvements Agreement) (except to the extent that such Aggregate Development Costs have been or will be paid by Optionee on or before the Closing Date) other than the Net Stipulated Value of the PG&E Property and other than the Agreed Take-Out Financing Closing Costs (as defined in the Leasehold Improvements Agreement) incurred or to be incurred on or before the Closing Date (whether or not then paid) and ultimately paid or to be paid by Optionor; (iii) any amount by which the First Option Purchase Price is increased in accordance with the provisions of Section 2.6.B; (iv) all break-up fees and other fees, costs and charges, of the kinds and to the extent described in Section 1.3, which are incurred and ultimately paid or to be paid by Optionor in connection with the arrangements for and termination of any agreements for the provision of funds for equity capital, Construction Financing and Take-Out Financing for the Project, to the extent that such agreements are terminated in connection with the exercise of the First Option by Optionee or in connection with the termination of the Lease (if the Lease is terminated in connection with Optionee's purchase of the PG&E Option Property); provided, however, that the aggregate amount of such fees, costs and charges will not exceed the Break-Up Fee Maximum Amount; and (v) the amount of the Development Management Fee for the period commencing on January 1, 1998 and ending on the Closing Date (which Development Management Fee for the month during which the Closing Date occurs shall be prorated based on a thirty (30) day month) to the extent such Development Management Fee is actually incurred (whether or not then paid) prior to the Closing Date and which is ultimately to be paid by Optionor. The $30,000 limitation in the last sentence of Section 1.3 is intended to apply only to amounts actually paid or incurred prior to December 1, 1997. In addition, if the provisions of Section 23 apply, then Optionee also shall pay to Optionor the Contingent Purchase Price in accordance with Section 23.

2.6. Agreement of the Parties as to First Option Purchase Price.

A. Commencing on the date that Optionee exercises the First Option, and continuing thereafter for a period of fifteen (15) days, Optionee and Optionor shall meet and confer as soon and as frequently as is reasonably possible to endeavor in good faith to agree upon the amount of the First Option Purchase Price. If the parties reach agreement, the First Option Purchase Price shall be the amount to which the parties have agreed.

B. If the parties are not able to so agree, then, by 5:00 p.m. on the last day of the fifteen (15) day period described in Section 2.6.A, each party shall deliver to the other party in writing its final determination of the First Option Purchase Price. If the difference between the parties' determinations of the First Option Purchase Price exceeds One Hundred Thousand Dollars ($100,000.00), then the First Option Purchase Price shall be established through arbitration conducted in accordance with the provisions of Section 6 hereof, and the Closing Date shall be postponed without further act of the parties until the fifteenth (15th) day following the final issuance of an award by the arbitrator. In the event that the Closing Date is so postponed, the First Option Purchase Price shall be increased by an amount equal to the amount of interest which would have accrued on that portion of the First Option Purchase Price which (i) is net of any payments Optionor would have to pay PG&E upon its purchase of the PG&E Option Property under the terms of the Asset Sale Agreement, and (ii) was not the subject of dispute between Optionor and Optionee, at a rate equal to the "prime," "index" or "reference" rate of Bank of America NT&SA plus one hundred (100) basis points, during the period from the date upon which the Closing Date would have occurred but for the postponement under this Section 2.6.B. However, if the difference between the parties' determinations of the First Option Purchase Price is One Hundred Thousand

dollars ($100,000.00) or less, then the Closing Date shall not be postponed, and on or before the Closing Date, Optionee shall deposit in Escrow in immediately available funds an amount which, when added to the deposit described in Section 2.3, shall equal the greater of the parties' determinations of the First Option Purchase Price. On the Closing Date, Escrow shall close with an amount equal to the lesser of the parties' determinations of the First Option Purchase Price disbursed in accordance with this Option Agreement. The difference between the parties' determinations of the First Option Purchase Price shall be held in Escrow after the Closing Date in an interest-bearing account pursuant to joint escrow instructions executed by Optionor, Optionee and the Title Company on or before the Closing Date until the actual First Option Purchase Price is established through arbitration in accordance with Section 6 hereof. The amount held in Escrow after the Closing Date and all accrued interest thereon shall be disbursed in accordance with the arbitrator's final award (and the parties shall pay to each other any other amount specified in such final award).

2.7. Payment of First Option Purchase Price. Except as otherwise provided in Section 2.6.B, the First Option Purchase Price shall be paid by Optionee to Optionor in cash or immediately available funds at the closing of the Escrow.

2.8. Closing of the Escrow Following Exercise of First Option. Following an effective exercise by Optionee of the First Option, and subject to the conditions in Section 9.6.A, the closing of the Escrow shall occur on a date selected by Optionor by ten (10) days prior written notice to Optionee, which date shall be not less than thirty (30) nor more than fifty (50) days following the receipt by Optionor of the notice of exercise of the First Option by Optionee, unless the Closing Date is postponed in accordance with the provisions of Sections 2.6.B, 2.9 or 19..D. Notwithstanding the foregoing, if Optionee requests an earlier Closing Date, then Optionor shall promptly make such request of PG&E under the Asset Sale Agreement, and the parties shall use commercially reasonable efforts to close the Escrow on the date requested by Optionee. Optionor shall use commercially reasonable efforts to cause PG&E to perform its obligations under the Asset Sale Agreement on or before the Closing Date.

2.9. Delays in Closing of the Escrow. In the event that Optionor is delayed in closing the Escrow for the acquisition of the PG&E Property from PG&E (or, if Optionor has made the election described in Section 2.13, there is a delay in the readiness of PG&E to close the conveyance of the PG&E Property to Optionee), and such delay is caused in whole or in part by any factor other than a default by Optionor in the performance of its obligations under the agreements between Optionor and PG&E pertaining to the purchase of the PG&E Property by Optionor, then the Closing Date shall be postponed without further act of the parties to the date which is five (5) business days following the closing of escrow for the acquisition of the PG&E Property from PG&E (or, if applicable, the readiness of PG&E to close the conveyance of the PG&E Property to Optionee). If the Closing Date has not occurred by June 1, 1998 for the reasons stated in this Section 2.9, then Optionee shall have until the earlier of the acquisition of PG&E Property by Optionee or July 1, 1998 to give notice to Optionor terminating this Option Agreement and the Escrow, without prejudice to any rights Optionee may then have, and without terminating the Lease, the Leasehold Improvements Agreement or the Phase II Purchase Agreement. If the Closing Date has not occurred by July 1, 1999, then this Agreement and the Escrow shall automatically terminate, without prejudice to the rights either party may then have.

2.10. Condition of First Option Title.

A. In the event Optionee exercises the First Option, Optionor shall convey title to the PG&E Property subject only to: (i) those matters listed as exception nos. 4, 6, 8, 9, 13, 14 and 15 of the Exceptions from Coverage set forth in Schedule B - Section 2 of that certain pro forma owner's policy of title insurance, prepared by the Title Company, dated as of August 8,

1997 (Commitment No. 8-188141SB Fourth Amended Supplemental) (the "Pro Forma Policy"), and any matter which is or would be disclosed by an accurate survey of the PG&E Property; (ii) any matters arising from the acts or omissions of Optionee; (iii) any lien, encumbrance or other matter consented to in writing by Optionee; (iv) the lien of current, non-delinquent real property taxes and assessments; (v) the Lease; (vi) the Leasehold Improvements Agreement; (vii) the Development Agreement; (viii) the Parking Easement Agreement; (ix) the Access Agreement; (x) the easements reserved in the PG&E Deed (as defined in the Phase II Purchase Agreement) to be recorded on or before the Closing Date; (xi) the covenants and restrictions set forth in the Encroachment Agreement (as defined in the Phase II Purchase Agreement) to be recorded on or before the Closing Date; (xii) the terms of the Environmental Agreement (as defined in the Phase II Purchase Agreement) to be recorded on or before the Closing Date; and, (xiii) the Declaration. Such matters are hereinafter referred to as the "First Option Permitted Exceptions". In the event that Optionor requests that Optionee consent to the creation of any lien, encumbrance, reservation or dedication affecting the title to the PG&E Property, Optionee shall not unreasonably delay or withhold its consent, and shall only withhold its consent if the lien, encumbrance, reservation or dedication: (i) would interfere with the use of the PG&E Property for the purposes set forth in the Lease; or, (ii) if pertaining to a lien securing the payment of money, will not be paid and removed on or before close of Escrow and such payment would not constitute or have constituted a part of Aggregate Development Cost.

B. In the event that Optionor is unable to deliver title to the PG&E Property to Optionee in the condition required by this Option Agreement, Optionor shall so notify Optionee in writing, and Optionee shall thereafter notify Optionor, within five (5) business days of the receipt by Optionee of such notice from Optionor, whether or not Optionee objects to the lien, encumbrance, defect or other matter which is not consistent with the provisions of this Option Agreement regarding the condition of title to the PG&E Property. If Optionee so objects by written notice to Optionor given within such period, then Optionor shall have a period of ten (10) business days from the receipt by Optionor of such notice of objection from Optionee in which to remove the lien, encumbrance, defect or other matter to which Optionee has objected. Optionee shall not object, however, unless the lien, encumbrance, defect or other matter would interfere with the use of the PG&E Property for the purposes set forth in the Lease or pertains to a lien securing the payment of money which will not be paid and removed on or before close of Escrow. If Optionor is unable to remove such lien, encumbrance, defect or other matter within such period, Optionee may (as its sole and exclusive remedy, unless the matter objected to was caused or created by the bad faith acts or omissions of Optionor) terminate this Option Agreement, the Lease, the Leasehold Improvements Agreement and the Phase II Purchase Agreement (but not less than all of them) by written notice to Optionor given within ten (10) days of expiration of the ten (10) business day period during which Optionor could have caused the lien, encumbrance, defect or other matter to be removed from title. In the event that Optionee does not so terminate this Option Agreement, the Lease, the Leasehold Improvements Agreement and the Phase II Purchase Agreement, then Optionee shall conclusively be deemed to have waived its objection to the lien, encumbrance, defect or other matter, which shall then become a part of the Permitted Exceptions.

2.11. LIQUIDATED DAMAGES FOR BREACH BY OPTIONEE FOLLOWING EXERCISE OF FIRST OPTION. OPTIONOR AND OPTIONEE HEREBY AGREE THAT THE DAMAGES WHICH WOULD BE SUFFERED BY OPTIONOR IN THE EVENT OF A DEFAULT BY OPTIONEE HEREUNDER IN PURCHASING THE PG&E PROPERTY FOLLOWING ANY EXERCISE BY OPTIONEE OF THE FIRST OPTION (EXCLUDING ANY ADDITIONAL COSTS OF FINANCING AND CONSTRUCTION (THE "ADDITIONAL COSTS"), AS REFERRED TO IN SECTION 2.12), WOULD BE EXTREMELY DIFFICULT AND IMPRACTICABLE TO ASCERTAIN, AND THAT THE SUM OF ONE MILLION DOLLARS ($1,000,000.00) (THE "FIRST OPTION LIQUIDATED DAMAGES") REPRESENTS THE REASONABLE ESTIMATE BY THE PARTIES OF THE AMOUNT OF THE DAMAGES (EXCLUDING THE ADDITIONAL COSTS) THAT OPTIONOR WOULD SUFFER BY REASON OF OPTIONEE'S DEFAULT. OPTIONEE AND OPTIONOR UNDERSTAND AND AGREE THAT OPTIONOR WILL HAVE CHANGED ITS POSITION IN RELIANCE UPON THE EXERCISE OF THE FIRST OPTION BY OPTIONEE, THAT OPTIONOR WILL INCUR SUBSTANTIAL LOSSES AS A RESULT OF SUCH DEFAULT, AND THAT THE FIRST OPTION LIQUIDATED DAMAGES ARE A REASONABLE LIQUIDATED DAMAGE AMOUNT UNDER THE EXISTING CIRCUMSTANCES. ACCORDINGLY, IN THE EVENT ESCROW DOES NOT CLOSE BECAUSE OF A DEFAULT BY OPTIONEE HEREUNDER FOLLOWING THE EXERCISE BY OPTIONEE OF THE FIRST OPTION, OPTIONOR SHALL BE ENTITLED TO RETAIN THE FIRST OPTION LIQUIDATED DAMAGES AS LIQUIDATED DAMAGES, AND NOT AS A PENALTY OR FORFEITURE, AND UPON RECEIPT OF SUCH AMOUNT BY OPTIONOR, THE SAME SHALL BE OPTIONOR'S SOLE AND EXCLUSIVE REMEDY FOR OPTIONEE'S DEFAULT AT LAW OR IN EQUITY AND OPTIONEE AND OPTIONOR SHALL BE RELIEVED OF ANY FURTHER OBLIGATIONS OR LIABILITY HEREUNDER, EXCEPT THAT OPTIONEE SHALL REMAIN OBLIGATED TO PAY THE ADDITIONAL COSTS REQUIRED PURSUANT TO SECTION 2.12, IT BEING AGREED THAT THE LIQUIDATED DAMAGES PAYABLE PURSUANT TO THIS SECTION 2.11 ARE NOT APPLICABLE TO SUCH ADDITIONAL COSTS AND THAT THE COVENANTS OF OPTIONEE PURSUANT TO SECTION 2.12 SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT. OPTIONEE AND OPTIONOR INTEND AND AGREE THAT THE TERMS OF THIS SECTION 2.11 COMPLY WITH THE REQUIREMENTS OF CALIFORNIA CIVIL CODE SECTIONS 1671 AND 1677. OPTIONEE AND OPTIONOR SHALL SIGN BELOW THIS SECTION 2.11 INDICATING THEIR AGREEMENT TO THE LIQUIDATED DAMAGE CLAUSE HEREIN CONTAINED.

OPTIONOR:

Village Builders, L.P.,
a California limited partnership

By VPI, Inc., a California corporation,
its General Partner

By

Its

OPTIONEE:

Fair, Isaac and Company, Inc.,
a Delaware corporation

By

Its

2.12. Additional Costs. Tenant hereby acknowledges and agrees that an exercise of the First Option and a subsequent default by Tenant hereunder may result in a delay in the construction of the Site and Shell Improvements. In the event of a default by Optionee hereunder in purchasing the PG&E Option Property following any exercise by Optionee of the First Option, then: (i) Optionor may elect, by written notice to Optionee, to redesignate the Designated Treasury Date in accordance with the procedures set forth in the Leasehold Improvements Agreement; and, (ii) any increased costs of whatever nature incurred by Optionor in connection with such default or in connection with any delay in the construction of the Site and Shell Improvements or the Tenant Improvements occurring in connection with, or resulting from, the exercise of the First Option or such default (including, without limitation, all costs actually incurred by Optionor in connection with providing equity or debt capital for the Project and the improvements to be constructed on the Phase II Land at the same time as the construction of the Project) shall be paid in the same manner as Phase II Current Costs. In no event shall Optionor have the right to terminate the Lease, the Leasehold Improvements Agreement or the Phase II Purchase Agreement following a default by Optionee hereunder in purchasing the PG&E Option Property following the exercise by Optionee of the First Option. The rights of Optionor set forth in this Section 2.12 are intended by Optionor and Optionee to supersede any inconsistent provisions of the Lease, the Leasehold Improvements Agreement, the Phase II Purchase Agreement or any other agreement between Optionor and Optionee.

2.13. Assignment of Asset Sale Agreement. If Optionee exercises the First Option, and provided that Optionor has obtained PG&E's written consent, Optionor may elect, in its sole discretion, by delivering to Optionee written notice (together with a copy of PG&E's written consent) at any time before the Closing Date, in lieu of the conveyance of title to the PG&E Property to Optionee at the closing of the Escrow, to assign to Optionee all right, title and interest which Optionor then has under the existing agreements between Optionor and PG&E for the acquisition of the PG&E Property by Optionor. If Optionor so elects, Optionor and Optionee shall execute and deliver an Assignment of Asset Sale Agreement, in the form attached as Exhibit E, at the closing of the Escrow and Optionee shall close the acquisition transaction with PG&E on the Closing Date.

2.14. Right to Redesignate Designated Treasury Rate. In the event of a default by Optionee hereunder in purchasing the PG&E Option Property following any exercise by Optionee of the First Option, Optionor may elect to redesignate the Designated Treasury Rate in accordance with Section 19.2.(C) of the Leasehold Improvements Agreement.

3. SECOND OPTION.

3.1. Grant of Second Option. Optionor hereby grants to Optionee an option and right (the "Second Option") to purchase the Phase I Option Property at the price and on both the terms and conditions set forth in this Section 3 and the terms and conditions set forth in the remainder of this Option Agreement (other than in Sections 2 and 4, the provisions of which shall not be applicable to the Second Option herein granted). Subject to the provisions of Section 21, Optionor shall, however, be obligated to construct the improvements required to be constructed by

Optionor pursuant to the Leasehold Improvements Agreement prior to the closing of the Escrow, as more fully provided in Section 3.8, and such improvements shall be deemed to be a part of the Phase I Option Property upon the completion of such construction.

3.2. Term of Second Option. The Second Option and the term thereof shall commence on the date hereof, and shall terminate on the date (the "Second Option Term Expiration Date") which is the later to occur of: (i) the fifth (5th) day following the execution of the Development Agreement by the City of San Rafael; or, (ii) February 2, 1998. The foregoing notwithstanding, in the event that, for any reason, a Development Agreement is not executed by the City of San Rafael on or before May 1, 1998, then the Second Term Option Expiration Date shall be May 15, 1998. Optionee shall have the right, but not the obligation, to exercise the Second Option at or before 5:00 p.m. on the Second Option Term Expiration Date.

3.3. Method of Exercise of Second Option. In order to exercise the Second Option, Optionee shall, before 5:00 p.m. on the Second Option Term Expiration Date, deliver to Optionor an unconditional and irrevocable written notice of such exercise. Within five (5) days after that exercise, Optionor and Optionee shall execute standard form escrow instructions which are provided by the Title Company and which are in all respects consistent with the terms of this Option Agreement, at which time Optionee shall then deposit the sum of Two Million Seven Hundred Thousand Dollars ($2,700,000.00) in cash or immediately available funds as a non-refundable deposit against the Second Option Purchase Price, which deposit shall be applicable to the Second Option Purchase Price for the Phase I Option Property. Such deposit shall be made to the Escrow, or, if required by the lender of the Construction Financing, to an interest-bearing account with such lender to be held as a non-refundable deposit hereunder, which may secure, in whole or in part, the obligations of Optionee under the buy-sell agreement referred to in Section 3.9 as well as the obligations of Optionee pursuant to this Option Agreement. The Second Option may be exercised, if at all, by Optionee only as to the entirety of the Phase I Option Property. The Second Option shall expire and be of no force or effect at 5:00 p.m. on the Second Option Term Expiration Date, unless by that time Optionee has delivered to Optionor the notice referred to in this Section 3.3.

3.4. Effect of Exercise of Second Option. Upon exercise of the Second Option, the parties shall be deemed to have entered into an agreement to purchase and sell the Phase I Option Property on both the terms and conditions set forth in this Section 3 and the terms and conditions set forth in the remainder of this Option Agreement (other than in Sections 2 and 4, the provisions of which shall not be applicable to the Second Option herein granted). The exercise of the Second Option shall not, however, affect the continuance in force of the Lease, the Leasehold Improvements Agreement and the Phase II Purchase Agreement.

3.5. Amount of Second Option Purchase Price. In the event Optionee exercises the Second Option, the Second Option Purchase Price for the Phase I Option Property shall be the aggregate of: (i) one hundred ten percent (110%) of the difference of (A) the Net Stipulated Value of the PG&E Property, less (B) the portion of such Net Stipulated Value of the PG&E Property paid as part of the purchase price paid by Optionee for the Phase II Land (such difference of the amount described in clause (A) less the amount described in clause (B) is hereinafter referred to as the "Phase I Land Cost"); (ii) one hundred ten percent (110%) of all Phase I Project Cost other than the Phase I Land Cost, incurred or to be incurred on or before the Closing Date (whether or not then paid) and paid or to be ultimately paid by Optionor; (iii) ten percent (10%) of any cost which would have been a Phase I Project Cost but was paid by Optionee; (iv) any amount by which the Second Option Purchase Price is increased in accordance with the provisions of Section.3.6; (v) all break-up fees and other fees, costs and charges of all kinds and to the extent described in Section 1.3, which are incurred and ultimately paid or to be paid by Optionor in connection with the arrangements for and termination of any agreements for the provision of funds

for equity capital, Construction Financing and Take-Out Financing for the Project, to the extent that such agreements are terminated in connection with the exercise of the Second Option by Optionee or in connection with the termination of the Lease (if the Lease is terminated in connection with Optionee's purchase of the Phase I Option Property); provided, however, that the aggregate amount of such fees, costs and charges will not exceed the Break-Up Fee Maximum Amount; and (vi) the amount of the Development Management Fee for the period commencing on January 1, 1998 and ending on the earlier to occur of (A) the Substantial Completion of the improvements to be constructed pursuant to the Leasehold Improvements Agreement or (B) the Closing Date. In the event that Optionor elects to have the closing of the Escrow occur more than sixty (60) days following the Last Rent Commencement Date, then the Agreed Spread for Take-Out Financing (as defined in the Leasehold Improvements Agreement) shall be reduced to four hundred fifty (450) basis points, unless there is a default by Optionee under this Option Agreement or the Lease, in which event the Agreed Spread for Take-Out Financing shall retroactively be as provided in the Leasehold Improvements Agreement, and any resulting arrearage in Monthly Base Rent shall immediately be paid by Optionee to Optionor.

3.6. Agreement of the Parties as to Second Option Purchase Price. Following the Last Rent Commencement Date and continuing thereafter for a period of fifteen (15) days, Optionee and Optionor shall meet and endeavor to agree upon the Second Option Purchase Price. If the parties reach agreement, the Second Option Purchase Price shall be the amount to which the parties have agreed. If the parties are not able to so agree, then the Second Option Purchase Price shall be established through arbitration conducted in accordance with the provisions of Section 6 hereof, and the Closing Date shall be postponed without further act of the parties until the tenth (10th) day following the final issuance of an award by the arbitrators. In the event that the Closing Date is so postponed, the Second Option Purchase Price shall be increased by an amount equal to the amount of interest which would have accrued on that portion of the Second Option Purchase Price which (i) is net of any payment Optionor would have to pay PG&E upon its purchase of the Phase I Option Property under the terms of the Asset Sale Agreement, and (ii) was not the subject of a good faith dispute between Optionor and Optionee, at a rate equal to the "prime", "index" or "reference" rate of Bank of America NT&SA plus one hundred (100) basis points, during the period from the date upon which the Closing Date would have occurred but for the postponement under this Section 3.6.

3.7. Payment of Second Option Purchase Price. The Second Option Purchase Price shall be paid by Optionee to Optionor in cash or immediately available funds at the closing of the Escrow.

3.8. Construction of Improvements. In the event that Optionee duly exercises the Second Option, the Lease and the Leasehold Improvements Agreement shall continue in effect until the closing of the Escrow, and Optionor shall cause the Site and Shell Improvements and the Tenant Improvements described in the Leasehold Improvements Agreement to be constructed in accordance with the terms of the Leasehold Improvements Agreement.

3.9. Execution of Buy-Sell Agreement Following Exercise of Second Option. Promptly after the receipt by Optionee of a written request from Optionor, Optionee shall review and negotiate in good faith a buy-sell agreement with the lender of the Construction Financing, whereby Optionee agrees to purchase the loan representing the Construction Financing from the lender upon the completion of the construction of the improvements which Optionor is required to construct under the Leasehold Improvements Agreement for a price equal to the aggregate of the outstanding principal balance and all accrued and unpaid interest charges, fees and penalties due under such loan. Such buy-sell agreement shall be in such form as may reasonably be acceptable to Optionee and such lender of the Construction Financing, provided that such buy-sell agreement shall not obligate such lender to complete such construction.

3.10. Closing of the Escrow Following Exercise of Second Option. Following an effective exercise by Optionee of the Second Option, the closing of the Escrow shall occur on a date selected by Optionor by written notice to Optionee given at least ninety (90) days before the Last Rent Commencement Date, which date shall be not less than sixty (60) days nor more than eighteen (18) months following the Last Rent Commencement Date, unless the Closing Date is postponed in accordance with the provisions of this Section 3.10 or Sections 3.6 or 19..D. In the event that Optionee desires to delay the Closing Date from the date specified by Optionor, Optionee may, within thirty (30) days of its receipt of the notice from Optionor, give to Optionor written notice of another date which is not more than sixty (60) days following the date selected by Optionor, and the Closing Date shall thereupon be postponed to the date specified in the notice from Optionee to Optionor, unless Optionor notifies Optionee that the term of the Construction Financing would expire prior to the date selected by Optionee, in which event the Closing Date shall be the fifth (5th) day preceding the date upon which the Construction Financing would so expire.

3.11. Condition of Second Option Title.

A. In the event Optionee exercises the Second Option, Optionor shall convey title to the Phase I Land subject only to: (i) those matters listed as exception nos. 4, 6, 8, 9, 13, 14 and 15 of the Exceptions from Coverage set forth in Schedule B--Section 2 of the Pro Forma Policy (but only to the extent that the same affect all or any portion of the Phase I Land) and any matter which is or would be disclosed by an accurate survey of the Phase I Land; (ii) any matters arising from the acts or omissions of Optionee; (iii) any lien, encumbrance or other matter consented to in writing by Optionee; (iv) the lien of current, non-delinquent real property taxes and assessments; (v) the Lease; (vi) and the Leasehold Improvements Agreement; (vii) the Development Agreement; (viii) the Parking Easement Agreement; (ix) the Access Agreement; (x) the easements reserved in the PG&E Deed to be recorded on or before the Closing Date; (xi) the covenants and restrictions set forth in the Encroachment Agreement to be recorded on or before the Closing Date; (xii) the terms of the Environmental Agreement to be recorded on or before the Closing Date; and, (xiii) the Declaration. Such matters are hereinafter referred to as the "Second Option Permitted Exceptions". In the event that Optionor requests that Optionee consent to the creation of any lien, encumbrance, reservation or dedication affecting the title to the Phase I Land, Optionee shall not unreasonably delay or withhold its consent, and shall only withhold its consent if the lien, encumbrance, reservation or dedication: (i) would interfere with the use of the Phase I Land for the purposes set forth in the Lease; or, (ii) if pertaining to a lien securing the payment of money will not be paid and removed on or before close of Escrow, and such payment would not constitute or have constituted a part of Aggregate Development Cost.

B. In the event that Optionor is unable to deliver title to the Phase I Land to Optionee in the condition required by this Option Agreement, Optionor shall so notify Optionee in writing and Optionee shall notify Optionor, within five (5) business days of the receipt by Optionee of such notice from Optionor, whether or not Optionee objects to the lien, encumbrance, defect or other matter which is not consistent with the provisions of this Option Agreement regarding the condition of title to the Phase I Land. If Optionee so objects by written notice to Optionor given within such period, then Optionor shall have a period of ten (10) business days from the receipt by Optionor of such notice of objection from Optionee in which to remove the lien, encumbrance, defect or other matter to which Optionee has objected. Optionee shall not object, however, unless the lien, encumbrance, defect or other matter would interfere with the use of the Phase I Land for the purposes set forth in the Lease or pertains to a lien securing the payment of money which will not be paid and removed on or before close of Escrow. If Optionor is unable to remove such lien, encumbrance, defect or other matter within such period, Optionee may (as its sole and exclusive remedy, unless the matter objected to was caused by the bad faith acts or

omissions of Optionor) terminate this Option Agreement (but not the Lease, the Leasehold Improvements Agreement or the Phase II Purchase Agreement) by written notice to Optionor given within ten (10) days of expiration of the ten (10) business day period during which Optionor could have caused the lien, encumbrance, defect or other matter to be removed from title. In the event that Optionee does not so terminate this Option Agreement, the Lease, the Leasehold Improvements Agreement and the Phase II Purchase Agreement, then Optionee shall conclusively be deemed to have waived its objection to the lien, encumbrance, defect or other matter, which shall then become a part of the Permitted Exceptions.

3.12. LIQUIDATED DAMAGES FOR BREACH BY OPTIONEE FOLLOWING EXERCISE OF SECOND OPTION. OPTIONOR AND OPTIONEE HEREBY AGREE THAT THE DAMAGES WHICH WOULD BE SUFFERED BY OPTIONOR IN THE EVENT OF A DEFAULT BY OPTIONEE HEREUNDER IN PURCHASING THE PHASE I LAND FOLLOWING ANY EXERCISE BY OPTIONEE OF THE SECOND OPTION WOULD BE EXTREMELY DIFFICULT AND IMPRACTICABLE TO ASCERTAIN, AND THAT THE SUM OF TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS ($2,700,000.00) REPRESENTS THE REASONABLE ESTIMATE BY THE PARTIES OF THE AMOUNT OF THE DAMAGES THAT OPTIONOR WOULD SUFFER BY REASON OF OPTIONEE'S DEFAULT. OPTIONEE AND OPTIONOR UNDERSTAND AND AGREE THAT THE VALUE OF PROPERTY IS SUBJECT TO CHANGE BY REASON OF GENERAL ECONOMIC CONDITIONS, THE LOCAL REAL ESTATE MARKET, THE AVAILABILITY OF MORTGAGE FINANCING, AND OTHER FACTORS BEYOND THE CONTROL OF OPTIONOR AND OPTIONEE, AND THAT THE SUM OF TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS ($2,700,000.00) IS A REASONABLE LIQUIDATED DAMAGE AMOUNT UNDER THE EXISTING CIRCUMSTANCES. ACCORDINGLY, IN THE EVENT ESCROW DOES NOT CLOSE BECAUSE OF A DEFAULT BY OPTIONEE HEREUNDER FOLLOWING THE EXERCISE BY OPTIONEE OF THE SECOND OPTION, OPTIONOR SHALL BE ENTITLED TO RETAIN THE SUM OF TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS ($2,700,000.00) AS LIQUIDATED DAMAGES, AND NOT AS A PENALTY OR FORFEITURE, AS OPTIONOR'S SOLE AND EXCLUSIVE REMEDY FOR OPTIONEE'S DEFAULT AT LAW OR IN EQUITY, AND UPON RECEIPT OF SUCH AMOUNT BY OPTIONOR, OPTIONEE AND OPTIONOR SHALL BE RELIEVED OF ANY FURTHER OBLIGATIONS OR LIABILITY HEREUNDER. OPTIONEE AND OPTIONOR INTEND AND AGREE THAT THE TERMS OF THIS SECTION 3.12 COMPLY WITH THE REQUIREMENTS OF CALIFORNIA CIVIL CODE SECTIONS 1671 AND 1677. OPTIONEE AND OPTIONOR SHALL SIGN BELOW THIS SECTION 3.12 INDICATING THEIR AGREEMENT TO THE LIQUIDATED DAMAGE CLAUSE HEREIN CONTAINED.

OPTIONOR:

Village Builders, L.P.,
a California limited partnership

By VPI, Inc., a California corporation,
its General Partner

By

Its

OPTIONEE:

Fair, Isaac and Company, Inc.,
a Delaware corporation

By

Its

3.13. Right to Redesignate Designated Treasury Date. In the event of a default by Optionee hereunder in purchasing the Phase I Option Property following any exercise by Optionee of the Second Option, Optionor may elect to redesignate the Designated Treasury Date in accordance with Section 19.2.(C) of the Leasehold Improvements Agreement.

4. THIRD OPTION.

4.1. Grant of Third Option. Optionor hereby grants to Optionee an option and right (the "Third Option") to purchase the Phase I Option Property at the price and on both the terms and conditions set forth in this Section 4 and the terms and conditions set forth in the remainder of this Option Agreement (other than in Sections 2 and 3, the provisions of which shall not be applicable to the Third Option herein granted). Subject to the provisions of Section 21, Optionor shall, however, be obligated to construct the improvements required to be constructed by Optionor pursuant to the Leasehold Improvements Agreement prior to the closing of the Escrow, as more fully provided in Section4.8, and such improvements shall be deemed to be a part of the Phase I Option Property upon the completion of such construction.

4.2. Term of Third Option. The Third Option and the term thereof shall commence on the date hereof, and shall terminate on the date (the "Third Option Term Expiration Date") which is the sixtieth (60th) day following the Last Rent Commencement Date. The foregoing notwithstanding, in the event that the term of the Construction Financing would expire (or is reasonably anticipated to expire) prior to the sixtieth (60th) day following the Last Rent Commencement Date, then Optionor shall have the right to give a written notice to Optionee stating such fact and further stating that Optionor elects to advance the Third Option Term Expiration Date to a particular date which both is not less than sixty (60) days following the receipt of such notice by Optionee and is reasonably anticipated by Optionor to be not less than ten (10) days following the Last Rent Commencement Date, and the Third Option Term Expiration Date shall thereupon become the later of: (i) the date specified by Optionor in such written notice to Optionee; or, (ii) the tenth (10th) day following the Last Rent Commencement Date. Optionee shall have the right, but not the obligation, to exercise the Third Option at or before 5:00 p.m. on the Third Option Term Expiration Date.

4.3. Method of Exercise of Third Option. In order to exercise the Third Option, Optionee shall, before 5:00 p.m. on the Third Option Term Expiration Date, deliver to Optionor an unconditional and irrevocable written notice of such exercise. Within five (5) days after that exercise, Optionor and Optionee shall execute standard form escrow instructions which are provided by the Title Company and which are in all respect consistent with the terms of this Option Agreement, at which time Optionee shall then deposit with Escrow the sum of Three Million Three Hundred Thousand Dollars ($3,300,000.00) in cash or immediately available funds as a non-refundable deposit against the Third Option Purchase Price, which deposit shall be applicable to the Third Option Purchase Price for the Phase I Option Property. The Third Option shall expire and be of no force or effect at 5:00 p.m. on the Third Option Term Expiration Date, unless by that time Optionee has delivered to Optionor the notice referred to in this Section 4.3.

The Third Option may be exercised, if at all, by Optionee only as to the entirety of the Phase I Option Property.

4.4 Effect of Exercise of Third Option. Upon exercise of the Third Option, the parties shall be deemed to have entered into an agreement to purchase and sell the Phase I Option Property on both the terms and conditions set forth in this Section 4 and the terms and conditions set forth in the remainder of this Option Agreement (other than in Sections 2 and 3, the provisions of which shall not be applicable to the Third Option herein granted). The exercise of the Third Option shall not, however, affect the continuance in force of the Lease, the Leasehold Improvements Agreement and the Phase II Purchase Agreement.

4.5. Amount of Third Option Purchase Price. In the event Optionee exercises the Third Option following the Substantial Completion of the Project, the Third Option Purchase Price for the Phase I Option Property shall be the aggregate of: (i) one hundred thirteen percent (113%) of the Phase I Land Cost; (ii) one hundred thirteen percent (113%) of all Phase I Project Cost other than the Phase I Land Cost incurred or to be incurred on or before the Closing Date (whether or not then paid) and paid or to be ultimately paid by Optionor; (iii) thirteen percent (13%) of any cost which would have been a Phase I Project Cost but was paid by Optionee; (iv) any amount by which the Third Option Purchase Price is increased in accordance with the provisions of Section4.6; and, (v) all break-up fees and other fees, costs and charges, all as and to the extent described in Section1.3, which are incurred and ultimately paid or to be paid by Optionor in connection with the termination of any agreements for the provision of funds for equity capital, Construction Financing and Take-Out Financing for the Project, to the extent that such agreements are terminated in connection with the exercise of the Third Option by Optionee or in connection with the termination of the Lease (if the Lease is terminated in connection with Optionee's purchase of the Phase I Option Property); provided, however, that the aggregate amount of such fees, costs and charges will not exceed the Break-Up Fee Maximum Amount; and (vi) the amount of the Development Management Fee for the period commencing on January 1, 1998 and ending on the earlier to occur of (A) the Substantial Completion of the improvements to be constructed pursuant to the Leasehold Improvements Agreement or (B) the Closing Date.

4.6. Agreement of the Parties as to Third Option Purchase Price. Promptly following either the exercise by optionee of the Third Option, and continuing thereafter for a period of fifteen (15) days, Optionee and Optionor shall meet and endeavor to agree upon the Third Option Purchase Price. If the parties reach agreement, the Third Option Purchase Price shall be the amount to which the parties have agreed. If the parties are not able to so agree, then the Third Option Purchase Price shall be established through arbitration conducted in accordance with the provisions of Section 6 hereof, and the Closing Date shall be postponed without further act of the parties until the tenth (10th) day following the final issuance of an award by the arbitrators. In the event that the Closing Date is so postponed, the Third Option Purchase Price shall be increased by an amount equal to the amount of interest which would have accrued on that portion of the Third Option Purchase Price which (i) is net of any payments Optionor would have to pay PG&E upon its purchase of the Phase I Option Property under the terms of the Asset Sale Agreement, and (ii) was not the subject of a good faith dispute between Optionor and Optionee, at a rate equal to the "prime", "index" or "reference" rate of Bank of America NT&SA plus one hundred (100) basis points, during the period from the date upon which the Closing Date would have occurred but for the postponement under this Section 4.6.

4.7. Payment of Third Option Purchase Price. The Third Option Purchase Price shall be paid by Optionee to Optionor in cash or immediately available funds at the closing of the Escrow.

4.8. Construction of Improvements. In the event that Optionee duly exercises

the Third Option, the Lease and the Leasehold Improvements Agreement shall continue in effect until the closing of the Escrow, and Optionor shall cause the Site and Shell Improvements and the Tenant Improvements described in the Leasehold Improvements Agreement to be constructed in accordance with the terms of the Leasehold Improvements Agreement.

4.9. Closing of the Escrow Following Exercise of Third Option. Following an effective exercise by Optionee of the Third Option, the closing of the Escrow shall occur on a date selected by Optionor by written notice to Optionee given not more than thirty (30) days following such exercise, which date shall be not less than sixty (60) days nor more than twenty-four (24) months following the Last Rent Commencement Date, unless the Closing Date is postponed in accordance with the provisions of this Section 4.9 or Sections 4.6 or 19..D. In the event that Optionee desires to delay the Closing Date from the date specified by Optionor, Optionee may, within thirty (30) days of its receipt of the notice from Optionor, give to Optionor written notice of another date which is not more than sixty (60) days following the date selected by Optionor, and the Closing Date shall thereupon be postponed to the date specified in the notice from Optionee to Optionor, unless Optionor notifies Optionee that the term of the Construction Financing would expire prior to the date selected by Optionee, in which event the Closing Date shall be the fifth (5th) day preceding the date upon which the Construction Financing would so expire.

4.10. Condition of Third Option Title

A. In the event Optionee exercises the Third Option, Optionor shall convey title to the Phase I Land subject only to: (i) those matters listed as exception nos. 4, 6, 8, 9, 13, 14 and 15 of the Exceptions from Coverage set forth in Schedule B--Section 2 of the Pro Forma Policy (but only to the extent that the same affect all or any portion of the Phase I Land) and any matter which is or would be disclosed by an accurate survey of the Phase I Land; (ii) any matters arising from the acts or omissions of Optionee; (iii) any lien, encumbrance or other matter consented to in writing by Optionee; (iv) to the lien of current, non-delinquent real property taxes and assessments; (v) the Lease; (vi) the Leasehold Improvements Agreement; (vii) the Development Agreement; (viii) Parking Easement Agreement; (ix) the Access Agreement; (x) the easements reserved in the PG&E Deed to be recorded on or before the Closing Date; (xi) the covenants and restrictions set forth in the Encroachment Agreement to be recorded on or before the Closing Date; (xii) the terms of the Environmental Agreement to be recorded on or before the Closing Date; and, (xiii) the Declaration. Such matters are hereinafter referred to as the "Third Option Permitted Exceptions". In the event that Optionor requests that Optionee consent to the creation of any lien, encumbrance, reservation or dedication affecting the title to the Phase I Land, Optionee shall not unreasonably delay or withhold its consent, and shall only withhold its consent if the lien, encumbrance, reservation or dedication: (i) would interfere with the use of the Phase I Land for the purposes set forth in the Lease; or, (ii) if pertaining to a lien securing the payment of money, will not be paid and removed on or before close of Escrow and such payment would not constitute or have constituted a part of Aggregate Development Cost.

B. In the event that Optionor is unable to deliver title to the Phase I Land to Optionee in the condition required by this Option Agreement, Optionor shall so notify Optionee in writing and Optionee shall notify Optionor, within five (5) business days of the receipt by Optionee of such notice from Optionor, whether or not Optionee objects to the lien, encumbrance, defect or other matter which is not consistent with the provisions of this Option Agreement regarding the condition of title to the Phase I Land. If Optionee so objects by written notice to Optionor given within such period, then Optionor shall have a period of ten (10) business days from the receipt by Optionor of such notice of objection from Optionee in which to remove the lien, encumbrance, defect or other matter to which Optionee has objected. Optionee shall not object, however, unless the lien, encumbrance, defect or other matter would interfere with the use of the Phase I Land for the purposes set forth in the Lease or pertains to a lien securing the payment

of money which will not be paid and removed on or before close of Escrow. If Optionor is unable to remove such lien, encumbrance, defect or other matter within such period, Optionee may (as its sole and exclusive remedy, unless the matter objected to was caused or created by the bad faith acts or omissions of Optionor) terminate this Option Agreement (but not the Lease, the Leasehold Improvements Agreement or the Phase II Purchase Agreement) by written notice to Optionor given within ten (10) days of expiration of the ten (10) business day period during which Optionor could have caused the lien, encumbrance, defect or other matter to be removed from title. In the event that Optionee does not so terminate this Option Agreement, the Lease, the Leasehold Improvements Agreement and the Phase II Purchase Agreement, then Optionee shall conclusively be deemed to have waived its objection to the lien, encumbrance, defect or other matter, which shall then become a part of the Permitted Exceptions.

4.11. LIQUIDATED DAMAGES FOR BREACH BY OPTIONEE FOLLOWING EXERCISE OF THIRD OPTION. OPTIONOR AND OPTIONEE HEREBY AGREE THAT THE DAMAGES WHICH WOULD BE SUFFERED BY OPTIONOR IN THE EVENT OF A DEFAULT BY OPTIONEE HEREUNDER IN PURCHASING THE PHASE I LAND FOLLOWING ANY EXERCISE BY OPTIONEE OF THE THIRD OPTION WOULD BE EXTREMELY DIFFICULT AND IMPRACTICABLE TO ASCERTAIN, AND THAT THE SUM OF THREE MILLION THREE HUNDRED THOUSAND DOLLARS ($3,300,000.00) REPRESENTS THE REASONABLE ESTIMATE BY THE PARTIES OF THE AMOUNT OF THE DAMAGES THAT OPTIONOR WOULD SUFFER BY REASON OF OPTIONEE'S DEFAULT. OPTIONEE AND OPTIONOR UNDERSTAND AND AGREE THAT THE VALUE OF PROPERTY IS SUBJECT TO CHANGE BY REASON OF GENERAL ECONOMIC CONDITIONS, THE LOCAL REAL ESTATE MARKET, THE AVAILABILITY OF MORTGAGE FINANCING, AND OTHER FACTORS BEYOND THE CONTROL OF OPTIONOR AND OPTIONEE, AND THAT THE SUM OF THREE MILLION THREE HUNDRED THOUSAND DOLLARS ($3,300,000.00) IS A REASONABLE LIQUIDATED DAMAGE AMOUNT UNDER THE EXISTING CIRCUMSTANCES. ACCORDINGLY, IN THE EVENT ESCROW DOES NOT CLOSE BECAUSE OF A DEFAULT BY OPTIONEE HEREUNDER FOLLOWING THE EXERCISE BY OPTIONEE OF THE THIRD OPTION, OPTIONOR SHALL BE ENTITLED TO RETAIN THE SUM OF THREE MILLION THREE HUNDRED THOUSAND DOLLARS ($3,300,000.00) AS LIQUIDATED DAMAGES, AND NOT AS A PENALTY OR FORFEITURE, AS OPTIONOR'S SOLE AND EXCLUSIVE REMEDY FOR OPTIONEE'S DEFAULT AT LAW OR IN EQUITY, AND UPON RECEIPT OF SUCH AMOUNT BY OPTIONOR, OPTIONEE AND OPTIONOR SHALL BE RELIEVED OF ANY FURTHER OBLIGATIONS OR LIABILITY HEREUNDER. OPTIONEE AND OPTIONOR INTEND AND AGREE THAT THE TERMS OF THIS SECTION 4.11 COMPLY WITH THE REQUIREMENTS OF CALIFORNIA CIVIL CODE SECTIONS 1671 AND 1677. OPTIONEE AND OPTIONOR SHALL SIGN BELOW THIS SECTION 4.11 INDICATING THEIR AGREEMENT TO THE LIQUIDATED DAMAGE CLAUSE HEREIN CONTAINED.

OPTIONOR:

Village Builders, L.P.,
a California limited partnership

By VPI, Inc., a California corporation,
its General Partner

By

Its

OPTIONEE:

Fair, Isaac and Company, Inc.,
a Delaware corporation

By

Its

4.12. Right to Redesignate Designated Treasury Date. In the event of a default by Optionee hereunder in purchasing the Phase I Option Property following any exercise by Optionee of the Third Option, Optionor may elect to redesignate the Designated Treasury Rate in accordance with Section 19.2.(C) of the Leasehold Improvements Agreement.

4.13. Termination of Third Option. Optionor may terminate the Third Option and all right of Optionee pursuant to the Third Option or any exercise thereof by giving to Optionee a written notice of such termination and the payment to Optionee of the sum of Two Hundred Thousand Dollars ($200,000.00).

5. EXPIRATION OF OPTION WITHOUT EXERCISE. In the event Optionee fails to exercise any one (1) or more of the Options in exact accordance with its terms, then the Options which Optionee did not so exercise shall automatically expire and terminate without further act of the parties. In the event that Optionee fails to exercise all of the Options in exact accordance with their respective terms, then all of the Options shall automatically expire and terminate without further act of the parties.

6. ARBITRATION OF DISPUTES; DETERMINATION OF PURCHASE PRICE. ANY CONTROVERSY OR CLAIM ARISING IN CONNECTION WITH THE DETERMINATION OF THE PURCHASE PRICE FOR THE PG&E OPTION PROPERTY OR THE PHASE I OPTION PROPERTY, AS THE CASE MAY BE, SHALL BE SETTLED BY ARBITRATION IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AND JUDGMENT ON THE AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. THE PREVAILING PARTY IN SUCH ARBITRATION SHALL BE ENTITLED TO ATTORNEYS' FEES AND COSTS.

NOTICE: BY INITIALLING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY SIGNING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

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WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

OPTIONOR:

Village Builders, L.P.,
a California limited partnership

By VPI, Inc., a California corporation,
its General Partner

By

Its

OPTIONEE:

Fair, Isaac and Company, Inc.,
a Delaware corporation

By

Its
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7. ADJUSTMENT TO REFLECT FINAL PHASE I PROJECT COST

7.1. Determination of Revised Final Phase I Project Cost. In the event that either the closing of Escrow occurs pursuant to an exercise of the First Option by Optionee or the closing of the Escrow occurs in less than eighteen (18) months pursuant to an exercise of the Second Option or Third Option by Optionee, and in the event that any items of Aggregate Development Cost or Phase I Project Cost could not have been reasonably ascertained with precision at least ten (10) days prior to the Closing Date, Optionor may notify Optionee in writing of a revised final Aggregate Development Cost or Phase I Project Cost within the following time periods: (i) if Optionee exercises the First Option, within one hundred twenty (120) days of the Closing Date; or (ii) if Optionee exercises the Second Option or the Third Option, within one (1) year of the Closing Date. Such written notice shall be accompanied by a detailed statement of such revised Aggregate Development Cost or final Phase I Project Cost.

7.2. Possible Review of Revised Final Aggregate Development Cost of Phase I Project Cost by Optionee. Within twenty (20) days of the receipt by Optionee of the notice from

Optionor given in accordance with Section 7.1 and setting forth a revised final Aggregate Development Cost or Phase I Project Cost, Optionee may notify Optionor in writing (a "Difference Review Notice") that Optionee desires to review the records of Optionor pertaining to those items (the "Difference Items") which account for the difference between the revised final Aggregate Development Cost or Phase I Project Cost and the Aggregate Development Cost or Phase I Project Cost upon which the Purchase Price was determined. If Optionee gives such a notice to Optionor within such period, Optionor shall permit Optionee to review all of the records of Optionor relevant to the determination of such Difference Items. Such review shall be performed at the offices of Optionor during regular business hours, and Optionor shall permit Optionee to make copies, at its expense, of such portions of such records as Optionee may elect. Optionee shall undertake and complete such review within sixty (60) days of the receipt by Optionor of the Difference Review Notice. In the event that Optionee concludes that the determination by Optionor of the Difference Items is incorrect, it shall so notify Optionor within seventy (70) days of the receipt by Optionor of the Difference Review Notice from Optionee, which notice from Optionee shall: (i) state with particularity the Difference Items as to which Optionee believes that the determination of Optionor was incorrect; and, (ii) state the election of Optionee to have the revised final Aggregate Development Cost or Phase I Project Cost determined by arbitration in accordance with Section 6.

7.3. Payment to Adjust Aggregate Development Cost or Phase I Project Cost. The revised final Aggregate Development Cost or Phase I Project Cost stated by Optionor in its notice to Optionee given in accordance with Section 7.2 shall be deemed to have been accepted and approved by Optionee unless: (i) Optionor and Optionee agree in writing to a different Aggregate Development Cost or Phase I Project Cost within seventy (70) days of the receipt by Optionor of the Difference Review Notice from Optionee; or, (ii) Optionee gives to Optionor within such seventy (70) day period a notice electing to have the revised final Aggregate Development Cost or Phase I Project Cost determined by arbitration in accordance with Section 6. Within thirty (30) days of the date upon which the revised final Aggregate Development Cost or Phase I Project Cost is established (whether by Optionor's statement of revised final Aggregate Development Cost or Phase I Project Cost being deemed accepted and approved by Optionee in accordance with this Section 7.3 or by a written agreement between Optionor and Optionee establishing a different revised final Aggregate Development Cost or Phase I Project Cost or by an arbitration resulting from an election by Optionee made within seventy (70) days of the receipt by Optionor of the Difference Review Notice from Optionee): _.(i) if the revised final Aggregate Development Cost or Phase I Project Cost is less than the Aggregate Development Cost or Phase I Project Cost upon which the Purchase Price was determined, Optionor shall pay to Optionee a sum equal to the difference between the Aggregate Development Cost or Phase I Project Cost upon which the Purchase Price was determined and the revised final Aggregate Development Cost or Phase I Project Cost; or, (ii) if the revised final Aggregate Development Cost or Phase I Project Cost is greater than the Aggregate Development Cost or Phase I Project Cost upon which the Purchase Price was determined, Optionee shall pay to Optionor a sum equal to the difference between the revised final Aggregate Development Cost or Phase I Project Cost and the Aggregate Development Cost or Phase I Project Cost upon which the Purchase Price was determined.

8. TITLE AND DEED.

8.1. Condition of Title to Phase I Land. Optionee hereby accepts the Permitted Exceptions and agrees to accept title to the PG&E Property or the Phase I Land, as the case may be, subject to the applicable Permitted Exceptions. Except as set forth in this Option Agreement, Optionor shall make no representations or warranties with respect to the condition of title to the PG&E Property or the Phase I Land, and Optionee agrees that it will rely solely on its policy of title insurance issued by the Title Company pursuant to the provisions of Section 8.3 below.

8.2. Grant Deed. Optionor shall convey the PG&E Property or the Phase I Land, as the case may be, to Optionee on the standard form grant deed customarily used by the Title Company (the "Grant Deed") as of the closing of the Escrow, but the warranties set forth or implied in such deed shall be expressly limited by, and shall in the deed be expressly made subject to, the applicable Permitted Exceptions.

8.3. Title Insurance. Optionor shall cause the Title Company, as of the closing of the Escrow, to issue to Optionee an American Land Title Association Owners Policy (10-17-92) (or such form of policy as is then most closely equivalent), insuring that fee title to the PG&E Property or the Phase I Land, as the case may be, is vested in Optionee, in an amount equal to the applicable Purchase Price, subject only to the applicable Permitted Exceptions. Optionee may also obtain the following endorsements: Subdivision Map Act compliance (CLTA form 116.7); survey, with reference to the Site Plan (CLTA form 116.1); and such other endorsements as Optionee may reasonably require. If requested by Optionee, Optionor shall cooperate with Optionee at no cost or liability to Optionor in obtaining such facultative reinsurance arrangement, with rights of direct access, as may be reasonably required in the circumstances, together with the endorsements described above; provided, however, that Optionor shall not be required to incur any expense or liability or potential liability in connection with any such cooperation.

8.4. Use Restriction. The PG&E Property or the Phase I Land, as the case may be, shall be used only for office, research and development, restaurant and other commercial uses and shall not be used for residential purposes or for any purpose prohibited by the Declaration. The foregoing notwithstanding, for a period of ten (10) years from the Closing Date (the "Retail Limitation Period"), no portion of the PG&E Property or the Phase I Land, as the case may be, shall be used for a retail use in excess of that contemplated in the Development Plan attached (or to have been attached) to the Declaration as Exhibit H. For the purposes of this Section 8.4, the term "retail" use shall be based upon any definitions, descriptions or characterizations that may be set forth in the Zoning Ordinance of the City of San Rafael, except that a "retail" use would in all events include retail banking and like uses. Upon the expiration of the Retail Limitation Period, there shall not be any prohibition on the use of all or any portion of the PG&E Property or the Phase I Land, as the case may be, for retail purposes. The foregoing notwithstanding, nothing in this Section 8.4 shall be deemed to prohibit the direct sale of goods and services to end users by Fair, Isaac and Company, Inc. or any corporate successor by merger to Fair, Isaac and Company, Inc., to the extent that such sales do not involve customer purchases in person, or be deemed to prohibit the operation of cafeteria or dining facilities for the use of Optionee's employees and business guests. Upon the expiration of the Retail Limitation Period, Optionor shall execute, acknowledge and deliver to Optionee (or to such other person or entity as Optionee may request) a quitclaim deed (and/or such other documents as may be reasonably required) expressly terminating the use restrictions described in this Section 8.4 and the memorandum of agreement described in Section 23.2 (including, without limitation, Optionor's right to enforce the use restrictions as set forth in that memorandum of agreement).

9. CLOSING OF THE ESCROW.

9.1. Retention of Title Company. In the event Optionee exercises one of the Options, Optionee and Optionor shall each promptly retain the Title Company to perform escrow services at its offices located in San Rafael, California, in connection with the transactions to be completed pursuant to, and in accordance with the provisions of, this Option Agreement.

9.2. Closing Date. In the event Optionee exercises the First Option, the closing of the Escrow for the sale and purchase of the PG&E Option Property shall occur on the date determined in accordance with Section 2.8. In the event Optionee exercises the Second Option, the

closing of the Escrow for the sale and purchase of the Phase I Option Property shall occur on the date determined in accordance with Section 3.10. In the event Optionee exercises the Third Option, the closing of the Escrow for the sale and purchase of the Phase I Option Property shall occur on the date determined in accordance with Section 4.9. The date so determined is referred to in this Option Agreement as the "Closing Date".

9.3. Termination of the Lease and Leasehold Improvements Agreement. Except as otherwise provided in the Lease and the Leasehold Improvements Agreement, neither of those documents shall be terminated at or prior to the closing of the Escrow, and Optionee shall execute, and shall cause any assignee or sublessee of the interest of Optionee under the Lease to execute, an agreement releasing Optionor from all obligations under the Lease and Leasehold Improvements Agreement as of the closing of the Escrow, except for obligations (i) which are to be performed by Optionor as Landlord on or before the Closing Date, or (ii) as to which an event of default by Optionor then exists under either of the Lease or the Leasehold Improvements Agreement.

9.4. Escrow Instruction. Prior to the closing of the Escrow and as provided in Sections 2.3, 3.3 and 4.3, Optionee and Optionor shall execute and deliver to the Title Company joint escrow instructions directing the Title Company to close the Escrow in the manner and subject to the conditions provided for herein.

9.5. Conditions to Closing for Benefit of Optionor. The closing of the Escrow shall be conditioned for the benefit of Optionor upon the performance by Optionee (or Optionor's written waiver of such performance) of the following obligations (or, as to obligations the performance of which is not to be completed prior to the closing of the Escrow, upon the non-occurrence of any default by Optionee with respect to such obligations), which Optionee hereby covenants and agrees it shall cause to be performed within the time limitations set forth in this Option Agreement:

A. The performance by Optionee of each of its obligations under the Lease, the Leasehold Improvements Agreement, and the Phase II Purchase Agreement, all as more fully provided in Section 16 (and except as otherwise provided in Section2.4);

B. The obligations of Optionee pursuant to Section 14.2, Section 18 and Section22.4 below;

C. The deposit by Optionee into the Escrow of an unqualified assumption of the obligations of Optionor arising after the Closing Date under the Lease and the Leasehold Improvements Agreement and any other agreements to be assumed by Optionee hereunder, in a form reasonably satisfactory to Optionor;

D. With respect to only the Second Option or the Third Option, the purchase of the Phase II Land by Optionee in accordance with the Phase II Purchase Agreement;

E. The execution and deposit by Optionee into the Escrow of the certificate referred to in Section 14.2 below;

F. The deposit by Optionee into the Escrow of cash or immediately available funds equal to the Purchase Price, such deposit to be made by the transfer of such funds by Optionee, at or before 5:00 p.m. on the business day immediately preceding the Closing Date into an account with a recognized banking institution at an office located in either the County of Marin or the City and County of San Francisco in the State of California under arrangements which authorize the disbursement of funds from such account by the Title Company at the closing of the

Escrow in accordance with the escrow instructions referred to in Section 9.5.F above and with the provisions of Section 10 below; and,

G. The deposit by Optionee into the Escrow of cash or immediately available funds equal to all expenses of conveyance to be paid by Optionee pursuant to Section 11 below, such deposit to be made at the same time and in the same manner as the deposit of the Purchase Price referred to in Section 9.5.F above.

9.6. Conditions to Closing for Benefit of Optionee. The closing of the Escrow shall be conditioned for the benefit of Optionee upon the performance by Optionor (or Optionee's written waiver of such performance) of the following obligations (or, as to obligations the performance of which is not to be completed prior to the closing of the Escrow, upon the non-occurrence of any default by Optionor with respect to such obligations), which Optionor hereby covenants and agrees it shall perform or cause to be performed within the time limitations set forth in this Option Agreement:

A. Optionor obtaining from all applicable governmental agencies the Development Agreement and the entitlements related thereto necessary for the construction and use of the Project as provided under the Leasehold Improvements Agreement and the Lease;

B. The performance by Optionor of each of its obligations under the Lease, the Leasehold Improvements Agreement, and the Phase II Purchase Agreement, except as otherwise provided in Section 2.4;

C. The deposit by Optionor into the Escrow of the duly executed and acknowledged Grant Deed conveying the PG&E Property or the Phase I Land, as the case may be, to Optionee;

D. The deposit by Optionor into the Escrow of an assignment to Optionee of the landlord's interest under the Lease and the Leasehold Improvements Agreement, and of all Optionor's rights and interest in all documents described in Section 1.26 or in Section 1.29 as the case may be, and any other agreements to be assumed by Optionee hereunder, all in a form reasonably satisfactory to Optionee;

E. The deposit by Optionor into the Escrow of any funds necessary to obtain the release of liens and encumbrances which it is responsible for removing prior to the closing of the Escrow (but only to the extent that the proceeds from the Purchase Price due to it would be insufficient for such purpose);

F. The Title Company is unconditionally and irrevocably committed to issue the American Land Title Association Owners Policy of title insurance referred to in Section 8.3;

G. The obligations of Optionor pursuant to Section 22.6 below;

H. The obligations of Optionor to indemnify and hold Optionee harmless set forth in Section 22.3 below; and

I. The representations and warranties made by Optionor in this Option Agreement shall be true in all material respects on the Closing Date.

9.7. Compliance with Subdivision Map Act. In addition to the conditions set forth in Sections 9.5 and 9.6, it shall be a condition to the Closing for the benefit of both Optionor

and Optionee that the conveyance of the PG&E Option Property or the Phase I Option Property, as the case may be, shall comply fully with the requirements of the California Subdivision Map Act (California Government Code Section 66410 et seq.) (the "Map Act"), or shall be exempt therefrom. Optionor and Optionee hereby agree that they shall cooperate reasonably with one another in causing the conveyance of the PG&E Option Property or the Phase I Option Property, as the case may be, to comply with the requirements of the Map Act or to be exempt therefrom. If reasonably necessary to cause the conveyance of the PG&E Option Property or the Phase I Option Property, as the case may be, to comply fully with the Map Act or to be exempt therefrom, Optionor shall use commercially reasonable efforts to assign to Buyer all of the right, title and interest which Optionor then has under the existing agreements between Optionor and PG&E for the acquisition of the PG&E Option Property or the Phase I Option Property, as the case may be, by Optionor, in a good faith effort to prevent any delay in the Closing Date.

10. CLOSING PROCEDURES.

10.1. Order of Performance. At the closing of the Escrow, the Title Company shall perform the following obligations in the following order:

A. It shall cause the Grant Deed to be recorded in the Official Records of Marin County, California.

B. It shall pay, at the time of the recording of the Grant Deed, and charge to the escrow account of Optionee, all closing costs to be paid by Optionee pursuant to the provisions of Section 11 below.

C. It shall charge to the escrow account of Optionee the amount of the Purchase Price, and shall credit such amount to the escrow account of Optionor.

D. It shall pay and charge to the escrow account of Optionor all sums necessary to discharge liens and encumbrances which Optionor is responsible for removing at or prior to the closing of the Escrow.

E. It shall pay, and charge to the escrow account of Optionor, all closing cost to be paid by Optionor pursuant to the provisions of Section 11 below.

F. It shall pay to Optionor all sums remaining in the escrow account of Optionor after the making of all payments therefrom and other charges thereto as set forth in this Section 10.1.

G. It shall pay to Optionee any sums remaining in the escrow account of Optionee after the making of all payments therefrom and other charges thereto as set forth in this Section 10.1.

10.2. Notice of Deficiencies. The Title Company shall immediately notify all parties in writing should it not receive any document, instrument or funds to be deposited into the Escrow by the date and time when such deposit is to be completed.

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11. EXPENSES OF CONVEYANCE.

The expenses of the Escrow and conveyance shall be paid in the following manner:

11.1. Title Insurance. The full cost of securing all policies and endorsements of title insurance, including the policy referred to in Section 8.3 above, shall be paid by Optionee.

11.2. Deed Preparation. The cost of preparing, executing and acknowledging the Grant Deed shall be paid by Optionor.

11.3. Prepayment Charges and Costs. All prepayment penalties, yield maintenance payments, reconveyance fees and other payments required to be paid to any holder of the Construction Financing or Take-Out Financing encumbering the PG&E Property or the Phase I Land, as the case may be, as of the Closing Date shall be paid by Optionee.

11.4. Recording Costs. The cost of recording the Grant Deed shall be paid by Optionee.

11.5. Escrow Fees. Any escrow fees charged by the Title Company for escrow services, if any, in excess of the cost of any policy of title insurance, shall be split equally between the parties.

11.6. Transfer Taxes. All transfer and excise taxes due in connection with the sale or conveyance of the PG&E Property or the Phase I Land, as the case may be, shall be paid by Optionor.

12. PRORATIONS. The following prorations shall be made between Optionor and Optionee on a basis of a thirty (30) day month (except as set forth below) as of the closing of the Escrow:

12.1. Real Estate Taxes and Personal Property Taxes. Current, non-delinquent general or special real property taxes and assessments and personal property taxes (on the basis of the fiscal year for such taxes) shall be apportioned through Escrow (on the basis of a 365-day year) as of 12:01 a.m. on the Closing Date. In making such apportionment, the fact of whether or not any reimbursements for such taxes have been paid prior to the Closing Date by Optionee under the Lease shall be taken into account. If the Closing Date shall occur before the real property tax rate is fixed, the apportionment of taxes shall be made on the basis of the tax rate for the preceding fiscal year applied to the latest assessed valuation. After the real property taxes are finally fixed, Optionor and Optionee shall make a recalculation of such apportionment and Optionor or Optionee as the case may be shall make an appropriate payment to the other based on such recalculation. Any supplemental assessment imposed with respect to the PG&E Option Property or the Phase I Option Property, as the case may be, shall be taken into account only with respect to the period as to which such supplemental assessment is levied.

12.2. Rentals. All rentals accruing or paid under the Lease that relate to the period which includes the Closing Date shall be apportioned through Escrow as of the Closing Date.

12.3. Utilities. Charges for utilities shall be apportioned by Optionee and Optionor outside of Escrow within four (4) weeks after the Closing Date.

12.4. Other Management Expenses. Any other amounts that relate to the operation, management, and leasing of the PG&E Property or the Phase I Land, as the case may be, that apply to a period including the Closing Date shall be apportioned through Escrow as of the Closing Date, to the extent not reimbursed by Optionee as a part of "Expenses" pursuant to the Lease.

13. POSSESSION. Optionor shall surrender and deliver to Optionee any and all claims of rights to possession of the PG&E Option Property or the Phase I Option Property, as the case may be, as of the closing of the Escrow.

14. CONDITION OF PROPERTY.

14.1. Representations by Optionor. Optionor shall use commercially reasonable efforts to enforce the representations and warranties made by PG&E in the Asset Sale Agreement for the benefit of Optionee to the extent that Optionee is not entitled to enforce the same for its own account. Optionor represents and warrants to Optionee that Optionor has no actual knowledge (without any independent investigation), as of the date of this Option Agreement, of any breach of such representations and warranties by PG&E. Optionor agrees that Optionee would not purchase the PG&E Option Property or the Phase I Option Property, as the case may be, without such representation or warranty of Optionor or the representations and warranties of Optionor set forth in other Sections of this Agreement, which are material and on which Optionee shall rely. Except as set forth in the preceding sentences of this Section 14.1 and in Section 17, Optionee hereby represents, warrants and agrees that it has not relied and will not rely upon any representation, warranty, agreement or understanding, express or implied, made or given by Optionor or by its agents, employees or representatives in determining whether to enter into this Option Agreement or to purchase the PG&E Property or the Phase I Land or any portion thereof and that it has relied and will rely solely upon the results of its own inquiries and investigations or on information received from independent third parties whom Optionee independently identifies and whom Optionee deems reliable.

14.2. Property Sold "AS IS". Except as otherwise provided in Sections 14.1 and 17, and except for Optionor's covenants and obligations under this Option Agreement (and, to the extent required to be performed prior to the Closing Date, the obligations of Optionee under the Lease and the Leasehold Improvements Agreement, excluding any obligation to correct latent defects the repair of which was not commenced before the Closing Date), Optionee acknowledges and agrees that it is purchasing the PG&E Property or the Phase I Land, as the case may be, "AS IS, WITH ALL FAULTS", that Optionor shall not be required to make any repairs or improvements thereon or for the benefit thereof, and that Optionor shall have no liability to Optionee with respect to the condition of the PG&E Property or the Phase I Land, as the case may be, or to the condition, design or adequacy of any improvements located thereon or the condition, design or adequacy of any improvements serving or protecting the PG&E Property or the Phase I Land, as the case may be, although not located thereon, whether such liability arises from the negligence of Optionor or otherwise. Each of Optionor and Optionee shall affirm to the other, by the execution and delivery of a certificate in the form attached hereto as Exhibit F, its warranties, representations, agreements and acknowledgments set forth in Sections 14.1, 17, 18, 22.3 and 22.4 at and as of the closing of the Escrow. Any costs to repair latent defects incurred after the Closing Date shall be a part of Phase I Project Cost.

15. SPECIFIC PERFORMANCE. In the event that Optionor fails to perform its obligations to sell the PG&E Property or the Phase I Land, as the case may be, following an effective exercise of one of the Options, the parties acknowledge that specific performance would

be an appropriate remedy and that the right to specific performance has not been waived or otherwise relinquished by Optionee.

16. PERFORMANCE UNDER OTHER AGREEMENTS. The rights of Optionee under this Option Agreement are granted in consideration of the obligations of Optionee under the Lease, the Leasehold Improvements Agreement, and the Phase II Purchase Agreement, and the obligations of Optionor under this Option Agreement are expressly conditioned upon the performance by Optionee of each of the obligations of Optionee which are to be performed on or before the Closing Date under the Lease (save and except for obligations which would ordinarily be regarded by a landlord of similar premises as immaterial), the Leasehold Improvements Agreement and the Phase II Purchase Agreement (except as otherwise provided in Section 2.4) within the times for such performance provided in such agreements (including the applicable grace period, if any, provided in such agreements with respect to any particular obligation). The performance by Optionee upon which the obligations of Optionor under this Option Agreement are conditioned include, without limitation, the full performance of the obligations of Optionee under Section 41 ("Limitation Upon Further Negotiations") of the Lease, but only to the extent that such obligations under Section 41 of the Lease were to have been performed prior to the exercise of an Option by Optionee.

17. WARRANTIES AND REPRESENTATIONS OF OPTIONOR. Optionor hereby represents and warrants to Optionee the following matters as of the date hereof, each of which shall also be true and complete as of the Closing Date as if made on the Closing Date; and each of the same shall be deemed independently material and shall survive the closing of the Escrow:

17.1. Capacity. Optionor is, and as of the closing of the Escrow will be, duly authorized and empowered to enter into and perform its obligations pursuant to this Option Agreement and all other agreements and documents described or contemplated hereby, and the execution and performance of this Option Agreement by Optionor does not and will not constitute a breach of any agreement which is binding upon Optionor and which pertains to the PG&E Property or the Phase I Land, as the case may be.

17.2. Organization and Qualification. Optionor is a limited partnership duly organized and existing under the laws of the State of California.

18. WARRANTIES AND REPRESENTATIONS OF OPTIONEE. Optionee hereby represents and warrants to Optionor the following matters as of the date hereof and each of which shall also be true and complete as of the Closing Date as if made on the Closing Date; and each of the same shall be deemed independently material and shall survive the closing of the Escrow:

18.1. Capacity. Optionee is, and as of the closing of the Escrow will be, duly authorized and empowered to enter into and perform its obligations pursuant to this Option Agreement and all other agreements and documents described or contemplated hereby, and the execution and performance of this Option Agreement by Optionee does not and will not constitute a breach of any agreement which is binding upon Optionee.

18.2. Organization and Qualification. Optionee is a corporation duly organized and existing under the laws of the State of Delaware, and is duly qualified to do business in the State of California.

19. DEVELOPMENT AGREEMENT.

A. Optionee shall use commercially reasonable efforts to cooperate with Optionor in obtaining the approval and execution of a Development Agreement by the City.

B. In the event that Optionor is unable for any reason to obtain the approval and execution by the City of the Development Agreement on or before May 1, 1998 and if Optionor is not then in material breach of any of its obligations under this Option Agreement, the Lease, the Leasehold Improvements Agreement, the Phase II Purchase Agreement or the Asset Sale Agreement, then Optionor may terminate this Option Agreement, the Lease, the Leasehold Improvements Agreement and the Phase II Purchase Agreement (but not less than all of them) by written notice to Optionee given at any time between May 16, 1998 and June 1, 1998 and before the date upon which the City executes the Development Agreement. Such termination shall be effective upon and as of the sixth (6th) business day following the date upon which Optionee receives such notice from Optionor, unless Optionee exercises the First Option prior to such effective date of the termination. In the event that Optionee so exercises the First Option, then Optionee shall purchase the PG&E Option Property (subject to the provisions of Section 2.13) from Optionor in its then condition, "as is, with all faults", and Optionor shall have no further obligation to obtain the approval of the Development Agreement or any other approval from the City or any other governmental agency.

C. In the event that Optionor has obtained the approval and execution of the Development Agreement on or before May 1, 1998, or in the event that execution of the Development Agreement has not occurred on or before such date but neither Optionor nor Optionee has duly executed any right of termination of this Option Agreement, the Lease, the Leasehold Improvements Agreement and the Phase II Purchase Agreement, and prior to the Closing Date an action is filed challenging the validity of any approvals for the Project issued by the City or any other governmental agency having jurisdiction over the Project, Optionor may request that Optionee notify Optionor, within five (5) days of the receipt by Optionee of such request from Optionor, whether Optionee will agree to pay all costs incurred by Optionor in connection with the defense of such action and/or in connection with any additional processing of applications (including, without limitation, any further environmental review) by the City or any other governmental entity required as a result of such action. Optionee shall respond to the request of Optionor within five (5) days of the receipt by Optionee of such request. In the event that Optionee fails to respond to such request within such period of five (5) days, then Optionor may give to Optionee a second request stating the failure of Optionee to respond to the first request and further stating that if Optionee does not respond to the second request within five (5) days of the receipt by Optionee of such second request, Optionee will conclusively be deemed to have agreed to pay, in the same manner as Phase II Current Costs, all such costs of defense and additional processing. In the event that Optionee fails to respond to such request within such period of five (5) days, Optionee will conclusively be deemed to have agreed to pay all such costs of defense and additional processing. If Optionee agrees (or is deemed to have agreed) to pay such costs, then the close of Escrow shall be delayed until the fiftieth (50th) day after the later to occur of: (i) the issuance of a final, non-appealable judgment or order in such action (or the expiration of the period for the appeal of any such order or judgment has expired without an appeal having been filed) denying and rejecting such challenge; or, (ii) if such challenge is found in such action to be meritorious and additional processing of applications (including, without limitation, any further environmental required review) by the City or any other governmental entity is required, all such additional processing has been completed, and the City has executed, or affirmed the validity of, the Development Agreement.

D. In the event that Optionor has obtained the approval and execution of the Development Agreement on or before May 1, 1998, or in the event that execution of the Development Agreement has not occurred on or before such date but neither Optionor nor Optionee has duly executed any right of termination of this Option Agreement, the Lease, the Leasehold Improvements Agreement and the Phase II Purchase Agreement, and prior to the Closing Date an action is filed challenging the validity of any approvals for the Project issued by the City or any other governmental agency having jurisdiction over the Project, and Optionee has not agreed (or is not deemed to have agreed) to pay the costs described in Section 20.C, then Optionor may, in its sole discretion, give a written notice to Optionee delaying the closing of the Escrow until the fiftieth (50th) day after the later to occur of: (i) the issuance of a final, non-appealable judgment or order in such action (or the expiration of the period for the appeal of any such order or judgment has expired without an appeal having been filed) denying and rejecting such challenge; or, (ii) if such challenge is found in such action to be meritorious and additional processing of applications (including, without limitation, any further environmental required review) by the City or any other governmental entity is required, all such additional processing has been completed, and the City has executed, or affirmed the validity of, the Development Agreement.

E. In the event that Optionor has obtained the approval and execution of the Development Agreement on or before May 1, 1998, or in the event that execution of the Development Agreement has not occurred on or before such date but neither Optionor nor Optionee has duly executed any right of termination of this Option Agreement, the Lease, the Leasehold Improvements Agreement and the Phase II Purchase Agreement, and an action is filed challenging the validity of any approvals for the Project issued by the City or any other governmental agency having jurisdiction over the Project, then Optionor may terminate this Option Agreement, the Lease, the Leasehold Improvements Agreement and the Phase II Purchase Agreement (but not less than all of them) by written notice to Optionee given at any time after May 1, 1998 and before the later of the date upon a final, non-appealable judgment or order has been entered in such action (or the period for the appeal of any order or judgment has expired without an appeal having been filed) or the date the City executes the Development Agreement. Such termination shall be effective upon and as of the sixth (6th) business day following the date upon which Optionee receives such notice from Optionor, unless Optionee exercises the First Option prior to such effective date of the termination. In the event that Optionee so exercises the First Option, then: (i) Optionee shall purchase the PG&E Property (subject to the provisions of Section 2.13) from Optionor in its then condition, "as is, with all faults"; (ii) Optionor shall have no further obligation to obtain the approval of the Development Agreement or any other approval from the City or any other governmental agency or to defend any pending or future action in respect of any such approval; (iii) Optionee may elect, by written notice to Optionor given at least forty (40) days prior to the Closing Date, either to require that Optionor obtain from PG&E, and convey to Optionee at the closing of the Escrow, title to the PG&E Property or to require that Optionor assign to Optionee at the closing of the escrow, in lieu of the conveyance of title to the PG&E Property to Optionee, all right, title and interest which Optionor then has under the existing agreements between Optionor and PG&E for the acquisition of the PG&E Property by Optionor. In the event that Optionee elects to have Optionor assign to Optionee all right, title and interest which Optionor then has under the existing agreements between Optionor and PG&E for the acquisition of the PG&E Property by Optionor, Optionor shall attempt to obtain the approval of PG&E to such an assignment. In the event that Optionor has not obtained such approval on or before the Closing Date, then Optionor shall, in lieu of making such an assignment at the closing of the Escrow, agree in writing with Optionee that Optionor will use all commercially reasonable efforts, when requested to do so by Optionee, to acquire and convey to Optionee title to the PG&E Property; provided, however, that the costs of all such effort shall be paid in their entirety by Optionee.

F. In the event that Optionor, at the closing of the Escrow and in lieu of making at the closing of the Escrow an assignment of all right, title and interest which Optionor then has

under the existing agreements between Optionor and PG&E for the acquisition of the PG&E Property by Optionor, agrees in writing with Optionee pursuant to Section 19.E that Optionor will use all commercially reasonable efforts, when requested to do so by Optionee, to acquire and convey to Optionee title to the PG&E Property, but Optionee has not given such a request to Optionor on or before the forty-fifth (45th) day preceding the day upon which the rights of Optionor to purchase the PG&E Property pursuant to such agreement would expire, then Optionor may, in its sole discretion, give to Optionee an written notice terminating the obligation of Optionor to acquire and convey to Optionee title to the PG&E Property, and Optionor may thereafter purchase the PG&E Property at its own cost and for its own account, without any obligation to convey the PG&E Property to Optionee or to reimburse to Optionee any expense incurred by Optionee.

20. ASSUMPTION AND INDEMNITY WITH RESPECT TO OBLIGATIONS OF OPTIONOR.

20.1. Assignment and Assumption of Obligations.

A. Upon the exercise by Optionee of the First Option, Optionor shall assign to Optionee, and Optionee shall assume all of the obligations of Optionor under, all agreements with service providers, mortgage brokers (but not lenders) or others pertaining to the design or construction of improvements pursuant to the Leasehold Improvements Agreement (excluding any such agreements which Optionee specifically requests not be so assigned), but only if and to the extent that the costs incurred or to be incurred pursuant to such agreements would be a part of Aggregate Development Cost. Optionor shall also be entitled to cease its efforts at proceeding with the design and construction of the Project. In the event of any default by Optionee of its obligation to purchase the PG&E Option Property following an exercise of the First Option, Optionee shall, upon the written request of Optionor, assign such agreements back to Optionor (excluding any such agreements which Optionor specifically requests not be so assigned back) and shall pay all amounts due pursuant to such agreements in respect of services rendered or consideration provided after the assignment to Optionee and prior to the assignment back to Optionor.

B. Following the exercise by Optionee of the Second Option, Optionor shall, at and as of the closing of the Escrow, assign to Optionee, and Optionee shall then assume all of the obligations of Optionor under, all agreements pertaining to the pertaining to the Phase I Option Property. The agreements to be so assumed by Optionee shall include, without limitation, any personal guaranty of any indebtedness or other obligations pertaining to the Project.

C. Following the exercise by Optionee of the Third Option, Optionor shall, at and as of the closing of the Escrow, assign to Optionee, and Optionee shall then assume all of the obligations of Optionor under, all agreements pertaining to the Phase I Option Property. The agreements to be so assumed by Optionee shall include, without limitation, any personal guaranty of any indebtedness or other obligations pertaining to the Project.

2.02. Indemnity by Optionee. Optionee hereby agrees to indemnify, defend and hold Optionor harmless from any claim, loss, or liability arising from or in connection with any failure by Optionee to perform any of the obligations assumed by Optionee in accordance with Section 20.1. Such agreement by Optionee to indemnify, defend and hold Optionor harmless shall apply, without limitation, to any litigation pertaining to the entitlements for the development of the Project or Phase II or the environmental review which was conducted in connection with the applications filed by Optionor for such entitlements.

20.3. Indemnity by Optionor. Optionor hereby agrees to indemnify, defend and hold Optionee harmless from any claim, loss, or liability arising from or in connection with any default by Optionor arising prior to such assignment in the performance by Optionor of the obligations of Optionor pursuant to the agreements assigned by Optionor to Optionee in accordance with Section 20.1. The foregoing notwithstanding: (i) to the extent that the performance of any such obligation by Optionor would have resulted in an expense which would be or have been a part a Phase I Project Cost or Phase II Current Costs, then the amount which would have been a part of Phase I Project Cost or Phase II Current Costs shall nevertheless remain a part of such Phase I Project Cost or Phase II Current Costs and shall not be an amount covered by this indemnity; and, (ii) to the extent that any default by Optionor arose in connection with any material breach by Optionee of its obligations under the Lease or the Leasehold Improvements Agreement or the letter agreements referred to in Section 3.5 of the Leasehold Improvements Agreement, Optionor shall not have any obligation to indemnify, defend or hold Optionee harmless with respect to such default. Such agreement by Optionor to indemnify, defend and hold Optionee harmless shall apply, without limitation, to any litigation pertaining to the entitlements for the development of the Project or Phase II or the environmental review which was conducted in connection with the applications filed by Optionor for such entitlements.

21. CERTAIN RIGHTS AND OBLIGATIONS OF LENDERS.

21.1. Subordination to Rights of Lenders. Within ten (10) days of a written request from Optionor to Optionee, Optionee shall execute such other and further instruments as may be required to subordinate the rights of Optionee pursuant to this Option Agreement to the interests of any lender under any mortgage, deed of trust or other instrument securing the repayment of funds for purposes of Construction Financing or Take-Out Financing; provided, however, that such lender shall agree in writing that, in the event of a foreclosure of the mortgage, deed of trust or other instrument, whether by action, pursuant to an exercise of the power of sale therein contained or otherwise, or delivery of a deed to the PG&E Option Property or the Phase I Option Property, as the case may be, or any part thereof or interest therein, in lieu of foreclosure of such mortgage, deed of trust or other instrument, or other proceeding brought to enforce the rights of the lender thereunder or under any other related security documents (collectively, a "Foreclosure Sale Event"), then the Options, to the extent that, and for so as, any one (1) or more of them have not expired by their respective terms unexercised, shall continue in full force and effect as direct options between Optionee and the succeeding owner who acquires title to all or any portion of the PG&E Option Property or the Phase I Option Property, as the case may be, as a result of such Foreclosure Sale Event, or any interest therein, upon and subject to the terms, covenants and conditions of this Option Agreement, and each succeeding owner will be bound by all of Optionor's obligations under this Option Agreement, except that each succeeding owner shall not:

A. be liable under this Option Agreement for damages accruing by reason of any previous act or omission of any prior owner of the PG&E Option Property or the Phase I Option Property, as the case may be, (including, without limitation, the lender or any receiver appointed in any such foreclosure action or proceeding, although each prior owner shall remain liable in damages for its own such acts or omissions) with respect to the Options;

B. be subject to any offsets, defenses or claims against the Purchase Price for the PG&E Option Property or the Phase I Option Property, as the case may be, thereafter becoming due under this Option Agreement which have accrued to Optionee against said prior owner with respect to the Options;

C. be bound by any modification of this Option Agreement or by any prepayment of the Purchase Price for the PG&E Option Property or the Phase I Option Property, as

the case may be (other than any deposit in Escrow), or by any waiver or forbearance on the part of Optionee made subsequent to the date the lender made the loan unless such modification, prepayment, waiver or forbearance was approved in writing by the lender;

D. be required to construct, install or pay for the construction or installation of any improvement, whether pursuant to the Leasehold Improvements Agreement or otherwise; or,

E. be bound for return of any deposit made on account of the Purchase Price for the PG&E Option Property or the Phase I Option Property, as the case may be (other than any deposit held by such succeeding owner or any deposit in Escrow but only if such succeeding owner has succeeded to the rights of Optionor with respect to such Escrow), unless the same either has been deposited in Escrow and such succeeding owner has succeeded to the rights of Optionor with respect to such Escrow or specifically transferred to such succeeding owner.

Optionee agrees that the succeeding owner's failure to perform the obligations of Optionor or any other prior landlord from which such succeeding owner is expressly and specifically excused pursuant to the provisions of Sections 21.1.A through 21.1.E above, inclusive, shall not constitute a default by the succeeding owner under the Lease or the Leasehold Improvements Agreement and Optionee shall have no rights against such succeeding owner on account of any such failure, except as otherwise expressly provided in this Option Agreement. Nothing contained in this Option Agreement shall, however, limit or otherwise adversely affect the rights or remedies of Optionee against Optionor.

21.2 Termination of Option upon Foreclosure. In the event a lender records a notice of default or notice of sale or otherwise commences proceeding to obtain a judicial declaration of foreclosure under any mortgage, deed of trust or other instrument securing the repayment of funds for purposes of Construction Financing or Take-Out Financing, such lender shall give Optionee written notice offering to sell the loan of such lender to Optionee for an amount equal to the then outstanding principal balance and all accrued and unpaid interest, charges, fees and penalties due under the Construction Financing (or, if the Construction Financing is not then outstanding, the Take-Out Financing), which amount shall be specified in the notice from such lender to Optionee. Optionee may accept such offer by written notice to such lender given within thirty (30) days of the receipt by Optionee of such notice from the lender. In the event that Optionee accepts such offer, then Optionee shall purchase, and such lender shall assign to Optionee, all of such lender's right, title and interest in the loan documents and instruments, and shall pay the purchase price thereof to lender. The closing of the purchase transaction shall occur on the fifteenth (15th) day following the acceptance of the offer by Optionee. In the event that Optionee does not accept such offer within such period of thirty (30) days, then such lender may, in its sole discretion and by written notice to Optionee, terminate any rights of Optionee pursuant to this Option Agreement or any contract resulting from any exercise of any of the Options, all without compensation to Optionee. Upon such a termination, neither Optionor nor such lender shall have any further obligations to Optionee under this Option Agreement, and Optionee shall execute, acknowledge and deliver to such lender a quitclaim of the rights of Optionee under this Option Agreement.

22. ADDITIONAL TERMS AND CONDITIONS.

22.1. Waiver and Termination of Subsequent Options. In the event that Optionee acquires the PG&E Option Property pursuant to the First Option, such acquisition shall constitute a waiver of, and shall terminate, the Second Option and the Third Option. In the event that Optionee exercises the Second Option, such exercise shall constitute a waiver of, and shall terminate, the Third Option.

22.2. Payable as Phase II Current Costs. Where this Option Agreement provides that an amount is payable in the same manner as Phase II Current Costs, such amounts shall be payable irrespective of whether or not any Phase II Current Costs are payable, either then or at any other time.

22.3. Brokerage Commissions of Optionor. Optionor hereby warrants and represents to Optionee that Optionor has not employed any broker or other party to whom a commission or finder's fee is due with respect to this transaction. Optionor hereby agrees to and does hereby indemnify and hold Optionee free and harmless from and against all claims, costs, liabilities or causes of action by any broker, agent or finder, licensed or otherwise, claiming through, under or by reason of the conduct of Optionor in connection with this transaction.

22.4. Brokerage Commissions of Optionee. Optionee hereby warrants and represents to Optionor that Optionee has not employed any broker or other party to whom a commission or finder's fee is due with respect to this transaction other than Sandy Greenblatt of H&L Commercial Real Estate, who shall be compensated by Optionee pursuant to a separate agreement between such broker and Optionee. Optionee hereby agrees to and does hereby indemnify and hold Optionor free and harmless from and against all claims, costs, liabilities or causes of action by any broker, agent or finder, licensed or otherwise, claiming through, under or by reason of the conduct of Optionee in connection with this transaction.

22.5. Options Personal to Optionee. The First Option, the Second Option and the Third Option are all personal to Fair, Isaac and Company, Inc., a Delaware corporation, and may not be assigned, transferred or sold, either directly or indirectly, to any other entity or person. The foregoing notwithstanding, Optionee may direct that Optionor convey the Option Property directly to an entity which is wholly-owned by Optionee or which is required to effectuate any off-balance sheet financing being undertaken by Optionee in connection with the development of the PG&E Property; provided, however, that: (i) such entity executes and delivers to Optionor an agreement, in form and substance reasonably satisfactory to Optionor, whereby such entity agrees to be bound by all of the elections and actions of Optionee with respect to this Option Agreement, the Lease or the Leasehold Improvements Agreement; (ii) such entity executes and delivers to Optionor an agreement, in form and substance reasonably satisfactory to Optionor, whereby such entity assumes, for the express benefit of Optionor, all of the obligations of Optionor under the Lease and the Leasehold Improvements Agreement and all other obligations which Optionee would have been required to assume had the PG&E Option Property or the Phase I Option Property, as the case may be, been conveyed to Optionee; (iii) Optionee shall not be released from any obligation or liability of Optionee hereunder; and, (iv) Optionee shall indemnify, defend and hold Optionor harmless from and any claim, cost, liability or cause of action arising from or in connection with the fact that the PG&E Option Property or the Phase I Option Property, as the case may be, is conveyed to such entity.

22.6. Foreign Investor Tax Reporting Requirements. Optionor hereby warrants to Optionee that such Optionor is not a foreign person, non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate, within the meaning of those terms set forth in Sections 1445 and 7701 of the Internal Revenue Code of the United States. Optionor shall also warrant, represent and certify to Optionee at the closing of the Escrow that Optionor is a foreign person, non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate, within the meaning of those terms set forth in Sections 1445 and 7701 of the Internal Revenue Code of the United States. Optionor shall also certify to Optionee whether or not Optionee is required to withhold a portion of the sales price from Optionor pursuant to the provisions of Sections 18805 and 26131 of the California Revenue and Taxation Code, and shall complete and deliver to Optionee at the closing of the Escrow Form 590 ("Withholding Exemption

Certificate") of the California Franchise Tax Board to establish such exemption.

22.7. Relationship. Nothing contained in this Option Agreement shall be deemed or construed by the parties or by any third person to create a relationship of principal and agent or a partnership or a joint venture among Optionee, Optionor or between any two or more of them and any third party.

22.8. Time. Time is of the essence of this Option Agreement and of each provision hereof. The time in which any act required or permitted by this Option Agreement is to be performed shall be determined by excluding the day upon which the event occurs from whence the time commences. If the last day upon which performance would otherwise be required or permitted is a Saturday, Sunday or holiday, then the time for performance shall be extended to the next day which is not a Saturday, Sunday or holiday. The term "holiday" shall mean all and only mandatory federal holidays during which deliveries by the United States Postal Service are suspended. All references herein to a particular time of day shall be to pacific standard time or, if then in effect, pacific daylight time.

22.9. Condemnation. In the event that the PG&E Property (or any portion thereof, the taking of which would materially interfere with the operation, use and enjoyment of the PG&E Property for purposes consistent with the provisions of the Lease) is the subject of a written notice from a governmental agency having the power of eminent domain that the governing body or board of such agency has made a preliminary determination that the agency plans to acquire, or has made a final determination that the agency will acquire, the PG&E Property (or any portion thereof, the taking of which would materially interfere with the operation, use and enjoyment of the PG&E Property for purposes consistent with the provisions of the Lease) by an exercise of the power of eminent domain, and Optionee elects to terminate the Lease and the Leasehold Improvements Agreement in accordance with their respective terms due to such taking, this Option Agreement shall terminate as to the portion of the PG&E Property as to which the Lease and the Lease Improvements Agreement were so terminated. In the event that this Option Agreement is terminated in accordance with the provisions of this Section 22.9, the respective rights and obligations of Optionee and of Optionor pursuant to this Option Agreement shall thereupon terminate. In the event that this Option Agreement is not terminated in accordance with the provisions of this Section 22.9, the closing of the Escrow following an exercise of any of the Options shall not be averted or delayed by reason of any exercise of the power of eminent domain with respect to a portion of the PG&E Property, although the award paid or to be paid respect of such taking shall be assigned (or, if received by Optionor, transferred) to Optionee at the closing of the Escrow. Optionor shall, until the closing of the Escrow, promptly notify Optionee of any condemnation or threat of condemnation from any governmental entity with respect to the PG&E Property, or any portion thereof, but only if Optionor has actual notice of such condemnation or threat thereof.

22.10. Risk of Loss. In the event that Optionee duly exercises one of the Options and the Site and Shell Improvements or the Tenant Improvements or both are damaged or destroyed prior to the closing of the Escrow (whether or not such damage or destruction precedes or follows such exercise), then, within fifteen (15) days of written notice of such damage or destruction from Optionor to Optionee, Optionee shall elect either: (i) to proceed with the closing of the Escrow and accept the Site and Shell Improvements or the Tenant Improvements, with the Closing Date being extended to permit Optionor and Optionee to perform any obligations which either of them may have under the Lease or the Leasehold Improvements Agreement to repair or replace the portions of the Site and Shell Improvements or the Tenant Improvements which were so damaged or destroyed; or, (ii) to accept the Site and Shell Improvements or the Tenant Improvements in their then condition, "as is, with all faults", together with all insurance proceeds payable in respect of such damage or destruction, to the extent that such proceeds are not claimed by the holder of any mortgage or deed of trust encumbering the Phase I Land (in the event of which

claim, the Purchase Price shall be reduced by an amount equal to the amount of such proceeds so claimed by such holder).

22.11. Escrow Cancellation Charges. If the Escrow should fail to close by reason of a default by Optionor hereunder, Optionor shall pay all title policy or escrow cancellation charges. If the Escrow should fail to close by reason of a default by Optionee hereunder, Optionee shall pay all title policy or escrow cancellation charges. If the Escrow should fail to close for any reason other than one of the foregoing, Optionee shall pay one-half of any title policy or escrow cancellation charges and Optionor shall pay one-half of any title policy or escrow cancellation charges.

22.12. Supersedence. This Option Agreement constitutes the understanding and agreement of the parties hereto pertaining to the Options and all prior agreements, understandings or representations pertaining to those matters are hereby superseded in their entirety.

22.13. Amendments. This Option Agreement is not subject to modification or amendment except by a writing executed by Optionee and Optionor.

22.14. Severability. Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and whenever there is any conflict between any provision herein and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but the provision of this Option Agreement affected shall be limited only to the extent necessary to bring it within the requirements of such statute, law, ordinance or regulation.

22.15. Choice of Law. This Option Agreement, and the interpretation and enforcement thereof, shall be governed by the laws of the State of California.

22.16. Waivers. No failure by Optionee or Optionor to insist upon a strict performance by the others of any covenant, term or condition of this Option Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any other breach or of such covenant, term or condition. No waiver of any breach shall affect or alter this Option Agreement, but each and every covenant, term and condition of this Option Agreement shall continue in full force and effect with respect to any other existing or subsequent breach.

22.17. Survival. All covenants, agreements and indemnities made and all obligations to be performed under the provisions of this Option Agreement, to the extent not performed at or before the closing of the Escrow (including, without limitation, Optionor's obligation to execute, acknowledge and deliver to Optionee quitclaim deeds and other documents as described in Sections 8.4 and 23.2), shall survive the closing of the Escrow, and shall not be deemed to merge with the Grant Deed upon delivery or acceptance thereof.

22.18. Notices. Any notice or other communication hereunder shall be in writing and shall be given personally, or by prepaid registered mail with return receipt requested or by commercial airfreight delivery service guaranteeing next day delivery. Notices may also effectively be given by transmittal over electronic transmitting devices such as telex or telecopy machine if the party to whom the notice is being sent has such a device in its office, provided that a standard machine-printed confirmation of the electronic transmission is provided and also provided that a complete copy of any notice so transmitted shall also be mailed in the same manner as required for a mailed notice. Notices which are mailed or forwarded by commercial airfreight delivery service shall be addressed as follows:

If to Optionee:

Fair, Isaac and Company, Inc.
120 North Redwood Drive
San Rafael, CA 94903-1996
Attn: Peter McCorkell, Esq.

If to Optionor:

Village Builders, L.P.
562 Mission St., Suite 201
San Francisco, CA 94105-2906
Attn: Controller

If to the Title Company:

First American Title Company of Marin
650 Fifth Avenue
San Rafael, CA 94901

Any notice required or permitted to be given under this Option Agreement shall be deemed given and received (i) when personally delivered, (ii) upon transmission when sent by electronic transmitting device (provided that a copy of such notice shall also be deposited with the United States Postal Service, first-class postage prepaid and return receipt requested, within twenty-four (24) hours after such transmission), (iii) the next day following the deposit of such notice with a commercial airfreight delivery service under circumstances where next day delivery is requested or is standard, or (iv) forty-eight (48) hours after deposit with the United States Postal Service, first-class postage prepaid and return receipt requested.

The address to which notices shall be sent may be changed by giving notice of such change in accordance with the provisions of this Section 22.18.

22.19. Attorneys' Fees. If Optionor or Optionee brings any arbitration or action for any relief against the other, declaratory or otherwise, arising out of this Option Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees, which shall be deemed to have accrued on the commencement of such action and shall be paid whether or not the arbitration or action is prosecuted to judgment.

22.20. Further Assurances. Optionor and Optionee shall each execute such other and further agreements as may reasonably be required to effectuate the purposes of this Option Agreement, provided that no such further agreement shall materially alter the rights and the obligations of the parties pursuant to this Option Agreement. Without limiting the foregoing, Optionor shall at all times after the close of Escrow cooperate with Optionee in its dealings with the City, the Agency and all consultants and other third parties with whom Optionor has worked in connection with the Project (excluding, however, Mr. Martin Zemcik and Mr. E. Glenn Isaacson), without, however, Optionor being required to incur any cost in connection with that cooperation.

22.21. Separate Counterparts. This Option Agreement may be executed in one or more separate counterparts, each of which, when so executed, shall be deemed to be an original. Such counterparts, together, shall constitute the one and the same instrument.

22.22. Exhibits. All Exhibits which are referred to in this Option Agreement and are attached hereto, are incorporated herein by reference and made a part hereof.

22.23. Captions, Number and Gender. The captions appearing at the commencement of the Sections and subsections hereof are descriptive only and for convenience in reference. Should there be any conflict between such caption and the Section or subsection at the head of which it appears, the Section and not such caption shall control and govern the construction of this Option Agreement. Unless the context otherwise requires, singular nouns and pronouns used in this Option Agreement are to be construed as including the plural thereof. For convenience and brevity, masculine pronouns are used herein in their generic sense as a reference to all persons, without regard to sex.

22.24. Memorandum of Option. Concurrently with Optionor's acquisition of fee title to the PG&E Property or any portion thereof, Optionor and Optionee shall execute, acknowledge and record a Memorandum of Option in the form of attached Exhibit G.

23. CONTINGENT PURCHASE PRICE.

23.1. Payment of Contingent Purchase Price. If Optionee exercises the First Option and acquires the PG&E Option Property pursuant thereto and, at any time prior to the third (3rd) anniversary of the Closing Date, Optionee offers to sell, transfer or convey any interest in the PG&E Option Property or any part thereof to a purchaser or transferee which is not either (a) a Synthetic Lease Lessor, or (b) directly or indirectly wholly-owned by Optionee, then Optionee shall deliver to Optionor written notice of Optionee's intention or offer to sell, transfer or convey any interest in the PG&E Option Property or any part thereof. Concurrently with the consummation of such sale, transfer or conveyance, Optionee shall pay to Optionor the Contingent Purchase Price in cash or immediately available funds.

23.2. Recordation of Memorandum of Agreement; Quitclaim Deed. On the Closing Date of Optionee's acquisition of the PG&E Option Property pursuant to an exercise of the First Option by Optionee, Optionor and Optionee shall each execute, acknowledge and record a memorandum of agreement in the form attached hereto as Exhibit H. Upon the earlier to occur of the date on which Optionee pays to Optionor the Contingent Purchase Price, or the date which is five (5) days after the receipt by Optionor of a written representation by Optionee that Optionee has not, at any time prior to the third (3rd) anniversary of such Closing Date, offered to sell, transfer or convey any interest in the PG&E Option Property or any part thereof in breach of Section 23.1, then Optionor shall execute, acknowledge and deliver to Optionee (or to such other person or entity as Optionee may request) a quitclaim deed (and/or such other documents as may be reasonably required) expressly terminating the memorandum of agreement described above only with respect to the obligation to pay the Contingent Purchase Price and quitclaiming to Optionee (or to such other person or entity as Optionee may request) all of Optionor's right, title and interest in and to the Contingent Purchase Price. Optionor's delivery of such quitclaim deed (and/or such other documents) shall be conditioned only on receipt of: (a) the Contingent Purchase Price, if Optionee has offered to sell, transfer or convey any interest in the PG&E Option Property in breach of Section 23.1; or (b) Optionee's written representation as described above in this Section 23.2.

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

OPTIONOR:

Village Builders, L.P.,
a California limited partnership

By VPI, Inc., a California corporation,
its General Partner

By

Its

OPTIONEE:

Fair, Isaac and Company, Inc.,
a Delaware corporation

By

Its

TABLE OF CONTENTS

* * * * *

TABLE OF EXHIBIT REFERENCES

LEASEHOLD IMPROVEMENTS AGREEMENT

by and between

Village Builders, L.P.,
a California limited partnership

("Landlord")

and

Fair, Isaac and Company, Inc.,
a Delaware corporation

("Tenant")

Dated as of November 26, 1997

EXHIBIT 10.34

LEASEHOLD IMPROVEMENTS AGREEMENT

THIS LEASEHOLD IMPROVEMENTS AGREEMENT (this "Leasehold Improvements Agreement") is made and entered into as of November 26, 1997, by and between Village Builders, L.P., a California limited partnership (herein called "Landlord"), and Fair, Isaac and Company, Inc., a Delaware corporation (herein called "Tenant").

RECITALS

A. Landlord is the holder of an option to acquire those certain parcels of real property commonly known as 750 and 751 Lindaro Street, San Rafael, California, more particularly described on Exhibit D hereto and described on the tentative site plan attached hereto as Exhibit G (the "PG&E Property"). The parties acknowledge that the legal description of the PG&E Property may be revised in accordance with the provisions of the Option Agreement (as defined below).

B. The City of San Rafael or its Redevelopment Agency (the "Agency") is the owner of those certain parcels of real property described on Exhibit C hereto (the "City Property"). The Agency has begun the process necessary to dispose of the City Property, and it is Landlord's intention to obtain an option to purchase the City Property from the Agency if possible.

C. Landlord and Tenant are entering into a "Lease Agreement (Phase I)" of even date herewith (the "Lease"), whereby Landlord will lease to Tenant, and Tenant will lease from Landlord, upon and subject to the terms, covenants, provisions and conditions of the Lease, certain real property described in Exhibit A hereto and certain improvements to be constructed on such real property in accordance with this Leasehold Improvements Agreement.

D. Landlord and Tenant desire to enter into this Leasehold Improvements Agreement for the purpose of establishing the procedures which they shall each follow in the development and approval of plans and specifications for the base building improvements and the tenant improvements which are to be demised to Tenant pursuant to the Lease, in the making and processing of applications to the Agency and the City of San Rafael for the approval of the proposed construction of such base building improvements and the tenant improvements, and for the actual construction of such base building improvements and the tenant improvements.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant mutually agree as follows:

1. DEFINITIONS.

Certain terms used in this Leasehold Improvements Agreement and the Exhibits hereto shall have the meaning set forth below for each such term. Certain other terms shall have the meaning set forth elsewhere in this Leasehold Improvements Agreement and the Exhibits hereto. Unless otherwise defined in this Leasehold Improvements Agreement or in the Exhibits hereto, other terms shall have the meaning, if any, specifically ascribed to them in the Lease.

1.1. "Agreed Spread for Take-Out Financing" shall mean five hundred fifteen (515) basis points, unless Tenant exercises the First Option under the Option Agreement, in which event "Agreed Spread for Take-Out Financing" shall mean five hundred forty (540) basis points. The foregoing notwithstanding, in the event that the Construction Financing or Take-Out Financing or both selected by Landlord for the Project requires that prevailing wages be paid or that

union labor be used in connection with the construction of the Project, as provided in Section 0, the "Agreed Spread for Take-Out Financing" shall be reduced to five hundred five (505) basis points, unless Tenant exercises the First Option under the Option Agreement, in which event "Agreed Spread for Take-Out Financing" shall mean five hundred thirty (530) basis points. The Agreed Spread for Take-Out Financing shall be subject to adjustment in accordance with the provisions of Section 0.

1.2. "Agreed Take-Out Financing Closing Costs" shall mean the sum of Five Hundred Sixty-Five Thousand Dollars ($565,000.00).

1.3. "Aggregate Development Cost" shall mean the aggregate of all costs paid or to be paid, or reimbursed or to be reimbursed, by Landlord and associated with the development of the Project or improvements upon or serving the Phase II Land (but only to the extent that improvements upon or serving the Phase II Land are constructed during or before the Construction Period), including without limitation: (i) a sum equal to the Net Stipulated Value of the PG&E Property; (ii) the actual cost to Landlord of arranging the acquisition of the City Property; (iii) all actual costs of the design and construction of the Site and Shell Improvements and of all improvements to the Phase II Land, including without limitation parking areas, landscaping, walkways, driveways; (iv) the Tenant Improvement Allowance; (v) all fees and charges of architects, engineers, materials testing consultants and other design or construction consultants; (vi) any costs of reproducing plans; (vii) any fees or costs of providing security to the Project or to the site of any off-site construction during the Construction Period; (viii) all fees and costs in soliciting, evaluating and accepting bids for any aspect of the work which Landlord is to cause to be performed pursuant to this Leasehold Improvements Agreement; (ix) all reasonable fees and costs (including, without limitation, application fees, commitment fees, appraisal fees, deposits, closing costs and loan fees) incurred in connection with the Construction Financing for the Project or any loan which would have provided Construction Financing, even if such loan was not closed due to the expiration for any reason of the lender's commitment to make such loan (provided, however, that if such expiration was solely caused by Landlord's failure to perform obligations under the commitment which were in the complete control of Landlord, then such fees and costs with respect to the expired commitment shall not be included in Aggregate Development Cost); (x) all reasonable fees and costs (including, without limitation, application fees, commitment fees, appraisal fees and deposits) incurred in connection with investigating or applying for and obtaining Take-Out Financing, but only with respect to a particular loan which is not closed due to causes which are not completely within the control of Landlord or if Tenant requests that Landlord select the Designated Treasury Rate in accordance with Section 19.2.A and, as a result, Landlord must subsequently obtain by another loan commitment pursuant to Section 19.2 (in which event break-up fees and other fees, costs, charges of the kinds and to the extent described in Section 1.3 of the Option Agreement pertaining to Landlord's prior loan commitment shall also be a part of Aggregate Development Cost) (except to the extent that such fees and costs are paid by Tenant pursuant to Section 0); (xi) the Agreed Take-Out Financing Closing Costs; (xii) all permit fees and all fees and charges for services rendered by employees of the City of San Rafael or consultants hired directly by the City of San Rafael in connection with the application for, or issuance of, the necessary demolition, grading, building and similar permits required for the construction of the Project; (xiii) all reasonable legal fees incurred in connection with the Project, including, without limitation, legal fees incurred in connection with the negotiation, documentation, enforcement or interpretation of any agreement, except: (A) agreements between Landlord and Tenant, (B) agreements between Landlord and PG&E, and (C) legal fees to obtain the Development Agreement (as defined in the Option Agreement) and the entitlements described in section 8.2(j) of the Phase II Purchase Agreement, which legal fees are paid or incurred on or before the date the Development Agreement and such entitlements are obtained from all applicable governmental agencies (however, the foregoing clause (C) shall not exclude from Aggregate Development Costs reasonable legal fees actually paid by Landlord to arrange the acquisition of the City Property); (xiv) fees and costs of

audits or other reviews of financial records incurred in connection with any review of Aggregate Development Cost which Tenant is permitted to conduct in accordance with the provisions of this Leasehold Improvements Agreement or in connection with the requirements of any lender of Construction Financing or Take-Out Financing; (xv) premiums for, and other costs of, surety bonds or other security required in connection with any aspect of the development of Phase I or Phase II, to the extent that such security is provided by Landlord and not by Tenant; (xvi) all costs reimbursed by Landlord to Tenant pursuant to Section 0; (xvii) all fees and costs incurred in connection with Hazardous Materials or environmental mitigation measures undertaken in connection with Project, including, without limitation, the obligations of Landlord with respect to the "Operations and Maintenance of Groundwater Remedial System", as such obligations are set forth in paragraph "6e.(1)" of the PG&E Environmental Agreement; (xviii) all Real Estate Taxes payable, based upon a daily proration, with respect to the Construction Period (it being agreed that all real estate taxes payable with respect to such period shall be excluded from Real Estate Taxes, as that term is defined in Section 0); (xix) all interest on Construction Financing; provided, however, that interest on the amount by which the principal loan balance exceeds an amount equal to eighty-five percent (85%) of all Phase I Project Cost shall be excluded from Phase I Project Cost (for the purpose of determining the portion of interest to be so excluded, if the Construction Financing bears interest at different rates on different tranches of the loan, the interest to be so excluded shall be determined at the rate or rates applicable to the borrowing of the tranches which exceed eighty-five percent (85%) of all Phase I Project Cost, applying the rates on a tranche by tranche basis, commencing with the rate applicable to the lowest tranche, provided further, however, that commencing on each Rent Commencement Date (as defined in the Lease), the amount of interest included in Aggregate Development Cost shall be reduced to an amount equal to the total amount of such interest multiplied by a fraction, the numerator of which is the Rentable Area of the portions of the Buildings with respect to which Tenant is not then paying rent, and the denominator of which is the Rentable Area of all of the Buildings; (xx) all deposits (including, without limitation, deposits in connection with any utility service or Take-Out Financing), provided that the amount of any such deposits returned to Landlord shall be deducted from Aggregate Development Cost when received, but only to the extent that such deposits were previously included in Aggregate Development Cost; (xxi) reasonable fees and expense reimbursements, if any, paid to a mortgage broker in connection with Construction Financing; (xxii) in the event, and during any period, that the proceeds of Construction Financing are, in the aggregate, less than eighty-five percent (85%) of all Phase I Project Cost then incurred and paid, then there shall be included in Phase I Project Cost imputed interest at the rate of fifteen percent (15%) per annum on the amount by which eighty-five percent (85%) of all Phase I Project Cost so incurred and paid exceeds the then advanced proceeds of the Construction Financing, provided further, however, that commencing on each Rent Commencement Date (as defined in the Lease), the amount of such imputed interest included in Aggregate Development Cost shall be reduced to an amount equal to the total amount of such imputed interest multiplied by a fraction, the numerator of which is the Rentable Area of the portions of the Buildings with respect to which Tenant is not then paying rent, and the denominator of which is the Rentable Area of all of the Buildings; (xxiii) all fees, costs and expenses incurred by Landlord in connection with the satisfaction of any condition or requirement imposed by the City of San Rafael or any other governmental agency or public utility in connection with any permit, approval or agreement (including the development agreement) required for the development of the Project, including, without limitation, any traffic or other impact fees, traffic mitigation fees, utility hook-up or service fee and improvements to, or adjacent to, Mahon Creek; (xxiv) all amounts expended in connection with site work and on and off-site improvements required for the use or operation of the Project or required to be constructed or paid for as a condition to any permit, approval or agreement (including the development agreement) necessary to the construction or use of the Base Building Improvements or Tenant Improvements; (xxv) all reasonable legal fees and reasonable fees of other technical consultants incurred in connection with the negotiation and documentation of (A) any agreement pertaining to the design and construction of the Project or any portion thereof, or (B) any agreement pertaining to the design, construction,

performance or security for any improvement or payment imposed as a condition upon any approval by the City of San Rafael of any permit or approval required for the development of the Project, but only to the extent the such agreement would typically and ordinarily be negotiated and documented after the governmental approval of a tentative tract map; (xxvi) all premiums for insurance in force following the Commencement of Construction, excluding any premiums included in Expenses charged to Tenant pursuant to the Lease; (xxvii) title insurance premiums, escrow fees and recording costs incurred during the Construction Period or incurred in connection with the Construction Financing (but not Take-Out Financing), except title insurance premiums, escrow fees and recording costs in connection with the acquisition by Landlord of the PG&E Property; (xxviii) all costs paid to contractors or materials suppliers in connection with the correction of Punch List, Defect List or HVAC Defect List items or other construction defects, but only if Landlord has used commercially reasonable efforts to enforce its legal remedies against the contractors and suppliers which performed the original work to which the Punch List, Defect List or HVAC Defect List items related to the extent such efforts were required to be made by Landlord prior to any closing under the Option Agreement; and, (xxix) any other costs which are specifically stated to be Phase I Project Costs or Phase II Current Costs elsewhere in this Leasehold Improvements Agreement.

_.Aggregate Development Cost shall not include: (i) the price paid by Landlord for the acquisition of the PG&E Property; (ii) Landlord's ordinary overhead; (iii) the cost of preparing an environmental impact report for the Project, including, without limitation, the cost of preparing an initial study and scoping the environmental impact report; (iv) fees and expenses of all consultants retained by Landlord for the purpose of obtaining approval by the City of San Rafael of any of the permits and approvals required for the development of the Project (although fees and expenses of consultants whose work pertains to the design or engineering of the Project or any part thereof or to the obtaining of the necessary demolition, grading, building and similar permits or to agreements or arrangements with utility providers, shall be included as a part of Aggregate Development Cost, even if such work occurs in connection with aspects of obtaining required permits and approvals from the City of San Rafael; provided, however, that fees for appearances at meetings with officials of the City of San Rafael pertaining to subjects other than the obtaining of the necessary demolition, grading, building and similar permits or the obtaining of agreements or arrangements with utility providers shall be excluded from Aggregate Development Costs); (v) charges for the work or time of employees of the City of San Rafael, to the extent pertaining to environmental review and zoning matters (including, but not limited to, the preparation of an environmental impact report and the negotiation of a development agreement), other than as expressly permitted in Section 0; (vi) all expenses incurred by Landlord in connection with any election campaigns pertaining to initiatives or referenda pertaining to the Project; (vii) all legal fees and fees and expenses for public relations incurred directly in connection with obtaining the approval by the City of San Rafael of the necessary permits and approvals required for the development of the Project other than necessary demolition, grading, building and similar permits authorizing the commencement of construction-related work (although fees and expenses of consultants whose work pertains to the design or engineering of the Project or any part thereof shall be included as a part of Aggregate Development Cost, even if such work occurs in connection with aspects of obtaining required permits and approvals from the City of San Rafael); (viii) all legal fees incurred in connection with the negotiation or documentation of the development agreement with the City of San Rafael, the acquisition of the PG&E Property, and agreements to the extent pertaining to the environmental condition of the PG&E Property; (ix) all legal fees incurred in connection with the resolution of disputes between Landlord and Tenant under the Lease or this Leasehold Improvements Agreement; (x) all costs, if any, incurred in connection with the relocation of the 115KV overhead electrical utility line from the central portion of the Phase I Land to a location further south, to the extent that the cost of such relocation is paid by Landlord; (xi) costs incurred by Landlord in connection with the operation and maintenance of the Phase I Land prior to the Commencement of Construction, including Real Estate Taxes, insurance premiums, and

other costs of ownership not related to obtaining the approval by the City of San Rafael of any of the necessary permits and approvals required for the development of the Project (although all fees and expenses of consultants whose work pertains to the design or planning of the Project or any part thereof shall be included as a part of Aggregate Development Cost, even if such work occurs in connection with aspects of obtaining required permits and approvals from the City of San Rafael); (xii) costs paid directly by Tenant in connection with any Modifications; (xiii) costs paid directly by Tenant as a result of any Delays; (xiv) any costs paid by Tenant directly to a vendor or service supplier and without credit against Rent or against any other sum due from Tenant to Landlord, even if such costs would otherwise have been a part of Phase I Project Cost; (xv) salaries and other compensation paid to Martin Zemcik, Glenn Isaacson, Conversion Management Associates, Inc. or any other person or entity providing similar general development consulting services or third-party development management services; and (xvi) any other costs which are specifically stated to be excluded from Aggregate Development Cost elsewhere in this Leasehold Improvements Agreement.

1.4. "Base Building Improvements" shall mean the improvements described in Section 0.

1.5. "Budget" shall mean that budget attached to this Leasehold Improvements Agreement as Exhibit H hereto, as hereafter modified from time to time in accordance with this Leasehold Improvements Agreement, based upon additional information or analyses received or generated by Landlord or Tenant. Landlord and Tenant acknowledge and agree that Estimated Phase I Project Cost, as set forth in such budget, represents a reasonable estimate of Phase I Project Cost, based on the information available to each of them, and is to be used for the convenience of the parties in arranging Take-Out Financing (as provided in Section 0), but shall not be used or cited as a limitation for the purpose of determining actual Aggregate Development Cost, as that term is defined in Section 0.

1.6. "Commencement of Construction" shall mean the time at which Landlord instructs its contractor to commence, pursuant to a grading or building permit which has then been issued by the City of San Rafael, grading necessary to permit the construction of the improvements which are to be a part of Phase I.

1.7. "Common Area" shall mean all areas and facilities within the Project located outside the Premises and intended for the use of tenants of the Buildings, including the landscaped areas, service areas, parking areas, recreation areas, trash enclosures, plazas, walkways, driveways, sidewalks, access and perimeter roads, and the like; but excluding from the Common Area the Containment Facilities (as those are defined in the Lease) and any area contained within the boundaries of an exclusive easement granted to PG&E.

1.8. "Conceptual Plans for the Tenant Improvements" shall mean and refer to the conceptual plans for the Tenant Improvements referred to in Section 0.

1.9. "Construction Financing" shall mean any loan arranged by Landlord the proceeds of which loan are primarily used or to be used for any or all of the following purposes: (i) the acquisition of the PG&E Property; (ii) the payment of any costs incurred or to be incurred in connection with the design or construction of the Project or other improvements in connection therewith; or, (iii) the reimbursement to Landlord of funds expended or reimbursed by Landlord in connection with the acquisition of the PG&E Property or the design, construction or development of the Project or other improvements in connection therewith. In the event that Landlord does not elect to obtain a loan secured by a Mortgage to provide funds for such purposes, but instead obtains funds for those general purposes from a source of capital which charges interest or other fees for the use of such funds during the Construction Period, then the funds so obtained shall be deemed

Construction Financing for the purposes of this Leasehold Improvements Agreement during the period prior to the Last Rent Commencement Date (but only to the extent that such funds do not exceed eighty-five percent (85%) of Phase I Project Cost) and shall be deemed to bear interest at the lowest rate for which a conventional construction loan to have been secured by a mortgage was offered to Landlord in connection with the Project.

1.10. "Construction Period" shall mean the period commencing with the Commencement of Construction and continuing to and including the Last Rent Commencement Date.

1.11. "Criteria for Take-Out Financing" shall mean all of the following terms (any of which may be waived by Landlord in the exercise of its sole discretion): (i) the Take-Out Financing would provide actual proceeds (net of fees, closing expenses and points) in an aggregate amount equal to not less than seventy-five percent (75%) of the then current Estimated Phase I Project Cost; (ii) the Take-Out Financing would require payment of not more than one hundred (100) basis points as a loan fee at the closing of the loan; (iii) the Take-Out Financing would require payment of a deposit of not more than two hundred (200) basis points prior to the closing of the loan; (iv) the Take-Out Financing would be for a term, including possible extensions, of at least fifteen (15) years; (v) the Take-Out Financing would be amortized over a period of not more than thirty (30) years; (vi) no tranche of the loan would require any balloon payment; (vii) each tranche would be at a fixed rate of interest over its term; (viii) the Take-Out Financing would impose no potential liability on Landlord and its constituent partners, nor require any guarantees; (ix) the lender would consent to the parking for Phase I being located upon the Parking Easement Area or such other area within Phase II as to which the parking easement could be moved from the Parking Easement Area pursuant to the Parking Easement Agreement; (x) the Take-Out Financing would not require any security other than a Mortgage encumbering the Project, a related assignment of rents from the Project and a security interest in the right of Tenant to park on a portion of the Phase II Land; (xi) the Take-Out Financing would be from a lender whose reputation and financial position provide reasonable assurance that the lender will perform all of its obligations under the loan in a timely manner; (xii) if the lender intends to sell the loan or if the loan is subject to any condition requiring a third party credit review or rating, such lender shall have stated in writing that its chief underwriter has consulted with the prospective purchaser of the loan or the third party credit reviewer or rating agency regarding the Hazardous Materials present on the Phase I Land and regarding the credit of Tenant; (xiii) the Take-Out Financing would be from a lender other than Tenant or any entity related to Tenant or any affiliate, subsidiary, parent entity or successor by merger to Tenant; (xiv) the Take-Out Financing would accept Tenant as a potential borrower under the loan; (xv) would be consistent with the arrangements concerning subordination, non-disturbance and recognition set forth in the Lease, this Leasehold Improvements Agreement or the Option Agreement; and, (xvi) the Take-Out Financing would coordinate with the Construction Financing to be selected by Landlord, including, without limitation, the execution of any buy-sell agreement or tri-party agreement required by the lender of the Construction Financing. Landlord, in the exercise of its sole discretion, may, by written notice to Tenant, waive one or more such criteria or agree that a particular criterion can be modified in a manner which is adverse to Landlord without being waived in its entirety. Landlord shall, however, consult reasonably with Tenant as to, but shall not be required to accept, the modification of such criteria if no loan is found which meets all of the criteria, except those which Landlord is prepared to waive.

1.12. "Defect List" shall mean a written list to be given by Tenant to Landlord in accordance with the provisions of Section 0.

1.13. "Delays" shall mean certain delays in the construction of the Site and Shell Improvements or the Tenant Improvements or both, as described in Section 0.

1.14. "Designated Treasury Rate" shall mean the yield rate determined in accordance with the provisions of Section 0.

1.15. "Development Constant" shall mean the sum of: (i) the Designated Treasury Rate; plus, (ii) the Agreed Spread for Take-Out Financing.

1.16. "Descriptive Base Specifications" shall mean the descriptive specifications attached to this Leasehold Improvements Agreement as Exhibit E, as referred to in Section 0.

1.17. "Draft Working Drawings for the Tenant Improvements" shall mean and refer to those certain draft working drawings for the Tenant Improvements referred to in Section 0.

1.18. "Estimated Phase I Project Cost" shall mean the estimate of Phase I Project Cost set forth in the Budget.

1.19. "Event of Default" shall mean an Event of Landlord Default or an Event of Tenant Default, without inherent specificity as to which of them.

1.20. "Event of Landlord Default" shall mean those circumstances so described in Section 0.

1.21. "Event of Tenant Default" shall mean those circumstances so described in Section 0.

1.22. "Final Working Drawings for the Tenant Improvements" shall mean and refer to those certain final working drawings for the Tenant Improvements referred to in Section 0.

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1.23. "Floor" shall mean any one of the interior floors of the Buildings.

1.24. "Floor Substantial Completion Notice" shall mean and refer to a notice from Landlord to Tenant that the Tenant Improvements for a particular Floor within a Building are Substantially Complete, as provided in Section 0.

1.25. "Force Majeure Events" shall mean acts of God or the elements, acts of the government, labor disturbances of any character, and other similar conditions, beyond the reasonable control of the party whose performance, obligation or liability is excused or delayed by such event.

1.26. "Gross Building Area" shall be determined in accordance with the "Standard Method for Measuring Floor Area in Office Buildings", approved as of June 7, 1996 by the American National Standards Institute, Inc. (ANSI/BOMA Z65.1-1996).

1.27. "Hazardous Materials" shall mean and refer to any substance or material now or hereafter defined or regulated by any Environmental Law as "hazardous substance," "hazardous waste," hazardous material," "extremely hazardous waste," "designated waste," "restricted hazardous waste," "toxic substance," or similar term. As used herein, the term "Hazardous Materials" also means and includes any substance or material: (1) which is explosive, corrosive, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is regulated by any appropriate governmental authority as a hazardous material; or (2) which is or contains oil, gasoline, diesel fuel or other petroleum hydrocarbons; or (3) which is or contains polychlorinated biphenyls, asbestos, urea formaldehyde foam insulation, radioactive materials; or (4) which is radon gas. The term "Hazardous Substances" may include without limitation raw materials, building components, wastes, and the products of any manufacturing or other activities on the Project.

1.28. "HVAC Defect List" shall mean a written list to be given by Tenant to Landlord in accordance with the provisions of Section 0.

1.29. "Laws" shall mean all present and future laws, statutes, ordinances, resolutions, regulations, codes, proclamations, orders or decrees of any municipal, county, state or federal government or other governmental or regulatory authority or special district with jurisdiction over the Project, or any portion thereof, whether currently in effect or adopted in the future and whether or not in the contemplation of the parties hereto.

1.30. "Modifications" shall mean and refer to certain changes to the Final Working Drawings for the Tenant Improvements which Tenant may make in accordance with Section 0.

1.31. "Mortgage" shall mean any mortgage, deed of trust or similar security instrument now or hereafter encumbering Phase I or any part thereof (whether alone or together with other properties).

1.32. "Necessary Approvals" shall mean and refer to those certain governmental permits and approvals necessary to permit the construction of the Site and Shell Improvements and the Tenant Improvements, as referred to in Section 0.

1.33. "Necessary Changes" shall mean and refer to changes to the plans and specifications for the Site and Shell Improvements and the Tenant Improvements made for the purposes referred to in Section 0.

1.34. "Net Stipulated Value of the PG&E Property" shall mean the sum of

Nine Million Three Hundred Fifty Thousand Dollars ($9,350,000.00).

1.35. "Option Agreement" shall mean that certain "Option Agreement" between Landlord and Tenant of even date herewith.

1.36. "Parking Easement" shall mean that certain easement for vehicular parking to be granted in the Parking Easement Agreement.

1.37. "Parking Easement Agreement" shall mean that certain "Parking Easement Agreement" to be executed by Landlord and Tenant, as referred to in the Phase II Purchase Agreement.

1.38. "Parking Easement Area" shall mean that portion of the Phase II Land located within the easement granted pursuant to the Parking Easement Agreement.

1.39. "PG&E" shall mean and refer to Pacific Gas & Electric Company.

1.40. "PG&E Environmental Agreement" shall mean that certain "Amended and Restated Environmental Agreement" to be executed by Landlord and PG&E.

1.41. "PG&E Property" shall mean that certain real property owned by Pacific Gas & Electric Company as of the date of this Leasehold Improvements Agreement and more particularly described in Exhibit D. The parties acknowledge that the legal description of the PG&E Property may be revised in accordance with the Option Agreement.

1.42. "Phase I" shall mean the Phase I Land, the Buildings and the other improvements to be constructed by Landlord on the Phase I Land in accordance with the provisions of the Lease and this Leasehold Improvements Agreement, together with the landscaping and paving improvements within the Parking Easement Area necessary to provide parking on the Phase II Land for the use of Phase I. A tentative site plan for Phase I is attached hereto as Exhibit G.

1.43. "Phase I Buildings" shall mean the Buildings to be constructed by Landlord on the Phase I Land pursuant to this Leasehold Improvements Agreement. Subject to obtaining required permits and approvals from the City of San Rafael and other governmental agencies having jurisdiction over the Project, it is the intention of Landlord and Tenant that there be two (2) office Buildings located on the Phase I Land, together containing approximately one hundred forty-nine thousand six hundred eighty-six (149,686) square feet of Rentable Area, with one such Building (known as "Building A") containing approximately eighty-one thousand six hundred seventy-one (81,671) square feet of Rentable Area and the other (known as "Building B") containing approximately sixty-eight thousand fifteen (68,015) square feet of Rentable Area.

1.44. "Phase I Land" shall mean those certain parcels of real property described in Exhibit A. The parties acknowledge that the legal description of the Phase I Land may be revised in accordance with the Option Agreement.

1.45. "Phase I Project Cost" shall mean the aggregate of: (i) the difference between the Aggregate Development Cost and the Phase II Current Costs paid by Tenant pursuant to Section 0; and (ii) a basic development management fee in the amount of Thirty-Two Thousand Five Hundred Dollars ($32,500.00) per month, commencing as of the month of January 1998 and continuing for a period of twenty-three (23) additional months thereafter. Any other provision of this Agreement notwithstanding, in no event shall any amount actually paid by Tenant (whether as a part of Phase II Current Costs or otherwise) be deemed a part of Phase I Project Cost, unless Landlord has actually reimbursed such amount to Tenant.

1.46. "Phase II" shall mean the Phase II Land and the other improvements to be constructed by Landlord on the Phase II Land in accordance with the provisions of this Leasehold Improvements Agreement (including the landscaping and paving improvements within the Parking Easement Area). A tentative site plan for Phase II is attached hereto as Exhibit G.

1.47. "Phase II Current Costs" shall mean the aggregate of the following costs, all of which are a portion of the Aggregate Development Cost: (i) the purchase price for the Phase II Land paid by Tenant to Landlord pursuant to the Phase II Purchase Agreement; (ii) the actual cost to Landlord of arranging the acquisition of the City Property; (iii) all actual costs and expenses of the design and construction of all improvements in the Parking Easement Area; (iv) the cost of all fill materials placed on the Phase II Land by Landlord; (v) the cost of all utilities installed for the present or future benefit of the Phase II Land or any improvements constructed thereon or which may be constructed thereon in the future; (vi) all fees and charges of architects, engineers, materials testing consultants and other design or construction consultants, to the extent that such fees and charges relate to the design of buildings and other improvements to the Phase II Land; (vii) any other component of Aggregate Development Cost, to the extent that such component relates to the improvements to be installed on the Phase II Land, whether at or about the same time as the Site and Shell Improvements or at a later time, allocating any costs which pertain both to Phase I and to Phase II in accordance with the schedule of allocations set forth in Exhibit H; (viii) the aggregate cost of the design and construction of the common area entrance and plaza areas to the extent located on Phase II; (ix) all permit fees and all fees and charges for services rendered by employees of the City of San Rafael or consultants hired directly by the City of San Rafael in connection with the application for, or issuance of, the Necessary Approvals required for the construction of the improvements to be located upon the Phase II Land; (x) all costs reimbursed by Landlord to Tenant pursuant to Section 0, to the extent that such costs pertain to improvements to be located upon, or to serve, the Phase II Land; (xi) all fees and costs incurred in connection with environmental mitigation measures undertaken in connection with the Phase II Land; (xii) all deposits (including, without limitation, deposits in connection with any utility service, but excluding deposits in connection with any Take-Out Financing), to the extent that such deposits pertain to Phase II, provided that the amount of any such deposits returned to Landlord shall be deducted from Aggregate Development Cost and Phase II Current Costs when received, but only to the extent that such deposits were previously included in Aggregate Development Cost and Phase II Current Costs; (xiii) all fees, costs and expenses incurred by Landlord in connection with the satisfaction of any condition or requirement imposed by the City of San Rafael or any other governmental agency or public utility in connection with any permit, approval or agreement (including the development agreement) required for the development of the Project, including, without limitation, any traffic impact, traffic mitigation fees, utility hook-up or service fee and improvements to, or adjacent to, Mahon Creek, all to the extent that such condition or requirement was imposed in respect of improvements to be constructed upon the Phase II Land, whether at or about the same time as the Site and Shell Improvements or at a later time; (xiv) all amounts expended in connection with site work and on and off-site improvements required for the use or operation of improvements to be constructed upon the Phase II Land, whether at or about the same time as the Site and Shell Improvements or at a later time, or required to be constructed or paid for as a condition to any permit or approval necessary to the construction or use of such improvements; (xv) premiums for, and other costs of, surety bonds or other security required in connection with any aspect of the development of Phase II or off-site improvements (allocating the cost of such bonds between Phase I and Phase II in accordance with the schedule for such allocations set forth in Exhibit H, to the extent that such security is provided by Landlord and not by Tenant; (xvi) all reasonable legal fees and reasonable fees of other technical consultants incurred in connection with the negotiation and documentation of any agreement pertaining to the design and construction of the improvements to be constructed upon the Phase II Land or any portion thereof, whether at or about the same time as the Site and Shell Improvements or at a later time, or any agreement pertaining to the design,

construction or security for any improvement or payment imposed as a condition upon any approval by the City of San Rafael or any utility provider of any permit or agreement to provide utility services required for the development of such improvements (it being agreed that where such fees are incurred in connection with an agreement which pertains to both Phase I and Phase II, then there shall be an equitable allocation of such fees among the Phases based on Rentable Area of the Buildings approved for construction on each of them, with the share allocated to Phase II constituting a part of Phase II Current Costs); (xvii) all premiums for insurance in force following the Commencement of Construction, excluding any premiums included in Expenses charged to Tenant pursuant to the Lease; and, (xviii) any other costs which are specifically stated to be Phase II Current Costs elsewhere in this Leasehold Improvements Agreement. To the extent that any component of Aggregate Development Cost pertains both to the Project and to the Phase II Land or improvements to be constructed upon the Phase II Land, whether at or about the same time as the Site and Shell Improvements or at a later time, the amount of such component shall be allocated between Phase I Project Cost and Phase II Current Costs in accordance with the provisions of Exhibit H.

1.48. "Phase II Land" shall mean those certain parcels of real property described in Exhibit B. The parties acknowledge that the legal description of the Phase II Land may be revised in accordance with the Option Agreement.

1.49. "Phase II Purchase Agreement" shall mean that certain "Purchase Agreement" between Village Builders, L.P., and Fair, Isaac and Company, Inc. of even date herewith.

1.50. "Premises" shall mean the Buildings to be constructed by Landlord on the Phase I Land as a part of the Project pursuant to this Leasehold Improvements Agreement.

1.51. "Project" shall mean the Phase I Land and the Buildings and all other improvements to be constructed thereon pursuant to this Leasehold Improvements Agreement or which are hereafter constructed thereon by Landlord or Tenant in accordance with the provisions of the Lease or this Leasehold Improvements Agreement.

1.52. "Project Substantial Completion Notice" shall mean and refer to a notice from Landlord to Tenant that the Project is Substantially Complete, as provided in Section 0.

1.53. "Punch List" shall mean a written list to be given by Tenant to Landlord in accordance with the provisions of Section 0.

1.54. "Real Estate Taxes" shall have the meaning given that term in Section 5.10(A)(i) of the Lease.

1.55. "Rentable Area" shall be determined in accordance with the "Standard Method for Measuring Floor Area in Office Buildings", approved as of June 7, 1996 by the American National Standards Institute, Inc. (ANSI/BOMA Z65.1-1996).

1.56. "Review Notice" shall mean a notice pertaining to the Phase I Project Cost which may be given by Tenant to Landlord in accordance with Section 0.

1.57. "Site Improvements" shall mean and refer to those improvements to be constructed on the Phase I Land and the Phase II Land, as described in Section 0.

1.58. "Site and Shell Improvements" shall mean and refer to the Site Improvements and the Base Building Improvements, taken together.

1.59. "Substantial Completion" shall mean, with respect to the entire portion of the Premises located on a particular Floor within one of the Buildings, (and such portion of the Premises shall be deemed "Substantially Complete") when (i) installation of the Tenant Improvements by Landlord on such Floor has been substantially completed in accordance with the plans for such Tenant Improvements, as certified by Tenant's architect (provided that Tenant shall use all commercially reasonable efforts to cause Tenant's architect to cooperate promptly with Landlord in inspecting the work and issuing such a certificate immediately upon the occurrence of such substantial completion of the Tenant Improvements, (ii) Tenant has direct access from the street to the lobby of such Building, (iii) sewer, electricity, water, gas (if required) and standard telephone services are available to such Building, (iv) at least three (3) parking spaces are available for the use of Tenant for each one thousand (1,000) square feet of Gross Building Area located upon such Floor, (v) the lobby of the Building in which the Floor is located is Substantially Complete, (vi) any items identified by Tenant in accordance with Section 0 as critical to the use of such Floor are substantially completed, and (vii) appropriate governmental authorities have issued a temporary certificate of occupancy with respect to such Floor or have given an equivalent approval for occupancy of such Floor. "Substantial Completion" shall mean, with respect to the main lobby of a Building, (and such lobby shall be deemed "Substantially Complete") when (i) installation of the Tenant Improvements by Landlord in such lobby has occurred, (ii) Tenant has direct access from the street to such lobby, (iii) lighting is available to such lobby, (iv) at least one of the elevators from such lobby to the Floors above are in working order, and (v) appropriate governmental authorities have made their final inspections of such lobby as evidenced by signed final inspection reports on file with said authorities. In all events, Substantial Completion shall be deemed to have occurred notwithstanding a requirement to complete "Punch List" or similar corrective work, provided that the lack of completion of such Punch List work would not prevent Tenant from using the Premises for the Permitted Use without material interference.

1.60. "Substantial Completion Notice" shall mean and refer to a notice from Landlord to Tenant that the Site and Shell Improvements and Tenant Improvements for Phase I are complete, as provided in Section 0.

1.61. "Take-Out Financing" shall mean any financing arranged by Landlord, the proceeds of which are primarily used or to be used for either or both of the following purposes: (i) the repayment of any Construction Financing; or, (ii) the reimbursement to Landlord of funds expended or reimbursed by Landlord in connection with the acquisition of the PG&E Property or the City Property or the design, construction or development of the Project or improvements on the Phase II Land. In the event that Landlord does not elect to obtain a loan secured by a Mortgage to provide funds for such purposes, but instead obtains funds for those general purposes from a source of capital which charges interest or other fees for the use of such funds, then the funds so obtained shall be deemed Take-Out Financing for the purposes of this Leasehold Improvements Agreement.

1.62. "Tenant Caused Delays" shall mean certain delays in the construction of the Site and Shell Improvements or the Tenant Improvements or both caused by Tenant, as described in Section 0.

1.63. "Tenant Improvements" shall mean and refer to those certain building interior improvements required by Tenant for its occupancy of the Phase I Buildings and to be constructed on the Phase I Land, as described in Section 0, but shall in all events exclude the Base Building Improvements.

1.64. "Tenant Improvement Allowance" shall mean a sum equal to Twenty-Eight Dollars ($28.00) per square foot of Net Rentable Area in the Premises.

1.65. "Tentative Site Plan" shall mean and refer to that certain tentative site plan for the development of Phase I and Phase II attached hereto as Exhibit G and referred to in Section 0.

1.66. "Work" shall mean the construction of the Site and Shell Improvements and the Tenant Improvements by Landlord in accordance with this Leasehold Improvements Agreement.

1.67. "Working Drawings for the Site and Shell Improvements" shall mean and refer to those certain final working drawings for the Site and Shell Improvements referred to in Section 0.

2. GENERAL DESCRIPTION OF THE IMPROVEMENTS TO BE DESIGNED AND CONSTRUCTED BY LANDLORD.

2.1. General Description of Site Improvements. Landlord and Tenant intend that the Phase I Buildings shall contain approximately one hundred sixty thousand (160,000) square feet of Gross Building Area, and that the Project will include not less than three (3) parking spaces for each one thousand (1,000) square feet of Gross Building Area. Landlord shall provide all required on-site improvements for the Project and all base hardscape and landscape features on the Phase I Land, including grading, paving for parking areas and drive aisles, sidewalks and street improvements, utilities stubbed in or to the shell of each Building, landscaping, monuments for Tenant's signage, directional signage, exterior lighting in the Common Area and other site improvements which may be required by the City of San Rafael or which may be reasonably necessary to the use and enjoyment of the Buildings for ordinary office purposes. Landlord shall also provide such off-site improvements outside the boundaries of the PG&E Property as may be required by the City of San Rafael or which may be reasonably necessary to the use and enjoyment of the Buildings for ordinary office purposes. Landlord shall also construct, contemporaneously with the Project and as a part of Phase II Current Costs: (i) all common entrance areas, plazas, parking, associated parking access walkways and landscaping within the parking areas, all to the extent such improvements are to be located upon the Phase II Land for the purpose of providing parking or access for the Project; (ii) all additional landscaping required by the City of San Rafael to be installed on Phase II or reasonably requested by Tenant; (iii) to the extent that utilities for the planned Phase II buildings would most conveniently and cost effectively be provided by lines, wires or pipes passing through Phase I, then such lines, wires and pipes, from the point of connection to a Phase I Building nearest to the Phase II Land (or to the point of connection to the lines, wires and pipes of the utility provider, if no connections to a Phase I Building lie along the lateral lines, wires and pipes serving Phase II) to points which are within ten (10) feet of the projected locations of each the Phase II buildings; (iv) the pads and rough grading for the Phase II buildings, to the extent not located within the Parking Easement Area to serve Phase I; and, (v) conduits for inter-building telecommunications among the Phase II buildings in their planned locations, stubbed to within ten (10) feet of each such location. The foregoing improvements are referred to in this Leasehold Improvements Agreement as the "Site Improvements". The Site Improvements shall be constructed by Landlord in accordance with the "Working Drawings for the Site and Shell Improvements", as referred to in Section 0 below and as developed in accordance with this Leasehold Improvements Agreement.

2.2. General Description of Base Building Improvements. Landlord shall also construct each of the Phase I Building shells (collectively, the "Base Building Improvements"), which shall include the following:

A. The structural elements and weathertight exterior walls (including

glazing), exterior doors and roof of the Phase I Buildings;

B. The main ground floor lobby area of each Phase I Building;

C. Smooth concrete floors, based on reasonable, good-quality commercial construction standards (ready for carpet or resilient tile);

D. Ceilings in toilet rooms and in other rooms located within the cores of the Buildings (not in other areas), but only to the extent that ceilings in such other rooms are required by applicable codes;

E. The core area on each Floor, including elevators, toilet rooms, electrical closets (one (1) in the smaller Building and two (2) in the larger), telecommunications closets, mechanical rooms, janitorial closets, exit stairs, hold open door assemblies at lobby perimeter doors, mechanical shafts, HVAC (as defined and required by Section 0), electrical power systems (as required by Section 0) life safety systems (as required by Section 0) and sprinkler systems (as required by Section 0);

F. Dry wall, paint ready (finish-taped and sanded, but not painted) around surfaces of walls in core areas, on interior portions of exterior walls below ceiling level (and fire-taped drywall on interior portions of exterior walls above ceiling level to the extent required by applicable Laws), and around interior columns;

G. An operating primary system to provide heating, ventilating and air conditioning service ("HVAC") to the toilet rooms and electrical closets of each Floor and to the edge of each Phase I Building core at each Floor, not including main loops and branch distribution, on-Floor controls, mixing boxes and fire dampers, except to the extent that fire dampers are required in core areas by applicable Laws for an undivided occupancy;

H. Primary electrical distribution system to each Phase I Building core, including one (1) 480 volt panel on each Floor, step down transformers, one (1) 120 volt convenience panel on each Floor and one (1) lighting panel on each Floor;

I. Exits to the extent required by code;

J. Metal window assembly details necessary to achieve closure to interior drywall (or, where required, to the acoustic ceiling) at the window head, sill and jamb;

K. One standard telecommunications point of presence location (with standard telephone line connections) at each Building, and,

L. Life safety systems as required by code for a building in shell condition, including sprinklers with heads necessary to meet current requirements for space in such shell condition.

The Base Building Improvements shall be constructed by Landlord in accordance with the Working

Drawings for the Site and Shell Improvements, as developed in accordance with this Leasehold Improvements Agreement. Notwithstanding the foregoing, any items specifically identified or designated in this Leasehold Improvements Agreement or in the Exhibits hereto as Tenant Improvements shall not be included in or be a part of the Site and Shell Improvements.

2.3. General Description of Tenant Improvements. In addition to the Site and Shell Improvements, for each Phase I Building Landlord shall furnish all building interior improvements required by Tenant for its occupancy of the Phase I Buildings and security fencing and enclosures (collectively, the "Tenant Improvements"). The Tenant Improvements shall exclude all telephone, telecommunications and security equipment and cabling, uninterrupted power supplies and fire suppression systems for electronic equipment (although Landlord shall construct all ordinary building-wide sprinkler systems as a part of the Tenant Improvements), unless Landlord and Tenant hereafter agree in writing that such work or some part of it will be a part of the Tenant Improvements. The Tenant Improvements shall be constructed by Landlord in accordance with the "Final Working Drawings for the Tenant Improvements", as referred to in Section 0 below and as developed in accordance with this Leasehold Improvements Agreement.

2.4. Design of Site and Shell Improvements. Except as otherwise provided in Sections 0, 0 and 0, Landlord shall design the Site and Shell Improvements in accordance with: (i) the Descriptive Base Specifications attached hereto as Exhibit E; (ii) the basic conceptual design drawings (the "Preliminary Drawings") listed on Exhibit F attached hereto; and, (iii) the tentative site plan (the "Tentative Site Plan") attached hereto as Exhibit G.

3. PREPARATION AND APPROVAL OF APPLICATIONS TO THE CITY OF SAN RAFAEL.

3.1. Applications. Certain permits and approvals from the City of San Rafael and other governmental agencies having jurisdiction over the Project or the Phase I Land or Phase II Land will be required to permit the development and construction of the Project and the work to be paid for as a Phase II Current Cost (the "Necessary Approvals"). Landlord, in cooperation with Tenant, has prepared and submitted to the City of San Rafael an application for certain of the Necessary Approvals, including without limitation, applications for: (i) development plan approval; (ii) vesting tentative map approval; (iii) approval of a development agreement; and (iv) such environmental and design review approvals as may be required.

3.2. Changes in Plans and Specifications. Landlord and Tenant acknowledge that changes in the design, configuration, materials and building systems (collectively, "Necessary Changes") may: (i) be necessary to obtain one or more of the governmental approvals required to permit the construction and occupancy of the Phase I Buildings or any part of Phase II; (ii) be necessary as a result of conditions imposed upon one or more such approvals or, in the judgment of Landlord, may be necessary to expedite the obtaining of any one or more such Necessary Approvals; (iii) be required to comply with any site constraints imposed by PG&E; or, (iv) be deemed necessary by Landlord to decrease the Estimated Phase I Project Cost if and to the extent that it is greater than One Hundred Eighty-Three Dollars ($183.00) per square foot of Gross Building Area. In the event that a Necessary Change involves the reconfiguration of a Phase I Building or a change to the ornamentation or other decorative or design characteristics of the Building, Landlord shall, to the extent commercially reasonable in the circumstances: (i) make such Necessary Change in a manner which, in the reasonable opinion of Landlord, does not materially interfere with Tenant's intended uses of the Premises, except to the extent that such changes are necessary to comply with any governmentally imposed restriction or requirement; (ii) make such Necessary Change in a manner which would not cause the Gross Building Area in the Phase I Buildings to be less than approximately one hundred forty thousand (140,000) square feet;

and, (iii) consult reasonably with Tenant before agreeing or deciding to make such changes, although the decision of Landlord as to such changes shall be final and binding on the parties. Landlord shall deliver to Tenant written notice of each Necessary Change, which notice shall describe the Necessary Change in reasonable detail and shall state the objectives of such proposed change. In the event that Tenant desires to have another change made to accomplish the objectives of the Necessary Change proposed by Landlord, Tenant shall describe such alternative change in writing to Landlord within ten (10) days of the receipt by Tenant of a written notice from Landlord of a proposed Necessary Change, which alternative change shall be sufficient to obtain the objectives of the Necessary Change proposed by Landlord. In the event that Tenant proposes an alternative change which accomplishes the objectives of the Necessary Change proposed by Landlord, but Landlord does not wish to accept such alternative change in lieu of the Necessary Change proposed by Landlord, Landlord or Tenant may cause such matter to be submitted to arbitration pursuant to the provisions of Section 0. In the event that any of the Phase I Buildings are reconfigured, the description of the Premises for the purposes of this Leasehold Improvements Agreement shall be modified in a reasonable manner by written notice from Landlord to Tenant to reflect the reconfiguration of the Phase I Building(s). In the event that Landlord determines that a Necessary Change is to be made, Landlord may amend the applications to the City of San Rafael to reflect appropriately such Necessary Change.

3.3. Consistency with Descriptive Base Specifications. The provisions of Section 0 to the contrary notwithstanding, in no event shall any Necessary Change cause the Base Building Improvements to be inconsistent with the Descriptive Base Specifications, except to the extent:_. (i) such Necessary Change is required as a result of any governmentally mandated requirement applicable to the Project; (ii) such Necessary Change is required as a result of any requirement imposed by a lender or prospective lender of Construction Financing or Take-Out Financing; or, (iii) Landlord reasonably determines that equipment or materials necessary to conform to the Descriptive Base Specifications cannot be obtained within the time periods necessary to permit Landlord to perform in a timely manner its obligations pursuant to this Leasehold Improvements Agreement or the Lease. In any such event, Landlord shall use commercially reasonable efforts in the circumstances to substitute equipment or materials capable of substantially equivalent performance to any building equipment or materials specified in the Descriptive Base Specifications.

3.4. Fees and Expenses Incurred in Connection with the Applications. Subject to the provisions of Section 0, Landlord shall pay all fees and costs incurred in connection with the preparation, filing, amendment, processing and approval of the applications referred to in Section 0 (except that Tenant shall bear any cost incurred by it in connection with its review of the applications and the cost of any attorney or consultant who makes an appearance on behalf of Tenant at any governmental hearings or meetings where such consultant or attorney is there at the request of Tenant and not at the request of Landlord), including the cost of any environmental impact report or other documents or studies required to satisfy the requirements of the City of San Rafael. Subject to the provisions of Section 0, Landlord shall also pay the entire cost of satisfying any conditions imposed by the City of San Rafael on the approval of such applications, all of which cost shall be a part of both Aggregate Development Cost and either Phase I Project Cost or Phase II Current Costs, as appropriate.

3.5. Letter Agreements Pertaining to Certain Fees and Expenses Incurred in Connection with the Applications. Landlord and Tenant have entered into three letter agreements, one executed by both of them on August 28, 1996, a second executed by Landlord on April 18, 1997 and by Tenant on May 16, 1997, and a third executed by Tenant on September 17, 1997, all three of which pertain to the payment of certain expenses incurred or to be incurred in connection with the design and planning for the Project and other improvements on the Phase II Land. Notwithstanding the provisions of such September 17, 1997 letter regarding limitation upon

amount and termination of the obligations thereunder, it is the intention of Landlord and Tenant that Tenant shall continue to pay all such expenses as described in such letter agreement through January 12, 1998, and thereafter all such letter agreements shall be superseded by this Leasehold Improvements Agreement, but only to the extent that such letter agreements pertain to costs incurred after January 12, 1998. In the event that Tenant elects to have Landlord reimburse Tenant, in accordance with the provisions of the letter agreements, for certain of the costs incurred and paid by Tenant pursuant to the letter agreements, such costs shall be reimbursed by Landlord to Tenant within thirty (30) days of the Commencement of Construction, without interest, and such costs shall be Phase I Project Cost to the full extent so reimbursed by Landlord to Tenant.

4. COOPERATION IN PLANNING PROCESS. Tenant and Landlord shall cooperate reasonably with one another in a good faith effort to obtain all permits, approvals and entitlements necessary to develop the Project pursuant to the applications previously filed with the City of San Rafael.

5. PREPARATION OF PLANS AND SPECIFICATIONS FOR OFF-SITE IMPROVEMENTS. As promptly as is reasonable in the circumstances following both the issuance by the City of San Rafael of all permits and approvals necessary for the construction of the Project (excluding building and grading permits) and the time at which the extent of all off-site improvements which are required by the City of San Rafael in connection with the Site Improvements can be ascertained, Landlord shall cause plans and specifications to be prepared for such improvements. Such plans and specifications shall not be subject to the approval of Tenant, but shall be submitted to Tenant for its information.

6. PREPARATION OF WORKING DRAWINGS FOR THE SITE AND SHELL IMPROVEMENTS.

6.1. Initial Preparation. Promptly following the issuance by the City of San Rafael of all permits and approvals necessary for the construction of the Site and Shell Improvements (excluding building and grading permits), or at such earlier time as Landlord may elect in its sole discretion, Landlord shall, at its expense, cause its architects and engineers to commence preparation of working drawings for the Site and Shell Improvements (the "Working Drawings for the Site and Shell Improvements"), which shall be consistent with the Descriptive Base Specifications and generally consistent with the Preliminary Drawings and Tentative Site Plan, except for Necessary Changes. Landlord and Tenant acknowledge that Landlord may, in its reasonable discretion, incorporate features in the Base Building Improvements to make the Building more readily adaptable for multi-tenant use. The foregoing notwithstanding, the Working Drawings for the Site and Shell Improvements may deviate from the Preliminary Drawings and Tentative Site Plan (but not Descriptive Base Specifications) if required as a result of: (i) engineering or environmental considerations necessary to the structural integrity of a Building or other improvements which first become apparent in the course of the preparation of the Working Drawings for the Site and Shell Improvements; or, (ii) if reasonably deemed necessary by Landlord to decrease the Estimated Phase I Project Cost if and to the extent that it is greater than One Hundred Eighty-Three Dollars ($183.00) per square foot of Gross Building Area.

6.2. Submission to Tenant for Review. Landlord shall submit the Working Drawings for the Site and Shell Improvements to Tenant for its review, and may make such submissions in increments the review of which does not require other portions of the Working Drawings for the Site and Shell Improvements which Landlord has not then submitted to Tenant. Tenant shall notify Landlord within ten (10) days from the receipt by Tenant of any such

submission whether or not Tenant agrees that the portion of the Working Drawings for the Site and Shell Improvements included in such submission is consistent with the Descriptive Base Specifications. In the event that Tenant fails to respond to such submission within such period of ten (10) days, Landlord may give to Tenant a second notice stating such failure and further stating that if Tenant does not respond within five (5) days of the receipt by Tenant of such second notice from Landlord, Tenant will be deemed to have agreed that the portion of the Working Drawings for the Site and Shell Improvements in such submission is consistent with the Descriptive Base Specifications. In the event that Tenant fails to respond to such submission within such period of five (5) days of the receipt by Tenant of such second notice from Landlord, Tenant shall for all purposes be deemed to have agreed that the portion of such the Working Drawings for the Site and Shell Improvements included in such submission is consistent with the Descriptive Base Specifications. In the event of a dispute between Landlord and Tenant with regard to the question of whether or not the Working Drawings for the Site and Shell Improvements are consistent with the Descriptive Base Specifications or as to any variances required to decrease the Estimated Phase I Project Cost if and to the extent that it is greater than One Hundred Eighty-Three Dollars ($183.00) per square foot of Gross Building Area, either Landlord or Tenant may require by written notice to the other that such dispute be resolved by arbitration conducted in accordance with the provisions of Section 0.

6.3. Tenant's Review Responsibilities. Landlord agrees and understands that the review of the Working Drawings for the Site and Shell Improvements by Tenant is solely to protect the interests of Tenant, and Tenant shall not be the guarantor of, nor in any way or to any extent responsible for, the correctness or accuracy of any such Working Drawings for the Site and Shell Improvements or of the compliance of such Working Drawings for the Site and Shell Improvements with applicable Laws. Approval by Tenant of the Working Drawings for the Site and Shell Improvements prepared by Landlord shall not imply approval by Tenant as to compliance of such Working Drawings for the Site and Shell Improvements with applicable Laws.

6.4. Submission to the City of San Rafael. Upon the completion of the Working Drawings for the Site and Shell Improvements (or such part or parts thereof as the City of San Rafael may be willing to accept as sufficient to constitute an application for a building permit), Landlord shall submit such working drawings to the City of San Rafael together with all other documents and fees necessary to constitute an application for a building permit. If only a portion of the Working Drawings for the Site and Shell Improvements were submitted to the City of San Rafael at the time of the application for a building permit, Landlord shall cause its architects and its engineers promptly to complete any additional necessary parts of the Working Drawings for the Site and Shell Improvements and shall submit them to the City of San Rafael and to Tenant.

7. TENANT'S ARCHITECT AND ENGINEERS.

7.1. Submission of List of Consultants. Within sixty (60) days of the date of this Leasehold Improvements Agreement, Tenant shall submit to Landlord for its approval, which shall not be unreasonably withheld or delayed, a list of architects, engineers and other consultants to be used in connection with the design of the Tenant Improvements. Landlord shall respond to such request for approval from Tenant within fifteen (15) days of the receipt of such list by Landlord. In the event that Landlord fails to respond to such request within such period of fifteen (15) days, Tenant may give to Landlord a second notice stating such failure and further stating that if Landlord does not respond within five (5) days of the receipt by Tenant of such second notice from Landlord, Tenant will be deemed to have approved the list of architects, engineers and other consultants submitted by Tenant. In the event that Landlord fails to respond to such request within such period of five (5) days of the receipt by Landlord of such second notice from Tenant, Landlord shall for all purposes be deemed to have approved the list architects, engineers and other consultants submitted by Tenant. Tenant shall select architects, engineers and other consultants for the design of the Tenant Improvements from among those approved by Landlord in response to such request from Tenant.

7.2. Cost of Preparation. The cost of preparing all plans and specifications for the Tenant Improvements (including without limitation the Conceptual Plans for the Tenant Improvements referred to in Section 0 and the Draft Working Drawings for the Tenant Improvements referred to in Section 0 and the Final Working Drawings for the Tenant Improvements referred to in Section 0), and the cost of preparing any change thereto shall be paid by Tenant.

8. SUBMITTAL OF CONCEPTUAL PLANS FOR THE TENANT IMPROVEMENTS.

8.1. Preliminary Submission. Tenant has previously submitted to Landlord, and Landlord acknowledges receipt of, a preliminary conceptual plan for the Tenant Improvements which indicates all of Tenant's requirements for meeting rooms, kitchen facilities, office locations, corridor locations, general arrangement of uses on particular Floors and any other special requirements which would reasonably be expected to affect any aspect of the Site and Shell Improvements.

8.2. First Submission. On or before January 1, 1998, Tenant shall submit to Landlord conceptual plans for the Tenant Improvements in the Phase I Buildings ("Conceptual Plans for the Tenant Improvements"), including architectural, mechanical and electrical, telecommunications and security, and reflected ceiling drawings. The Conceptual Plans for the Tenant Improvements shall be consistent with the preliminary plan submitted by Tenant pursuant to Section 0 and shall provide for corridors, lobbies, bathrooms, mechanical and electrical systems, and fire exits which are designed to accommodate single or multi-tenant configurations of each Floor in each Building (including, without limitation, separate metering for utilities), in conformance with the Working Drawings for the Site and Shell Improvements (to the extent that Landlord has previously delivered the same to Tenant), and in a design reasonably acceptable to Landlord. At the time that Tenant submits such plans to Landlord, Tenant may identify particular elements of the Base Building Improvements or of the Tenant Improvements or both which are critical to the use by Tenant of particular Floors and which must therefore be Substantially Completed before Tenant can accept as Substantially Complete those particular Floors, which Floors shall also then be identified by Tenant.

8.3. Purpose of Conceptual Plans for the Tenant Improvements. Such

Conceptual Plans for the Tenant Improvements shall be for the general information of Landlord, and to assist in the coordination of the design and construction of the Tenant Improvements, but receipt of such Conceptual Plans for the Tenant Improvements by Landlord shall not constitute an approval by Landlord of the design or specifications shown thereon. Landlord shall, within fifteen (15) days following receipt by Landlord of such plans from Tenant, review, comment on and return the Conceptual Plans for the Tenant Improvements to Tenant, marked "Approved", "Approved as Noted" or "Disapproved as Noted, Revise and Resubmit." If the Conceptual Plans for the Tenant Improvements are returned to Tenant marked "Disapproved as Noted, Revise and Resubmit," Tenant shall cause such plans to be revised within twenty (20) days, taking into account the reasons for Landlord's disapproval, and shall resubmit revised plans to Landlord for review. The same procedure shall be repeated until Landlord fully approves the Conceptual Plans for the Tenant Improvements. Landlord shall only refuse to consent to such Conceptual Plans for the Tenant Improvements on the grounds that they are inconsistent with the plans for the Base Building Improvements or with the requirements of any applicable Laws.

9. PREPARATION OF WORKING DRAWINGS FOR THE TENANT IMPROVEMENTS. On or before February 15, 1998, Landlord shall deliver to Tenant those portions of the Working Drawings for the Site and Shell Improvements which are reasonably required to permit Tenant to prepare working drawings for the Tenant Improvements. Within ninety (90) days after Tenant's receipt thereof, Tenant shall deliver to Landlord one (1) set of reproducible sepia and three (3) sets of blue-lined prints of working drawings and specifications (hereinafter referred to collectively as the "Draft Working Drawings for the Tenant Improvements") for such Tenant Improvements prepared, at Tenant's sole cost and expense, by an architect ("Tenant's Architect") licensed in the State of California and selected by Tenant and approved by Landlord in accordance with Section 0 above or otherwise specifically approved in writing by Landlord. Landlord shall cooperate reasonably with Tenant in connection with the preparation of the Working Drawings for the Tenant Improvements, provided that the production of such drawings shall be the sole responsibility of Tenant and further provided that such cooperation shall not limit the right of Landlord to review and approve such Working Drawings, as herein provided. Landlord shall only refuse to consent to such Working Drawings on the grounds that they are inconsistent with the plans for the Base Building Improvements or with the requirements of any applicable Laws. Within fifteen (15) business days of the receipt by Landlord of the Draft Working Drawings for the Tenant Improvements from Tenant, Landlord shall return to Tenant one (1) sepia set of the Draft Working Drawings for the Tenant Improvements marked "Approved", "Approved as Noted" or "Disapproved as Noted, Revise and Resubmit." If the Draft Working Drawings for the Tenant Improvements are returned to Tenant marked "Disapproved as Noted, Revise and Resubmit," Tenant shall cause such Draft Working Drawings for the Tenant Improvements to be revised, taking into account the reasons for Landlord's disapproval and shall resubmit revised plans to Landlord for review. The same procedure shall be repeated until Landlord fully approves the Final Working Drawings for the Tenant Improvements. It is understood that the Draft Working Drawings for the Tenant Improvements and the Final Working Drawings for the Tenant Improvements are to be consistent with, and a logical extension of, the Conceptual Plans for the Tenant Improvements approved by Landlord in accordance with Section 0 above. Tenant shall be solely responsible for the completeness of the Draft Working Drawings for the Tenant Improvements and the Final Working Drawings for the Tenant Improvements and for conformity of the Final Working Drawings for the Tenant Improvements with the Working Drawings for the Site and Shell Improvements provided by Landlord to Tenant. When the Final Working Drawings for the Tenant Improvements are approved by Landlord and Tenant: (i) they shall be acknowledged as such by Landlord and Tenant signing each sheet of the Final Working Drawings for the Tenant Improvements; and, (ii) no changes shall be made to the approved Final Working Drawings for the Tenant Improvements without the prior written consent of Landlord, which consent may be withheld if such changes would affect the schedule or cost of the construction of the Site and Shell

Improvements or Tenant Improvements.

10. LANDLORD'S REVIEW RESPONSIBILITIES. Tenant agrees and understands that the review of the Conceptual Plans for the Tenant Improvements, the Draft Working Drawings for the Tenant Improvements and the Final Working Drawings for the Tenant Improvements by Landlord is solely to protect the interests of Landlord in the Building and the Premises, and Landlord shall not be the guarantor of, nor in any way or to any extent responsible for, the correctness or accuracy of any such Draft Working Drawings for the Tenant Improvements or Final Working Drawings for the Tenant Improvements or of the compliance of such Draft Working Drawings for the Tenant Improvements or Final Working Drawings for the Tenant Improvements with applicable Laws or of the conformance of such Draft Working Drawings for the Tenant Improvements or Final Working Drawings for the Tenant Improvements with the Working Drawings for the Site and Shell Improvements provided by Landlord to Tenant. Approval by Landlord of the Conceptual Plans for the Tenant Improvements, the Draft Working Drawings for the Tenant Improvements or the Final Working Drawings for the Tenant Improvements prepared by Tenant shall not: (i) imply approval by Landlord as to compliance of such Draft Working Drawings for the Tenant Improvements or Final Working Drawings for the Tenant Improvements with applicable Laws; (ii) imply the compatibility of the Draft Working Drawings for the Tenant Improvements or Final Working Drawings for the Tenant Improvements with the shell or the core or the Working Drawings for the Site and Shell Improvements; or (iii) limit Landlord's right to require changes in portions of the Final Working Drawings for the Tenant Improvements which are incompatible with or which, in the reasonable opinion of Landlord, adversely affect the Building structure or the electrical, plumbing, life safety or mechanical systems of the Building or which affect the availability to Landlord of third party warranties. In the event that, after the approval by Landlord of the Final Working Drawings for the Tenant Improvements, Landlord modifies the Working Drawings for the Site and Shell Improvements in a manner which will require modification to the Final Working Drawings for the Tenant Improvements, Landlord shall promptly so notify Tenant and Tenant shall cause any such required modifications to the Final Working Drawings for the Tenant Improvements to be promptly made; provided, however, to the extent that the modifications to the Working Drawings for the Site and Shell Improvements requested by Landlord are the result of the failure by Landlord's employees or construction managers (but not Landlord's architect) to use customary care in coordinating the work of the architect in the preparation of the Working Drawings for the Site and Shell Improvements, then Landlord shall pay all costs and expenses incurred by Tenant as a result thereof. Landlord shall use commercially reasonable efforts to cause the agreement with the architect to require that such architect use the prevailing standard of care in the architectural profession in the preparation of the Working Drawings for the Site and Shell Improvements, and Landlord shall use commercially reasonable efforts to enforce such agreement.

11. COST OF TENANT IMPROVEMENTS. Upon the approval by Landlord of the Final Working Drawings for the Tenant Improvements, Landlord shall obtain from the contractor selected by Landlord for the construction of the Base Building Improvements a fixed-price for the construction of the Tenant Improvements. In the event that such bid exceeds a sum equal to the Tenant Improvement Allowance, Landlord shall so notify Tenant, and Tenant shall deposit, in the manner herein required, immediately available funds equal to the amount by which such bid exceeds the Tenant Improvement Allowance, which deposit shall be held for disbursement to Landlord to pay expenses of construction of the Tenant Improvements after the expenditure of the Tenant Improvement Allowance. Such deposit shall be made in the following manner: (i) if required by lender of the Construction Financing, such deposit shall be made into an account with such lender at least five (5) days prior to the Commencement of Construction, as to which account Landlord shall require the lender to pay interest to Tenant at a reasonable deposit rate; or, (ii) in all

other events, such deposit shall be made to an escrow agent reasonably satisfactory to both Landlord and Tenant on or before the later of the day which is the tenth (10th) day following the receipt by Tenant of a written request from Landlord for such deposit or the day which is the tenth (10th) day prior to the commencement of construction of any of the Tenant Improvements, to be held in an interest bearing account, with interest to be paid periodically to Tenant. Expenses paid directly from such funds shall be excluded from Aggregate Development Cost, to the extent of the amount so paid.

12. CONSTRUCTION OF SITE AND SHELL IMPROVEMENTS.

12.1. Construction and Substitutions. The Site and Shell Improvements shall be constructed by Landlord in substantial compliance with the Working Drawings for the Site and Shell Improvements, although Landlord reserves the right to make substitutions of equipment or materials for equipment or materials which are specified in the Working Drawings for the Site and Shell Improvements, provided that all such substitutions shall be consistent with the Descriptive Base Specifications. Any details or materials which are not specified in the Working Drawings for the Site and Shell Improvements shall be completed by Landlord in a manner consistent with the standards of similar buildings in Marin County, California. In the event Landlord so elects, Landlord may commence grading of the PG&E Property and other on- and off-site work prior to the completion of the Working Drawings for the Site and Shell Improvements. Landlord shall use commercially reasonable efforts to cause all contractors performing any portion of the Site and Shell Improvements or the Tenant Improvements to comply in all material respects with their respective contracts, and Landlord shall use commercially reasonable efforts to enforce such contracts; provided, however, that nothing herein shall be deemed to prevent Landlord from using its reasonable judgment in settling disputes with such contractors or in accepting or permitting variances from the Working Drawings where such variances do not materially affect the performance or appearance of the area of the Project where such variance occurs. Nothing herein is, however, intended to impose upon Landlord any liability for deficiencies in the performance of any contractor, subcontractor or supplier.

12.2. Changes to Working Drawings for the Site and Shell Improvements. Landlord may make changes to the Working Drawings for the Site and Shell Improvements, provided that each such change is approved by the City of San Rafael and any lender or prospective lender of Construction Financing or Take-Out Financing, if such approval is required. In the event that Landlord plans a change to the Working Drawings for the Site and Shell Improvements, Landlord shall so notify Tenant in writing, which writing shall describe in detail the nature, extent and location of the changes which Landlord plans to make. Tenant shall notify Landlord within five (5) days from the receipt by Tenant of any such submission whether or not Tenant agrees that the change to the Working Drawings for the Site and Shell Improvements would be consistent with the Descriptive Base Specifications. In the event that Tenant fails to respond to such submission within such period of five (5) days, Landlord may give to Tenant a second notice stating such failure and further stating that if Tenant does not respond within five (5) days of the receipt by Tenant of such second notice from Landlord, Tenant will be deemed to have agreed that the proposed change to the Working Drawings for the Site and Shell Improvements is consistent with the Descriptive Base Specifications. In the event that Tenant fails to respond to such submission within such period of five (5) days of the receipt by Tenant of such second notice from Landlord, Tenant shall for all purposes be deemed to have agreed that the proposed change to the Working Drawings for the Site and Shell Improvements is consistent with the Descriptive Base Specifications. In the event of a dispute between Landlord and Tenant with regard to the question of whether or not a proposed change to the Working Drawings for the Site and Shell Improvements would be consistent with the Descriptive Base Specifications or as to any variances required to decrease the Estimated Phase I Project Cost if and to the extent that it is greater than One Hundred

Eighty-Three Dollars ($183.00) per square foot of Gross Building Area, either Landlord or Tenant may require by written notice to the other that such dispute be resolved by arbitration conducted in accordance with the provisions of Section 0.

13. INSPECTION BY TENANT. During the course of construction of the Site and Shell Improvements and the Tenant Improvements, Tenant or Tenant's representative shall, at Tenant's sole cost and expense, at all times have the right to inspect the construction; provided that Tenant, in the exercise of such right, shall not unreasonably interfere with or delay the prosecution of such work (except to the extent such work is delayed by the necessity of remedying defective or incorrect work discovered by Tenant). No exercise by Tenant of its right to inspect the construction shall be deemed to affect the rights and obligations of Landlord and Tenant with respect to the work or any defects therein, nor shall such exercise be deemed an assumption by Tenant of any responsibility for the quality of the work.

14. CHANGE ORDERS.

14.1. Right of Tenant to Request Modifications. Tenant may make modifications ("Modifications") to the Final Working Drawings for the Tenant Improvements and/or to request that Landlord make Modifications to the Working Drawings for the Site and Shell Improvements, provided that each such Modification is approved by the City of San Rafael and any lender or prospective lender of Construction Financing or Take-Out Financing, if such approval is required, and is made sufficiently prior to the construction of the part of work to which the Modification would be made so that the Modification can be accommodated without resulting in a Tenant Caused Delay. Modifications relating to the Site and Shell Improvements or the Tenant Improvements or both shall only be made with the consent of Landlord, which consent shall not be unreasonably withheld or delayed. Any request by Tenant for Modifications shall be made in writing to Landlord, which writing shall describe in detail the nature, extent and location of the Modifications that Tenant requests be made.

14.2. Preparation of Plans for Modifications. In the event that Tenant requests a Modification to the Working Drawings for the Site and Shell Improvements, Landlord shall cause its architect and other consultants to prepare drafts of revisions to those portions of the Working Drawings for the Site and Shell Improvements which Tenant has requested be the subject of a Modification, and shall deliver to Tenant a copy of such draft, together with a statement of Landlord's best estimates (made in good faith and in accordance with reasonably competitive prices and reasonable design plans; provided, however, that Tenant recognizes that estimates will have to be provided in a relatively short period of time, that there is some inherent uncertainty in the process of providing estimates, that estimates may be based on incomplete design details due to time constraints and that only one contractor will be negotiated with) of (i) the additional cost of construction of the Site and Shell Improvements or the Tenant Improvements (which shall include without limitation increased design costs, increased construction costs and increased financing costs arising by reason of the resulting Tenant Caused Delays, if any, in the construction schedule) which Tenant will be required to pay by reason of the proposed Modification (the "Modification Cost"); and, (ii) the duration of any Tenant Caused Delay (as that term is defined in Section 0 below) which will arise by reason of such Modification. Landlord shall also deliver to Tenant a copy of any bids upon which Landlord based its estimates. Tenant shall elect either to require Landlord to proceed with the Modification or not to require Landlord to so proceed by written notice to Landlord given within five (5) business days of the receipt by Tenant of the draft of the modified portions of the Working Drawings for the Site and Shell Improvements and Landlord's estimate of resulting costs and Tenant Caused Delays. The failure by Tenant to make such election in writing within such five (5) business day period shall conclusively be deemed to be an election by Tenant not to proceed

with the Modification. In the event that Tenant elects to proceed with the Modification: (i) Tenant shall, at least five (5) business days before the date upon which Landlord, in its reasonable judgment, must direct the contractor to proceed with the Modification (of which date Landlord shall notify Tenant in writing at least two (2) days before such date), deposit with Landlord or Landlord's lender (as Landlord may direct) immediately available funds (or, if the lender of the Construction Financing will so permit without additional requirements upon Landlord, a letter of credit) equal to Landlord's estimate of the Modification Cost; and, (ii) Landlord shall cause the Working Drawings for the Site and Shell Improvements to be modified as set forth in the draft portions thereof given to Tenant in response to its request and shall thereafter construct the Site and Shell Improvements in accordance with such Modifications. In the event that the actual Modification Cost differs from the amount estimated by Landlord, Landlord shall so notify Tenant, and, within five (5) days of the receipt by Tenant of such notice, Landlord shall refund to Tenant the amount (if any) by which the actual Modification Cost was less than that estimated by Landlord, or Tenant shall pay to Landlord the amount (if any) by which the actual Modification Cost exceeded that estimated by Landlord. In the event that Tenant elects not to proceed with the Modification, Tenant shall reimburse Landlord upon demand for all reasonable architect's fees and other reasonable costs incurred by Landlord as a result of the preparation of the draft of the modified portions of the Working Drawings for the Site and Shell Improvements, and, if any Tenant Caused Delay has resulted from the request, Tenant shall, within five (5) business days of the receipt by Tenant of a written request from Landlord accompanied by a reasonably detailed explanation of costs incurred or to be incurred, reimburse Landlord for the cost of such Tenant Caused Delay. Landlord shall, however, use all reasonable efforts to minimize the duration of any Tenant Caused Delays resulting solely from the necessity of Landlord causing drafts and estimates to be prepared in response to Tenant's request.

15. CONSTRUCTION RELATED MATTERS.

15.1. Target Date For Commencement. Landlord and Tenant agree to use commercially reasonable efforts to obtain all Necessary Approvals, to prepare and approve plans, specifications and working drawings, hire contractors, and take such other steps as may be required so that Landlord is in a position to commence construction of the Site and Shell Improvements by June 1, 1998. Landlord and Tenant both acknowledge and agree, however, that such date is a target for commencement of construction and that such commencement is subject to numerous factors beyond the control of either Landlord or Tenant. In the event that Landlord is unable, despite the use of its commercially reasonable efforts in the circumstances, to obtain all required governmental approvals, to prepare and approve plans, specifications and working drawings, hire contractors, and take such other steps as may be required so that Landlord is in a position to commence construction of the Site and Shell Improvements by June 15, 1998, Landlord may defer the Commencement of Construction to June 1, 1999 by written notice to Tenant.

15.2. Schedule Requirements in Construction Contracts. Landlord shall require that the contract between Landlord and its general contractor for the construction of the Site and Shell Improvements contain a commercially reasonable schedule for the Substantial Completion of each of the Floors within the Buildings, which schedule will be subject to the consent of Tenant, which consent shall not be unreasonably withheld or delayed. Such contract shall also provide for the contractor to pay a reasonable sum as liquidated damages for each day that Substantial Completion is not achieved in accordance with the approved schedule, although such contract may also provide for the schedule to be extended without the payment of such damages for delays which are caused by Force Majeure Events.

15.3. Notice of Substantial Completion. When Substantial Completion of a particular Floor within a Building has occurred, Landlord shall give Tenant written notice thereof (a "Floor Substantial Completion Notice"). The fact that the landscaping, exterior plazas, parking

lots, driveways, walkways, or other Floors of the Project or another Phase I Building have not been completed shall not prevent Landlord from delivering a Floor Substantial Completion Notice to Tenant and delivering the Floor which is Substantially Complete. Landlord and Tenant shall prepare a Punch List of items pertaining to the Floor which is then Substantially Complete within ten (10) business days after the receipt by Tenant of the Floor Substantial Completion Notice, which Punch List shall specify the items of work on such Floor which have not been completed. Landlord shall use all reasonable diligence to complete the items on such Punch List within thirty (30) days thereafter.

16. NOTICES OF COMPLETION AND DEFECTS.

16.1. Project Substantial Completion Notice and Acceptance. Upon the Substantial Completion of all of the Site and Shell Improvements and the Tenant Improvements, Landlord shall give Tenant written notice of such completion (a "Project Substantial Completion Notice"), and Tenant shall be deemed to have fully accepted the Work as satisfactorily completed in accordance with all requirements of this Leasehold Improvements Agreement and shall further be deemed to have waived any defects in any such Work, except to the extent that:

A. Tenant shall furnish Landlord with a list (the "Punch List") within ten (10) business days after the receipt by Tenant of the Project Substantial Completion Notice, which Punch List shall specify the items of work which have not been completed;

B. Tenant shall furnish Landlord with a list (the "Defect List") within three (3) months after the date of the receipt by Tenant of the Project Substantial Completion Notice, specifying any defects in the construction of Work which were discovered prior to the end of such three (3) month period (provided that Tenant shall also notify Landlord of any such defect within a reasonable time after discovering it); and,

C. Tenant shall furnish Landlord with a list (the "HVAC Defect List") within twelve (12) months after the date of the receipt by Tenant of the Project Substantial Completion Notice, specifying any defects in the construction of those portions of the HVAC system serving the Project which are a part of the Work and which were discovered prior to the end of such twelve (12) month period (provided that Tenant shall also notify Landlord of any such defect within a reasonable time after discovering it).

16.2. Assignment of Warranty Rights by Landlord. Within five (5) days of the delivery of the Project Substantial Completion Notice by Landlord to Tenant, Landlord shall assign to Tenant, pursuant to an assignment agreement in a form reasonably acceptable to Landlord and Tenant, all warranties and guarantees from all manufacturers, equipment suppliers and contractors related to the Project; provided, however, that such assignment agreement shall also permit Landlord to retain the right to enforce any such warranties.

16.3. Corrections by Landlord. Landlord shall commence the correction of each of the items on the Punch List, the Defect List, and the HVAC Defect List within twenty (20) days of the receipt by Landlord of such Punch List or earlier notice of such defect (unless a particular defect materially interferes with the use by Tenant of any of the Buildings or other portion of the Work, in which event Landlord shall commence the required correction as promptly as is reasonably feasible in the circumstances and shall thereafter diligently prosecute such correction to completion). The cost, if any, to Landlord of such corrections shall be a part of Phase I Project Cost, or, if the final Phase I Project Cost has been established under the Lease, then such cost shall be an Expense under the Lease. Landlord shall, if reasonably possible in the circumstances, complete any required correction within thirty (30) business days of the receipt by Landlord of such list or earlier notice of such defect.

17. DELAYS.

17.1. Tenant Caused Delays. To the extent that a delay shall occur in the Substantial Completion of a Floor or of the Project as the direct or indirect result of a delay with regard to one or more critical path aspects of the Project fairly attributable to the acts or omissions of Tenant; then: (i) any such delay shall extend the date for the completion by Landlord of that part of the Work which is delayed by one (1) day for each day of such delay; and, (ii) Tenant shall reimburse Landlord on demand for all additional costs incurred by Landlord as a result of such delays (including, without limitation: (a) increased design costs, (b) increased construction costs, (c) increased development management costs, and (d) increased financing costs or fees in connection with loan extensions or replacements required by reason of the resulting delays, if any, in the construction schedule; provided, however, that any amount so reimbursed by Tenant shall be excluded from Aggregate Development Cost). In addition, any such delay in the Substantial Completion of construction shall extend all dates for the Substantial Completion by Landlord of any work to be performed by it on the Phase I Land, the Phase II Land or a particular Building by one (1) day for each day of such delay in Substantial Completion; and, the Rent Commencement Dates under the Lease shall each be deemed to have occurred one (1) day sooner than the day upon which the conditions for the occurrence of each such date are actually fulfilled for each day of such delay. The following is a non-exclusive list of the kinds of acts or omissions which could, depending on the applicable facts and circumstances, result in a delay in the Substantial Completion of a Floor: (i) any delay of Tenant, beyond the periods provided in this Leasehold Improvements Agreement for the response of Tenant, in giving any consent or approval which is required pursuant to this Leasehold Improvements Agreement; (ii) any request by Tenant that Landlord delay any element, or the completion, of construction; (iii) any request by Tenant for a Modification or any Modification undertaken at the request of Tenant or any change to any of the Final Working Drawings for the Tenant Improvements after such Final Working Drawings for the Tenant Improvements have been approved; (iv) any event of default by Tenant under the Lease, the Option Agreement, the Phase II Purchase Agreement or any Event of Tenant Default under this Leasehold Improvements Agreement; (v) any interference by Tenant or its agents or contractors with the prosecution by Landlord of the Work; (vi) any reasonably necessary displacement of any construction from its place in Landlord's construction schedule resulting from any of the causes for delay described above and the fitting of such construction back into such schedule; or (vii) any delay in obtaining any approval or permit from the City of San Rafael or any other governmental entity or any utility company or district resulting from any other delay referred to in this Section 0. Following a determination by Landlord that a Tenant Caused Delay is reasonably likely to result from an event of the kind referred to in this Section 0, Landlord shall give written notice of such event to Tenant. Landlord shall use Landlord's reasonable efforts to minimize the length of any such delay and to mitigate or eliminate the effects of such delay in subsequent parts of the work, which reasonable efforts may include overtime to the extent reasonably requested by Tenant to minimize the adverse economic consequences to Tenant of such delay, but only if and to the extent Tenant agrees to reimburse Landlord upon demand for any incremental increase in the cost of performing the work as to which such overtime is used. The delays described in this Section 0 are referred to in this Leasehold Improvements Agreement as "Tenant Caused Delays". Tenant acknowledges that, because grading of the site will only be permitted during certain months, relatively brief delays may result in a lengthy postponement of the commencement of grading until it can be undertaken during a month in which grading is permitted, and the duration of any such delay in such grading shall be taken into account in determining the duration of any Tenant Caused Delay.

17.2. Force Majeure Delays. To the extent that Landlord or Tenant shall be delayed in or prevented from the performance of any act (other than Tenant's obligation to make payments of rent, additional rent and other charges required hereunder or under the Lease) solely by

reason of restrictive governmental laws or regulations, governmental delays beyond a reasonable and customary period for the issuance of any required permit or approval, actions initiated by a third party resulting in a judicial order which restrains or enjoins activity necessary to the completion of the Site and Shell Improvements and/or the Tenant Improvements or which would prevent the accrual of vested rights to complete the Project, industry-wide craft strikes, unavailability of materials, riots, insurrections, epidemics, quarantine restrictions, acts of God, an Event of Default on the part of the other party to this Leasehold Improvements Agreement, war or damage to work in process by reason of fire, flood, earthquake or other casualty, then performance of such act shall be excused for the period of the delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay. Notwithstanding the foregoing, lack of funds shall not be deemed to be a cause beyond the control of either party. Landlord shall use Landlord's reasonable efforts to minimize the length of any such delay. The delays (including, without limitation, Tenant Caused Delays) described in this Section 0 are referred to in this Leasehold Improvements Agreement as "Delays".

17.3. Statements of Landlord as to Delays. Within ten (10) business days of a written request from Tenant, Landlord shall give to Tenant a written statement setting forth a description of the cause for and duration (by dates of commencement and cessation or, as to Delays which have not yet ended, estimated date of cessation) of all Delays in the Work which Landlord contends have occurred prior to the date of such statement or which are continuing to occur as of the date of such statement. Such statement shall also specify whether or not Landlord contends a particular Delay was a Tenant Caused Delay and shall specify the extent (if any) to which Landlord contends that each particular Delay has affected the Substantial Completion (or, for a Delay occurring after Substantial Completion, affected the final completion) of a particular Building through the date of such statement. Landlord shall be bound by, and Tenant shall be entitled to rely on, such statements for all purposes (except with respect to estimated dates of cessation in the case of Delays which have not ended as of the date of such statement), although nothing in such statements shall be deemed to bind Tenant with respect to the existence or duration of any Delay claimed by Landlord or to bind Landlord with respect to Delays caused by events of which Landlord is not aware as of the date of such statement. Tenant shall not be entitled to request such a statement from Landlord more than once in any period of thirty (30) consecutive days.

17.4. Minimization of Delays. Upon the receipt by Tenant of any notice of Delay from Landlord, Tenant may elect to direct Landlord to use such overtime as may reasonably be required in the judgment of Landlord to minimize the duration of any Delay. Such request shall be deemed a request for a Modification by Tenant, and the parties shall have the same rights and responsibilities with respect to such a request as they would have with respect to any other requested Modification.

18. PROJECT FINANCING

18.1. Right and Obligation to Arrange. Landlord shall have the sole and exclusive right to arrange for Construction Financing and Take-Out Financing for the Project, in accordance with the provisions of this Section 0. Except as otherwise provided in Section 0, Landlord shall be obligated to arrange for or provide all equity and loan proceeds required to pay the Phase I Project Cost.

18.2. Retaining a Mortgage Broker to Arrange Financing. Landlord shall, at such time as Landlord may select, retain a mortgage broker of Landlord's choosing for the purpose of researching and negotiating Construction Financing for the Project. Tenant shall not, either directly or indirectly, solicit or respond to quotations from potential lenders with respect to conventional real estate financing at any time prior to the exercise of the "First Option" by Tenant

pursuant to, and as defined in, the Option Agreement. Tenant may, however, inquire directly from potential lenders only as to the availability to Tenant of off-balance sheet financing.

18.3. Selection of Lender and Negotiation of Construction Financing. Landlord shall choose, from among those who give quotations to Landlord, one or more of the potential lenders with which to negotiate for the Construction Financing which Landlord then desires to obtain, the costs of which shall not exceed in the aggregate the amount which is then reasonable for construction financing for a project of the type, size, location and other characteristics of the Project.

18.4. Selection of Lender and Negotiation of Take-Out Financing. Landlord shall select and arrange Take-Out Financing for the Project.

18.5. Inability to Obtain Commitment for Take-Out Financing. In the event that Landlord elects by written notice to Tenant to obtain a commitment for Take-Out Financing meeting the Criteria for Take-Out Financing and thereafter uses commercially reasonable efforts to obtain a commitment from the lender offering such Take-Out Financing, but thereafter reasonably believes that it will not be able for any reason not within the control of Landlord to obtain a binding commitment which satisfies the Criteria for Take-Out Financing and which is otherwise acceptable to Landlord in the exercise of its reasonable discretion, Landlord shall so notify Tenant. During the immediately following fifteen (15) days, Landlord and Tenant shall meet and negotiate to agree on an alternative basis for consummating the transaction which is acceptable to both of them in the exercise of their respective sole discretion. If Landlord and Tenant fail to so agree within such fifteen (15) day period, then Landlord may, in its sole discretion, elect by written notice to Tenant to terminate the Lease, this Leasehold Improvements Agreement, the Option Agreement and the Phase II Purchase Agreement (but not less than all of them) by written notice to Tenant. Such termination shall be effective upon and as of the sixth (6th) business day following the date upon which Tenant receives such notice from Landlord, unless Tenant exercises the First Option under the Option Agreement prior to the effective date of such termination. In the event that Tenant so exercises the First Option, then Tenant shall purchase the PG&E Property from Landlord in its then condition, "as is, with all faults", except that Landlord shall have the right set forth in Section 2.13 of the Option Agreement.

18.6. Other Funds. Landlord may, in its sole discretion, choose to provide funds for the purposes of Take-Out Financing from sources or loans which do not meet the Criteria for Take-Out Financing, which funds may be greater in amount than those stated in the Criteria for Take-Out Financing.

18.7. Contribution of Tenant. In the event that Landlord estimates that the Estimated Phase I Project Cost will exceed an amount equal to One Hundred Eighty-Three Dollars ($183.00) per square foot of Gross Building Area in the Buildings to be located in Phase I, Landlord may so notify Tenant in writing and request that Tenant provide Construction Financing and Take-Out Financing for the Project in an amount equal to the lesser of: (i) seventy-five percent of the amount by which the Phase I Project Cost exceeds the amount equal to One Hundred Eighty-Three Dollars ($183.00) per square foot of Gross Building Area in the Buildings to be located in Phase I; or, (ii) Seven and 50/100ths Dollars ($7.50) per square foot of Gross Building Area in the Buildings to be located in Phase I. _.In the event that Landlord delivers such a notice to Tenant: (i) Tenant shall provide such funds to Landlord as and when requested by Landlord, but only after Landlord has invested in the Project an equity contribution equal to fifteen percent (15%) of the Phase I Project Cost, as such Phase I Project Cost is estimated in good faith by Landlord; (ii) Tenant shall be entitled to receive monthly payments of interest only at the rate of fifteen percent (15%) per annum, commencing as of the Last Rent Commencement Date and continuing during the Term of the Lease; (iii) interest shall accrue from the time that such funds are paid by Tenant to the

day immediately preceding the Last Rent Commencement Date at the rate of fifteen percent (15%) per annum, and the amount so accrued shall be added to the principal; (iv) such loan shall be secured by a Deed of Trust encumbering the Project in the standard form used by First American Title Company of Marin as of the date of the making of such loan or, if such a deed of trust would not be acceptable to any Mortgagee of a Mortgage securing Construction Financing or Take-Out Financing, then by other security reasonably acceptable to Landlord and Tenant and acceptable to such Mortgagee; and, (v) Tenant shall unconditionally subordinate its interest under such Deed of Trust to the interests of the mortgagee of any mortgage or the holder of any other deed of trust securing a loan against the Project, provided that the aggregate amount of principal indebtedness secured by all such mortgages and deeds of trust to which Tenant is required to be subordinate at any time is equal to or less than the Phase I Project Cost. Any funds so advanced by Tenant, together with any accrued and unpaid interest thereon, shall be due and payable by Landlord to Tenant on the fifth (5th) anniversary of the Last Rent Commencement Date.

18.8. Cooperation of Tenant in Construction Financing and Take-Out Financing.

A. Because of the rights of Tenant to acquire the PG&E Property pursuant to the Option Agreement, Tenant may be required by the lenders of the Construction Financing or the Take-Out Financing or both to execute the loan documents as a prospective borrower or successor borrower. Tenant shall execute, within five (5) days of a written request from Landlord, any commercially reasonable loan documents which the lender requires that Tenant execute, provided that no such loan document shall require that Tenant have personal liability for the repayment of any indebtedness on such loan, except in an amount equal to the aggregate monetary obligations of Tenant under the Lease during the then remaining Term and any Extended Terms as to which Tenant then has an unexpired right to extend the Term of the Lease and except for customary personal liability exceptions, such as those pertaining to Hazardous Materials, misapplication of funds and misrepresentation. Without limiting any other provision of such loan documents, such loan documents may condition the right of Tenant to exercise its option pursuant to the Option Agreement on the maintenance by Tenant of reasonable net worth or other financial standards, provided that such standards are reasonably related to, and less than, the financial condition of Tenant as of the date of this Leasehold Improvements Agreement. Tenant shall also execute such instruments subordinating its rights and interests pursuant to the Option Agreement to the rights and interests of the lender pursuant to the loan documents, provided that such lender shall agree in writing to recognize the rights of Tenant under the Option Agreement following a foreclosure of the Mortgage, subject to such restrictions on the liability and obligations of the lender as the lender may reasonably require in the circumstances.

B. If required by a Mortgagee of Take-Out Financing, Tenant shall agree to such commercially reasonable amendments to the provisions of the Lease and this Leasehold Improvements Agreement as such Mortgagee may require, provided that the amount of Basic Monthly Rent, Real Estate Taxes and Expense for which Tenant is liable shall not be affected by reason of any such amendment and the Permitted Use and the other rights and privileges of Tenant under the Lease and this Leasehold Improvements Agreement are not materially impaired or reduced.

18.9. Financial Covenants of Tenant. In the event of any material diminution in the financial condition or creditworthiness of Tenant occurring after the date of this Leasehold Improvements Agreement which could reasonably be expected to result, or which has then resulted, in increased costs of financing or other economic losses to Landlord which would not have been incurred had no such diminution occurred, Landlord may notify Tenant in writing that Landlord proposes to increase the Agreed Spread for Take-Out Financing by a specified amount to take into account the amount of increase in rate caused by such diminution or to require that Tenant pay to

Landlord the increased costs of financing or other economic losses. Such written notice to Tenant (a "Creditworthiness Adjustment Notice") from Landlord shall state the grounds on which Landlord has concluded that increased costs of financing or other economic losses will result or has resulted from such a diminution. In the event that Tenant contends that no increased costs of financing or other economic losses will result or has resulted from any such diminution or that the amount of the increased costs of financing or other economic losses described by Landlord is greater than that required to fairly reflect the increased costs of financing or other economic losses caused by such diminution, Tenant may give to Landlord a written notice (a "Contention Notice") stating such contention within fifteen (15) days of the receipt by Tenant of such a notice from Landlord, which notice shall state the grounds on which Tenant has concluded that no increased costs of financing or other economic losses will result or has resulted from such a diminution or that the amount of the increased costs of financing or other economic losses described by Landlord is greater than that which will occur or has occurred. Upon the receipt by Landlord of such a notice from Tenant within such period, Landlord and Tenant shall meet and confer for a period of ten (10) days regarding whether or not increased costs of financing or other economic losses will or has resulted from such a diminution and as to the amount of the adjustment to the Agreed Spread for Take-Out Financing or other payments, if any, required to fairly reflect the increased costs of financing or other economic losses. In the event that Landlord and Tenant are unable to agree as to whether or not increased costs of financing or other economic losses will or has resulted from such a diminution and as to the amount of the adjustment or payments, if any, required to fairly reflect such increase or losses, then either may require that the matter be resolved by arbitration conducted in accordance with the provisions of Section 0. In the event that such arbitration results in an award determining that an increase in the Agreed Spread for Take-Out Financing would be required in the circumstances to fairly reflect the increase in rate caused by such diminution, then the Agreed Spread for Take-Out Financing shall be increased in the manner so determined in the arbitration award. In the event that such arbitration results in an award determining that Tenant should pay to Landlord an amount to compensate Landlord for increased costs of financing or other economic losses, then Tenant shall make such payments to Landlord in the manner and at the time described in the arbitration award. In the event that Tenant fails to give to Landlord a Contention Notice within the time period for the giving of such notice provided in this Section 0, Landlord may give to Tenant a second notice stating such failure and further stating that if Tenant does not give such a Contention Notice within five (5) days of the receipt by Tenant of such second notice from Landlord, the adjustments or payments or both proposed by Landlord will become final. In the event that Tenant fails to respond to such submission within such period of five (5) days of the receipt by Tenant of such second notice from Landlord, then the adjustments or payments or both proposed by Landlord will become final and not subject to challenge by Tenant.

18.10. Prevailing Wages. Landlord and Tenant hereby acknowledge that a lender of Construction Financing or Take-Out Financing or both may require that prevailing wages be paid or that union labor be used in connection with the construction of the Project, and Landlord and Tenant hereby agree that Landlord and Tenant shall comply with any such requirements imposed by such a lender.

18.11. Security Deposit. In the event that the terms of Take-Out Financing require that Tenant deliver to Landlord a deposit or other security for the performance by Tenant of its obligations under the Lease or this Leasehold Improvements Agreement (or both), then Tenant shall so deliver the required deposit or other security in the form and amount, which deposit or other security shall be held, applied and disbursed by Landlord pursuant to the provisions of Section 34 of the Lease.

19. DETERMINATION OF MONTHLY BASE RENT

19.1. Initial Monthly Base Rent. The Initial Monthly Base Rent shall be in an amount equal to the product of: _. (i) the total Phase I Project Cost; multiplied by, (ii) the Development Constant.

19.2. Selection of Designated Treasury Rate.

A. The Designated Treasury Rate shall be determined on a date selected by Landlord, which date must fall no later than fifteen (15) days after the date on which the first of the following events occurs: (i) Landlord enters into a binding agreement to sell, convey or otherwise transfer in the aggregate fifty percent (50%) of the interests in the Project to any person or entity other than Tenant (except a conveyance or transfer to any person who is a constituent partner in Landlord or the holder of an equity interest in a constituent partner in Landlord); (ii) Landlord receives a commitment from a lender to provide the Take-Out Financing at a fixed rate of interest (as opposed to a fixed spread over an index); (iii) Landlord receives a commitment from any other person or entity to provide funds at a fixed rate of interest in an amount greater than Eight Million Dollars ($8,000,000.00) for the purposes of Take-Out Financing pursuant to Section 0. For the purposes of this Section 19.2, the term "fixed" shall mean set at unvarying rate for a period of at least one (1) year. Notwithstanding the foregoing provisions of this Section 0, Landlord shall select the Designated Treasury Rate not later than the earlier to occur of the date upon which Landlord designates the Initial Monthly Base Rent in accordance with Section 19.3(iii) or the date which is ninety (90) days after Tenant delivers to Landlord a written request that Landlord select the Designated Treasury Rate. If Tenant delivers such written request, then Landlord may, at its option, purchase a forward commitment to fix the rate of interest (as opposed to fixing a spread over an index) under the Take-Out Financing covering the period commencing on the date Landlord selects the Designated Treasury Rate in response to Tenant's request and ending on the date upon which Landlord reasonably estimates it will be designating the Initial Monthly Base Rent in accordance with Section 19.3(iii), and the cost of such forward commitment shall be included in Phase I Project Cost. For the purposes of this Section 19.2.A. only: (i) the cost of such forward commitment shall be paid to the lender of the Take-Out Financing in points and not by increasing the spread of the interest rate applicable thereunder; (ii) the cost of such forward commitment shall not be subject to the limitations on the cost of Take-Out Financing set forth in the other provisions of this Leasehold Improvements Agreement; and, (iii) the cost of such forward commitment shall not be deemed to be included in costs reimbursed as a part of Agreed Take-Out Financing Closing Costs. The Designated Treasury Rate shall be an approximation of the rate which would be quoted forward in the futures markets for the sale of United States Treasury Bonds with maturities of fifteen (15) years, which rate shall be determined by extrapolating between the quoted rates for United States Treasury Bonds with maturities of ten (10) and thirty (30) years as of the date for which a quote can be obtained that is closest to the date upon which Landlord reasonably predicts that the Last Term Commencement Date will occur.

B. Landlord shall deliver to Tenant, within one (1) business day after the occurrence of the applicable event described above, written notice (a "Rate Designation Notice") of the date on which such event occurred, and within two (2) business days after Landlord selects the Designated Treasury Rate in accordance with this Section 0, Landlord shall deliver to Tenant written notice of such selection date and the Designated Treasury Rate. Failure by Landlord to deliver either or both of such notices shall not constitute a waiver of the right of to set the Designated Treasury Rate, although a failure by Landlord to select a date as of which the Designated Treasury Rate is to be established on or before the last day of the period during which such date could occur, as such period is provided in Section 19.2.A, shall result in the date as of which the Designated Treasury Rate is to be established being the last day of such period.

C. In the event that Landlord has previously given a Rate Designation Notice to Tenant, but Commencement of Construction has not occurred on or before August 1,

1998, Landlord may give to Tenant a second Rate Designation Notice at any time thereafter and prior to the Last Rent Commencement Date, and the Designated Treasury Rate shall be determined as of the date specified by Landlord in such second Rate Designation Notice; provided, however, that if the failure to achieve Commencement of Construction was solely due to causes within the complete control of Landlord, then the Designated Treasury Rate shall be that selected by reason of the prior Rate Designation Notice given by Landlord to Tenant.

D. In accordance with Sections 2.14, 3.13 and 4.12 of the Option Agreement, in the event that Landlord has previously given a Rate Designation Notice to Tenant, but Tenant exercises one of the options granted in the Option Agreement but thereafter defaults in its obligation to purchase the PG&E Property in accordance with the terms of the Option Agreement, Landlord may give to Tenant another Rate Designation Notice in accordance with the provisions of Section 0, and the Designated Treasury Rate shall be determined as of the date specified by Landlord in such other Rate Designation Notice.

19.3. Estimation and Redetermination of Initial Monthly Base Rent.

(i) As of the date of this Leasehold Improvements Agreement, and based on the information available to Landlord and Tenant as of that date, Landlord and Tenant estimate that the Initial Monthly Base Rent will be approximately Three Hundred Five Thousand Two Hundred Fifty Dollars ($305,250.00) per month, based upon an estimate that total Phase I Project Cost will be in the approximate amount of Thirty-Three Million Dollars ($33,000,000.00) and that the Development Constant will be approximately eleven and one-tenth percent (11.1%).

(ii) In the event that the Designated Treasury Rate has not been determined on or before the First Rent Commencement Date, Landlord shall, on or before the First Rent Commencement Date, notify Tenant in writing of Landlord's revised estimate of the Initial Monthly Base Rent, specifying both Landlord's revised good faith estimate of total Phase I Project Cost and of the Development Constant as of the date of such notice. Such revised estimate shall constitute the Initial Monthly Base Rent until the Initial Monthly Base Rent is finally determined in accordance with Section 0.

(iii) Within sixty (60) days following the Last Rent Commencement Date, Landlord shall notify Tenant in writing of Landlord's determination of the final Initial Monthly Base Rent, specifying both Landlord's then current good faith estimate of total Phase I Project Cost and of the Development Constant upon which Landlord's determination of final Initial Monthly Base Rent shall be based. Such estimates of total Phase I Project Cost and of the Development Constant shall be based on the most current information then available to Landlord, and shall include an explanation of any changes from the estimate (if any) given in accordance with Section 0.

(iv) Tenant acknowledges that the estimates to be given by Landlord to Tenant in accordance with this Section 0 will necessarily be based on incomplete information and will therefore be subject to inherent uncertainties. Landlord shall make such estimates in good faith, based on the information available to Landlord at the time the estimate is to be made. Tenant hereby acknowledges that Landlord will not be bound by any estimate so given, and that no previous estimate shall be taken into account in any redetermination of Initial Monthly Base Rent required by this Section 0. No failure by Landlord to give to Tenant a revised estimate of Initial Monthly Base Rent, or to redetermine the Initial Monthly Base Rent within the time periods herein required shall constitute a waiver by Landlord of the right to do so thereafter. The foregoing notwithstanding, in the event that Landlord fails to notify Tenant of a redetermination within the time period provided herein, Tenant shall give to Landlord a notice stating such failure

and warning Landlord that a failure to give such a notice could result in a waiver of the right to do so. If Landlord does not give to Tenant a notice of a redetermination of Initial Monthly Base Rent within thirty (30) days of the receipt by Landlord of such notice from Tenant, Tenant may give to Landlord a second notice stating such failure and further stating that if Landlord does not give such a notice of redetermination within ten (10) business days of the receipt by Landlord of such second notice from Tenant, Landlord will be deemed to have waived the right to such a redetermination. In the event that Landlord fails to respond to such notice within such period of ten (10) business days of the receipt by Landlord of such second notice from Tenant, Landlord shall be deemed to have waived the right to such a redetermination, unless such failure was caused by a Force Majeure Event, in which event Landlord shall not be deemed to have waived such a redetermination if Landlord gives a notice of redetermination within one (1) year.

(v) Within five (5) business days from the receipt by Tenant of a written request from Landlord, Tenant shall execute a certificate in a form reasonably required by Landlord or a lender acknowledging the amount of the Initial Monthly Base Rent as so estimated by Landlord, subject to the effect of any redetermination of Initial Monthly Base Rent permitted hereunder. It is the intention of Landlord and Tenant that any lender shall be fully entitled to rely on the statements set forth in such certificate as true and correct. The execution of such a certificate by Tenant shall not, however, be a condition to the obligation of Tenant to pay Monthly Base Rent in the amounts determined by Landlord nor excuse in any manner any failure by Tenant to make payments of Monthly Base Rent as and when due.

(vi) During the period between the First Rent Commencement Date and the determination of the final Initial Monthly Base Rent in accordance with Section 0, Tenant shall pay Initial Monthly Base Rent at the rate determined by the estimate of Landlord given in accordance with the provisions of Sections 0 or, if applicable, 0. Upon the final determination of the Initial Monthly Base Rent pursuant to Section 0, Landlord shall notify Tenant in writing of any amount by which the Initial Monthly Base Rent then previously paid by Tenant is more or less than that which would have been due at the rate determined under Section 0. In the event that Tenant has paid more than that which would have been due at the rate determined under Section 0, then Landlord shall refund the amount of the overage to Tenant within twenty (20) days of the receipt by Tenant of such notice from Landlord. In the event that Tenant has paid less than that which would have been due at the rate determined under Section 0, then Tenant shall pay to Landlord the amount of the underpayment within twenty (20) days of the receipt by Tenant of such notice from Landlord.

(vii) Throughout the process of the design, bidding and construction of the Project, Landlord shall undertake reasonable efforts to keep Tenant apprised of the status of all Aggregate Development Cost. Tenant shall be entitled to receive copies of all bid documents, contracts and subcontracts and all change orders agreed to by Landlord. Without limiting the foregoing, Landlord agrees to deliver to Tenant: (A) a monthly report which describes, in reasonable detail, the Aggregate Development Cost paid during the preceding month and compares such Aggregate Development Cost to the corresponding amounts set forth in the Budget and in any budget or other document used by the lender of the Construction Financing in approving disbursements of the proceeds of the Construction Financing; (B) a copy of the summary of each request to disburse Construction Financing proceeds to pay hard costs of the Project, together with copies of invoices submitted by the architect and engineers for amounts due to such parties; (C) written notice as promptly as possible after Landlord realizes that funds reserved in the Budget for contingencies will need to be expended in the future, together with a reasonably detailed, written explanation of the use thereof; and, (D) copies of such supporting documentation to any of the foregoing as Tenant may request from time to time.

20. FIRST ADJUSTMENT TO REFLECT FINAL PHASE I PROJECT COST

2.01. Determination of Final Phase I Project Cost. Within thirty (30) days of the date upon which Landlord has the information necessary to determine the final Phase I Project Cost, but not later than one hundred twenty (120) days following the Last Rent Commencement Date, Landlord shall notify Tenant in writing of the final Phase I Project Cost. Such written notice shall be accompanied by a detailed statement of final Phase I Project Cost.

20.2 Possible Review of Final Phase I Project Cost by Tenant. Within twenty (20) days of the receipt by Tenant of the notice from Landlord setting forth final Phase I Project Cost, Tenant may notify Landlord in writing (a "Review Notice") that Tenant desires to review the records of Landlord pertaining to the determination of Phase I Project Cost. If Tenant gives such a notice to Landlord within such period, Landlord shall permit Tenant to review all of the records of Landlord relevant to the determination of Phase I Project Cost. Such review shall be performed at the offices of Landlord during regular business hours, and Landlord shall permit Tenant to make copies, at its expense, of such portions of such records as Tenant may elect. Tenant shall undertake and complete such review within sixty (60) days of the receipt by Landlord of the Review Notice. In the event that Tenant concludes that the determination by Landlord of Phase I Project Cost is incorrect, it shall so notify Landlord within seventy (70) days of the receipt by Landlord of the Review Notice from Tenant, which notice from Tenant shall: (i) state with particularity the items of Phase I Project Cost as to which Tenant believes that the determination of Landlord was incorrect; and, (ii) state the election of Tenant to have the final Phase I Project Cost determined by arbitration in accordance with Section 0.

20.3. Payment to Adjust Phase I Project Cost. The final Phase I Project Cost stated by Landlord in its notice to Tenant given in accordance with Section 0 shall be deemed to have been accepted and approved by Tenant unless: (i) Landlord and Tenant agree in writing to a different Phase I Project Cost within seventy (70) days of the receipt by Landlord of the Review Notice from Tenant; or, Tenant gives to Landlord within such seventy (70) day period a notice electing to have final Phase I Project Cost determined by arbitration in accordance with Section 0. Within thirty (30) days of the date upon which the final Phase I Project Cost is established (whether by Landlord's statement of final Phase I Project Cost being deemed accepted and approved by Tenant in accordance with this Section 0 or by a written agreement between Landlord and Tenant establishing a different final Phase I Project Cost or by an arbitration resulting from an election by Tenant made within seventy (70) days of the receipt by Landlord of the Review Notice from Tenant): _.(i) if the final Phase I Project Cost is less than the Phase I Project Cost used by Landlord in determining the Initial Monthly Base Rent pursuant to Section 0, Landlord shall pay to Tenant a sum equal to the difference between the Phase I Project Cost used by Landlord in determining the Initial Monthly Base Rent pursuant to Section 0 and the final Phase I Project Cost, together with, if the difference is greater than two percent (2%) of Phase I Project Cost, an amount equal to ten percent (10%) of the amount by which such difference exceeds two (2%) of Phase I Project Cost; or, (ii) if the final Phase I Project Cost is greater than the Phase I Project Cost used by Landlord in determining the Initial Monthly Base Rent pursuant to Section 0, Tenant shall pay to Landlord a sum equal to the difference between the final Phase I Project Cost and the Phase I Project Cost used by Landlord in determining the Initial Monthly Base Rent pursuant to Section 0. Any claim by Tenant pertaining to a payment due from Landlord to Tenant pursuant to this Section 0 shall be subject and subordinate to the claims and rights of any lender with respect to the Project, the Phase I Land and any appurtenances thereto, including, without limitation, the right to receive monthly installment payments of principal and interest. Upon the written request of Landlord, Tenant shall execute such documents as the lender of the Construction Financing or Take-Out Financing may reasonably require to further evidence or implement such subordination.

21. SECOND ADJUSTMENT TO REFLECT FINAL PHASE I PROJECT COST

21.1. Determination of Revised Final Phase I Project Cost. In the event that any items of Phase I Project Cost could not have been reasonably ascertained with precision within ninety (90) days of the Last Rent Commencement Date, then within one (1) year of the Last Rent Commencement Date, Landlord may notify Tenant in writing of a revised final Phase I Project Cost. Such written notice shall be accompanied by a detailed statement of such revised final Phase I Project Cost.

21.2. Possible Review of Revised Final Phase I Project Cost by Tenant. Within twenty (20) days of the receipt by Tenant of the notice from Landlord given in accordance with Section 0 and setting forth a revised final Phase I Project Cost, Tenant may notify Landlord in writing (a "Difference Review Notice") that Tenant desires to review the records of Landlord pertaining to those items (the "Difference Items") which account for the difference between the revised final Phase I Project Cost and the final Phase I Project Cost as determined pursuant to the provisions of Section 0. If Tenant gives such a notice to Landlord within such period, Landlord shall permit Tenant to review all of the records of Landlord relevant to the determination of such Difference Items. Such review shall be performed at the offices of Landlord during regular business hours, and Landlord shall permit Tenant to make copies, at its expense, of such portions of such records as Tenant may elect. Tenant shall undertake and complete such review within sixty (60) days of the receipt by Landlord of the Difference Review Notice. In the event that Tenant concludes that the determination by Landlord of the Difference Items is incorrect, it shall so notify Landlord within seventy (70) days of the receipt by Landlord of the Difference Review Notice from Tenant, which notice from Tenant shall: (i) state with particularity the Difference Items as to which Tenant believes that the determination of Landlord was incorrect; and, (ii) state the election of Tenant to have the revised final Phase I Project Cost determined by arbitration in accordance with Section 0.

21.3. Payment to Adjust Phase I Project Cost. The revised final Phase I Project Cost stated by Landlord in its notice to Tenant given in accordance with Section 0 shall be deemed to have been accepted and approved by Tenant unless: (i) Landlord and Tenant agree in writing to a different Phase I Project Cost within seventy (70) days of the receipt by Landlord of the Difference Review Notice from Tenant; or, (ii) Tenant gives to Landlord within such seventy (70) day period a notice electing to have the revised final Phase I Project Cost determined by arbitration in accordance with Section 0. Within thirty (30) days of the date upon which the revised final Phase I Project Cost is established (whether by Landlord's statement of revised final Phase I Project Cost being deemed accepted and approved by Tenant in accordance with this Section 0 or by a written agreement between Landlord and Tenant establishing a different revised final Phase I Project Cost or by an arbitration resulting from an election by Tenant made within seventy (70) days of the receipt by Landlord of the Difference Review Notice from Tenant): _.(i) if the revised final Phase I Project Cost is less than the final Phase I Project Cost determined in accordance with Section 0, Landlord shall pay to Tenant a sum equal to the difference between the final Phase I Project Cost determined in accordance with Section 0 and the revised final Phase I Project Cost; or, (ii) if the revised final Phase I Project Cost is greater than the Phase I Project Cost determined in accordance with Section 0, Tenant shall pay to Landlord a sum equal to the difference between the revised final Phase I Project Cost and the Phase I Project Cost determined in accordance with Section 0. Any claim by Tenant pertaining to a payment due from Landlord to Tenant pursuant to this Section 0 shall be subject and subordinate to the claims and rights of any lender with respect to the Project, the Phase I Land and any appurtenances thereto, including, without limitation, the right to receive monthly installment payments of principal and interest. Upon the written request of Landlord, Tenant shall execute such documents as the lender of the Construction Financing or Take-Out Financing may reasonably require to further evidence or implement such subordination.

22. PAYMENT OF PHASE II CURRENT COSTS

22.1. Payment of Certain Phase II Current Costs at Acquisition. As provided in the Phase II Purchase Agreement, Tenant shall pay to Landlord at the closing of the escrow for the acquisition of the Phase II Land by Tenant from Landlord the purchase price for the Phase II Land.

22.2. Payment of Certain Phase II Current Costs Prior to Construction Financing. On or before the earlier of the date required by lender of the Construction Financing or the date which is five (5) business days before the date on which Landlord, in its reasonable judgment, must direct the contractor to proceed with the applicable portion of the work on the Phase II Land (of which date Landlord shall notify Tenant in writing at least two (2) business days before such date), Tenant shall pay to Landlord an amount equal to Landlord's reasonable estimate of any of the following Phase II Current Costs which have then been incurred (but not necessarily paid) by Landlord: (i) the actual cost to Landlord of arranging the acquisition of the City Property; (ii) all fees and charges of architects, engineers, materials testing consultants and other design or construction consultants, to the extent that such fees and charges relate to the design of buildings and other improvements to the Phase II Land; (iii) all permit fees and all fees and charges for services rendered by employees of the City of San Rafael or consultants hired directly by the City of San Rafael in connection with the application for, or issuance of, the Necessary Approvals required for the construction of the improvements to be located upon the Phase II Land; (iv) all costs reimbursed by Landlord to Tenant pursuant to Section 0, to the extent that such costs pertain to improvements to be located upon, or to serve, the Phase II Land; (v) all deposits (including, without limitation, deposits in connection with any utility service, but excluding deposits in connection with any Take-Out Financing), to the extent that such deposits pertain to Phase II, provided that the amount of any such deposits returned to Landlord shall be deducted from Aggregate Development Cost and Phase II Current Costs when received (and returned to Tenant, to the extent then previously paid by Tenant to Landlord), but only to the extent that such deposits were previously included in Aggregate Development Cost and Phase II Current Costs; (vi) premiums for, and other costs of, surety bonds or other security required in connection with any aspect of the development of Phase II or off-site improvements (allocating the cost of such bonds between Phase I and Phase II in accordance with the schedule for such allocations set forth in Exhibit H, to the extent that such security is provided by Landlord and not by Tenant; and, (vii) all reasonable legal fees and reasonable fees of other technical consultants incurred in connection with the negotiation and documentation of any agreement pertaining to the design and construction of the improvements to be constructed upon the Phase II Land or any portion thereof, whether at or about the same time as the Site and Shell Improvements or at a later time, or any agreement pertaining to the design, construction or security for of any improvement or payment imposed as a condition upon any approval by the City of San Rafael of any permit or approval required for the development of such improvements.

22.3. Payment of Remainder of Phase II Current Costs at Construction Financing. On or before the later of the day immediately preceding the funding of the Construction Financing or fifteen (15) days from a written request by Landlord, Tenant shall deposit with the lender of the Construction Financing an amount equal to Landlord's reasonable estimate of all Phase II Current Costs which have not then been paid by Tenant to Landlord pursuant to Sections 0 or 0. At the request of Tenant, Landlord shall request that the lender enter into an agreement with Tenant requiring that the deposit be applied only in payment of Phase II Current Costs, which agreement shall be in a form reasonably satisfactory to such lender. In the event that such lender will not enter into such an agreement, then Tenant may, as the alternative to depositing such funds with such lender, elect to pay such funds to Landlord, and Landlord shall enter into the required agreement with Tenant. Tenant shall not unreasonably withhold or delay the

execution of such an agreement. Such lender may disburse such funds to pay Phase II Current Costs or to reimburse Landlord for any Phase II Current Costs incurred and paid by Landlord. In the event that the amount so paid and deposited by Tenant is less than Phase II Current Costs, Landlord may request that Tenant make an additional deposit in an amount equal to Landlord's reasonable estimate of the additional funds required to pay or reimburse all Phase II Current Costs then unpaid (whether or not then yet incurred), and Tenant shall make such deposit within ten (10) days of the receipt by Tenant of such a request from Landlord. In the event that the amount so deposited by Tenant is more than Phase II Current Costs, after all such Phase II Current Costs have been paid or reimbursed, the excess amount so deposited shall be returned to Tenant by the party then holding the excess funds. No component of Phase II Current Costs so deposited or otherwise paid or reimbursed by Tenant shall be included within Phase I Project Cost, to the full extent so paid or reimbursed.

23. PAYMENT FOR DESIGN AND CONSTRUCTION OF PARKING LOT. On or before the later of May 1, 1998 or fifteen (15) days from a written request by Landlord, Tenant shall deposit with the lender of the Construction Financing an amount equal to Landlord's reasonable estimate of all costs of the design and construction of all the parking lot which is to be located upon the Phase II Land. The obligation of Tenant to make the deposit to a lender required by this Section 0 may be conditioned, at the request of Tenant, upon the execution by Tenant and such lender of an agreement requiring that the deposit be applied only in payment of the cost of the design and construction of all the parking lot which is to be located upon the Phase II Land, which agreement shall be in a form reasonably satisfactory to such lender. Tenant shall not unreasonably withhold or delay the execution of such an agreement. Such lender may disburse such funds to pay such costs or to reimburse Landlord for any such costs incurred and paid by Landlord. In the event that the amount so deposited by Tenant is less than the aggregate of such costs of design and construction, Landlord may request that Tenant make an additional deposit in an amount equal to Landlord's reasonable estimate of the additional funds required to pay or reimburse all such costs then unpaid (whether or not then yet incurred). In the event that the amount so deposited by Tenant is more than the aggregate of such costs, after all such costs have been paid or reimbursed, the excess amount so deposited shall be returned to Tenant by the party then holding the excess funds. No component of such costs so deposited or otherwise paid or reimbursed by Tenant shall be included within Phase I Project Cost or in Phase II Current Costs, to the full extent so paid or reimbursed.

24. ARBITRATION OF DISPUTES

EXCEPT FOR DISPUTES WHICH ARE TO BE DETERMINED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 0, ANY DISPUTE ARISING UNDER THIS LEASEHOLD IMPROVEMENTS AGREEMENT SHALL BE DETERMINED BY ARBITRATION UPON THE REQUEST OF EITHER PARTY. THE PARTY REQUESTING ARBITRATION SHALL DO SO BY GIVING NOTICE TO THAT EFFECT TO THE OTHER PARTY, SPECIFYING IN SAID NOTICE IN REASONABLE DETAIL THE NATURE OF THE DISPUTE. WITHIN THE FIVE (5) DAY PERIOD AFTER SUCH NOTICE IS GIVEN, THE PARTIES SHALL MEET AND CONFER AS OFTEN AS IS REASONABLY POSSIBLE TO ATTEMPT IN GOOD FAITH TO AGREE ON A SINGLE ARBITRATOR TO RESOLVE THE DISPUTE. IF THE PARTIES FAIL TO SO AGREE WITHIN THAT FIVE (5) DAY PERIOD, THE MATTER SHALL BE REFERRED TO THE AMERICAN ARBITRATION ASSOCIATION, WHICH SHALL SELECT A SINGLE ARBITRATOR TO RESOLVE SUCH DISPUTE. WITHIN FIVE (5) DAYS AFTER THE ARBITRATOR IS SELECTED, THE ARBITRATOR SHALL NOTIFY EACH OF THE PARTIES OF THE LOCATION AND TIME OF A HEARING OF THEIR RESPECTIVE POSITIONS WITH RESPECT TO THE DISPUTE,

WHICH SHALL BE HELD NOT LATER THAN FIFTEEN (15) DAYS AFTER THE NOTICE FROM THE PARTY INITIATING THE ARBITRATION. THE ARBITRATOR SHALL RENDER HIS OR HER DECISION WITHIN SEVEN (7) DAYS OF CONCLUSION OF THE HEARING. THE DECISION OF THE ARBITRATOR SHALL BE BINDING AND CONCLUSIVE UPON THE PARTIES. IF AN ARBITRATOR SHALL FAIL OR REFUSE TO ACT WITHIN THE TIME PERIODS PROVIDED HEREIN, THEN A SUBSTITUTE ARBITRATOR SHALL BE APPOINTED UPON THE APPLICATION OF EITHER PARTY BY THE PRESIDING JUDGE OF THE SUPERIOR COURT IN AND FOR THE COUNTY OF MARIN, ACTING IN HIS OR HER PERSONAL, RATHER THAN JUDICIAL, CAPACITY. THE AWARD IN SUCH ARBITRATION MAY BE ENFORCED, ON THE APPLICATION OF EITHER PARTY THERETO, BY THE ORDER OR JUDGMENT OF A COURT OF COMPETENT JURISDICTION. THE FEES AND EXPENSES OF THE ARBITRATOR SHALL BE BORNE BY THE PARTIES EQUALLY, BUT EACH PARTY SHALL BEAR THE EXPENSE OF ITS OWN ATTORNEYS AND EXPERTS AND THE ADDITIONAL EXPENSES OF PRESENTING ITS OWN PROOF.

NOTICE: BY INITIALLING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

LANDLORD

Village Builders, L.P.,
a California limited partnership

By: VPI, Inc., a California corporation,
Its General Partner

By: ----------

Its: ----------

TENANT

Fair, Isaac and Company, Inc.,
a Delaware corporation

By:

Its:
---

25. ALTERNATIVE PROCEDURE FOR ARBITRATION OF CERTAIN DISPUTES.

ANY DISPUTE ARISING UNDER A PROVISION OF THIS LEASEHOLD IMPROVEMENTS AGREEMENT WHICH SPECIFICALLY STATES THAT SUCH DISPUTES SHALL BE DETERMINED BY ARBITRATION IN ACCORDANCE WITH THIS SECTION 0 SHALL BE DETERMINED BY THE FOLLOWING PROCEDURES. THE PARTY REQUESTING ARBITRATION SHALL DO SO BY GIVING NOTICE TO THAT EFFECT TO THE OTHER PARTY, SPECIFYING IN SAID NOTICE IN REASONABLE DETAIL THE NATURE OF THE DISPUTE. WITHIN THE TWO (2) DAY PERIOD AFTER SUCH NOTICE IS GIVEN, THE PARTIES SHALL MEET AND CONFER AS OFTEN AS IS REASONABLY POSSIBLE TO ATTEMPT IN GOOD FAITH TO AGREE ON A SINGLE ARBITRATOR TO RESOLVE THE DISPUTE. IF THE PARTIES FAIL TO SO AGREE WITHIN THAT TWO (2) DAY PERIOD, THEN BY 5:00 P.M. ON SUCH SECOND DAY, EACH PARTY SHALL LIST THE NAMES OF TWO (2) ARBITRATORS ON A PIECE OF PAPER AND SHALL PROVIDE A COPY THEREOF TO THE OTHER PARTY. IF THE NAME OF AN ARBITRATOR APPEARS ON BOTH PIECES OF PAPER, SUCH PERSON SHALL ARBITRATE THE DISPUTE. OTHERWISE, THE NAMES OF THE FOUR (4) ARBITRATORS SHALL BE SUBMITTED ON THE FOLLOWING MORNING TO THE AMERICAN ARBITRATION ASSOCIATION SOLELY FOR THE PURPOSE OF SELECTING WHICH OF THOSE FOUR (4) INDIVIDUALS SHALL ARBITRATE THE DISPUTE. THE AMERICAN ARBITRATION ASSOCIATION SHALL BE REQUESTED TO SELECT SUCH AN ARBITRATOR WITHIN TWO (2) DAYS. WITHIN FIVE (5) DAYS OF THE SELECTION OF THE ARBITRATOR, THE ARBITRATOR SHALL NOTIFY EACH OF THE PARTIES OF THE LOCATION AND TIME OF A HEARING OF THEIR RESPECTIVE POSITIONS WITH RESPECT TO THE DISPUTE, WHICH SHALL BE HELD NOT LATER THAN TEN (10) DAYS AFTER THE NOTICE FROM THE PARTY INITIATING THE ARBITRATION. THE ARBITRATOR SHALL RENDER HIS OR HER DECISION WITHIN TWO (2) BUSINESS DAYS OF CONCLUSION OF THE HEARING. THE DECISION OF THE ARBITRATOR SHALL BE BINDING AND CONCLUSIVE UPON THE PARTIES. IF AN ARBITRATOR SHALL FAIL OR REFUSE TO ACT WITHIN THE TIME PERIODS PROVIDED HEREIN, THEN A SUBSTITUTE ARBITRATOR SHALL BE APPOINTED UPON THE APPLICATION OF EITHER PARTY BY THE PRESIDING JUDGE OF THE SUPERIOR COURT IN AND FOR THE COUNTY OF MARIN, ACTING IN HIS OR HER PERSONAL, RATHER THAN JUDICIAL, CAPACITY. THE AWARD IN SUCH ARBITRATION MAY BE ENFORCED, ON THE APPLICATION OF EITHER PARTY THERETO, BY THE ORDER OR JUDGMENT OF A COURT OF COMPETENT JURISDICTION. THE FEES AND EXPENSES OF THE ARBITRATOR SHALL BE BORNE BY THE PARTIES EQUALLY, BUT EACH PARTY SHALL BEAR THE EXPENSE OF ITS OWN ATTORNEYS AND EXPERTS AND THE ADDITIONAL EXPENSES OF PRESENTING ITS OWN PROOF.

NOTICE: BY INITIALLING IN THE SPACE BELOW, YOU ARE AGREEING

TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

LANDLORD

Village Builders, L.P.,
a California limited partnership

By: VPI, Inc., a California corporation,
Its General Partner

By:

Its:

TENANT

Fair, Isaac and Company, Inc.,
a Delaware corporation

By:

Its:
---

26. NOTICES. Except as otherwise expressly provided in this Leasehold Improvements Agreement, any bills, statements, notices, demands, requests or other communications given or required to be given under this Leasehold Improvements Agreement shall be effective only if rendered or given in writing, sent by certified mail (return receipt requested), reputable overnight carrier, or delivered personally, (i) to Tenant at Tenant's address set forth in the Basic Lease Information of the Lease, or (ii) to Landlord at Landlord's address set forth in the Basic Lease Information of the Lease; or (iii) to such other address as either Landlord or Tenant may designate as its new address for such purpose by notice given to the other in accordance with the provisions of this Section 0. Any bill, statement, notice, demand, request or other communication

shall be deemed to have been rendered or given on the date the return receipt indicates delivery of or refusal of delivery if sent by certified mail, the day upon which recipient accepts and signs for delivery from a reputable overnight carrier or on the date a reputable overnight carrier indicates refusal of delivery, upon the date personal delivery is made, or three (3) days after mailed by first class U.S. mail. Any bill, statement, notice, demand, request or other communication under this Leasehold Improvements Agreement may be given on behalf of a party by the attorney for such party.

27. EFFECT OF EXERCISE OF OPTION. The other provisions of this Leasehold Improvements Agreement notwithstanding, in the event that Tenant exercises the "First Option" (as that term is defined in the Option Agreement) in accordance with the provisions of the Option Agreement, Landlord shall assign to Tenant the agreements required to be so assigned by the Option Agreement, and Landlord may thereafter cease to perform any obligation of Landlord pursuant to this Leasehold Improvements Agreement with respect to the design and construction of any improvements on the Phase I Land or the Phase II Land other than any obligations of Landlord with respect to obtaining Necessary Approvals.

28. ASSIGNMENT.

28.1. By Tenant. The rights of Tenant hereunder shall not be assigned by Tenant except in connection with an assignment of the leasehold interest of Tenant under the Lease, but only if such assignment is permitted under the Lease or is made with the consent of Landlord, and any other purported assignment by Tenant shall be null and void and of no force or effect.

28.2. By Landlord. This Leasehold Improvements Agreement and the rights of Landlord (but not the obligations of Landlord) hereunder shall be assignable as collateral by Landlord without Tenant's consent or approval to any lender of Construction Financing or Take-Out Financing, to constituent partner in Landlord (or constituent partner of a constituent partner in Landlord), to an entity in which Jim Helfrich or Scott Kepner hold equity interests (or to a constituent partner of such entity), but any such assignment shall only be made in connection with an assignment of the right of Landlord under the Lease.

29. CONFLICTS AND CONFORMITY WITH OTHER DOCUMENTS. To the extent which this Leasehold Improvements Agreement fails to provide the rights and obligations of Landlord and Tenant relative to any matter, the rights and obligations of each of them relative to such matter shall be governed by the Lease to the extent such matters are addressed in the Lease.

30. DESIGNATION OF AGENTS.

30.1. Designation of Agent by Landlord. Landlord hereby appoints as its respective agents in connection with the matters referred to in this Leasehold Improvements Agreement Scott Kepner and Jim Helfrich, with each such agent being fully authorized to act for and bind Landlord without the necessity of confirmation or ratification by any other such agent or by any other person or entity. Such appointment shall be for the express benefit of Tenant.

30.2. Designation of Agent by Tenant. Tenant hereby appoints as its respective agents in connection with the matters referred to in this Leasehold Improvements Agreement Stephen Gale and Michael Gordon, with each such agent being fully authorized to act for and bind Tenant without the necessity of confirmation or ratification by any other such agent or

by any other person or entity. Such appointment shall be for the express benefit of Landlord.

31. EVENTS OF DEFAULT.

31.1. Events of Landlord Default. An "Event of Landlord Default" shall be deemed to have occurred when: (i) Landlord has failed to perform any of its obligations or has breached any of its duties under this Leasehold Improvements Agreement; (ii) Tenant has given written notice of such failure or breach to Landlord; and, (iii) Landlord has not cured such failure or breach, with respect to any failure to pay or deposit money, within five (5) business days of the receipt by Landlord of such notice from Tenant or, with respect to any failure to perform any obligation or breach of any duty, other than an obligation to pay or deposit money, within thirty (30) days from the receipt by Landlord of such notice from Tenant or, if Landlord has diligently commenced and endeavored to cure such failure or breach but such failure or breach cannot by its nature be cured within such period of thirty (30) days despite the diligent efforts of Landlord, then within such additional period as may reasonably be required for the completion of such cure through the diligent efforts of Landlord; provided, however, that such additional period shall not exceed ninety (90) days beyond such thirty (30) day period. The foregoing notwithstanding, in the event that Tenant is prevented or delayed by operation of law or by injunction from giving to Landlord notice that Landlord has failed to perform any of its obligations or has breached any of its duties, then no such notice shall be required, and an "Event of Landlord Default" shall be deemed to have occurred when the applicable time period referred to in clause (iii) above has elapsed from the first occurrence of such failure of performance or breach of duty (rather than from the receipt by Landlord of a notice from Tenant).

31.2. Events of Tenant Default. An "Event of Tenant Default" shall be deemed to have occurred when: (i) Tenant has failed to perform any of its obligations or breached any of its duties under this Leasehold Improvements Agreement; (ii) Landlord has given written notice of such failure or breach to Tenant; and, (iii) Tenant has not cured such failure or breach, with respect to any failure to pay or deposit money, within five (5) business days of the receipt by Tenant of such notice from Landlord or, with respect to any failure to perform any obligation or breach of any duty, other than an obligation to pay or deposit money, within thirty (30) days from the receipt by Tenant of such notice from Landlord or, if Tenant has diligently commenced and endeavored to cure such failure or breach but such failure cannot by its nature be cured within such period of thirty (30) days despite the diligent efforts of Tenant, then within such additional period as may reasonably be required for the completion of such cure through the diligent efforts of Tenant; provided, however, that such additional period shall not exceed ninety (90) days beyond such thirty (30) day period. The foregoing notwithstanding, in the event that Landlord is prevented or delayed by operation of law or by injunction from giving to Tenant notice that Tenant has failed to perform any of its obligations or has breached any of its duties, then no such notice shall be required, and an "Event of Tenant Default" shall be deemed to have occurred when the applicable time period referred to in clause (iii) above has elapsed from the first occurrence of such failure of performance or breach of duty (rather than from the receipt by Tenant of a notice from Landlord).

32. WAIVER. If either Landlord or Tenant waives the performance of any term, covenant or condition contained in this Leasehold Improvements Agreement, such waiver shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition contained herein. Furthermore, the acceptance of Monthly Base Rent or Additional Rent by Landlord shall not constitute a waiver of any preceding breach by Tenant of any term, covenant or condition of this Leasehold Improvements Agreement or of any Tenant Caused Delay, regardless of Landlord's knowledge of such preceding breach at the time Landlord accepted such Monthly Base Rent or Additional Rent. Failure by Landlord or Tenant to enforce any of the terms,

covenants or conditions of this Leasehold Improvements Agreement for any length of time shall not be deemed to waive or to decrease the right of Landlord or Tenant to insist thereafter upon strict performance by Tenant. Waiver by Landlord or Tenant of any term, covenant or condition contained in this Leasehold Improvements Agreement may only be made by a written document signed by the party to be charged with such waiver.

33. ATTORNEYS' FEES. If Tenant or Landlord brings any arbitration or action for any relief against the other, declaratory or otherwise, arising out of this Leasehold Improvements Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees, which shall be deemed to have accrued on the commencement of such action and shall be paid whether or not the arbitration or action is prosecuted to judgment.

34. TERMINATION.

34.1. Rights of Landlord to Terminate. In addition to any other rights to terminate this Leasehold Improvements Agreement set forth herein, but subject to the provisions of Section 0.D, Landlord shall have the following rights:

A. In the event that Landlord is unable to obtain Construction Financing or Take-Out Financing (on the terms described in this Leasehold Improvements Agreement and otherwise on terms which, if less favorable to Landlord, shall be satisfactory to Landlord in the exercise of its sole discretion) in sufficient time to permit the Commencement of Construction for the Project on or before June 1, 1998, after Landlord has followed the procedures set forth in this Leasehold Improvements Agreement to obtain such financing, Landlord may terminate the Lease, this Leasehold Improvements Agreement, the Option Agreement and the Phase II Purchase Agreement (but not less than all of them) by written notice to Tenant on or after June 2, 1998. In addition, if Landlord is unable to obtain binding commitments for Construction Financing or Take-Out Financing (on the terms described in the Leasehold Improvements Agreement and otherwise on terms which, if less favorable to Landlord, shall be satisfactory to Landlord in the exercise of its sole discretion) on or before April 15, 1998, after Landlord has followed the procedures set forth in the Leasehold Improvements Agreement to obtain such commitments, Landlord may terminate the Lease, this Leasehold Improvements Agreement, the Option Agreement and the Phase II Purchase Agreement (but not less than all of them) by written notice to Tenant on or after April 16, 1998.

B. In the event that the City of San Rafael imposes a condition upon the issuance of any permit or approval necessary for the development of the Project (including, without limitation, a development agreement for the Project and the Phase II Land) which Landlord concludes, in the exercise of its reasonable judgment, would materially impair the value or usability of the Project or which would cause Phase I Project Cost to exceed Estimated Phase I Project Cost or which would impose upon Landlord costs which are not Phase I Project Costs and which are materially in excess of the costs projected by Landlord for those purposes, or in the event that Landlord reasonably believes that the City of San Rafael is likely to impose one or more such conditions in the future, Landlord may terminate the Lease, this Leasehold Improvements Agreement, the Option Agreement and the Phase II Purchase Agreement (but not less than all of them) by written notice to Tenant. Landlord may also terminate the Lease, this Leasehold Improvements Agreement, the Option Agreement and the Phase II Purchase Agreement (but not less than all of them) by written notice to Tenant if Landlord reasonably concludes that no solution to the relocation of the existing 115KV powerline will be approved by the City of San Rafael which is acceptable to Tenant and, in the sole judgment of Landlord, economically feasible in the circumstances.

C. In the event that the City of San Rafael for any reason fails or refuses to grant on or before May 1, 1998 all permits and approvals necessary to permit the development of the Project and the Phase II Land with not less than three hundred fifty thousand (350,000) square feet of Gross Building Area and otherwise in accordance with the terms of the Lease and this Leasehold Improvements Agreement (including, without limitation, a development agreement for the Project and the Phase II Land), Landlord may terminate the Lease, this Leasehold Improvements Agreement, the Option Agreement and the Phase II Purchase Agreement (but not less than all of them) by written notice to Tenant on or after May 2, 1998.

D. Notwithstanding the foregoing provisions of this Section 0 to the contrary, if Tenant exercises the First Option under the Option Agreement prior to Landlord's exercise of any right under this Section 0, then the following provisions shall apply: (i) with respect to Landlord's rights under Sections 0.A and 0.B, Landlord's rights under such Sections shall be suspended until the earlier to occur of: (a) the date on which Tenant acquires the PG&E Property pursuant to the First Option (in which event Landlord's rights under such Sections shall automatically terminate); or (b) the date on which Tenant fails, for any reason, to acquire the PG&E Property pursuant to the First Option (in which event, with respect to Section 0.A only, the dates set forth in Section 0.A shall be deemed to be the same dates in 1999); and (ii) with respect to Landlord's right under Section 0.C, if on or before May 1, 1998 both Tenant has not acquired the PG&E Property pursuant to the First Option and the permits and approvals described in Section 0.C have not been granted by the City of San Rafael, then Landlord may elect to deliver to Tenant written notice advising Tenant that it must either acquire title to the PG&E Property in its "as is" condition on or before a date specified by Landlord in its notice (which date shall not be less than fifteen (15) days after the date of Landlord's notice) or permitting Landlord to terminate the Lease, this Leasehold Improvements Agreement, the Option Agreement and the Phase II Purchase Agreement (but not less than all of them) effective as of the date which is five (5) days after the date of Landlord's notice. With respect to clause (ii) above only, if Tenant fails to deliver to Landlord, within that five (5) day period, written notice agreeing to so acquire title to the PG&E Property, then the Lease, this Leasehold Improvements Agreement, the Option Agreement and the Phase II Purchase Agreement (but not less than all of them) shall so terminate.

34.2. Termination of Multiple Agreements. In those instances where either Landlord or Tenant or both of them are given the right to terminate more than one agreement between them by reason of the occurrence of a particular event or circumstance, it is the intention of Landlord and Tenant that any termination resulting from the exercise of such right shall be of all of the agreements as to which the right is so given and all rights arising thereunder, but not less than all of them, except that termination of the Option Agreement shall not ipso facto terminate the Lease under this Section 0. If the Lease, this Leasehold Improvements Agreement, the Option Agreement and the Phase II Purchase Agreement are terminated for any reason, that termination shall be without prejudice to any rights either party may have against the other with respect to sums which became due under the Lease, this Leasehold Improvements Agreement, the Option Agreement or the Phase II Purchase Agreement prior to such termination. The provisions of this Section 0 shall apply to all the aforementioned documents notwithstanding any provision to the contrary in them.

34.3. Effect of Termination of the Lease. In the event that the Lease is terminated for any reason, then this Leasehold Improvements Agreement shall also be deemed to have simultaneously been terminated, without further act of the parties. In the event of the termination of the Lease by reason of a default by Tenant thereunder, then this Leasehold Improvements Agreement shall conclusively be deemed also to have been terminated due to a default by Tenant.

35. PAYMENTS BY LANDLORD. Provisions of this Leasehold Improvements Agreement which require that Landlord pay an expense or provide a service or thing at its expense are not intended to affect, or to exclude such expenses from, the definition of "Aggregate Development Cost" set forth in the Lease (upon which Monthly Base Rent is to be based, as therein provided) or to imply that Landlord is not entitled to obtain reimbursement for such expenses to the extent provided herein or in the Lease.

36. INTEREST ON DEPOSITS OR PAYMENTS BY LANDLORD. In instances where Tenant is required to pay a deposit or other sum to Landlord pursuant to this Leasehold Improvements Agreement, if Landlord does not intend to promptly make the expenditure to which the payment related and is permitted by the lender of the Construction Financing to invest the funds so paid by Tenant at interest, Landlord shall so invest the funds at rates then applicable to insured accounts, and shall pay to Tenant the interest earned thereon when such interest is received by Landlord. In instances where Tenant is required to pay a deposit or other sum to the lender of the Construction Financing pursuant to this Leasehold Improvements Agreement, Landlord shall use reasonable efforts to cause such lender to deposit such sum in an interest-bearing account with all interest earned thereon to be paid to Tenant when received.

37. MISCELLANEOUS MATTERS. Time is of the essence of this Leasehold Improvements Agreement and all of its provisions. This Leasehold Improvements Agreement shall in all respects be governed by the laws of the State of California. This Leasehold Improvements Agreement, together with its exhibits, contains all the agreements of the parties hereto pertaining to the subject matter of this Leasehold Improvements Agreement, and supersedes any previous negotiations regarding that subject matter. There have been no representations made by Landlord or understandings made between the parties other than those set forth in this Leasehold Improvements Agreement and its exhibits. This Leasehold Improvements Agreement may be executed in counterparts, each of which shall be deemed an original. This Leasehold Improvements Agreement may not be modified except by a written instrument by the parties hereto. The Section headings herein are for convenience of reference and shall in no way define, increase, limit or describe the scope or intent of any provision of this Leasehold Improvements Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Leasehold Improvements Agreement as of the day and year first above written.

LANDLORD

Village Builders, L.P.,
a California limited partnership

By: VPI, Inc., a California corporation,
Its General Partner

By: ----------

Its: ----------

TENANT

Fair, Isaac and Company, Inc.,
a Delaware corporation

By:

Its:

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LEASE

ARTICLE 1. LEASE TERMS

1.1 LANDLORD AND TENANT. This lease ("Lease") is entered into this _____ day of March, 1997 by and between CSM CORPORATION, a Minnesota corporation, ("Landlord") and DYNAMARK, INC., a Minnesota corporation, ("Tenant").

1.2 PREMISES. Landlord hereby rents, leases lets and demises to Tenant the premises and building ("Premises" and "Building") illustrated on the site plan attached hereto as EXHIBIT A, together with the right of ingress, egress and access over and across the private drive shown on EXHIBIT A. The Premises and Building are located on the real property legally described on attached EXHIBIT B. The parties acknowledge that the Tenant is leasing the entire Building, and that the Building and Premises consist of approximately 33,000 square feet.

1.3 IMPROVEMENTS. Landlord shall construct the Building, improvements to the Premises, and site improvements pursuant to plans and specifications agreed to by Landlord and Tenant pursuant to Section 6.1 of this Lease. An architectural plan elevations and specifications for the Building and Premises, and a description of the improvements to be constructed therein are attached hereto as EXHIBITS C and D.

1.4 LEASE TERM.

A. Initial Term. The term of this Lease shall commence on August 1, 1997 ("Commencement Date") and shall terminate one hundred thirteen (113) months thereafter on December 31, 2006, unless sooner terminated as hereinafter provided.

B. Option to Extend. Tenant shall have the option to extend the term of this Lease for two (2) additional sixty (60) month terms ("Option Terms") upon and pursuant to the same conditions contained herein. This option may be exercised by written notice of exercise from Tenant to Landlord given not less than one hundred eighty (180) days prior to the expiration of the then current term of this Lease. If Tenant fails to exercise this option as aforesaid, this option and all subsequent options shall be null and void and of no further force and effect.

C. Miscellaneous. In the event that Tenant does not vacate the Premises upon the expiration or termination of this Lease, Tenant shall be a tenant at will for the holdover period and all of the terms and provisions of this Lease shall be applicable during that period, except that Tenant shall pay Landlord as base rental for the period of such holdover an amount equal to one and one-quarter (1.25) times the base rent which would have been payable by Tenant had the holdover period been a part of the original term of this

Lease, together with all additional rent as provided in this Lease. During any such holdover period, Tenant agrees to vacate and deliver the Premises to Landlord upon Tenant's receipt of notice from Landlord to vacate. The rental payable during the holdover period shall be payable to Landlord on demand. No holding over by Tenant, whether with or without the consent of Landlord, shall operate to extend the term of this Lease.

1.5 BASE RENT.

A.

Initial Base Rent.	Months	Monthly Base Rent	Per Sq. Ft.
Initial Term:	1-60	$24,062.50	$8.75
	61-113	$25,437,50	$9.25
Option Terms:	114-173	$28,187.50	$10.25
	174-233	$30,250,00	$11.00

B. Adjustment of Base Rent. The initial base rent set forth above has been computed at the per square foot rates set forth above, assuming that the Premises consist of 33,000 square feet. The actual number of square feet in the Premises shall be determined by Landlord from "As Built" measurements of the Building and Premises, and shall be accomplished by measuring from the exterior face of the exterior walls of the Building. Once such measurements are accomplished, Landlord and Tenant shall execute an addendum to lease to confirm the actual square footage of the Premises and to establish the monthly base rent for the Premises by multiplying the actual square footage of the Premises times the per square foot rent set forth above.

1.6 PERMITTED USE: General office.

1.7 PRO-RATA SHARE: One hundred and no/100 percent (100%) subject to adjustment as provided in Section 2.2 hereof.

1.8 ADDRESSES.

	LANDLORD'S ADDRESS:	TENANT'S ADDRESS:
	CSM INVESTORS, INC.	DYNAMARK, INC.

2561 TERRITORIAL ROAD
ST. PAUL, MN 55114-1500
(612) 646-1717

4290 FERNWOOD STREET
ST. PAUL, MN 55112
ATTN: JIM SCHOELLER
SENIOR VICE PRESIDENT

ARTICLE 2. RENT, OPERATING EXPENSES AND SECURITY DEPOSIT

2.1 BASE RENT. Tenant agrees to pay monthly as Base Rent during the term of this Lease the sum of money set forth in Section 1.5 of this Lease, which amount will be payable to Landlord at the address shown above. Monthly installments of Base Rent shall be due and payable, in advance, on or before the first day of each calendar month during the term of this Lease- provided that if the Commencement-Date should be a date other than the first day of a calendar month, the monthly Base Rent shall be prorated on a daily basis to the end of that calendar month, and shall be payable on or before the Commencement Date of this Lease. Tenant shall pay, as additional rent, all other sums due under this Lease. Based on Tenant's approval of the floor plan as depicted in EXHIBIT C by March 17, 1997, the Landlord agrees that upon Landlord's receipt of a building permit allowing it to construct the Building, Landlord will promptly commence construction of the Building and Premises and shall diligently pursue construction thereof in order to have the Building and the Premises substantially complete on the Commencement Date. For the purposes of this provision, substantially complete shall mean that the Building and Premises are substantially completed in accordance with the approved construction documents and the requirements of the City of Arden Hills, subject only to punchlist and minor completion items that will not prevent Tenant from occupying and commencing operations within the Premises, which punchlist and minor completion items Landlord agrees to promptly complete.

If, prior to June 15, 1997, Landlord determines that it will not be able to deliver the Building and Premises to Tenant in the condition required by the Commencement Date, Landlord shall notify Tenant, in writing, on or before June 15, 1997, and the Commencement Date shall be extended to the actual substantial completion date. In such event, Landlord shall provide Tenant with not less than forty-five (45) days prior written notice of the anticipated substantial completion date.

If, subject to force majeure or Tenant caused delays (including Tenant's failure to approve the floor plan by March 17, 1997), the Building and Premises are not substantially complete and ready for Tenant's occupancy by September 1, 1997, Landlord shall pay to Tenant, as a credit against the first installment of Base Rent and additional rent payable hereunder, an amount equal to $500.00 for each day thereafter until the Building and the Premises are substantially complete and ready for Tenant's occupancy. If, subject to force majeure or Tenant caused delays (including Tenant's failure to approve the floor plan by March 1, 1997), the Building and Premises are not substantially complete and ready for Tenant's occupancy by November 1, 1997, Tenant shall have the option to terminate this Lease by written notice to Landlord after November 1, 1997 and prior to substantial completion of the Building and Premises.

2.2 OPERATING EXPENSES. Tenant shall also pay as additional rent Tenant's pro rata share of the operating expenses of Landlord for the Building. Landlord may invoice Tenant monthly for Tenant's pro rata share of the estimated operation expenses for each calendar year, which amount shall be adjusted from time-to-time by Landlord based

upon reasonably anticipated operating expenses. Within six (6) months following the close of each calendar year, Landlord shall provide Tenant an accounting showing in reasonable detail the computations of additional rent due under this Section. In the event the accounting shows that the total of the monthly payments made by Tenant exceeds the amount of additional rent due by Tenant under this Section, the accounting shall be accompanied by evidence of a credit to Tenant's account. In any event the accounting shows that the total of the monthly payments made by Tenant is less than the amount of additional rent due by Tenant under this Section, the accounting shall be accompanied by an invoice for the additional rent. If this Lease shall terminate on a day other than the last day of a calendar year, the amount of any additional rent payable by Tenant applicable to the year in which the termination shall occur shall be prorated on the ratio that the number of days from the commencement of the calendar year to and including such termination date bears to 365. Tenant agrees to pay any additional rent due under this Section within ten (10) days following receipt of the invoice or accounting showing additional rent due. Tenant's pro rata share set forth in Section 1.8 shall, subject to reasonable adjustment by Landlord, be equal to a percentage based upon a fraction, the numerator of which is the total area of the Premises as set forth in Article 1 and the denominator of which shall be the net rentable area of the Building, as the same may change from time to time.

2.3 DEFINITION OF OPERATING EXPENSES. The term "operating expenses" includes all expenses incurred by Landlord with respect to the maintenance and operation of the Building, including, but not limited to, the following: maintenance, repair and replacement costs; electricity, fuel, water, sewer, gas and other common Building utility charges; equipment used for maintenance and operation of the Building; operational expenses; exterior window washing and janitorial services; trash and snow removal; landscaping and pest control; management fees, wages and benefits payable to employees of Landlord whose duties are directly connected with the operation and maintenance of the Building; all services, supplies, repairs, replacements or other expenses for maintaining and operating the Building or project including parking and common areas; improvements made to the Building which are required under any governmental law or regulation that was not applicable to the Building at the time it was constructed; installation of any device or other equipment which improves the operating efficiency of any system within the Premises and thereby reduces operating expenses; all other expenses which would generally be regarded as operating, repair, replacement and maintenance expenses; all real property taxes and installments of special assessments, including dues and assessments by means of deed restrictions and/or owners' associations which accrue against the Building during the term of this Lease and legal fees incurred in connection with actions to reduce the same; and all insurance premiums Landlord is required to pay or deems necessary to pay, including fire and extended coverage, and rent loss and public liability insurance, with respect to the Building.

Notwithstanding the foregoing, operating expenses shall not include any expenditure which must be capitalized for federal income tax purposes, except that operating expenses shall include the amortization of any such capital expenditures (except capital

expenditures for improvements made to the Building without the consent of Tenant, or for restoration or repair of damage to the Building caused by casualty) on a straight-line basis over the reasonably estimated useful Life, at an amortization rate equal to the rate of Treasury Securities of comparable term, plus two percent (2%).

Further, operating expenses shall not include:

A. Taxes payable by reason of any "minimum assessment": or similar agreement to the extent exceeding the taxes which otherwise would be payable with respect to the property of which the Premises are a part; or

B. Special assessments levied or pending on the date of this Lease or levied for public improvements constructed in connection with the initial construction of the Building or any additional building; or

C. Expenses of contesting taxes or the assessed value of the property of which the Premises are a part in excess of the savings achieved in such contest; or

D. Management fees exceeding fifteen percent (15%) of other operating expenses except taxes and special assessments; or

E. Expenses incurred by Landlord in satisfying its obligations under Section 14.13 hereof.

2.4 INCREASE IN INSURANCE PREMIUMS. If an increase in any insurance premiums paid by Landlord for the Building is caused by Tenant's use of the Premises or if Tenant vacates the Premises and causes an increase in such premiums, then Tenant shall pay as additional rent the amount of such increase to Landlord.

ARTICLE 3. OCCUPANCY AND USE

3.1 USE. Tenant warrants and represents to Landlord that the Premises shall be used and occupied only for the purpose as set forth in Section 1.6. Tenant shall occupy the Premises, conduct its business and control its agents, employees, invitees and visitors in such a manner as is lawful, reputable and will not create a nuisance. Tenant shall not permit any operation which emits any odor or matter which intrudes into other portions of the Building or otherwise interfere with, annoy or disturb any other lessee in its normal business operations or Landlord in its management of the Building. Tenant shall not permit any waste on the Premises to be used in any way which would in the opinion of Landlord, be extra hazardous on account of fire or which would, in any way, increase or render void the fife insurance on the Building.

3.2 SIGNS. No sign of any type or description shall be erected, placed or painted in or about the Premises or Building which are visible from the exterior of the Premises, except

those signs submitted to Landlord in writing, and which signs are in conformance with Landlord's sign criteria, if any, established for the Building.

3.3 COMPLIANCE WITH LAWS, RULES AND REGULATIONS. Tenant, at Tenant's sole cost and expense, shall comply with aft laws ordinances, orders, rules and regulations of state, federal, municipal or other agencies or bodies having jurisdiction over the use, condition or occupancy of the Premises, provided that Tenant shall not be obligated to make any material capital improvements required by such laws, ordinances, orders, rules and regulations, (nor shall Landlord have such obligation). For purposes of this clause a material capital improvement shall mean any capital improvement or series of capital improvements within any calendar year, costing in excess of $1,500.00. Tenant will comply with the reasonable rules and regulations of the Building adopted by Landlord. Landlord shall have the right at all times to change and amend the rules and regulations in any reasonable manner as may be deemed advisable fog the safety, care, cleanliness, preservation of good order and operation or use of the Building or the Premises. All rules and regulations of the Building will be sent by Landlord to Tenant in writing and shall thereafter be carried out and observed by Tenant.

3.4 WARRANTY OF POSSESSION. Landlord warrants that it has the right and authority to execute this Lease, and Tenant, upon payment of the required rents and subject to the terms, conditions, covenants and agreements contained in this Lease shall have possession of the Premises during the full term of this Lease as well as any extension or renewal thereof. Landlord shall not be responsible for the acts or omissions of any other lessee or third party that may interfere with Tenant's use and enjoyment of the Premises.

3.5 RIGHT OF ACCESS. Landlord or its authorized agents shall, at any and all reasonable times and upon reasonable notice, have the right to enter the Premises to inspect the same, to show the Premises to prospective purchasers, lessees, mortgagees, insureers or other interested parties, and to alter, improve or repair the Premises or any other portion of the Building. Tenant hereby waives any claim for damages for injury or inconvenience to or interference with Tenant's business, any loss of occupancy or use of the Premises, and any other loss occasioned thereby, except as may result from the negligent or willful misconduct of Landlord. Tenant shall not change Landlord's lock system or in any other manner prohibit Landlord from entering the Premises. Landlord shall have the right to use any and all means which Landlord may deem proper to open any door in an emergency without liability therefor. Tenant shall permit Landlord to erect, use, maintain and repair pipes, cables, conduits, plumbing, vents and wires in, to and through the Premises as often and to the extent that Landlord may now or hereafter deem to be necessary or appropriate for the proper use, operation and maintenance of the Building; provided that Landlord does not thereby materially interfere with the use and enjoyment of the Premises by Tenant for general office purposes.

ARTICLE 4. UTILITIES AND ACTS OF OTHERS

4.1 BUILDING SERVICES. Tenant shall pay when due, all charges for utilities furnished to or for the use or benefit of Tenant or the Premises. Tenant shall have no claim for rebate of rent on account of any interruption in service.

4.2 THEFT OR BURGLARY. Landlord shall not be liable to Tenant for losses to Tenant's property or personal injury cases by criminal acts or entry by unauthorized persons into the Premises or the Building.

ARTICLE 5. REPAIRS AND MAINTENANCE

5.1. LANDLORD REPAIRS. Landlord shall not be required to make any improvements, replacements or repairs of any kind or character to the Premises or the Building during the term of this Lease except as are set forth in this Section. Landlord shall maintain only the roof, foundation, parking and common areas, the structural soundness of the exterior walls, doors, corridors, and other structures serving the Premises in good order and repair, provided, that Landlord's cost of maintaining, replacing and repairing the items set forth in this Section are operating expenses subject to the additional rent provisions in Section 2.2 and 2.3. Landlord shall correct any deficiencies in maintenance within thirty (30) days after written notice from Tenant; provided that for work that cannot be completed within thirty (30) days Landlord shall not be in default hereunder if Landlord commences the work within such thirty (30) day period and diligently proceeds to complete such work; and provided that in the case of an emergency, Landlord shall take action to correct deficiencies as promptly as practicable. Landlord shall not be liable to Tenant, except as expressly provided in this Lease, for any damage or inconvenience, and Tenant shall not be entitled to any abatement or reduction of rent by reason of any repairs, alterations or additions made by Landlord under this Lease; provided that Landlord does not thereby materially interfere with the use and enjoyment of the Premises by Tenant for general office purposes.

5.2 TENANT REPAIRS. Tenant shall, at all times throughout the term of this Lease, including renewals and extensions, and at its sole expense, keep and maintain the Premises in a clean, safe, sanitary and first class condition and in compliance with all applicable laws, codes, ordinances, rules and regulations, provided that Tenant shall not be obligated to make any material capital improvements required by such laws, ordinances, orders, rules and regulations, (nor shall Landlord have such obligation). For purposes of this clause, a material capital improvement shall mean any capital improvement or series of capital improvements within any calendar year, costing in excess of $1,500.00. Tenant's obligations hereunder shall include, but not be limited to, the maintenance, repair and replacement, if necessary, of all heating, ventilation, air conditioning, lighting and plumbing fixtures and equipment, fixtures, motors and machinery, all interior walls, partitions, doors and windows, including the regular painting thereof, all exterior entrances, windows, doors and docks and the replacement of all broken glass. When used in this provision, the term repairs shall include replacements or renewals when necessary, and all such repairs made by the Tenant shall be equal in quality and class to the original work. Notwithstanding the foregoing, Tenant shall not

be responsible for major non-recurring repairs of or replacements to the HVAC system, except where caused by Tenant's failure to properly utilize, maintain and secure said system- Tenant, however, shall pay the amortization (utilizing the amortization method for capital expenditures described in Section 2.3) of the costs of such major repairs or replacements performed after the five (5) year anniversary of the Commencement Date. For purposes of this paragraph, major repairs or replacement of the HVAC system shall mean expenditures for major repairs to or replacement of compressors or exchangers. The Tenant shall keep and maintain all portions of the Premises and the sidewalk and areas adjoining the same in a clean and orderly condition, free of accumulation of dirt, rubbish, snow and ice. If Tenant fails, refuses or neglects to maintain or repair the Premises as required in this Lease after notice shall have been given Tenant, in accordance with this Lease, Landlord may make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures or other property or to Tenant's business by reason thereof, and upon completion thereof, Tenant shall pay to Landlord all costs plus fifteen percent (15%) for overhead incurred by Landlord in making such repairs upon presentation to Tenant of bill therefor.

5.3. TENANT DAMAGES. Tenant shall not allow any damage to be committed on any portion of the Premises or Building or common areas, and at the termination of this lease, by lapse of time or otherwise, Tenant shall deliver the Premises to Landlord in as good condition as existed at the Commencement Date of this Lease, ordinary wear and tear and damage by casualty excepted. The cost and expense of repairs necessary to restore the condition of the Premises shall be borne by Tenant.

ARTICLE 6. ALTERATIONS AND IMPROVEMENTS

6.1 LANDLORD IMPROVEMENTS. Landlord will complete construction of the improvements to the Premises in accordance with the architectural plans and specifications attached hereto as EXHIBITS C and D. Any changes or modifications to the said plans and specifications shall be accomplished by written change order executed by both Landlord and Tenant. In the event the net cost of all approved change orders (i.e., change orders which create savings will be applied against change orders which increase costs) exceeds $10,000.00, the Tenant shall: i) reimburse Landlord in equal monthly installments on the first day of each month during the initial five (5) year term in an amount necessary to fully amortize such excess cost together with interest at a rate of nine and one-half percent (9.5%); or ii) within ten (10) days after receipt of Landlord's invoice, reimburse Landlord for such excess cost. For the purposes of this provision, cost shall mean the sum Landlord is actually required to pay its contractor for any particular change order.

6.2 TENANT IMPROVEMENTS. Tenant shall not make or allow to be made any alterations or physical additions in or to the Premises without first obtaining the written consent of Landlord, which consent may not be unreasonably withheld. Any alterations, physical a Editions or improvements to the Premises made by Tenant shall at once become the property of Landlord and shall be surrendered to Landlord upon the

termination of this Lease; provided, however, Landlord, as a condition to its consent to any proposed alteration or addition, may require Tenant to remove any physical additions and/or repair any alterations in order to restore the Premises to the conditions existing at the time Tenant took possession, all costs of removal and/or alterations to be borne by Tenant. This clause shall not apply to moveable equipment or furniture owned by Tenant which Tenant shall have the right to mortgage, and which may be removed by Tenant at any time and from time to time. Landlord agrees to cooperate with Tenant in connection with any financing Tenant elects to place on its equipment and personal property, including execution of such certificates and documents as Tenant's lender may reasonably request.

ARTICLE 7. CASUALTY AND INSURANCE

7.1 SUBSTANTIAL DESTRUCTION. If all or a substantial portion of the Premises or the Building should be totally destroyed by fire or other casualty, or if the Premises or the Building should be damaged so that rebuilding cannot reasonably be completed within one hundred fifty (150) working days after the date of written notification by Tenant to Landlord of the destruction, or if insurance proceeds are not made available to Landlord, or are inadequate, for restoration, this Lease shall terminate at the option of Landlord or Tenant by written notice within sixty (60) days following the occurrence, and the rent shall be abated for the unexpired portion of the Lease effective as of the date of the occurrence.

7.2 PARTIAL DESTRUCTION. If the Premises should be partially damaged by fire or other casualty, and rebuilding or repairs can reasonably be completed within one hundred fifty (150) working days from the date of written notification by Tenant to Landlord of the destruction, and insurance proceeds are adequate and available to Landlord for restoration, this Lease shall not terminate, and Landlord shall at its sole risk and expense proceed with reasonable diligence to rebuild or repair the Building or other improvements to substantially the same condition in which they existed prior to the damage. If the Premises are to be rebuilt or repaired and are untenantable in whole or in part following the damage, the rent payable under this Lease during the period for which the Premises are untenantable shall be adjusted to such an extent as may be fair and reasonable under the circumstances. Tenant shall not be obligated to pay rent for any portion of the Premises which it does not actually occupy during restoration, if such portion is not suitable for Tenant's business operations as reasonably determined by Tenant. In the event that Landlord fails to complete the necessary repairs or rebuilding within one hundred fifty (150) working days from the date of written notification by Tenant to Landlord of the destruction, Tenant may at its option terminate this Lease by date of written notification by Tenant to Landlord of the destruction, Tenant may at its option terminate this Lease by delivering written notice of termination to Landlord, whereupon all rights and obligations under this Lease shall cease to exist.

7.3 PROPERTY INSURANCE. Landlord shall not be obligated in any way or manner to insure any personal property (including, but not limited to, any furniture, machinery,

goods or supplies) of Tenant upon or within the Premises, any fixtures installed or paid for by Tenant upon or within the Premises, or any improvements which Tenant may construct on the Premises. Tenant shall maintain property insurance on its personal property and shall also maintain plate glass insurance. Tenant shall have no right in our claim to the proceeds of any policy of insurance maintained by Landlord even if the cost of such insurance is borne by Tenant as set forth in Article 2.

7.4 WAIVER OF SUBROGATION. Anything in this Lease to the contrary withstanding, Landlord and Tenant hereby waive and release each other of and from any and all right of recovery, claim, action or cause of action, against each other, their agents, officers and employees, for any loss or damage that may occur to the Premises, the improvements of the Building or personal property within the Building, by reason of fire, other casualty insurable under an "all risk insurance policy", or the elements, regardless of cause or origin, including negligence of Landlord or Tenant and their agents, officers and employees. Landlord and Tenant agree immediately to give their respective insurance companies which have issued policies of insurance covering all risk of direct physical loss, written notice of the terms of the mutual waivers contained in this Section.

7.5 HOLD HARMLESS. Landlord shall not be liable to Tenant's employees, agents, invitees, licensees or visitors, or to any other person, for an injury to person or damage to property on or about the Premises caused by any act or omission of Tenant, its agents, servants or employees, or of any other person entering upon the Premises under express or implied invitation by Tenant, or caused by the improvements located on the Premises becoming out of repair, the failure or cessation of any service provided by Landlord (including security service and devices), or caused by leakage of gas, oil, water or steam or by electricity emanating from the Premises, provided that Landlord shall be responsible for loss resulting from its negligence or willful misconduct or from Landlord's failure to perform repairs within the time required by Section 5.1 hereof. Tenant agrees to indemnify and hold harmless Landlord of and from any loss, attorney's fees, expenses or claims arising out of any such damage or injury, for which Landlord is not liable pursuant to the foregoing provisions.

7.6 PUBLIC LIABILITY INSURANCE. Tenant shall during the term hereof keep in full force and effect at its expense a policy or policies of public liability insurance with respect to the Premises and the business of Tenant, on terms and with companies approved in writing by Landlord, in which both Tenant and Landlord shall be covered by being named as insured parties under reasonable limits of liability not less than $1,000,000, or such greater coverage as Landlord may reasonably require, combined single limit coverage for injury or death. Such policy or policies shall provide that thirty (30) days written notice must be given to Landlord prior to cancellation thereof. Tenant shall furnish evidence satisfactory to Landlord at the time this Lease is executed that such coverage is in full force and effect.

ARTICLE 8. CONDEMNATION

8.1 SUBSTANTIAL TAKING. If all or a substantial part of the Premises are taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain or by purchase in lieu thereof, and the taking would prevent or materially interfere with the use of the Premises for the purpose for which it is then being used, this Lease shall terminate and the rent shall be abated during the unexpired portion of this Lease effective on the date physical possession is taken by the condemning authority. Tenant shall have no claim to the condemnation award or proceeds in lieu thereof, except that Tenant shall be entitled to a separate award for the cost of removing and moving its personal property.

8.2 PARTIAL TAKING. If all or a substantial part of the Premises are taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain or by purchase in lieu thereof, and this Lease is not terminated as provided in Section 8.1 above, the rent payable under this Lease during the unexpired portion of the term shall be adjusted to such an extent as may be fair and reasonable under the circumstances. Tenant shall not be obligated to pay rent for any portion of the Premises which it does not actually occupy after such taking, if such portion is not suitable for Tenant's business operations as reasonably determined by Tenant, and Tenant shall have the option to terminate this Lease by written notice to Landlord given within sixty (60) days after possession is taken if the remaining portion of the Premises is not suitable for Tenant's business operation as reasonably determined by Tenant. Tenant shall have no claim to the condemnation award or proceeds in lieu thereof, except that Tenant shall be entitled to a separate award for the cost of removing and moving its personal property.

ARTICLE 9. ASSIGNMENT OR SUBLEASE

9.1 LANDLORD ASSIGNMENT. Landlord shall have the right to sell, transfer or assign, in whole or in part, its rights and obligations under this Lease and in the Building. Any such sale, transfer or assignment shall operate to release Landlord from any and all liabilities under this Lease arising after the date of such sale, assignment or transfer, provided that the transferee or assignee assumes such liabilities.

9.2 TENANT ASSIGNMENT. Tenant shall not assign, in whole or in part, this Lease, or allow it to be assigned, in whole or in part, by operation of law or otherwise or mortgage or pledge the same, or sublet the Premises, in whole or in part, without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. In no event shall any such assignment or sublease ever release Tenant or any guarantor from any obligation or liability hereunder. Notwithstanding anything in this Lease to the contrary, in the event of any assignment or sublease, any option or right of first refusal granted to Tenant shall not be assignable by Tenant to any assignee or sublessee. No assignee or sublessee of the Premises or any portion thereof may assign or sublet the Premises or any portion thereof.

9.3 CONDITIONS OF ASSIGNMENT. If Tenant desires to assign or sublet all or any part of the Premises, it shall so notify Landlord at least thirty (30) days in advance of the date on which Tenant desires to make such assignment or sublease. Tenant shall provide Landlord with a copy of the proposed assignment or sublease and such information as Landlord might request concerning the proposed sublessee or assignee to allow Landlord to make informed judgments as to the financial condition, reputation, operations and general desirability of the proposed sublessee or assignee. Within seven (7) business days after Landlord's receipt of Tenant's proposed assignment or sublease and all required information concerning the proposed sublease or assignee, Landlord shall have the following options: (1) consent to the proposed assignment or sublease, and, if the rent due and payable by any assignee or sublessee under any such permitted assignment or sublease (or a combination of the rent payable under such assignment or sublease plus any bonus or any other consideration or any payment incident thereto) exceeds the rent payable under this Lease for such space, Tenant shall pay to Landlord one-half (1/2) of such excess rent and other excess consideration within ten (10) days following receipt thereof by Tenant; or (2) refuse, subject to the limitations set forth in Section 9.2 above, to consent to the proposed assignment or sublease, which refusal shall be deemed to have been exercised unless Landlord gives Tenant written notice providing otherwise. Landlord shall, upon Tenant's request, provide the reasons for any refusal. Upon the occurrence of an event of default, if all or any part of the Premises are then assigned or sublet, Landlord, in addition to any other remedies provided by this Lease or provided by law, may, at its option, collect directly from the assignee or sublessee all rents becoming due to Tenant by reason of the assignment or sublease. Any collection directly by Landlord from the assignee or sublessee shall not be construed to constitute a notation or a release of Tenant or any guarantor from the further performance of its obligations under this Lease.

9.4 RIGHTS OF MORTGAGE. Tenant accepts this Lease subject and subordinate to any recorded mortgage presently existing or hereafter created upon the Building and to all existing recorded restrictions, covenants, easements and agreements with respect to the Building. Landlord is hereby irrevocably vested with full power and authority to subordinate Tenant's interest under this Lease to any first mortgage lien hereafter placed on the Premises, and Tenant agrees upon demand to execute additional instruments subordinating this Lease as Landlord may require. If the interests of Landlord under this Lease shall be transferred by reason of foreclosure or other proceedings for enforcement of any first mortgage or deed of trust on the Premises, Tenant shall be bound to the transferee (sometimes called the "Purchaser") at the option of the Purchaser, under the terms, covenants and conditions of this Lease for the balance of the term remaining, including any extensions or renewals, with the same force and effect as if the Purchaser were Landlord under this Lease, and, if requested by the Purchaser, Tenant agrees to attorn to the Purchaser, including the first mortgagee under any such mortgage if it be the Purchaser, as its Landlord. Notwithstanding the foregoing, Tenant shall not be disturbed in its possession of the Premises so long as Tenant is not in default hereunder.

9.5 TENANT'S STATEMENT. Tenant agrees to furnish, from time to time within ten (10) days after receipt of a request from Landlord or Landlord's mortgagee, a statement certifying, if applicable, the following: Tenant is in possession of the Premises; the Premises are acceptable; the lease is in full force and effect; the lease is unmodified; Tenant claims no present charge, lien, or claim or offset against rent; the rent is paid for the current month, but is not prepaid for more than one month and will not be prepaid for more than one month in advance; there is no existing default by reason of some act or omission by Landlord; and such other matters as may be reasonably required by Landlord or Landlord's mortgagee; or specifying any exceptions to such matters. Tenant's failure to deliver such statement, in addition to being a default under this Lease, shall be deemed to establish conclusively that this Lease is in full force and effect expect as declared by Landlord, that Landlord is not in default of any of its obligations under this Lease, and that Landlord has not received more than one month's rent in advance. Tenant agrees to furnish, from time to time, within ten (10) days after receipt of a request from Landlord, the most recent financial statement of Tenant, certified as true and correct by Tenant.

ARTICLE 10. LANDLORD'S LIEN AND SECURITY AGREEMENT
(Intentionally omitted)

ARTICLE 11. DEFAULT AND REMEDIES

11.1 DEFAULT BY TENANT. The following shall be deemed to be events of default ("Default") by Tenant under this Lease: (1) Tenant shall fail to pay when due any installment of rent or any other payment required pursuant to this Lease and such failure shall continue for a period of five (5) days after written notice to Tenant; (2) Tenant shall abandon any substantial portion of the Premises; (3) Tenant shall fail to comply with any term, provision or covenant of this Lease, other than the payment of rent, and the failure is not cured within thirty (30) days after written notice to Tenant; (4) Tenant shall file a petition or if an involuntary petition is filed against Tenant, or becomes insolvent, under any applicable federal or state bankruptcy or insolvency law or admit that it cannot meet its financial obligations as they become due; or a receiver or trustee shall be appointed for all or substantially all of the assets of Tenant; or Tenant shall make a transfer in fraud of creditors or shall make an assignment for the benefit of creditors; or (5) Tenant shall do or permit to be done any act which results in a lien being filed against the Premises or the Building and/or project of which the Premises are a part; and Tenant shall not cause such lien to be released or bonded off within thirty (30) days after written notice to Tenant.

In the event that an order for relief is entered in any case under Title 11, U.S.C. (the "Bankruptcy Code") in which Tenant is the debtor and: (A) Tenant as debtor-in-possession, or any trustee who may be appointed in the case (the "Trustee") seeks to assume the lease, then Tenant, or Trustee if applicable, in addition to providing adequate assurance described in applicable provisions of the Bankruptcy Code, shall provide adequate assurance to Landlord of Tenant's future performance under the Lease by depositing with Landlord a sum equal to the lesser of twenty-five percent (25%) of the rental and other charges due for the balance of the Lease term or six (6) months rent ("Security"), to be held (without any allowance for interest thereon) to secure Tenant's obligation under the Lease, and (B) Tenant, or Trustee if applicable, seeks to assign the Lease after assumption of the same, then Tenant, in addition to providing adequate assurance described in applicable provisions of the Bankruptcy Code, shall provide adequate assurance to Landlord of the proposed assignee's future performance under the Lease

by depositing with Landlord a sum equal to the Security to be held (without any allowance or interest thereon) to secure performance under the Lease. Nothing contained herein expresses or implies, or shall be construed to express or imply, that Landlord is consenting to assumption and/or assignment of the Lease by Tenant, and Landlord expressly reserves all of its rights to object to any assumption and/or assignment of the Lease. Neither Tenant nor any Trustee shall conduct or permit the conduct of any "fire", "bankruptcy", "going out of business" or auction sale in or from the Premises.

11.2 REMEDIES FOR TENANT'S DEFAULT. Upon the occurrence of a Default as defined above, Landlord may elect either (i) to cancel and terminate this Lease and this Lease shall not be treated as an asset of Tenant's bankruptcy estate or (ii) to terminate Tenant's right to possession only without cancelling and terminating Tenant's continued liability under this Lease. Notwithstanding the fact that initially Landlord elects under (ii) to terminate Tenant's right to possession only, Landlord shall have the continuing right to cancel and terminate this Lease by giving three (3) days written notice to Tenant of such further election, and shall have the right to pursue any remedy at law or in equity that may be available to Landlord.

In the event of election under (ii) to terminate Tenant's right to possession only, Landlord may, at Landlord's option, enter the Premises and take and hold possession thereof, without such entry into possession terminating this Lease or releasing Tenant in whole or in part from Tenant's obligation to pay all amounts hereunder for the full stated term. Upon such reentry, Landlord may remove all persons and property from the Premises and such property may be removed and stored in a public warehouse or elsewhere at the cost and for the account of Tenant, without becoming liable for any loss or damage which may be occasioned thereby. Such reentry shall be conducted in the following manner: without resort to judicial process or notice of any kind if Tenant has abandoned or voluntarily surrendered possession of the Premises; and, otherwise, by resort to judicial process. Upon and after entry into possession without termination of the Lease, Landlord may, but is not obligated to, relet the Premises, or any part thereof, to any one other than the Tenant, for such time and upon such terms as Landlord, in Landlord's sole discretion shall determine. Landlord may make alterations and repairs to the Premises to the extent deemed by Landlord necessary of desirable to relet the Premises.

Upon such reentry, Tenant shall be liable to Landlord as follows:

A. For all reasonable attorneys' fees incurred by Landlord in connection with exercising any remedy hereunder;

B. For the unpaid installments of base rent, additional rent or other unpaid sums which were due prior to such reentry, including interest and late payment fees, which sums shall be payable immediately.

C. For the installments of base rent, additional rent, and other sums falling due pursuant to the provisions of this Lease for the period after reentry during which the Premises remain vacant, including late payment charges and interest, which sums shall be payable as they become due hereunder.

D. For all expenses incurred in releasing the Premises, including leasing commissions, reasonable attorneys fees, and costs of alteration or repairs, which shall be payable by Tenant as they are incurred by Landlord; and

E. While the Premises are subject to any new lease or leases made pursuant to this Section, for the amount by which the monthly installments payable under such new lease or leases is less than the monthly installment for all charges payable pursuant to this Lease, which deficiencies shall be payable monthly.

Notwithstanding Landlord's election to terminate Tenant's right to possession only, and notwithstanding any reletting without termination, Landlord, at any time thereafter, may elect to terminate this Lease, and to recover (in lieu of the amounts which would thereafter be payable pursuant to the foregoing, but not in diminution of the amounts payable as provided above before termination), as damages for loss of bargain and not as a penalty, an aggregate sum equal to the present value of the amount by which the rental value of the portion of the term unexpired at the time of such election is less than an amount equal to the unpaid base rent and additional rent, and all other charges which would have been payable by Tenant for the unexpired portion of the term of this Lease which deficiency and all expenses incident thereto, including commissions, attorneys fees, expenses of alterations and repairs, shall be due to Landlord as of the time Landlord exercises said election, notwithstanding that the term had not expired. If Landlord, after such reentry, leases the Premises, then the rent payable under such new lease shall be conclusive evidence of the rental value of the unexpired portion of the term of this Lease.

If this Lease shall be terminated by reason of bankruptcy or insolvency of Tenant, Landlord shall be entitled to recover from Tenant or Tenant's estate, as liquidated damages for loss of bargain and not as a penalty, the amount determined by the immediately preceding paragraph.

11.3 LANDLORD'S RIGHT TO PERFORM FOR ACCOUNT OF TENANT. If Tenant shall be in Default under this Lease, Landlord may cure the Default at any time for the account and at the expense of Tenant. If Landlord cures a Default on the part of Tenant, Tenant shall reimburse Landlord upon demand for any amount expended by Landlord in connection with the cure, including, without limitation, attorneys' fees and interest.

11.6 INTEREST, ATTORNEY'S FEES AND LATE CHARGE. In the event of a Default by Tenant: (1) if a monetary default, interest shall accrue on any sum due and unpaid at the rate of the lesser of fifteen percent (15%) per annum or the highest rate permitted by law and, if Landlord places in the hands of an attorney the enforcement of all or any part of this Lease, the collection of any rent due or to become due or recovery of the possession of the Premises, Tenant agrees to pay Landlord's costs of collection, including reasonable attorney's fees for the services of the attorney, whether suit is actually filed or not. Other remedies for nonpayment of rent notwithstanding, if the monthly rental payment or any other payment due from Tenant to Landlord is not received by Landlord on or before the tenth (10th) day of the month for which the rent is due, a late payment charge of five percent (5%) of such past due amount shall become due and payable in addition to such amounts owed under this Lease.

11.5 ADDITIONAL REMEDIES, WAIVERS, ETC.

A. The rights and remedies of Landlord set forth herein shall be in addition to any other right and remedy now and hereafter provided by law. All rights and remedies shall be cumulative and not exclusive of each other. Landlord may exercise its rights and remedies at any times, in any order, to any extent, and as often as Landlord deems advisable without regard to whether the exercise of one right or remedy precedes, concurs with or succeeds the exercise of another.

B. A single or partial exercise of a right or remedy shall not preclude a further exercise thereof, or the exercise of another right or remedy from time to time.

C. No delay or omission by Landlord in exercising a right or remedy shall exhaust or impair the same or constitute a waiver of, or acquiesce to, a Default.

D. No waiver of Default shall extend to or affect any other Default or impair any right or remedy with respect thereto.

E. No action or inaction by Landlord shall constitute a waiver of Default.

F. No waiver of a Default shalt be effective unless it is in writing and signed by Landlord.

ARTICLE 12 RELOCATION (Intentionally Omitted)

ARTICLE 13. AMENDMENT AND LIMITATION OF WARRANTIES

13.1 ENTIRE AGREEMENT. IT IS EXPRESSLY AGREED BY TENANT, AS A MATERIAL CONSIDERATION FOR THE EXECUTION OF THIS LEASE, THAT THIS LEASE, WITH THE SPECIFIC REFERENCES TO WRITTEN EXTRINSIC DOCUMENTS, IS THE ENTIRE AGREEMENT OF THE PARTIES; AND THAT THERE ARE, AND WERE, NO VERBAL REPRESENTATIONS, WARRANTIES, UNDERSTANDINGS, STIPULATIONS, AGREEMENTS OR PROMISES PERTAINING TO THIS LEASE, EXCEPT AS EXPRESSLY SET FORTH IN THIS LEASE.

13.2 AMENDMENT. THIS LEASE MAY NOT BE ALTERED, WAIVED, AMENDED OR EXTENDED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY LANDLORD AND TENANT.

13.3 LIMITATION OF WARRANTIES. LANDLORD AND TENANT EXPRESSLY AGREE THAT THERE ARE AND SHALL BE NO IMPLIED WARRANTIES OR MERCHANTABILITY, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OF ANY OTHER KIND ARISING OUT OF THIS LEASE, AND THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THOSE EXPRESSLY SET FORTH IN THIS LEASE.

ARTICLE 14. MISCELLANEOUS

14.1 SUCCESSORS AND ASSIGNS. This Lease shall be binding upon and inure to the benefit of Landlord and Tenant and their respective heirs, personal representatives, successors and assigns. It is hereby covenanted and agreed that should Landlord's interest in the Premises cease to exist for any reason during this Lease, then notwithstanding the happening of such event this Lease nevertheless shall remain unimpaired and in full force and effect, and Tenant hereunder agrees to attorn to the then owner of the Premises.

14.2 USE OR RENT TAX. If applicable in the jurisdiction where the Premises are issued, Tenant shall pay and be liable for all rental, sales and use taxes or other similar taxes, if any, levied or imposed by any city, state county or other governmental body having authority, such payments to be in addition to all other payments required to be paid to Landlord under the terms of this Lease. Any such payment shalt be paid concurrently with the payment of the rent, additional rent, operating expenses or other charge upon which the tax is based as set forth above.

14.3 ACT OF GOD. Landlord shall not be required to perform any covenant or obligation in this Lease, or be liable in damages to Tenant, so long as the performance or non-performance of the covenant or obligation is delayed, caused or prevented by an act of God, force majeure or by Tenant.

14.4 HEADINGS. The section headings appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, Construe or describe the scope or intent of any Section.

14.5 NOTICE. All rent and other payments required to be made by Tenant shall be payable to Landlord at the address set forth in Section 1.8. All payments required to be made by Landlord to Tenant shall be payable at the address set forth in Section 1.8, or at any other address within the United States as Tenant may specify from time to time by written notice. Any notice or document required or permitted to be delivered by the terms of this Lease shalt be deemed to be delivered (whether or not actually received) upon actual delivery or 48 hours after deposit in the United States Mail, postage prepaid, certified mail, return receipt requested, addressed to the parties at the respective addresses set forth in Section 1.8.

14.6 TENANT'S AUTHORITY. If Tenant executes this Lease as a corporation, each of the persons executing this Lease on behalf of Tenant does hereby personally represent and warrant that each such person signing on behalf of the corporation is authorized to do so.

14.7 HAZARDOUS SUBSTANCES. Tenant, its agents or employees, shall not bring or permit to remain on the Premises or Building any asbestos, petroleum or petroleum products, explosives, toxic materials, or substances defined as hazardous wastes, hazardous materials, or hazardous substances under any federal, state, or local law or regulation ("Hazardous Materials"), except in compliance with applicable environmental and other laws. Tenant's violation of the foregoing prohibition shalt constitute a material breach and default hereunder and Tenant shall indemnify, hold harmless and defend Landlord from and against any claims, damages, penalties, liabilities, and costs (including reasonable attorney fees and court costs) caused by or arising out of (i) a violation of the foregoing prohibition by Tenant or (ii) the presence of any Hazardous Materials on, under, or about the Premises or the Building during the term of the Lease caused by or arising, in whole or in part, out of the actions of Tenant, its agents or employees. Tenant shall clean up, remove, remediate and repair any soil or ground water contamination and damage caused by the presence and any release of any Hazardous Materials in, on, under or about the Premises or the Building during the term of the Lease caused by or arising, in whole or in part, out of the actions of Tenant, its agents or employees, in conformance with the requirements of applicable law. Tenant shall immediately give Landlord written notice of any suspected breach of this paragraph; upon learning of the presence of any release of any Hazardous Materials, and upon receiving any notices from governmental agencies pertaining to Hazardous Materials which may affect the Premises or the Building. The obligations of Tenant hereunder shalt survive the expiration of earlier termination, for any reason, of this Lease.

14.8 SEVERABILITY. If any provision of this Lease or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Lease and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

14.9 LANDLORD'S LIABILITY. If Landlord shall be in default under this Lease and, if as a consequence of such default, Tenant shalt recover a money judgment against

Landlord, such judgment shall be satisfied only out of the right, title and interest of Landlord in the Building, as the same may then be encumbered, or by offset against rents, and neither Landlord nor any person or entity comprising Landlord shall be liable for any deficiency. In no event shall Tenant have the right to levy execution against any property of Landlord nor any person or entity comprising Landlord other than the rents and its interest in the Building as herein expressly provided.

14.10 BROKERAGE. Landlord and Tenant each represents and warrants to the other that there is no obligation to pay any brokerage fee, commission, finder's fee or other similar charge in connection with this Lease, other than fees due to PHIL SIMONET OF PARAMOUNT REAL ESTATE CORPORATION which are the responsibility of Landlord. Each party covenants that it will defend, indemnify and hold harmless the other party from and against any loss or liability by reason of brokerage or similar services alleged to have been rendered to, at the instance of, or agreed upon by said indemnifying party. Notwithstanding anything herein to the contrary, Landlord and Tenant agree that there shalt be no brokerage fee or commission due on expansions, options or renewals by Tenant.

14.11 MANAGEMENT AGENT. Landlord hereby notifies Tenant that the person authorized to execute this Lease and manage the Premises is CSM Corporation , a Minnesota corporation, which has been appointed to act as the agent in leasing management and operation of the Building for owner and is authorized to accept services of process and receive or give receipts for notices and demands on behalf of Landlord. Landlord reserves the right to change the identity and status of its duly authorized agent upon written notice to Tenant.

14.12 SUBMISSION OF LEASE. Submission of this Lease to Tenant for signature does not constitute a reservation of space or an option to Lease. This Lease is not effective until execution by and delivery to both Landlord and Tenant.

14.13 CONSTRUCTION PROVISIONS. All of the work to be performed by Landlord pursuant to Section 1.3 hereof shall be performed in accordance with the plans and specifications approved by Tenant in accordance with Section 6.1 hereof in a good and workmanlike manner, utilizing new and first-grade materials; shall be in conformity with all applicable federal, state and local laws, ordinances, regulations, building codes and fire regulations; shall comply with all insurance requirements of Landlord and Tenant; and shall be free of any liens for labor and materials. Landlord shall use all reasonable efforts to complete such construction on or before the Commencement Date.

For the period commencing as of the Commencement Date and ending on the day one (1) year thereafter Landlord will correct and/or repair or cause to be corrected and/or repaired any latent or non-obvious defect malfunction or failure in or of construction workmanship material or operation of the Premises provided any such defect malfunction or failure is not the result of any work performed by Tenant or on Tenant's behalf and is not caused by any act or negligence of Tenant its employees or contractors.

At the expiration of the one (1) year period Landlord shall assign to Tenant all guaranties and warranties made by any contractor subcontractor or materialmen with respect to the Premises and thereafter Tenant shall have the right at its option to enforce all such guaranties and warranties in its name directly against the warrantor. Landlord agrees to exercise good faith efforts to obtain contractor/subcontractor warranties longer than one (1) year to the extent the same are available without additional cost.

As to items which Tenant has notified Landlord are defective and which are covered by referenced Landlord warranty Landlord shall proceed expeditiously and in good faith to complete and repair any such items. As a condition thereof Tenant shall allow Landlord its employees or contractors to enter upon the Premises to perform any remedial work required to be performed and will cooperate with Landlord its employees or contractors so that such remedial work can be accomplished as quickly as is reasonable under the circumstances and with the least amount of interruption to the business of the Tenant.

Occupancy of the Premises by Tenant for conducting its business shall constitute an acknowledgment by Tenant and shall be presumptive evidence that the Premises are in the condition called for by this Lease and that Landlord has performed all of the construction work it is obligated to perform pursuant to Section 1.3 hereof except for such items which are not completed and as to which Tenant shall have given notice to Landlord within thirty (30) days after Tenant takes possession of the Premises (the "Punchlist") and subject to any latent or non-obvious defects malfunctions or failures covered by the foregoing warranty by Landlord. Landlord shall proceed expeditiously and in good faith to complete and repair all items set forth on the Punchlist.

In the event of any dispute between Landlord and Tenant as to whether the Premises are substantially complete and ready for occupancy by Tenant for the conduct of Tenant's business or as to any other claim by Tenant based upon Landlord's warranties and construction obligations contained herein such dispute shall be resolved by arbitration in accordance with the rules of the American Arbitration Association or in accordance with such other procedures as shall be mutually approved by the parties. In no event shall the Premises be deemed substantially complete and ready for occupancy by Tenant until a certificate of occupancy (temporary or permanent) (or if certificates of occupancy are not issued by the municipality an equivalent final inspection report authorizing Tenant's occupancy and use of the property) has been issued by the city in which the Premises are located. Landlord agrees to exercise every reasonable effort to obtain a final certificate of occupancy as soon as possible following completion of the Premises.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease effective the day and year first above written.

LANDLORD:	TENANT:
CSM CORPORATION	DYNAMARK, INC.

BY: _____

ITS: Vice President

BY: /s/ James R. Schoeller

ITS: Senior Vice President

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE is made and entered into this 24th day of September, 1997, by and between CSM Corporation, a Minnesota corporation, ("Landlord") and Dynamark, Inc., a Minnesota corporation, ("Tenant").

RECITALS

First: The Landlord and Tenant entered into a lease dated March 11, 1997, covering certain premises located at 4265 Lexington Avenue North, Arden Hills, Minnesota (the "Lease").

Second: The parties have executed this First Amendment to Lease, to confirm their agreement concerning certain makers related thereto;

AGREEMENT

In consideration of the above stated premises, the mutual covenants herein contained, and for other good and valuable consideration, Landlord and Tenant hereby agree as follows:

1. Lease Term. Notwithstanding anything in the Lease to the contrary, Landlord and Tenant agree that the Initial Term of the Lease commenced on August 14, 1997 ("Commencement Date") and will terminate on December 31, 2006, unless sooner terminated as provided in the Lease.

2. Landlord Improvements. The Landlord and Tenant agree that the total increased costs incurred by Landlord, and to be reimbursed by Tenant, pursuant to Section 6.1 of the Lease, were Ninety Thousand and no/100 ($90,000.00) Dollars, and that the Tenant shall reimburse Landlord for such increased costs by paying Landlord three installments of Thirty Thousand and no/100 ($30,000.00) each, which installments shall be paid on October 1, 1997, November 1, 1997 and December 1, 1997.

3. Miscellaneous. Except as expressly stated herein, the Lease shall remain unchanged and in full force and effect.

LANDLORD:	TENANT:
CSM CORPORATION	DYNAMARK, INC.
BY: ----------	BY: /s/ James R. Schoeller ----------
ITS: Vice President	ITS: Senior Vice President

The asterisks in this document indicate where the confidential portions have been omitted pursuant to a request for confidential treatment. The request for confidential treatment has been filed separately with the Commission.

CHASE DATABASE AGREEMENT

This Agreement is made and entered into as of October 1, 1997, by and among DynaMark, Inc. a Minnesota corporation (hereinafter referred to as "DynaMark"), and Chase Manhattan Bank USA, National Association, (hereinafter referred to as "Customer").

RECITALS:

WHEREAS, DynaMark will design, develop, produce and operate as set forth herein a database for use by Customer for analysis and modeling in connection with targeting potential customers for its products and services (the "Chase Database"). The Chase Database as further defined below, will be the sole and exclusive property of Customer, including but not limited to, any and all intellectual property rights inherent in and appurtenant to the Chase Database, although the Chase Database shall be physically maintained at DynaMark as part of the services DynaMark provides hereunder; and

WHEREAS, DynaMark will bear the costs of designing and developing the Chase Database in consideration of Customer's agreement to utilize the services of DynaMark, in conjunction with the Chase Database, for an initial five (5) year term as set forth herein.

WHEREAS, Customer during the term of the Agreement desires to have DynaMark design, produce and operate the Chase Database and to obtain a license to use DynaLink(R) Database Access PC software (hereinafter referred to as the "DynaLink(R) Software") and on-line analytical processing ("OLAP") software to access the data in the Chase Database.

WHEREAS, Customer desires to license the DynaLink(R) Software which DynaMark has developed and which may be used by Customer in order to access the Chase Database at DynaMark as well as certain other Third Party software (the DynaLink(R) Software and Third Party software sometimes collectively called the "Access Software") to access the data in the Chase Database;

NOW, THEREFORE, in consideration of the foregoing recitals and the obligations herein made and undertaken, and intending to be legally bound, the parties hereto covenant and agree as follows:

SECTION 1. DEFINITIONS.

1.1 Certain Defined Terms. The following terms used in this Agreement shall have the following meanings:

"Access Software" means the Third Party software (*) or other software developed by DynaMark that DynaMark provides to Customer for use by Customer to access data in the Chase Database maintained at DynaMark. The term "access" refers to Customer extracting, viewing or displaying data which resides in the Chase Database in such a way that supports data analysis and/or selection of marketing populations, but which will not be deemed to result in Customer's having received any consumer credit report or any identifying information on individual consumers contained in any consumer credit report.

"Affiliate" means with respect to a person, another person controlled by, controlling or under common control with that person. Control exists when a person directly or indirectly owns fifty percent (50%) or more of the outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) of another person, but such person shall be deemed an Affiliate only so long as such ownership exists.

"Business Day" means a day Monday to Friday, inclusive, but excluding holidays recognized by DynaMark and days on which banks in New York are not authorized or permitted by law or regulation to be open for business to the public.

"Compiled Data" means all the data included in the Chase Database, and which is either (1) Imported Data stored without modification from its original source (which may be either Customer, DynaMark as agent for a Third Party or Third Party) or (2) data calculated or derived from Imported Data.

"Custom Software" shall have the meaning ascribed to it in Section 8.2 hereof.

"Customer's Computer Site" refers to the Customer's computer network system located in a building from which Customer conducts its business in the continental United States of America or the Servicer's computer network system located in a building from which Servicer conducts its business and supports Customer in the continental United States of America. The current number of Customer's Computer Sites at which the Access Software may be used is set forth on the Chase Database Fee Schedule annexed as Exhibit C hereto, which may be

amended from time to time as provided in Section 3 hereof. The Customer's Computer Site(s) may include but is not limited to Customer's office in Hicksville, New York or Customer's office in Wilmington, Delaware.

"Database Management Software" or "DBMS Software" means the Third Party software in which the Chase Database will be implemented and which resides on the hardware located at DynaMark, and which executes within the

operating system functioning on that hardware. DBMS Software is a type of Access Software.

"Date of Execution" means, as applicable, the date or dates on which this document or any subsequent Addenda shall have been signed by authorized representatives of both parties.

"Exported Data" means the data selected and obtained by or on behalf of Customer from the Chase Database.

"Imported Data" means the agreed upon data which is selected and obtained on behalf of or by Customer and provided to DynaMark for inclusion in the Chase Database.

"Party" refers to a party to this Agreement.

"Person" includes any individual, company, corporation, firm, partnership, joint venture, association, organization, trust, state or agency of a state (in each case, whether or not having separate legal personality), and its successors and assigns.

"Chase Database" means:

(i) all Compiled Data,

(ii) the atomic database in which data is stored in its smallest discrete parts,

(iii) the business relationships and rules by which the atomic parts of the data may be reassembled,

(iv) the data tables and files, into which data is organized,

(v) the data model consisting of the design of the database and the tables that will be implemented in the Database Management Software,

(vi) the set of business relationships which allow Customer to further review and analyze data (known as star schema) which include the metadata and the analysis which resulted in the metadata; and

(vii) those portions of Custom Software which permit data to be loaded or extracted from the Chase Database and which perform the editing and cleaning processes on the data within the Chase Database.

"*Software" means the Third Party Database Management Software in which the Chase Database has been implemented and which resides on the hardware located at DynaMark. The * Software is used to organize the data within the Chase Database and enables communication between the Access Software and the Chase Database.

"Service Request Form" refers to a form to be used by Customer to request additional services offered by DynaMark (current form is attached hereto as Exhibit "A").

"Servicer" refers to The Chase Manhattan Bank and/or Chase Bankcard Services, Inc., each of which is an Affiliate of Customer that provides services to Customer in support of its credit related products and services; and, such other Affiliate of Customer that provides services to Customer in support of its credit related products and services that Customer designates in writing to DynaMark.

"Third Party" refers to a Person who is not a Party to this Agreement.

SECTION 2. CHASE DATABASE DEVELOPMENT.

2.1 Chase Database Description. (a) DynaMark will develop for use exclusively by Customer and its Servicers on behalf of Customer (by the Date of Execution) the Chase Database which shall be organized into a set of modules as described in Exhibit B hereto, which is incorporated into and made a part hereof, populated with data supplied by or on behalf of Customer for use in connection with Chase Database. * While maintained at DynaMark, DynaMark agrees that it shall provide Customer Access Software that can be used by Customer to access the Chase Database.

(b) Population of Chase Database. The modules of the Chase Database shall be populated with Imported Data which shall be obtained by Customer or at the request of and on behalf of Customer. The Imported Data shall be provided to DynaMark by or on behalf of Customer in a format mutually agreed upon by the Parties and with agreed upon frequency. Customer is responsible for ensuring that the Third Parties from which Customer obtains data for use hereunder, including the Imported Data, transmit such data to DynaMark in the agreed upon format.

(c) Agreements with National Consumer Reporting Agencies. *

2.2 Additional Modules. Customer may request to have modules in addition to those listed on Exhibit B developed by DynaMark for Customer pursuant to a written request. All terms and conditions set forth herein shall apply to such additional modules to the Chase Database developed by DynaMark for Customer, unless expressly agreed in writing otherwise.

2.3 Project Description. The Chase Database project will consist of the three (3) phases described in the Task Listing attached as Appendix A hereto. During the three phases of the project, the Parties will perform the tasks listed on the Task Listing attached as Appendix A. The Parties agree that the dates in the Task Listing may require revisions to the date(s) of expected completion of subsequent tasks in the event Customer instructs DynaMark to undertake additional or varied tasks or by delays caused by Customer, a Third Party or any cause beyond DynaMark's reasonable control in completion of earlier tasks. The Parties will use their best efforts to honor any final completion date(s) mutually agreed upon by them in writing.

SECTION 3. LICENSE.

3.1 Software License. From the Date of Execution, through the term of this Agreement, DynaMark grants Customer a non-transferable, non-exclusive license for Customer, its Servicers or persons performing services on behalf of Customer to use the * software at Customer's Computer Site to access only the data in the Chase Database at DynaMark. DynaMark also grants Customer a non-transferable, non-exclusive license for Customer, its Servicers or persons performing services on behalf of Customer to use the * , the * software, and other Access Software identified in Section C (Access Software Access Charges) of the Chase Database Fee Schedule annexed as Exhibit C hereto installed at DynaMark to access the Chase Database at DynaMark, only. This * software and other Access Software identified in Section C (Access Software Access Charges) of Exhibit C is licensed to DynaMark by Third Parties. The API front end (personal computer) interface of the * software may be installed at Customer's Computer Site and is hereby sub-licensed to Customer by DynaMark only for such purpose. The number of employees of Customer or its Servicers who are authorized to use the * Software, and/or the other Access Software, the number of computers and sites on which said software may be used is set forth on the Chase Database Fee Schedule annexed as Exhibit C hereto, which is incorporated into and made a part hereof. Customer agrees that the Access Software shall only be used as expressly licensed in this Agreement. This license may be terminated by DynaMark upon sixty days prior written notice to Customer if Customer has breached any material provision of this Agreement and the breach remains unremedied at the close of this notice period. Upon such termination of the license by DynaMark, the Agreement also terminates and Customer may request transition services under Section 6.4 (Termination For Cause-Transition Services).

3.2 Limits on Usage. The manner in which Customer and its Servicers access and populate the Chase Database or direct that the Chase Database be populated shall comply with the FCRA. Customer and its Servicers shall use the Chase Database in a manner that complies with the FCRA and the Equal Credit Opportunity Act and Regulation B thereto. Customer shall prohibit each of its Servicers from accessing any data in the Chase Data which under the FCRA may not be shared with Customer's Affiliate. Customer may make a back-up copy of the Access Software provided to Customer by DynaMark for use at the Customer's Computer Site and other than written materials for the DynaLink Software, agrees not to make copies of any of the written material for the Access Software provided by DynaMark. Customer and its Servicers shall not modify, disassemble, decompile, or reverse engineer any of the Access Software; and may not attempt to disclose, transfer, sell, sublease, assign or rent any of the Access Software or any part or modification thereof or work derived therefrom. Customer, its Servicers and Affiliates shall not use any of the Access Software to access any data at DynaMark which is not in the Chase Database. Customer and its Servicers shall not use any of the Access Software in a time-sharing or service bureau environment, which shall not include use by a Servicer on the Servicer's

computer network system to support Customer, or for the processing, tracking or analysis of data associated with the accounts or prospects of others without DynaMark's permission.

3.3 Access Software Maintenance. Customer will without additional charge receive prompt corrections of any problems in the Access Software, the DBMS Software and Custom Software as applicable, and which significantly affect the functioning of the Access Software, the DBMS Software and Custom Software as applicable in accessing data in the Chase Database at DynaMark or which significantly impair the Customer's use of the Chase Database at DynaMark while it is maintained by DynaMark (an "Error"). DynaMark must be promptly notified of the Error and Customer agrees to cooperate, to the extent reasonably possible, with DynaMark and help DynaMark duplicate the problem. DynaMark will use reasonable efforts to provide Customer with a cure to an Error in the Access Software, the DBMS Software and Custom Software as applicable, provided to Customer hereunder as soon as is reasonably practicable after receipt of Customer's notice thereof. Corrections will be made by DynaMark and must be promptly installed once Customer receives such correction. If repair of the Error is not effective after three attempts, then DynaMark will use commercially reasonable efforts to obtain replacement for such defective Access Software, the DBMS Software or Custom Software as applicable, and if it is unable to do so, the parties will (to the extent possible) utilize a previous release of the affected Access Software, the DBMS Software or Custom Software. DynaMark's obligation to correct any Error in the Access Software, the DBMS Software and Custom Software does not include, and Customer specifically assumes the cost of, the following: (a) to the extent any loss is attributable to the fault or negligence of Customer; (b) failure to operate the Access Software, the DBMS Software or Custom Software in accordance with operating instructions; or (c) problem affected by Customer-modified portions of the Access Software, the DBMS Software or Custom Software without DynaMark's consent. Corrections for Errors substantially caused by Customer's actions, negligence or unauthorized changes in the Access Software, the DBMS Software or Custom Software shall be billed at DynaMark's standard time and material charges. Customer may receive and must promptly install any updated versions of the Access Software or the DBMS Software it receives which do not significantly interfere with Customer's then current use of such Access Software ("Updates"). Should Customer fail to implement such Updates, Customer shall, if requested by DynaMark, be required to pay some additional reasonable fee to resume support and maintenance of back-level versions of the Access Software and the DBMS Software. Customer shall be responsible for acquiring and paying for the hardware and software required for it to use the Access Software, the DBMS Software and Custom Software at Customer's Computer Site and shall stop using the Access Software and return all copies of the Access Software and associated materials to DynaMark upon the expiration or termination of this Agreement.

In the event that DynaMark is unable to repair an Error after three attempts, it shall use all reasonable efforts to obtain replacement Access Software, DBMS Software or Custom Software as applicable, which performs substantially similar functions as the Access Software, DBMS Software or Custom Software replaced

and will not substantially disrupt Customer access of the Chase Database. In the event an Error attributable to DynaMark cannot be repaired after three attempts or the Access Software DBMS Software or Custom Software replaced or a previous release of the subject Access Software, DBMS Software or Custom Software can not be utilized, DynaMark shall be liable for direct damages actually sustained by Customer as a result of such Error attributable to DynaMark.

DynaMark will as set forth in Section C (i) Customer Payment For Software and Equipment of Exhibit C (Chase Database Fees) hereto, arrange for maintenance including Updates and Error correction or hardware malfunction correction of therein referenced software and dedicated hardware.

3.4 License and Use By Affiliates. Customer reserves the right to request, and DynaMark agrees that it shall grant, additional licenses to use the Access Software to any Affiliate of Customer for the sole purpose of that Affiliate of Customer accessing only the data in the Chase Database; provided, that any grant of such license shall be conditioned upon the approval of the Third Party Access Software provider to so increase or decrease the number of licenses or sites; payment by Customer of agreed amounts for additional licenses to the Access Software, and written agreement to be bound by the terms of this Agreement by each such Affiliate of Customer, including provision that DynaMark can seek redress directly from the applicable Affiliate of Customer in event of material breach of the terms of this Agreement by said Affiliate of Customer. Customer further agrees that it reserves the right by written notice to DynaMark to request, and DynaMark agrees that it shall agree to increase or decrease the number of sites and Customer's employees with access; provided, that its agreement to increase or decrease the number of sites and employees shall be conditioned upon the approval of the Third Party Access Software provider to said increase or decrease and payment by Customer of agreed amount for increased or decreased number of sites and employees. Exhibit C shall then be amended accordingly. Customer agrees that it shall designate a representative to coordinate requests for additional licenses to the Access Software as well as requests for usage of or services regarding the Chase Database by Affiliates of Customer.

The Customer's Affiliates shall be permitted by Customer to access only that data in the Chase Database which may be shared with its Affiliates under the Fair Credit Reporting Act. All references to Customer in this Agreement shall be deemed to include the Affiliates of Customer who are licensed to use the Access Software or to request services from DynaMark regarding the Chase Database. The Customer representative shall inform DynaMark, in writing, if an Affiliate of Customer who is licensed to use the Access Software is authorized to obtain services from DynaMark regarding the Chase Database and DynaMark shall subject to the terms of this Agreement, provide such Affiliate with such services which shall be coordinated through the designated Customer representative. Unless otherwise agreed by the parties, Customer shall be invoiced for and shall pay all fees due for license, access and use of the Chase Database by the Affiliates of Customer and for services from DynaMark regarding the Chase Database obtained by the Affiliates of Customer.

SECTION 4. CHASE DATABASE SERVICES.

4.1 Chase Database Services. The "Chase Database Services" shall consist of DynaMark loading the Imported Data received into the modules described in Exhibit B hereto and executing the directions transmitted to DynaMark by Customer with respect to the data actions set forth on Exhibit C to be taken as well as providing maintenance services specified above in Section 3.3. DynaMark shall take action that Customer requests it to take in connection with the Chase Database and the data therein. DynaMark also shall maintain the Chase Database at DynaMark in accordance with the security procedures set forth in Section 13 and the obligations regarding confidentiality in Sections 8 and 9. DynaMark further agrees to maintain, fix or arrange for the maintenance of the environment and equipment on which the Chase Database resides, at Customer's expense as set forth in subpart (i) of Section C (Access SoftwareAccess Charges) of Exhibit C as well as providing maintenance services specified above in Section 3.3. DynaMark shall have no responsibility or liability to Customer or its Affiliates with respect to the execution of data actions in connection with the Chase Database by or on behalf of Customer or an Affiliate or the execution by DynaMark of data actions requested by or on behalf of Customer or an Affiliate including data actions that were transmitted by Customer or an Affiliate to DynaMark but not intended by Customer or the Affiliate, or with respect to the execution of data actions transmitted to DynaMark on behalf of Customer or a Affiliate that were changed from what Customer or the Affiliate intended. DynaMark may terminate this Agreement, in whole or part, upon thirty days notice to Customer if: (i) the Customer has failed to deliver the necessary data or specifications for DynaMark to provide Chase Database Service(s) within sixty (60) days of its receipt of written notice from DynaMark specifying such failure to deliver requisite data or specifications

4.2 Change And Control. Customer will in writing advise DynaMark of the positions, titles and or names of those persons employed by Customer or Servicers who are authorized to direct DynaMark to execute data actions on behalf of Customer which substantially change the modules in the Chase Database described in Exhibit B, which substantially change the functionality of the Access Software, or who are authorized to submit requests for services under this Agreement.

4.3 Inspection and Review. Following completion of any service or obligation by DynaMark, Customer shall promptly and carefully test the data and inspect said service and associated reports or output and shall promptly identify and advise DynaMark of any errors in said data, service, report or output (and in no event more than 30 days after receipt). Customer shall carefully inspect the Chase Database including without limitation the modules described in Exhibit B into which it is organized, prior to the Date of Execution and periodically thereafter in order for Customer to satisfy itself that the Chase Database complies with the FCRA.

4.4 Performance Standards For Chase Database Services. Early in the term of this Agreement, DynaMark and Customer shall each appoint a representative to discuss and use best efforts to reach mutual agreement on performance standards for DynaMark's performance hereunder of the Chase Database Services, and means of measuring the agreed upon performance standards as well as identifying any remedies available for the failure to meet or maintain such performance standards. Such performance standards, and methods of measurement of them may be modified over time by mutual agreement of the parties. The parties shall agree to, and document, priorities and accomplishments. If the parties have agreed upon performance standards for DynaMark's performance hereunder of the Chase Database Services (the" Performance Standards"), method of measuring the Performance Standards (the "Measurement"), and means of advising one another of the ongoing results of such, each such Performance Standard shall be so measured on an unofficial basis for three (3) months, during which time such Performance Standard(s) may be adjusted by mutual agreement of all the parties as necessary. At the conclusion of the three (3) month period, each Performance Standard for DynaMark's performance hereunder of the Chase Database Services and the Measurement of it as modified, shall be deemed "Official". Each Official Performance Standard shall thereafter be measured by the Official Measurement.

In the event that in any quarter, DynaMark fails to meet an Official Performance Standard(s) measured against its corresponding Official Measurement as agreed upon by the parties pursuant to this Section 4.4 (Performance Standards For Chase Database Services), Customer shall promptly and specifically in writing advise DynaMark of its ongoing deficient results on such Official Performance Standard and then DynaMark shall apply a credit on its next invoice to Customer in the amount of ten (10) percent of all charges billed to Customer directly related to said deficient Official Performance Standard for the quarter in which such Official Performance Standard was not met. If DynaMark has been so advised by Customer of its ongoing deficient results on such Official Performance Standard, then the failure of DynaMark to meet Official Performance Standards for two consecutive calendar quarters, shall entitle Customer to terminate this Agreement upon thirty days written notice to DynaMark provided in accordance with Section 6.3 (Termination For Cause). Upon such notification, Customer shall pay DynaMark all amounts then properly due for services provided under and in accordance with this Agreement, up to and including the effective date of termination.

4.6 Customer Provided Software. Customer may request that DynaMark install certain software acquired by Customer from a Third Party ("Customer Software") on the Dedicated Equipment as defined in Section C of Exhibit C for use hereunder. If mutually agreed upon by the parties and technically feasible for DynaMark to do so, then DynaMark will install the Customer Software on the Dedicated Equipment for use hereunder by DynaMark and its Affiliates and by and on behalf of Customer. Customer represents and warrants that it owns or possesses all rights and interests in the Customer Software as are necessary for DynaMark to install the Customer Software on the Dedicated Equipment for use by Customer, its Servicers and Affiliates and by DynaMark and its Affiliates

hereunder, and that this installation and use of the hereunder of the Customer Software shall not infringe upon the legally protected proprietary rights of any Third Party. Customer represents and warrants that Customer will indemnify and hold DynaMark, its Affiliates, and their agents and employees, harmless from any loss, damage or liability (including reasonable attorney's fees) for infringement of any United States patent right, copyright, or other legally protected proprietary right with respect to the installation and use of the Customer Software hereunder so long as Customer is notified promptly in writing and is given authority and information reasonably required for the defense of same. Customer shall pay DynaMark rates mutually agreed upon by Customer and DynaMark for such installation of the Customer Software, plus expenses incurred in connection with the installation of the Customer Software. Customer shall be solely responsible for obtaining the rights necessary for DynaMark to install the Customer Software on the Dedicated Equipment for use by Customer, its Servicers and Affiliates and by DynaMark and its Affiliates hereunder. Customer shall be solely responsible for the costs of acquiring and maintaining the Customer Software and for arranging for maintenance including Updates and Error correction of the Customer Software. The provision in Section 11.3 (Limitation of Liability - Customer) shall not be construed to in any way limit Customer's indemnification obligations as provided above in this Section 4.6. The indemnity and hold harmless obligations of Customer in this Section shall survive termination of this Agreement.

SECTION 5. DYNAMARK START-UP SERVICES.

5.1 Start-up Training Sessions. Early in the term of this Agreement, DynaMark shall conduct for Customer, at a site selected by Customer the training sessions as described in the Chase Database Task Listing attached as Appendix A. During the term of this Agreement, DynaMark shall also conduct for Customer, at a site selected by Customer and at mutually agreed upon times, the additional training sessions as itemized in the Chase Database Task Listing (Appendix A). Customer will be responsible for the expense incurred in having its representatives attend such training session including but not limited to, the cost of travel, lodging, and meals. This training will occur in the time frame set forth in the Task Listing attached as Appendix A, unless the parties mutually agree otherwise.

5.2 DynaLink Software Documentation. Within 60 days of the Date of Execution, DynaMark shall furnish to Customer the DynaLink Software and documentation describing the features and functions of DynaLink Software.

5.3 Assistance with Initial Chase Database Access and Implementation. DynaMark shall supply to Customer telephone assistance in installing the DynaLink Software and other Access Software and using it to access the Chase Database. Such telephone assistance shall be for * within 90 days subsequent to the Date of Commencement. Thereafter, a reasonable amount of telephone assistance in using the Access Software to access the Chase Database,

shall be available to Customer through the DynaMark Technical Helpline during DynaMark's normal business hours on Business Days, at no additional charge.

SECTION 6. TERM

6.1 Term. The initial term of this Agreement shall be from Date of Execution until five (5) years from the Date of Execution. Thereafter, this Agreement shall automatically renew for successive terms of one year each unless and until one party shall give to the other party written notice of termination at least sixty (60) days prior to the conclusion of the then-current term. Notwithstanding anything in this Agreement to the contrary, licenses granted to Customer for use of data from a Third Party or Third Party software in connection with this Agreement shall terminate immediately upon the expiration or termination of the agreement between DynaMark and the Third Party for use of said data or software. In event of such termination, DynaMark will use reasonable efforts to obtain replacement for such data or software.

*

The parties agree that these Termination Fees are reasonable under the circumstances and that these termination fees have been carefully considered and agreed to by the Parties in view of the difficulty in ascertaining actual damages because of the complexities of the transaction and the substantial initial investment borne by DynaMark prior to the Date of Execution.

6.2 Termination Due To Bankruptcy. Either party shall have the right to immediately suspend or terminate this Agreement at anytime prior to the expiration of its stated term with notice to the other party if the other party ceases operations or commences a voluntary case under the Bankruptcy Code or consents to or fails to contest in a timely and appropriate manner any petition filed against it in an involuntary case under the Bankruptcy Code or makes assignments for the benefit of creditors or is unable to fulfill its obligations under this Agreement due to bankruptcy, insolvency, receivership, or other cessation of its activities as an ongoing business. Termination under this Section 6.2 shall be effective upon the other party's receipt of notice issued by the terminating party in accordance with this Section.

6.3 Termination For Cause. (a) Either party shall have the right to immediately terminate this Agreement upon written notice to the other party in event of the other party's material breach of its confidentiality obligations in Section 8 (Confidential Treatment of Information) of this Agreement.

(b) Additionally this Agreement may be terminated for cause pursuant to and in accordance with Section 3.1 (Software License), Section 4.1 (Chase Database Services), Section 4.4 (Performance Standards For Chase Database Services) and Section 7.3 (Payment) upon written notice issued in accordance with Section 3.1, 4.1, 4.4 or 7.3 from the party specified in Section 3.1, 4.1, 4.4 or 7.3 to the other.

(c) Termination under this Section 6.3 shall be effective upon the other party's receipt of notice issued by the terminating party in accordance with this Section 6.3. Termination of this Agreement in accordance with its terms shall not, unless expressly otherwise provided in this Agreement, affect any right accruing to or obligation of either party arising prior to termination which by their terms are intended to survive.

6.4 Termination For Cause-Transition Services. In the event of a termination of this Agreement by Customer pursuant to Section 6.1 (Term) for failure of DynaMark to to enter into at least one DynaMark Agency Agreement or failure of DynaMark to maintain in effect at least one DynaMark Agency Agreement during the term hereof while Customer maintains in effect at least one National Consumer Reporting Agency -Chase Agreement or pursuant to Section 6.2 (Termination Due To Bankruptcy) or Section 6.3 (Termination For Cause) above, DynaMark shall upon receipt of Customer's written request, furnish Customer all copies, in what ever media, partial or complete, of the Chase Database at DynaMark, which shall include without limitation, the data in the Chase Database from DynaMark's mainframe computer system which will be downloaded to the dedicated hardware equipment described in Section C of Exhibit C and the Compiled Data in the Chase Database modules, in the format compiled at the time of such termination. DynaMark's obligation to furnish Customer this Chase Database data is subject to the Third Party data suppliers express approval of such provision of such portion of the Compiled Data, if applicable; and DynaMark's receipt of all payment properly due under and in accordance with the terms of this Agreement, up to and including the effective date of termination. Such payment shall include, without limitation, full payment of all costs incurred or which DynaMark is contractually committed to incur in acquiring, maintaining and updating the Dedicated Equipment and any Other Dedicated Equipment as those terms are defined in Section C of Exhibit C which is leased or otherwise acquired by DynaMark under Section C of Exhibit C that have not already been billed to and paid by Customer, including any payment required for Customer to assume assignment or ownership of the Dedicated Equipment and any Other Dedicated Equipment or all costs related to acquiring, maintaining and updating the Dedicated Equipment and any Other Dedicated Equipment that have already been contractually committed to by DynaMark in accordance with the terms hereof, if assignment or ownership transfer is not permitted by the Third Party provider. Customer agrees that it shall reimburse DynaMark for DynaMark's actual cost to produce the Compiled Data, plus expenses. Upon termination of this Agreement pursuant to Section 6.2 or Section 6.3 above, DynaMark shall (upon written request from Customer) also provide Customer with a copy of the Source Code for the most recent version of any Custom Software; provided that the payment then properly due for the Custom Software has been fully paid for by Customer. Additionally, if requested by Customer, DynaMark may provide assistance in the relocation of the Chase Database in a manner which facilitates Customer's use of the Chase Database. Customer shall reimburse DynaMark's actual reasonable costs for all time spent by DynaMark assisting in the relocation of the Compiled Data from the Chase Database, plus all reasonable travel expenses incurred by DynaMark in connection therewith for travel that is preapproved by Customer.

6.5 Other Early Termination. In circumstances other than those described above in Section 6.1 (Term) for failure of DynaMark to to enter into at least one DynaMark Agency Agreement or failure of DynaMark to maintain in effect at least one DynaMark Agency Agreement during such time during the term hereof that Customer maintains in effect at least one National Consumer Reporting Agency -Chase Agreement or in Section 6.2 (Termination Due To Bankruptcy) or Section 6.3 (Termination For Cause), this Agreement may be terminated prior to the expiration of its stated term by Customer providing DynaMark at least sixty days prior written notice of termination. This termination shall become effective within a mutually agreed time following notification. In the event of termination under this Section 6.5, DynaMark shall be, and following such termination, shall remain entitled to receive: the Termination Fee as set forth in Section 6.6 below, payment from Customer of all fees and charges properly due hereunder at the time of such termination, and full payment of all costs incurred or which DynaMark is contractually committed to incur in acquiring, maintaining and updating the Dedicated Equipment and any Other Dedicated Equipment as those terms are defined in Section C of Exhibit C which is leased or otherwise acquired by DynaMark under Section C of Exhibit C that have not already been billed to and paid by Customer, including any payment required for Customer to assume assignment or ownership of the Dedicated Equipment and any Other Dedicated Equipment or all costs related to acquiring, maintaining and updating the Dedicated Equipment and any Other Dedicated Equipment that have already been contractually committed to by DynaMark in accordance with the terms hereof, if assignment or ownership transfer is not permitted by the Third Party provider.

6.6 Termination Fee. *

The parties agree that these Termination Fees are reasonable under the circumstances and that these termination fees have been carefully considered and agreed to by the Parties in view of the difficulty in ascertaining actual damages because of the complexities of the transaction and the substantial initial investment borne by DynaMark prior to the Date of Execution. The parties agree that the Termination Fees set forth above in this Section 6.6 (Termination Fee) will not apply in the event that this Agreement is terminated by Customer pursuant to Section 6.1 (Term) for failure of DynaMark to enter into at least one DynaMark Agency Agreement or failure of DynaMark to maintain in effect at least one DynaMark Agency Agreement during such time during the term hereof that Customer maintains in effect at least one National Consumer Reporting Agency - -Chase Agreement.

6.7 Additional Transition Services. Upon the termination of this Agreement for whatever reasons, DynaMark agrees that it shall provide Customer reasonably requested assistance, at Customer's expense, in obtaining permission of the Third Party Access Software provider for Customer to have the right to the Third Party Access Software necessary for Customer to utilize the Chase Database in another environment. Customer agrees to cooperate with DynaMark in the provision of such services and to reimburse DynaMark for its

time expended at consulting rates to be mutually agreed upon by Customer and DynaMark plus expenses incurred in the provision of such services. Additionally, if requested by Customer, DynaMark may provide a reasonable amount of assistance in the relocation of the Compiled Data from the Chase Database. Customer shall pay DynaMark a reasonable mutually agreed upon amount for DynaMark's assistance in the relocation of the Compiled Data, plus all reasonable travel expenses incurred by DynaMark in connection therewith for travel that is preapproved by Customer.

SECTION 7. FEES.

7.1 Chase Database Fees. Beginning on the Date of Execution and during the term of this Agreement, Customer shall pay to DynaMark the Chase Database fees set forth on Exhibit C attached hereto, as it may be modified from time to time as provided in this Agreement. The initial Chase Database Fee Schedule set forth on Exhibit C shall remain in effect for the first year of the initial term of this Agreement. Thereafter, the rates and charges on Exhibit C are subject to increase once per calendar year upon ninety (90) days prior written notice to Customer. *

7.2 Additional Service Fees. DynaMark will issue and Customer shall pay monthly invoices for the additional services provided to Customer including those provided pursuant to a Service Request or any addendum or amendment hereto. Supporting documentation for amounts invoiced for additional services shall be provided to Customer upon request.

7.3 Payment. All payments for services rendered pursuant to this Agreement shall be due on the date of the invoice. The amount of any invoice not paid within 60 days after the date of the invoice shall incur interest at a monthly rate of 1% from the date of the invoice until paid. Customer also agrees to pay reasonable attorney's fees and other costs incurred in collection of any amounts not paid when due.

Should Customer fail to pay any invoice, which is not subject to prior good faith dispute, within 75 days of the date of the invoice, DynaMark, at its sole option, may suspend providing services hereunder to Customer, all invoiced amounts remaining due and payable. Should Customer fail to pay any invoice within 90 days of the date of the invoice, DynaMark may terminate this Agreement, in whole or part, upon thirty days notice to Customer, all invoiced amounts remaining due and payable.

7.4 Taxes. In addition to the prices provided for herein, Customer shall pay DynaMark the amount of any sales, use or other taxes now or hereafter imposed by any federal state or local authority upon or with respect to the transactions under this Agreement or a Service Request hereunder other than taxes imposed on the net income of DynaMark and personal property taxes.

SECTION 8. OWNERSHIP OF SYSTEMS AND MATERIALS.

8.1 DynaMark Materials. All DynaLink Software, DynaMatch(R) merge/purge software and other software of DynaMark used in connection with the Chase Database, including all custom Access Software, software, systems, programs, operating instructions and associated documentation prepared by DynaMark and all proprietary information provided by DynaMark about its pricing, systems and business plans shall be and remain the property of DynaMark (the "DynaMark Materials").

8.2 Customer Materials. * Any and all Customer Materials produced by DynaMark at the request of Customer hereunder shall be the property of Customer, to the extent that such work may be designated a work made for hire, and DynaMark hereby transfers and assigns to Customer in perpetuity any and all copyrights and other proprietary rights and ownership in and to such works, to which DynaMark may otherwise be entitled effective upon receipt by DynaMark of full payment due hereunder. * DynaMark agrees to provide reasonable requested assistance to Customer, at Customer's expense, to obtain such rights to the extent possible. Upon termination of this Agreement all data, materials and property belonging to one party shall be returned to that party.

8.3 Third Party Materials. All Third Party software used or provided by DynaMark in connection with the Chase Database, including the Access Software and DBMS Software licensed to DynaMark by Third Parties, i.e., any * Software of *, * software and any * Software, is and shall remain the property of the Third Party.

SECTION 9. CONFIDENTIAL TREATMENT OF INFORMATION.

9.1 Customer Information. (a) DynaMark will safeguard and hold confidential from disclosure to any Third Party or entity, except a person or entity approved in writing in advance by Customer at Customer's sole discretion, the Chase Database, including any data therein, all Custom Software, all Imported Data, all Depersonalized Attributes and Prescreen Information, proprietary marketing strategies, programs, specifications and associated documentation, promotion plans and promotion tracking results which DynaMark receives for use hereunder from or on behalf of Customer during the course of this Agreement (hereinafter, the "Confidential Information"). The use of such Confidential Information by DynaMark shall be solely limited to the purpose(s) specified in this Agreement or Service Request Forms and DynaMark shall not otherwise transfer, sell, reveal or otherwise communicate directly or indirectly any of Customer's Confidential Information, except as authorized by Customer or Servicer in writing. DynaMark agrees to hold Customer harmless from and against any claim, loss or expense that Customer may suffer as a result of DynaMark's negligent failure to safeguard Customer's Confidential Information through use of the same standard of care that DynaMark uses to protect its own confidential information, which standard of care shall not be less than a standard of reasonable care. The Compiled Data in the Chase Database and the Custom Software shall be provided to Customer upon termination of this Agreement in

accordance with the Subsections of Section 6 (Term). All other Confidential Information which DynaMark receives from or on behalf of Customer shall be returned to Customer upon termination of this Agreement or earlier if requested by Customer and no longer needed for purposes of this Agreement or Service Request Forms. Confidential Information subject to this paragraph shall not include information: which is or becomes part of the public domain other than by an act or omission of DynaMark; or, which is demanded by lawful order from any court or any body empowered to issue such an order; or, which is independently developed by personnel of DynaMark; or is or becomes known to DynaMark other than through DynaMark's receipt of Confidential Information hereunder; or, which is or becomes known to DynaMark from third parties not under an obligation of confidence to Customer. DynaMark's obligations under this Subsection 9.1(a) are limited to diligent compliance with the same methods and procedures that DynaMark uses to protect its own confidential information from disclosure. The provisions of this Section 9.1 (Customer Information) and subsections thereto shall survive any termination of this Agreement and shall bind the parties, their successors and assigns.

(b) If DynaMark is requested or required (by subpoena, civil investigative demand or similar legal process) to disclose any Confidential Information, DynaMark will promptly notify Customer of such request or requirement so that Customer may at its expense seek an appropriate protective order; however, DynaMark shall have no obligation to obtain such protective order or otherwise contest such legal process. Then, DynaMark may disclose Confidential Information of Customer if still compelled to do so pursuant to legal process.

(c) Customer agrees that auditors from or retained by a National Consumer Reporting Agency with whom Customer has entered into a National Consumer Reporting Agency -Chase Agreement may be permitted to audit DynaMark's procedures for handling and processing of data in connection with the PreScreen Services, including without limitation DynaMark's procedures relating to the handling and processing of Depersonalized Attributes and PreScreen Information upon reasonable notice. Customer shall reasonably cooperate with respect to such audit.

9.2 DynaMark Information. Customer and its Servicers will safeguard the DynaMark Materials and the Access Software and hold them confidential from disclosure to any Third Party or entity, except a person or entity approved in writing in advance by DynaMark. No aspects of the DynaMark Materials, including the DynaLink Software, or the other Access Software, and without limitation, programs, specifications, documentation and methods of processing, shall be sold, revealed, disclosed or otherwise communicated, directly or indirectly by Customer or its Servicers to any person, company or institution whatsoever. Customer agrees to hold DynaMark harmless from and against any claim, loss or expense that DynaMark may suffer as a result of Customer's or its Servicers negligent failure to so safeguard the DynaMark Materials and the Access Software through use of the same standard of care that Customer uses to protect its own Confidential Information which standard of care shall not be less than a standard of reasonable care. It is understood that except for the License

described herein, no title to or rights in the DynaMark Materials or the other Access Software, or any part thereof, is transferred to Customer or to its Servicer by this Agreement. However, Customer and its Servicers have no obligation to safeguard any material provided by DynaMark if such material is or becomes publicly available other than by an act or omission of Customer; is independently developed by personnel of Customer; is or becomes known to Customer other than through Customer's receipt of the DynaMark Materials or the Access Software provided by DynaMark hereunder; which is or becomes known to Customer from third parties not under an obligation of confidence to DynaMark; or, is demanded by a lawful order from any court or any body empowered to issue such an order. Customer agrees to notify DynaMark promptly of the receipt of any such order, and to provide DynaMark with a copy of the order. Customer's obligations under this Subsection 9.2 are limited to diligent compliance with the same methods and procedures that Customer uses to protect its own Confidential Information from disclosure. The provisions of this paragraph shall survive any termination of this Agreement and shall bind the parties, their successors and assigns.

9.3 Injunctive Relief. In the event of any breach of the obligations under this Section 9 (Confidential Treatment of Information), each party acknowledges that the other party would have no adequate remedy at law, since the harm caused by such a breach would not be easily measured and compensated for in damages, and that in addition to such other remedies as may be available to the other party, the other party may obtain injunctive relief including, but not limited to, specific performance.

9.4 Non-exclusive Agreement. Nothing in this Section 9 (Confidential Treatment of Information) or in this Agreement is intended to prevent Customer from obtaining database, products or services of a same or similar nature to those obtained by it from DynaMark under this Agreement from parties other than DynaMark; nor is anything in this Agreement intended to prevent DynaMark from providing a database, products and services of a same or similar nature to that provided by it to Customer under this Agreement to parties other than Customer. Further, nothing in this Section 9 (Confidential Treatment of Information) or in this Agreement is intended to prevent DynaMark from developing and subsequently utilizing with others any constituent elements of the Chase Database, including but without limitation: the structure of data tables and files, the data model consisting of the design of the database and of the tables that will be implemented in the database management system, the star schema, and the metatdata, even if they are the same or similar to those in the Chase Database.

SECTION 10. WARRANTIES.

10.1 Software. DynaMark warrants that the DynaLink Software will perform the technical functions described in DynaLink Software Users Guide and can be used by Customer to access data in the modules of the Chase Database described on Exhibit B, provided that Customer has not modified the DynaLink

Software. DynaMark does not warrant that the DynaLink Software or the other Access Software is or will be totally error free or its operation uninterrupted. DynaMark does not warrant that the DynaLink Software or the other Access Software will run on every computer, network, or operating system. To the extent permitted by its agreement(s) with the Third Party software licensor(s) of the other Access Software, DynaMark warrants that such other Access Software as delivered will substantially perform the technical functions set forth in the documentation related thereto provided by the respective Third Party software licensor. Nothing in this section is intended to derogate DynaMark's obligations to provide maintenance services as set forth in Section 3.3 of this Agreement.

10.2 Patent, Copyright or Trade Secret Infringement. DynaMark warrants that it owns or possesses all rights and interests in the DynaLink Software and the other Access Software, as are necessary to enter into this Agreement, and that Services DynaMark provides hereunder shall not infringe upon the legally protected proprietary rights of any Third Party and that it will indemnify and hold Customer, its agents and employees, harmless from any loss, damage or liability (including reasonable attorney's fees) for infringement of any United States patent right, copyright, or other legally protected proprietary right with respect to the DynaLink Software as provided so long as DynaMark is notified promptly in writing and is given authority and information reasonably required for the defense of same. DynaMark shall not be responsible for any cost, expense, or compromise incurred or made by the Customer without DynaMark's prior written approval. If, at any time, DynaMark is of the opinion that the DynaLink Software is likely to become the subject of any such action, DynaMark may, at its sole option and expense, (a) obtain the right to continue to use the software; or if (a) is not commercially feasible then (b) replace or modify such software, provided that no such replacement or modification shall impair the performance of software, and if (a) and (b) are not commercially feasible then (c) remove such software; provided, however, that if such removal materially impairs the services to be provided to Customer hereunder, Customer may terminate this Agreement and DynaMark shall refund Customer all fees paid hereunder for use of the Chase Database for each full calendar month after removal of such software. Notwithstanding the foregoing, the parties agree that DynaMark shall have no obligation hereunder to indemnify and hold harmless Customer for an alleged infringement related, directly or indirectly, to the interconnection by Customer of the DynaLink Software with hardware or software not provided by DynaMark. The provision in Section 11.2 (Limitation of Liability - -DynaMark) shall not be construed to in any way limit DynaMark's indemnification obligations as provided above in this Section 10.2. The indemnity and hold harmless obligations of DynaMark in this Section shall survive termination of this Agreement.

10.3 Accuracy. DynaMark will use reasonable efforts to accurately input the Imported Data into the Chase Database and will use reasonable efforts to accurately transmit the Exported Data to Customer. DynaMark does not warrant or guarantee that any information or data it utilizes or provides, including the Imported Data and the Exported Data, is accurate or up-to-date. DynaMark cannot and does not guarantee the accuracy or completeness of the

Depersonalized Attributes or PreScreen Information or of any of the credit bureau records which are prescreened or used incident hereto. Further, DynaMark cannot and does not guarantee the accuracy or completeness of the data or information of any type communicated by a Third Party, be it a credit bureau or other vendor incident hereto or otherwise associated with Customer's marketing programs.

10.4 Warranty. THE WARRANTIES AND REMEDIES STATED IN THIS AGREEMENT ARE IN LIEU OF ALL OTHERS, WHETHER EXPRESSED OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WHICH ARE HEREBY DISCLAIMED.

SECTION 11. LIABILITY.

11.1 Liability. DynaMark will use due diligence in performing its obligations under this Agreement and the performance by DynaMark of all its services provided under this Agreement shall be consistent with industry standards. DynaMark shall indemnify and hold harmless Customer and its employees from and against any and all liability, loss or damage Customer may suffer as a result of claims, demands, costs or judgments against Customer arising out of DynaMark's negligent failure to comply with the performance standard in the first sentence of this Section; provided, that DynaMark's obligation to indemnify Customer shall be limited to the actual losses by Customer resulting from DynaMark's negligent failure to comply and shall exclude any indirect, special, consequential, or punitive damages. The liability of DynaMark for any claims, losses or damages arising out of or related to this Agreement or the Chase Database shall be limited as provided in Subsection 11.2 of this Agreement. The liability of Customer for any claims, losses or damages arising out of or related to this Agreement or the Chase Database shall be limited as provided in Subsection 11.3 of this Agreement. Neither Party shall be liable to the other Party or any Affiliates of the other Party for any claims, damages, losses or expenses arising out of the performance of the services to be performed by it pursuant to this Agreement if such claims, damages, losses or expenses are due to causes that are beyond its reasonable control.

11.2 Limitation of Liability - DynaMark. DynaMark shall not be liable for any loss, cost, or expense of Customer, any Affiliates of Customer or any Third Party resulting from or related to the data with which the Chase Database is populated or the manner in which the Chase Database is used provided that DynaMark has acted in accordance with the terms hereof or at the direction of Customer, its Servicers or authorized Affiliates. Notwithstanding any contrary provision contained in this Agreement, in no event other than for fulfillment by DynaMark of its indemnification obligation under Section 10.2 (Patent, Copyright or Trade Secret Infringement) or for liability with respect to use of the Access Software by DynaMark in willful breach of its Agreement with the Third Party Access Software Provider or for liability resulting from its willful breach of its confidentiality obligations under Section 9.1(a), shall the total liability of

DynaMark for any claims, losses or damages arising out of or related to this Agreement, the Chase Database or its services hereunder or from breach of its warranties in this Agreement exceed the total amount of fees and charges paid by Customer pursuant to this Agreement during the 6-month period preceding the claim for the product, service or module to which the liability relates. IN NO EVENT OTHER THAN FOR FULFILLMENT BY DYNAMARK OF ITS INDEMNIFICATION OBLIGATION UNDER SECTION 10.2 (PATENT, COPYRIGHT OR TRADE SECRET INFRINGEMENT) OR FOR LIABILITY RESULTING FROM ITS WILLFUL BREACH OF ITS CONFIDENTIALITY OBLIGATIONS UNDER SECTION 9.1(A), SHALL DYNAMARK'S, ITS OFFICERS', DIRECTORS' OR EMPLOYEES' LIABILITY OF ANY KIND FOR ANY MATTER OR THING WHATSOEVER, BASED UPON, RELATING TO, OR ARISING OUT OF THIS AGREEMENT, INCLUDE ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS, REVENUE, DATA OR USE, EVEN IF DYNAMARK SHALL HAVE BEEN ADVISED OF THE POSSIBILITY OR LIKELIHOOD OF SUCH POTENTIAL LOSS OR DAMAGE.

11.3 Limitation of Liability - Customer. Notwithstanding any contrary provision contained in this Agreement, except for fulfillment of its payment obligation under the Subsections of Section 6 (Term) and Subsections of Section 7 (Fees), under Section 15.6 (Customer Responsibility), for liability with respect to use of the Access Software by Customer or a Customer Affiliate in willful breach of the Agreement, for fulfillment by Customer of its indemnification obligation under Section 4.6 (Customer Provided Software) or for liability resulting from its willful breach of its confidentiality obligations under Section 9.2, in no other event shall the total liability of Customer for any claims, losses or damages arising out of or related to this Agreement, the Chase Database or from breach of its obligations in this Agreement exceed the total amount of fees and charges to be paid by Customer pursuant to this Agreement during the 6-month period preceding the claim for the product, service or module to which the liability relates. IN NO EVENT OTHER THAN FOR FULFILLMENT BY CUSTOMER OF ITS INDEMNIFICATION OBLIGATION UNDER SECTION 4.6 (CUSTOMER SOFTWARE) OR FOR LIABILITY RESULTING FROM ITS WILLFUL BREACH OF ITS CONFIDENTIALITY OBLIGATIONS UNDER SECTION 9.2, SHALL CUSTOMER'S, ITS OFFICERS', DIRECTORS' OR EMPLOYEES' LIABILITY OF ANY KIND FOR ANY MATTER OR THING WHATSOEVER, BASED UPON, RELATING TO, OR ARISING OUT OF THIS AGREEMENT, INCLUDE ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS, REVENUE, DATA OR USE, EVEN IF CUSTOMER SHALL HAVE BEEN ADVISED OF THE POSSIBILITY OR LIKELIHOOD OF SUCH POTENTIAL LOSS OR DAMAGE. The foregoing Section shall not be construed to in any way limit Customer's indemnification obligations as provided in Section 15.6 (Customer Responsibility).

SECTION 12. FAILURE OF PERFORMANCE.

12.1 DynaMark shall not be liable for any failure to perform its obligations under this Agreement if prevented from doing so by a cause or causes beyond its reasonable control. Without limiting the generality of the foregoing, such causes include acts of God or the public enemy, nature, fires, floods, storms, tornadoes, earthquakes, riots, strikes, blackouts, wars or war operations, restraints of government, walkouts or shortages or inability to obtain materials, labor, fuel, energy, or machinery at reasonable prices or from regular sources, the failure of Customer or a Third Party to perform its obligations related to this Agreement or other cause or causes which could not with reasonable diligence be controlled or prevented by DynaMark. Should DynaMark at any time be unable, due to any of the aforesaid causes, to supply its own and all of its Customers' requirements (including customers not under contract), DynaMark will allocate its available production capacity to its customers on such terms as it may deem advisable and in such event Customer, upon written notice to DynaMark, may withdraw Service Requests upon which DynaMark has not begun preparation. For purposes hereof, DynaMark's Customers shall be deemed to include Affiliates of DynaMark. DynaMark shall maintain a Contingency Plan for site backup in case of natural disaster or other disaster. This Contingency Plan shall provide for a fully operational site back-up for batch processing within 72 hours of the occurrence of the disaster, provided the backup site is not disrupted by disaster.

SECTION 13. SECURITY PROCEDURES

13.1 DynaMark shall, during the term of this Agreement, maintain at its sole expense the following Security Procedures:

a) No visitor is to be permitted on DynaMark premises without first signing in and receiving a visitor's badge;

b) All visitors must be escorted while on secured areas of DynaMark's premises;

c) On weekends and holidays, an employee of DynaMark or a bonded guard must be present at secured areas of DynaMark's premises;

d) Upon receipt of any tape containing Confidential Information, DynaMark shall secure it immediately in a card accessed control area or locked control area;

e) Customer's files shall be stored on magnetic tape in a secured library or a secured offsite vault;

f) Customer's tapes (which shall not include tapes provided to DynaMark pursuant to a National Consumer Reporting Agency-Chase Agreement) shall be logged in upon receipt and returned

upon completion of the job (foreign tapes immediately after completion of the job but work tapes must be maintained at a DynaMark approved site for a minimum of ninety (90) days and can only be scratched upon Customer's written approval). After ninety (90) days, a storage fee of $.50 per reel per month will be charged by DynaMark to Customer;

g) The Customer's account representatives and authorized personnel at DynaMark shall be the only individuals permitted to handle Confidential Information in whatever form;

h) Only DynaMark personnel with authorization or visitors accompanied by authorized DynaMark personnel may enter the computer room;

i) DynaMark shall instruct all pertinent personnel with respect to the confidentiality of all Confidential Information and the procedures set forth herein.

j) To the extent set forth in Exhibit C, the Chase Database shall be maintained on a dedicated platform. The Chase Database shall be maintained with appropriate firewalls implemented to maintain the confidentiality of the Chase Database.

k) DynaMark agrees to be bound by, and shall implement and maintain such additional information security procedures as are mutually agreed upon by the Parties and which shall be attached hereto as Exhibit D.

13.2 RIGHT TO AUDIT. Customer (or an independent certified auditor designated in writing by Customer or an authorized government regulator of Customer which is designated in writing by Customer) shall have the right upon reasonable notice to DynaMark, during normal business hours, to conduct reasonable on-site inspections of DynaMark's premises in accordance with DynaMark's security procedures to audit DynaMark's compliance with the Security Procedures set forth above in this Section of the Agreement.

SECTION 14. NOTICES

14.1 Any notices provided for in this agreement shall be given in writing and transmitted by personal delivery, facsimile transmission or prepaid first class registered or certified mail, return receipt requested, addressed as follows:

If to Customer:

Chase Manhattan Bank USA, National Association
802 Delaware Avenue
Wilmington, DE 19801
Attn: Michael J. Barret, President

With Copy to:
The Chase Manhattan Bank
100 Duffy Ave
Hicksville, NY 11801
Attn: Philip Lankford

If to DynaMark:
DynaMark, Inc.
4295 Lexington Avenue North
St. Paul, MN 55126-6164
ATTN: President

With copy to:
Fair, Isaac and Company, Inc.
120 North Redwood Drive
San Rafael, California 94903
ATTN: Senior Vice President and General Counsel

SECTION 15. MISCELLANEOUS.

15.1 Delaware Law. This Agreement, and the performance hereunder, shall be governed by and construed in accordance with the laws of the State of Delaware.

15.2 Binding Effect. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

15.3 Section Headings. The headings of the sections or subsections in this Agreement are for the purpose of reference only and shall not limit or otherwise affect the meaning of any of the provisions of this Agreement.

15.4 Incorporation of Exhibits. Each of the exhibits referred to herein and attached hereto are incorporated herein and shall be deemed to be a part of this Agreement.

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

15.6 Customer Responsibility. DynaMark shall have no liability for any actions, delays, errors, misrepresentations, or failures to act on the part of any Third Party retained by or on behalf of Customer, be it a credit bureau, letter shop, list vendor, or other participant in any aspect of the Customer's marketing efforts. Pricing and service considerations for the Depersonalized Attributes, PreScreen Information and PreScreen Services, or for use of a national credit bureau's prescreening facility are to be negotiated between Customer and the relevant credit bureau and shall be paid for by the Customer.

It is specifically agreed that Customer is solely responsible for the determination of exclusion criteria, customer credit criteria and selection strategies utilized in connection with the PreScreen Services and for the communication of all exclusion and customer credit criteria and other prescreen selection criteria to the appropriate credit bureaus and to their designated agent for the provision of data processing services related to the PreScreen Services. It is specifically agreed that Customer is solely responsible for the determination of exclusion criteria, customer selection criteria and selection strategies utilized in connection with the non-prescreen selections and for the communication of all exclusion and selection strategies to DynaMark for the provision of data processing services related to the non-prescreen selections.

Customer shall be solely responsible for its and its Servicers' compliance with all federal, state and local laws and regulations to which it is subject incident hereto. Customer is solely responsible for the manner in which Customer and its Servicers use, access and populate the Chase Database or direct that the Chase Database be populated and for all actions taken in connection with the Chase Database by or at the direction of Customer or its Servicers. Customer

is also solely responsible for the accuracy, adequacy and formatting of programs and data transmitted to DynaMark by or for Customer and the Exported Data obtained by or for Customer. Customer shall indemnify and hold DynaMark and all of its Affiliates, agents, subcontractors and employees harmless from and against any and all liabilities, damages, losses, claims, costs and expenses (including attorneys' fees) actually incurred arising out of or related to use of the Chase Database by or at the direction of Customer or a Servicer, actions taken by or at the direction of Customer or a Servicer in connection with the Chase Database, a prescreened solicitation or marketing campaign and the data included in the Chase Database by or at the direction of Customer or a Servicer ("Losses"), except for any Losses to the extent that such Losses are attributable to DynaMark's grossly negligent failure to follow the direction expressly given to DynaMark by Customer or a Servicer concerning an action to be taken by DynaMark in connection with the Chase Database. Customer waives all claims against DynaMark arising out of any actions taken by DynaMark or use of the Chase Database by or on behalf of Customer or a Servicers in violation of the FCRA or the Equal Credit Opportunity Act and Regulation B thereto, (even if DynaMark has obtained data on behalf of Customer, performed analysis, PreScreen Services or other work in connection with such use) and will indemnify and hold DynaMark harmless against any loss or expense incurred by DynaMark as the result of such actions or use, except for any any loss or expense incurred by DynaMark to the extent that such loss or expense is attributable to DynaMark's grossly negligent failure to follow the direction expressly given to DynaMark by Customer or a Servicer concerning a use DynaMark was to make of the Chase database or an action to be taken by DynaMark in connection with the Chase Database. Customer shall assume, pay, indemnify, defend, hold harmless and reimburse DynaMark, all of its Affiliates, agents and employees and its successors and assigns for any and all liabilities, damages, claims suits, judgments, losses, costs, and expenses (including reasonable attorney's fees and court costs) directly or indirectly incurred by DynaMark in connection with claims that Customer or a Servicer failed to comply with any law or regulations to which it is subject incident hereto; or, in connection with any trademarks or other proprietary rights relating to that portion of any service specified by Customer. The provision in Section 11.3 (Limitation of Liability - Customer) shall not be construed to in any way limit Customer's indemnification obligations as provided above in this Section 15.6. The indemnity and hold harmless obligations of Customer in this Section shall survive termination of this Agreement.

15.7 Insurance. DynaMark shall maintain, throughout the term of this Agreement, a policy of worker's compensation insurance with coverage limits as may be required by the law of the state in which the services are to be performed. DynaMark further agrees to maintain adequate (i) general liability insurance and (ii) automobile liability insurance providing coverage against liability for bodily injury, death and property damage which may arise out of or be based upon any act or omission of any of its employees, agents or subcontractors under this Agreement. Upon written request, DynaMark shall promptly provide certificate(s) from its insurers indicating the amount of such

coverage, the nature of such coverage and the expiration date of each applicable policy.

15.8 Equal Employment Opportunity. Unless exempt, then to the extent that it is hereby legally required to do so, DynaMark will comply with U.S. Department of Labor regulations regarding (a) equal employment opportunity obligations of government contractors and subcontractors, 41 Code of Federal Regulations ("C.F.R.") ss. 60-1.4 (a) (1)-(7); (b) employment by government contractors of Vietnam-era and disabled veterans, 41 C.F.R. ss. 60-250.4 (a)-(m); (c) employment of the physically handicapped by government contractors and subcontractors, 41 C.F.R. ss. 60-741.4 (a)-(f); (d) developing written affirmative action programs, 41 C.F.R. ss. 60-2.1, 60-250.5, and 60-741.5; (e) certifying no segregated facilities, 41 C.F.R. ss. 60-1.8; (f) filing annual EEO-1 reports, 41 C.F.R. ss. 60-1.7; and (g) utilizing minority-owned and female-owned business concerns, 48 C.F.R. ss.ss. 512-219.9 and 52-219.12 all of which are incorporated by reference herein to the extent to which they apply.

15.9 No Assignment. This Agreement may be assigned by Customer to an Affiliate of Customer upon Customer's receipt of the express written consent of DynaMark, which consent shall not be unreasonably withheld. This Agreement may not be otherwise assigned by Customer without the express written consent of DynaMark. This Agreement may not be assigned by DynaMark without the express written consent of Customer. Customer hereby agrees that DynaMark shall have the right to perform any or all of the services to be provided hereunder through any existing or future direct or indirect parent company of DynaMark or any existing or future direct or indirect subsidiary of such parent company or any of DynaMark's Affiliates. However, DynaMark shall not provide services hereunder through any Affiliate of DynaMark if provision of such services by said Affiliate of DynaMark would conflict with the obligations of that Affiliate of DynaMark to provide the data processing services required to provide Customer the Depersonalized Attributes, PreScreen Information and PreScreen Services under an agency agreement with a National Consumer Reporting Agency.

15.10 Entire Agreement. This Agreement is the complete and exclusive statement of the agreement between the parties concerning the subject matter hereof. This Agreement supersedes and merges all prior proposals, undertakings, and all other agreements, oral and written, between the parties relating to the subject matters thereof. This Agreement may not be modified or altered except by written instrument duly executed by all parties hereto. No purported waiver of any provision hereof shall be binding unless set forth in a written document signed by the party to be charged. Any waiver shall be limited to the circumstance or event specifically referenced in the written waiver document and shall not be deemed a waiver of any other provision of this Agreement or of the same circumstance or event upon any recurrence thereof.

No party hereto is bound by the terms of a National Consumer Reporting Agency -Chase Agreement or a DynaMark Agency Agreement if it is not a party to such agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Chase Manhattan Bank USA,
National Association

By:

Title:

DynaMark, Inc.

By:

Title

Exhibit 11.1

FAIR, ISAAC AND COMPANY, INCORPORATED
COMPUTATION OF EARNINGS PER SHARE
(IN THOUSANDS EXCEPT PER SHARE DATA)

	Year Ended September 30,		
	1997	1996	1995
Primary Earnings Per Share:			
Weighted Average Common Shares Outstanding	13,386	13,161	12,867
Dilutive effect of outstanding options (as determined by the treasury stock method)	816	761	826
Weighted Average Common Shares outstanding, as Adjusted	14,202	13,922	13,693
Net Income	$ 20,686	$ 17,423	$ 12,753
Primary Earnings per Share	$ 1.46	$ 1.25	$ .93
Fully Diluted Earnings Per Share:			
Weighted Average Common Shares Outstanding	13,386	13,161	12,867
Dilutive effect of outstanding options (as determined by the treasury stock method)	907	809	870
Weighted Average Common Shares, as Adjusted	14,293	13,970	13,737
Net Income	$ 20,686	$ 17,423	$ 12,753
Fully Diluted Earnings Per Share	$ 1.45	$ 1.25	$ .93

EXHIBIT 21.1

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
Credit & Risk Management Associates, Inc.(1)	Delaware
Data Research Technologies(1)	Minnesota
Risk Management Technologies (1)	California
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
Radar International, Inc.(3)	Virgin Islands

(1) 100% owned by Fair, Isaac and Company, Incorporated.
(2) 100% owned by Fair, Isaac International Corporation.
(3) 100% owned by Risk Management Technologies

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS IN THE COMPANY'S 1997 ANNUAL REPORT ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR
SEP-30-1997
OCT-01-1996
SEP-30-1997
13,209
6,108
36,905
758
0
81,830
63,475
28,989
145,228
34,103
1,183
135
0
0
103,054
145,228
0
199,009
0
72,566
29,162
438
336
35,546
14,860
20,686
0
0
0
20,686
1.46
1.45

The 1997 presentation contains reclassifications as compared to 1996.