

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

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1995

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
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

94-1499887
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

120 North Redwood Drive, San Rafael, California 94903
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (415) 472-2211

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:
None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

Common Stock, \$0.01 par value per share
(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of December 8, 1995, the aggregate market value of the Registrant's common stock held by nonaffiliates of the Registrant was \$185,393,091 based on the last transaction price as reported on the NASDAQ Stock Market. 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 8, 1995 was 12,311,406 (excluding 52,765 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 6, 1996.

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PART I

ITEM 1. BUSINESS

DEVELOPMENT OF THE BUSINESS

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

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

More than half of fiscal 1995 revenues were derived from usage-priced products and services marketed through alliances with major U.S. credit bureaus and third-party credit card processors. Sales of decision management products and services directly to credit industry end-users accounted for approximately 30 percent of revenues.

In recent years Fair, Isaac has branched out, applying its proven risk/reward modeling capabilities to auto and home insurance underwriting, small business lending, and home mortgage financing. With the acquisition of DynaMark in December 1992, the Company made its first foray into marketing data processing and database management, an area it considers a prime target for diversification. Its strategy in this area is to develop and market an array of services combining DynaMark's strengths in warehousing and manipulating complex consumer databases with Fair, Isaac's expertise in predictive modeling and decision systems. DynaMark contributed \$17.8 million or 16 percent of Fair, Isaac's fiscal 1995 revenues. Insurance group revenues in 1995 were just under \$3 million or 2.6 percent of revenues.

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

Approximately 13 percent of Fair, Isaac's fiscal 1995 revenues came from sales outside the United States. With its long-standing presence in Western Europe and Canada and the more recent establishment of operating bases in Great Britain, France, Germany, Japan, Mexico and South Africa, the Company is well positioned to benefit from the expected growth in global credit card issuance and usage through the balance of the 1990s.

Since 1990, Fair, Isaac's revenues and earnings per share have increased at a compound rate of 35 percent and 50 percent, respectively. The Company attributes this growth to rising market demand for credit scoring and account management services; success in increasing its share of market; and a gradual shift in marketing and pricing strategy, from primary reliance on direct, end-user sales of customized analytical and software products to ongoing usage revenues from services provided through credit bureaus and bankcard processing agencies. The 26 percent increases in revenues and net income achieved in fiscal 1995 are closer to the Company's long-term historical growth rates and more in line with the rates that management believes can be sustained in the future.

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

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

PRODUCTS AND SERVICES

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

Products and services sold to the consumer credit industry have traditionally accounted for most of the Company's revenues. However, the Company is actively promoting its products and services to other segments of the credit industry, including mortgage and small business lending; and to non-credit industries, particularly personal lines insurance and direct marketing. Consumer credit accounted for over 80 percent of the Company's revenues in each of the three years in the period ended September 30, 1995. Sales to customers in the direct marketing business, including the marketing arms of financial service businesses, accounted for about 16 percent of revenues in fiscal 1995 and 1994, and 12 percent in fiscal 1993. Revenues from sales to the insurance industry accounted for less than three percent of revenues in each of the three years in the period ended September 30, 1995.

ANALYTIC PRODUCTS

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

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

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

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

Scores produced by specially designed Behavior Scoring Algorithms can be used to select actions for mailing promotional materials to customers, for changing the credit limits allowed, for authorizing individual credit card

transactions, for taking various actions on delinquent accounts, and for reissuing credit cards which are about to expire. Behavior Scoring Algorithms are also components of the Adaptive Control Systems described below.

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

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

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

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

AUTOMATED STRATEGIC APPLICATION PROCESSING SYSTEMS (ASAP)

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

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

Mid-Range ASAP is a minicomputer-based system which carries out the tasks listed above in a manner extensively "tailored" to each user's unique requirements. Mainframe ASAP is a software-only package designed to be executed on IBM or IBM compatible mainframe computers. It is most useful for very large volume credit grantors who elect to enter application information from a number of separate locations. CreditDesk is designed for use on stand-alone or networked personal computers. Although its software functions are not tailored as extensively as the other versions of ASAP, CreditDesk features an easy-to-use graphics interface. The Company also sells software components for IBM or compatible mainframe computers under the tradename "SEARCH" and "ScoreWare."

SEARCH acquires and interprets credit bureau reports as a separate package. ScoreWare provides for easy installation of credit application scorecards and computes scores from such scorecards as part of the application processing sequence.

The Company's Mid-Range and Mainframe ASAP systems are currently being used in the United States, Canada, and Europe by banks, retailers, and other financial institutions. CreditDesk is being used by over 300 credit grantors in more than a dozen countries. To support these installations, the Company provides complete hardware and software maintenance, general software support in the form of consulting, and specific software support by producing enhancements, as well as other modifications at a user's request. In September 1989, Equifax Credit Information Services of Toronto, Canada's largest credit bureau, began providing an application processing and scoring service using a custom-designed version of the Company's Mainframe ASAP Software. The Company shares in the usage revenue produced by this service.

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., Total System Services, Inc. and MBNA Information Services (formerly Southwestern States Bankcard Association), three of the largest third-party credit card processors in the United States. The Adaptive Control service is also available in the United Kingdom through First Data Resources, Ltd. and Bank of Scotland. Credit card issuers subscribing to these services pay monthly fees based on the number of accounts processed. During fiscal 1995, the Company began developing 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, database management and personalized printing services to companies and organizations in direct marketing. DynaMark offers several proprietary tools in connection with such services including DynaLink and DynaMatch. DynaLink gives financial institutions and other users remote computer access to their "warehoused" customer account files or marketing databases. It allows them to perform on-line analyses ranging from profiling the history of a single customer purchase or credit usage to calling up print-outs of all files having certain defined characteristics in common. DynaMatch uses a unique scoring system to identify matching or duplicate records that most standard "merge-purge" systems would overlook. Credit managers and direct marketers can use it to identify household relationships (accounts registered in different names, but sharing a common address and surname) and to eliminate costly duplicate mailings. Credit card issuers can use it to spot potentially fraudulent or overlimit credit card charges by individuals using two or more cards issued under slightly different names or addresses.

CUSTOMER SERVICE AND SUPPORT

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

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 or invented. The Company has been actively developing and using techniques of this kind for nearly 40 years, as indicated by the development and continual enhancement of its proprietary suite of algorithms and computer programs used to develop scoring algorithms.

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

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

MARKETS AND CUSTOMERS

The Company's products for use in the area of consumer credit are marketed to banks, retailers, finance companies, oil companies, credit unions, and credit card companies. The Company has approximately 500 users of products sold directly by the Company to end-users. These include over 50 of the 100 largest banks in the United States; several of the largest banks in Canada; approximately 20 banks in the United Kingdom; more than 40 retailers; 12 oil companies; major travel and entertainment card companies; and more than 40 finance companies. Custom algorithms and systems have generally been sold to larger credit grantors. The scoring, application processing and adaptive control services offered through credit bureaus and third-party processors are intended, in part, to extend usage of the Company's technology to smaller credit issuers and the Company believes that users of its products and services distributed through third-parties number in the thousands. As noted above, the Company also sells its products to utilities, tax authorities and insurance companies.

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

No single end-user customer accounted for more than 10% of the Company's revenues in fiscal 1994. Revenues generated through the Company's alliances with the three major credit bureaus in the United States, Equifax, Inc., TRW, Inc., and Trans Union Corporation, each accounted for approximately nine to eleven percent of the Company's total revenues in fiscal 1995.

The percentage of revenues derived from customers outside the United States was approximately 13 percent in fiscal 1995, 14 percent in fiscal 1994, and 16 percent in fiscal 1993. DynaMark has had virtually no non-U.S. revenues. Canada, the United Kingdom and Germany are the largest international market segments. Mexico, Japan, South Africa, a number of countries in South America and almost all of the Western European countries are represented in the user base. The Company has delivered products to users in approximately 40 countries. The information set forth under the caption "Segment Information" in Note 12 to the Consolidated Financial Statements is incorporated herein by reference. The Company's foreign offices are sales and customer service offices acting as agents on behalf of the U.S. production operations. Net identifiable assets, capital expenditures and depreciation associated with foreign offices are not material.

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

CONTRACTS AND BACKLOG

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

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

As of September 30, 1995, the Company's backlog, which includes only firm contracts, was approximately \$46,137,000, as compared with approximately \$30,911,000 as of September 30, 1994. Most usage-based revenues do not appear as part of the backlog. The Company believes that approximately 30% of the September 30, 1995 backlog will be delivered after the end of the current fiscal year, September 30, 1996. Most DynaMark contracts include unit or usage charges, the total amount of which cannot be determined until the work is completed. DynaMark's backlog is not significant in amount, is not considered a significant indicator of future revenues, and is not included in the foregoing figures.

COMPETITION

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

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

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

The Company competes with data vendors in the market for its credit bureau scoring services including PreScore and ScoreNet. In the past several years, data vendors have expanded their services to include evaluation of the raw data they provide. All of the major credit bureaus offer competing prescreening and credit bureau scoring services developed, in some cases, in conjunction with the Company's primary scoring algorithm competitor, CCN.

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. 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. The Company believes its technology is equal or superior to expert system and neural network technology where sufficient performance data is available.

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

PRODUCT PROTECTION

The Company relies upon the laws protecting trade secrets and upon contractual non-disclosure safeguards, including its employee non-disclosure agreements and restrictions on transferability that are incorporated into its customer agreements, to protect its software and proprietary interests in its product methodology and know-how. The Company does not currently 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 October 1, 1995, the Company employed approximately 835 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 134,000 square feet of office space in three buildings at that location under leases expiring in 2001. It also leases approximately 9,600 square feet of warehouse space in San Rafael for its hardware operations and for storage under month-to-month leases. DynaMark leases approximately 82,000 square feet of office and data processing space in two buildings in Arden Hills, Minnesota under leases which expire in 2005, and an additional 23,000 square feet of space for printing facilities in a separate building in Arden Hills, under a lease which expires in 1997. The Company also leases a total of approximately 26,000 square feet of office space for offices in Monterey, California; New Castle, Delaware; Atlanta, Georgia; Toronto, Ontario; Birmingham, England; Tokyo, Japan; Paris, France; Mexico City, Mexico; and Wiesbaden, Germany. See Notes 6 and 11 of Notes to Consolidated Financial Statements for information regarding the Company's obligations under leases.

The Company is currently investigating various possibilities to meet its anticipated needs for additional space in future years, primarily 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.	49
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.	52
Gerald de Kerchove	Executive Vice President since 1985, Senior Vice President 1983-1985, Vice President 1977-1983. Treasurer since 1983 and Chief Financial Officer since 1987. Joined the Company in 1972.	49
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.	55
Patrick G. Culhane	Executive Vice President since August 1995; Senior Vice President 1992 to 1995; Vice President 1990 to 1992; joined the Company in 1985.	41
Jeffrey F. Robinson	Senior Vice President since 1986, Vice President 1980-1986. Treasurer 1981-1983. Joined the Company in 1975.	46
Kenneth M. Rapp	Senior Vice President since August 1994, and President and Chief Operating Officer of DynaMark, Inc. since it was founded in 1985.	49
Peter L. McCorkell	Senior Vice President since August 1995; Vice President, Secretary and General Counsel since joining the Company in 1987.	49
Patricia Cole	Controller since joining the Company in September 1995. Vice President and Controller of Southern Pacific Telecommunications Company 1993 to 1995; Controller of Los Angeles Cellular Telephone Company 1990-1992.	46

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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

The Company's common stock is traded over-the-counter on the Nasdaq National Market under the symbol: FICI.

At December 1, 1995, Fair, Isaac had 265 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 National Association of Securities Dealers on the Nasdaq National Market.

Stock Prices	High	Low
October 1 - December 31, 1993	11 1/4	10
January 1 - March 31, 1994	13 5/8	10 1/2
April 1 - June 30, 1994	15 3/4	11 5/8
July 1 - September 30, 1994	17 3/4	13 1/2
October 1 - December 31, 1994	28 5/8	17 1/8
January 1 - March 31, 1995	26 3/4	17
April 1 - June 30, 1995	29 3/4	22 1/4
July 1 - September 30, 1995	30 3/4	25 1/2

DIVIDENDS

The Company paid cash dividends of 3.5 cents per share semiannually, or 7 cents per year, from March 1992 through March 1995. On May 24, 1995, it announced a 100 percent stock dividend (equivalent to a 2 for 1 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. The first quarterly dividend was paid in September 1995. There are no current plans to change the cash dividend nor to issue any further stock dividend.

ITEM 6. SELECTED FINANCIAL DATA

Fiscal year ended September 30,	1995	1994	1993	1992	1991
Revenues	\$ 113,881	\$ 90,279	\$ 66,668	\$ 42,614	\$ 31,786
Income from operations	19,864	15,795	8,108	5,633	3,099
Income before income taxes	21,446	16,553	8,652	6,667	4,374
Net income	12,695	10,049	5,277	3,932	2,757
Earnings per share	\$ 1.00	\$.81	\$.44	\$.33	\$.24
Dividends per share (in cents) *	5.5	7	7	7	5
At September 30,	1995	1994	1993	1992	1991
Working capital	\$ 24,393	\$ 16,490	\$ 14,652	\$ 13,401	\$ 16,509
Total assets	88,290	70,935	54,230	41,982	31,405
Long-term obligations	1,930	2,333	2,729	2,655	--
Stockholders' equity	\$ 56,128	\$ 42,939	\$ 31,516	\$ 26,647	\$ 22,277

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Fair, Isaac and Company, Incorporated, provides products and services designed to help a variety of businesses use data to make better decisions on their customers and prospective customers. The Company's products include statistically derived, rule-based analytical tools, software designed to implement those analytical tools, and

consulting services to help clients use and track the performance of those tools. The Company also provides a range of credit scoring and credit account management services in conjunction with credit bureaus and credit card processing agencies. Its DynaMark subsidiary provides data processing, database management and personalized printing services to businesses engaged in direct marketing.

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

REVENUES

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

	1995	Percentage of Revenue		Period-to-Period Percentage Changes	
		Year Ended September 30, 1994	1993	1994 to 1995	1993 to 1994
Credit:					
Fixed-price	29	32	37	15	18
Usage-priced	53	50	49	33	38
DynaMark	16	16	12*	22	78*
Insurance	2	2	2	56	36
Total revenues	100	100	100	26	35

* DynaMark was acquired on December 31, 1992, so it contributed to revenues for only the last nine months of fiscal 1993.

Revenue from credit application scoring products increased by 20 percent in fiscal 1994 compared with fiscal 1993 and increased another 10 percent in fiscal 1995 due primarily to resurgence in the economy in general and increased bankcard solicitation activity, and also due to the Company's introduction of new products including small business loan scoring products and tracking software. ASAP revenues increased by 35 percent in 1994 compared with 1993, and by another 13 percent in fiscal 1995, primarily due to increased sales of PC-based ASAP products (CreditDesk) and software components for mainframe ASAP systems. Revenues from sales of credit account management systems (TRIAD) sold to end-users increased 3 percent from 1993 to 1994 and by 28 percent from 1994 to 1995. The Company's high degree of success in penetrating the U.S. bankcard industry with these products has limited the revenue growth in that market. However, the Company has added functionality for the existing base of TRIAD users and is actively marketing TRIAD for other types of credit products and in overseas markets which accounted for most of the growth in 1995.

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

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

Potential new government regulation of the use of credit bureau data could have an impact on the use of any of the Company's credit bureau scoring services including PreScore(R) and ScoreNet(R). Bills which would substantially amend the Fair Credit Reporting Act were introduced in each of the last three Congresses and at least two such bills were introduced in 1995. These bills would impose new restrictions on the use of credit bureau data to prescreen solicitation lists. Bills and regulations have also been introduced, and, in some cases enacted, at the state level that affect the use of credit bureau data in various ways, including restricting the use of such data in making insurance underwriting decisions. State regulation of credit bureau data, particularly regulations imposing requirements on the credit bureaus or users of credit bureau information which differ from those existing under federal law, may also have an adverse impact on bureau scoring services. The Company believes certain enacted or pending state legislation and regulation of credit bureau data in connection with insurance underwriting has had a negative impact on its efforts to sell insurance risk scores through credit reporting agencies. However, the Company cannot predict whether any other particular federal or state legislation affecting credit bureau information or credit scoring is likely to be enacted in the foreseeable future, or the extent to which the passage of such legislation might affect the Company's business.

The Company's revenues derived from customers outside the United States increased from \$10.9 million in fiscal 1993 to \$12.5 million in fiscal 1994 and to \$14.9 million in 1995. DynaMark has had virtually no non-U.S. revenues. Sales of software products, including TRIAD and PC-based ASAP, and an increase in the number of accounts using the Company's account management services at credit card processors in the United Kingdom accounted for most of the increases in international revenues in fiscal 1994 and 1995.

Revenues from software maintenance and consulting services each accounted for less than 10% of revenues in each of the three years in the period ended September 30, 1995, and the Company does not expect revenues from either of these sources to exceed 10% of revenues in the foreseeable future.

During the period from 1990 through 1994, while the rate of account growth in the U.S. bankcard industry was slowing and many of the Company's largest institutional clients were merging and consolidating, the Company generated above-average growth in revenues--even after correcting for the effect of the DynaMark acquisition--from its bankcard-related scoring and account management business by deepening its penetration of large banks and other credit issuers. The Company's revenues grew by 26 percent in fiscal 1995 which is closer to what the Company believes is a sustainable, long-term growth rate. The Company believes much of its future growth prospects will rest on its ability (1) to develop new, high value products and services for its present client base of major U.S. consumer credit issuers; (2) to increase its penetration of established or emerging credit markets outside the U.S. and Canada; and (3) to expand--either directly or through further acquisitions--into relatively undeveloped or underdeveloped markets for its products and services such as direct marketing, insurance, small business lending, and health care information management.

Over the long term, in addition to the factors discussed above, the Company's rate of revenue growth--excluding growth due to acquisitions--is limited by the rate at which it can recruit and absorb additional professional staff. While the increasing percentage of usage revenues may loosen this constraint to some extent, management believes it will continue to exist indefinitely. On the other hand, despite the high penetration the Company has already achieved in certain markets, the opportunities for application of its core competencies are much greater than it can pursue. Thus, the Company believes it can continue to grow revenues, within the personnel constraint, for the foreseeable future. At times management may forego short-term revenue growth in order to devote limited resources to opportunities which it believes have exceptional long-term potential. This occurred in the period from 1988 through 1990 when the Company devoted significant resources to developing the usage priced services distributed through credit bureaus and third-party processors. Cumulative revenue since 1987, net of the DynaMark acquisition, is very close to the Company's twenty-year historical average revenue growth of 21 percent.

EXPENSES

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

	1995	Percentage of Revenue Year Ended September 30, 1994	1993	Period-to-Period Percentage Changes	
				1994 to 1995	1993 to 1994
Total revenues	100	100	100	26	35
Costs and expenses:					
Cost of revenues	38	38	40	27	29
Sales and marketing	20	20	20	22	34
Research and development	4	5	7	--	(10)
General and administrative	21	19	20	37	29
Amortization of intangibles	--	1	1	(12)	54
Total costs and expenses	83	83	88	26	27
Income from operations	17	17	12	26	95
Interest income, expense and other (net)	2	1	1	108	39
Income before income taxes	19	18	13	30	91
Provision for income taxes	8	7	5	35	93
Net income	11	11	8	26	90

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 Service. The decrease in cost of revenues, as a percentage of revenues, in 1994 and 1995 compared with 1993 was due primarily to increases in the volume of usage-priced revenues which, other than ScoreNet, have relatively low costs of revenues.

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 have been relatively stable during the three years ended September 30, 1995.

RESEARCH AND DEVELOPMENT

Research and development expenses include the personnel and related overhead costs incurred in product development, researching mathematical and statistical algorithms, and developing software tools that are aimed at improving productivity and management control. Research and development expenses, in absolute dollars, decreased slightly from fiscal 1993 to 1994 and were essentially unchanged in fiscal 1995. The Company's current primary focus in seeking growth opportunities is in developing new markets--either geographical or by industry--for its existing technologies, rather than new technological developments. Such costs are recorded as sales and marketing or general and administrative expenses rather than as research and 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, and the costs of operating administrative functions such as finance and computer information systems and exploration of new business opportunities. As a percentage of revenues, these expenses decreased in fiscal 1994 compared with fiscal 1993, due primarily to expense control and rapid revenue growth. The increase in these costs in fiscal 1995 was

primarily due to significant increases in office space and expenditures made to improve the Company's information systems and technology infrastructure, and the research associated with exploring new business opportunities, primarily in the health care information management area.

AMORTIZATION OF INTANGIBLES

The Company is amortizing the intangible assets arising from the DynaMark acquisition, which occurred on December 31, 1992, over periods ranging from two to 15 years. The level of amortization expense in future years will depend, in part, on the amount of additional payments to the former share-holders of DynaMark. See below under "Capital Resources and Liquidity."

INTEREST INCOME AND EXPENSE, AND OTHER

Interest income is derived from the investment of funds surplus to the Company's immediate operating requirements. At September 30, 1995, the Company had approximately \$23.2 million invested in U.S. treasury securities, certificates of deposit, and other interest-bearing instruments. Interest income increased in fiscal 1994 and 1995 due to rising interest rates and/or the increasing balance in interest bearing accounts and instruments.

The following table shows year-to-year changes in interest income resulting from changes in market rates of interest and the amount of interest-bearing investments.

(dollars in thousands)	1995	1994	1993
Balance at September 30:	\$23,199	\$24,888	\$13,325
Yield at September 30:	5.6%	4.6%	3.4%
Interest for year ended September 30:	\$ 1,248	\$ 728	\$ 560

In 1992, the Company entered into a financing lease for its newly constructed conference center and financed the construction of the center with a \$2,950,000 secured note. Principal and interest on the note are payable monthly. Interest income from the note is not included in the table above. In 1993, the Company earned \$212,000 in interest income on the note and incurred \$193,000 in interest expense on the capitalized lease. The Company incurred an additional \$60,000 in interest expense on other capitalized leases in fiscal 1993. In 1994, the Company earned \$293,000 in interest income on the note and incurred \$183,000 in interest expense on the lease, and an additional \$39,000 in interest expense on other capitalized leases. The \$41,000 in other expenses recorded in fiscal 1994 reflects the loss on sale of a treasury bill prior to its maturity. In 1995 the Company earned \$292,000 in interest income on the note and incurred \$163,000 in interest expense on the lease, and an additional \$29,000 in interest expense on other capitalized leases. The other income is primarily attributable to currency exchange gains.

PROVISION FOR INCOME TAXES

The Company's effective tax rate of approximately 41% in fiscal 1995 was higher than the effective rate of approximately 39% in fiscal 1993 and 1994 due primarily to a changing mix of applicable state and foreign tax rates. The Company expects its effective tax rate in fiscal 1996 to be approximately the same as in fiscal 1995 barring any change in the tax laws.

CAPITAL RESOURCES AND LIQUIDITY

Working capital increased from \$14,652,000 at September 30, 1993, to \$16,490,000 at September 30, 1994 and to \$24,393,000 at September 30, 1995. These increases were due primarily to increases in accounts receivable, unbilled work in progress and short-term investments which offset a decrease in cash and cash equivalents and increases in accrued compensation and employee benefits and billings in excess of earned revenues.

The Company may be required to make additional payments to the former shareholders of DynaMark based upon DynaMark's financial results in calendar 1995. The Company currently estimates that this additional payment for calendar 1995 will be approximately \$1.1 million, and will not exceed \$2.7 million. No such additional payments are required in future years.

In fiscal 1994, cash provided by operations (\$19,535,000) more than offset cash used in investing activities (\$12,985,000) and financing activities (\$800,000). Cash provided by operations resulted primarily from net income before depreciation and amortization, and increases in accrued compensation and benefits. Cash was used in investing

activities primarily to make net purchases of interest bearing investments, to purchase property and equipment and to make the additional payment to the former owners of DynaMark. Payment of dividends and reduction of certain capital lease obligations more than offset cash provided by the exercise of stock options.

In fiscal 1995 cash provided by operations (\$13,316,000) was more than offset by cash used in investing activities (\$15,333,000) and financing activities (\$652,000). Cash provided by operations resulted primarily from net income before depreciation and amortization, and increases in accrued compensation and employee benefits, partially offset by the increase in accounts receivable and unbilled work in progress. Cash was used in investing activities primarily for additions to property and equipment (including major expansions at the Company's headquarters in San Rafael, California and at DynaMark's facility in St. Paul, Minnesota), the additional payment to the former owners of DynaMark, the purchase of interest bearing investments and investments in a number of start-up companies, partially offset by the maturities of interest bearing investments. Cash was used in financing activities primarily for the payment of dividends and reduction of capital lease obligations, partially offset by cash generated by the exercise of stock options.

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, 1995, the Company had no significant capital commitments other than those obligations described in Notes 3, 6 and 11 to the consolidated financial statements. The Company believes that the cash and marketable securities on hand, along with cash expected to be generated by operations, will be adequate to meet its capital and liquidity needs for both the current year and the foreseeable future.

The table in Note 13 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 and thus short-term fluctuations in revenue may have a significant impact on operating results. However, in recent years these fluctuations were generally offset by the strong growth in revenues from services delivered through credit bureaus and third-party bankcard processors.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

THE BOARD OF DIRECTORS
FAIR, ISAAC AND COMPANY, INCORPORATED:

We have audited the accompanying consolidated balance sheets of Fair, Isaac and Company, Incorporated and subsidiaries as of September 30, 1995 and 1994, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 1995. 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, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1995, in conformity with generally accepted accounting principles.

KPMG Peat Marwick

San Francisco, California
October 25, 1995

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share data)

Years ended September 30,	1995	1994	1993

Revenues:			
Fair, Isaac	\$ 96,074	\$ 75,719	\$ 58,482
DynaMark	17,807	14,560	8,186
	-----	-----	-----
Total revenues	113,881	90,279	66,668
	-----	-----	-----
Costs and expenses:			
Cost of revenues			
Fair, Isaac	30,298	24,483	21,374
DynaMark	12,734	9,616	5,150
	-----	-----	-----
Total costs of revenues	43,032	34,099	26,524
Sales and marketing	22,592	18,302	13,672
Research and development	3,986	3,984	4,426
General and administrative	23,696	17,293	13,415
Amortization of intangibles	711	806	523
	-----	-----	-----
Total costs and expenses	94,017	74,484	58,560
	-----	-----	-----
Income from operations	19,864	15,795	8,108
Interest income	1,547	1,021	797
Interest expense	(196)	(222)	(253)
Other	231	(41)	--
	-----	-----	-----
Income before income taxes	21,446	16,553	8,652
Provision for income taxes	8,751	6,504	3,375
	-----	-----	-----
Net income	\$ 12,695	\$ 10,049	\$ 5,277
	=====	=====	=====
Earnings per share	\$ 1.00	\$.81	\$.44
	=====	=====	=====
Shares used in computing earnings per share	12,723,000	12,476,000	12,164,000
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

September 30,	1995	(dollars in thousands)	1994

ASSETS			
Current assets:			
Cash and cash equivalents	\$8,321		\$10,990
Short-term investments (Note 5)	5,874		3,938
Accounts receivable, net of allowance 1995: \$276; 1994:\$429	19,094		14,242
Unbilled work in progress	11,299		6,590
Deferred income taxes (Note 7)	1,399		1,379
Prepaid expenses and other current assets	1,784		1,188
	-----		-----
Total current assets	47,771		38,327
Long-term investments (Note 5)	10,923		10,461
Note receivable	2,895		2,915
Property and equipment, net (Note 6)	16,815		12,334
Intangibles, net (Note 3)	4,957		3,406
Deferred income taxes and other assets (Note 7)	4,929		3,492
	-----		-----
	\$88,290		\$70,935
	=====		=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and other accrued liabilities	\$5,830		\$6,006
Accrued compensation and employee benefits (Note 8)	10,631		10,051
Billings in excess of earned revenues	5,314		4,027
Income taxes payable (Note 7)	1,603		1,753
	-----		-----
Total current liabilities	23,378		21,837
Other liabilities (Note 8)	6,854		3,826
Capitalized leases (Note 6)	1,930		2,333
Commitments and contingencies (Notes 3, 5, 6 and 11)	--		--
	-----		-----
Total liabilities	32,162		27,996
	-----		-----
Stockholders' equity (Notes 2, 8, 9 and 10):			
Common stock	123		60
Paid in capital in excess of par value	14,508		13,210
Retained earnings	41,975		30,010
Less treasury stock (1995: 53,562; 1994: 101,822 shares at cost)	(228)		(341)
Less pension adjustment (Note 8)	(406)		--
Unrealized gain on investment (Note 5)	156		--
	-----		-----
Total stockholders' equity	56,128		42,939
	-----		-----
	\$88,290		\$70,935
	=====		=====

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Period from September 30, 1992, to September 30, 1995

(dollars in thousands)

	Common Shares (000's)	stock Par value	Paid in capital in excess of par value	Retained earnings	Note receivable from ESOP	Treasury stock	Pension adjustments	Unrealized gain on invest- ments	Total stock- holders' equity
BALANCES AT SEPTEMBER 30, 1992	11,245	\$ 57	\$11,143	\$16,311	\$(194)	\$(670)	\$ --	\$ --	\$26,647
Issuance of restricted stock	30	--	--	--	--	--	--	--	--
Exercise of stock options	283	2	443	--	--	--	--	--	445
Tax benefit of stock options	--	--	207	--	--	--	--	--	207
Payment on ESOP note receivable	--	--	--	--	194	--	--	--	194
Contribution to ESOP	29	--	80	--	--	96	--	--	176
Net income	--	--	--	5,277	--	--	--	--	5,277
Dividends declared	--	--	--	(799)	--	--	--	--	(799)
Pension adjustment	--	--	--	--	--	--	(631)	--	(631)
BALANCES AT SEPTEMBER 30, 1993	11,587	59	11,873	20,789	--	(574)	(631)	--	31,516
Issuance of restricted stock	21	--	--	--	--	--	--	--	--
Exercise of stock options	290	1	474	--	--	--	--	--	475
Tax benefit of stock options	--	--	350	--	--	--	--	--	350
Contribution/sale to ESOP	69	--	513	--	--	233	--	--	746
Net income	--	--	--	10,049	--	--	--	--	10,049
Dividends declared	--	--	--	(828)	--	--	--	--	(828)
Pension adjustment	--	--	--	--	--	--	631	--	631
BALANCES AT SEPTEMBER 30, 1994	11,967	60	13,210	30,010	--	(341)	--	--	42,939
Issuance of restricted stock	4	--	4	--	--	--	--	--	4
Exercise of stock options	217	1	450	--	--	--	--	--	451
Tax benefit of stock options	--	--	115	--	--	--	--	--	115
Contribution/sale to ESOP	48	--	729	--	--	113	--	--	842
Net income	--	--	--	12,695	--	--	--	--	12,695
Dividends declared	--	--	--	(668)	--	--	--	--	(668)
Stock dividend	--	62	--	(62)	--	--	--	--	--
Adoption of SFAS No. 115 at October 1, 1994	--	--	--	--	--	--	--	(77)	(77)
Unrealized gain on investments	--	--	--	--	--	--	--	233	233
Pension adjustment	--	--	--	--	--	--	(406)	--	(406)
BALANCES AT SEPTEMBER 30, 1995	12,236	\$123	\$14,508	\$41,975	\$--	\$(228)	\$(406)	\$156	\$56,128

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30,	(dollars in thousands)		
	1995	1994	1993
<hr/>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$12,695	\$10,049	\$5,277
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	6,153	4,880	4,520
Deferred income taxes	(1,714)	(1,781)	(1,541)
Increase in accounts receivable and unbilled work in progress	(9,561)	(1,108)	(6,318)
Decrease (increase) in prepaid expenses and other assets	(828)	6	(139)
Increase in accounts payable and other liabilities	629	1,635	885
Increase in accrued compensation and employee benefits	4,796	5,164	3,280
Increase (decrease) in income taxes payable	(141)	(331)	832
Increase (decrease) in billings in excess of earned revenues	1,287	1,021	(674)
	-----	-----	-----
Net cash provided by operating activities	13,316	19,535	6,122
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(10,692)	(5,272)	(4,491)
Purchase of DynaMark, Inc.	(2,150)	(1,813)	(4,501)
Additions to other assets	(375)	(42)	(58)
Note receivable	20	19	(180)
Purchases of investments	(9,240)	(15,781)	(2,018)
Proceeds from maturities/sales of investments	7,104	9,904	4,996
	-----	-----	-----
Net cash used in investing activities	(15,333)	(12,985)	(6,252)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Reduction of capital lease obligations	(422)	(532)	(603)
Issuance of stock	494	560	445
ESOP note receivable	--	--	194
Dividends paid	(668)	(828)	(799)
Repurchase of company stock	(56)	--	--
	-----	-----	-----
Net cash used in financing activities	(652)	(800)	(763)
	-----	-----	-----
Increase (decrease) in cash and cash equivalents	(2,669)	5,750	(893)
Cash and cash equivalents, beginning of year	10,990	5,240	6,133
	-----	-----	-----
Cash and cash equivalents, end of year	\$8,321	\$10,990	\$5,240
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

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

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.

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, consisting principally of U.S. Government obligations, are stated at market. Investments with maturities exceeding one year are classified as long-term investments. The Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities", effective October 1, 1994. There was no significant effect as a result of implementation of SFAS No. 115.

Amortized cost was used in calculating the unrealized gain on securities available for sale for purposes of applying SFAS No. 115.

NOTE RECEIVABLE

The note receivable is secured by a first deed of trust which bears interest at 10% per annum, with principal and interest payments amortized monthly over 30 years. The note matures on June 30, 2003.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company maintains reserves for potential bad debts and such uncollectible amounts have been within management's expectations. At September 30, 1995 and 1994, management believes the allowance for doubtful accounts is adequate.

DEPRECIATION AND AMORTIZATION

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

REVENUE RECOGNITION

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

performance milestones that are defined by the individual contracts. Deposits and other amounts billed 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. Revenue from shrink-wrapped products and services are recognized upon delivery. Revenues from products and services sold on time-based pricing, including maintenance of computer and software systems, are recognized ratably over the contract period.

SOFTWARE COSTS

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

When developing software using existing technology, the costs incurred prior to the completion of a working model are expensed. Once the product design is met, this typically concludes the software development process and is usually the point at which technological feasibility is established. Subsequent expenses, including coding and testing, if any, are capitalized. For the 3-year period ending September 30, 1995, 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. Amortization of capitalized software was: \$544,000 for 1995; \$587,000 for 1994; and \$1,418,000 for 1993. The 1993 amount includes the write-off of \$531,000 of capitalized software costs.

INTANGIBLES

The intangible assets consisting of goodwill and non-compete agreements arose principally from a business acquisition and are amortized on a straight-line basis over their useful lives that range from 2 to 15 years. The Company assesses the recoverability of goodwill by evaluating the projected results of operations over the remaining useful life. The accumulated amortization of intangible assets was \$2,040,000 and \$1,329,000 as of September 30, 1995 and 1994, respectively.

TAXES ON INCOME

Effective October 1, 1992, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109 requires deferred tax assets and liabilities to be calculated using the enacted tax rates in effect when the temporary differences are recovered or settled. The effect of implementing SFAS No. 109 was not significant.

FOREIGN CURRENCY

Gains and losses arising from fluctuations in foreign exchange rates on non-U.S. dollar-denominated transactions were not significant in the past three years.

EARNINGS PER SHARE

Earnings per share are based on the weighted average number of common shares outstanding. Common shares outstanding used in computing earnings per share include weighted average common equivalent shares as if shares issuable from exercise of stock options (with exercise prices below market value) were issued as of the beginning of the period or on the date of grant and the proceeds from exercise were used to purchase common shares (the treasury stock method). Fully diluted earnings per share were approximately equal to primary earnings per share in each of the three years in the period ended September 30, 1995.

RECLASSIFICATIONS

Certain reclassifications were made to the 1993 and 1994 financial statements to conform to the 1995 presentation.

ACCOUNTING CHANGES

On October 23, 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation." Statement No. 123 allows a company to either (1) retain the current method of accounting for stock compensation for purposes of preparing its financial statements or (2) to adopt a new fair value based method that is established by provisions of the new Statement. The Company plans to retain its current method of accounting for stock compensation when it adopts this Statement in fiscal 1997 and thus it is not expected to have an impact on the Company's financial position or results of operations.

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. ACQUISITION

In December 1992, the Company acquired the assets and liabilities of DynaMark, Inc., a privately-held company, for \$4.6 million in cash and assumed debt of \$2.2 million. The fair market value of the assets was \$6.8 million. The acquisition was accounted for as a purchase, and the operations of DynaMark, Inc. have been included in the consolidated financial statements since the acquisition date. The purchase agreement provides for additional contingent cash payments not to exceed \$2.7 million based on specified financial performance of DynaMark through December, 1995. Goodwill arising from the acquisition is being amortized over 15 years.

4. CASH FLOW STATEMENT

Supplemental disclosure of cash flow information:

(dollars in thousands)	Years ended September 30,		
	1995	1994	1993
Income tax payments	\$10,640	\$8,455	\$3,820
Interest paid	\$196	\$222	\$253
Non-cash investing and financing activities:			
Contributions of stock to ESOP	\$856	\$661	\$176
Tax effect of stock options	\$115	\$350	\$207

5. INVESTMENTS

The Company's investment portfolio consists primarily of U.S. Government issues or government-backed securities. These are classified as available-for-sale and are carried at market value, with the un-realized gains and losses, net of federal income taxes, reported as a separate component of Stockholders' equity. The following is a summary of available-for-sale securities and other investments not subject to SFAS No. 115 as of September 30, 1995 (thousands):

1995	Short-Term	Long-Term
Amortized cost	\$5,883	\$9,561
Gross unrealized gains	1	270
Gross unrealized losses	(10)	--
Market value	5,874	9,831
Other securities	--	1,092
	\$5,874	\$10,923
	=====	=====

Prior to October 1, 1994, securities were carried at amortized cost. At September 30, 1994, the market value of the short-term securities was \$3,936,000 and \$10,335,000 for the long term securities.

The long-term securities mature in one to five years.

During the year, the Company made an investment in the preferred stock of an early-stage enterprise, which is being accounted for using the cost method. The total investment at year-end amounted to \$660,000. The maximum commitment with respect to this investment is \$3,000,000; investment up to this ceiling is dependent on the enterprise attaining defined performance milestones.

6. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 1995 and 1994, consist of the following:

(dollars in thousands)	1995	1994
Data processing equipment	\$13,295	\$11,367
Office furniture, vehicles and equipment	7,964	4,249
Leasehold improvements	5,372	2,995
Capitalized leases	3,123	3,282
Less accumulated depreciation and amortization	(12,939)	(9,559)
Net property and equipment	\$16,815	\$12,334
	=====	=====

Depreciation and amortization charged to operations were \$4,812,000, \$3,457,000, and \$2,538,000 for the years ended September 30, 1995, 1994 and 1993, respectively.

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 as of September 30, 1995:

Years ended September 30	(dollars in thousands)
1996	\$ 547
1997	499
1998	466
1999	466
2000	466
Thereafter	375

	2,819
Less: Amount representing interest	(498)

Present value of net minimum lease payments	\$2,321
	=====

7. INCOME TAXES

The provision (benefit) for income taxes consists of the following:

(dollars in thousands)	1995	Years ended September 30,	
		1994	1993
Current:			
Federal	\$8,107	\$6,456	\$3,912
State	2,167	1,665	941
Foreign	191	164	63
	-----	-----	-----
	10,465	8,285	4,916
	-----	-----	-----
Deferred:			
Federal	(1,441)	(1,415)	(1,267)
State	(273)	(366)	(274)
	-----	-----	-----
	(1,714)	(1,781)	(1,541)
	-----	-----	-----
	\$8,751	\$6,504	\$3,375
	=====	=====	=====

The tax effect of significant temporary differences resulting in deferred tax assets at September 30, 1995 and 1994 are as follows:

(dollars in thousands)	1995	1994
Deferred tax assets:		
Amortization of intangibles	\$1,037	\$709
Property and equipment	465	145
Compensated absences	418	466
Officer's incentive	2,588	1,548
State taxes	758	582
Other	222	324
	-----	-----
	\$5,488	\$3,774
	=====	=====

The principal reasons for the difference between the total tax provision and taxes computed at the applicable federal statutory rates are as follows:

(dollars in thousands)	Years ended September 30,		
	1995	1994	1993
Income tax provision at federal statutory rate of 35% in 1995 and 1994, and 34% in 1993	\$7,506	\$5,794	\$2,942
State income taxes, net of federal benefit	1,231	844	440
Other	14	(134)	(7)
	-----	-----	-----
	\$8,751	\$6,504	\$3,375
	=====	=====	=====

8. EMPLOYEE BENEFIT PLANS

PENSION PLAN

The Company has a defined benefit pension plan that covers eligible full-time employees. The benefits are based on years of service and the employee's compensation during employment. The Company's policy is to fund the pension plan to the maximum extent for which a tax deduction is allowed. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The following table sets forth the plan's funding status at September 30, 1995 and 1994:

(dollars in thousands)	1995	1994
Vested benefit obligation	\$5,067	\$3,930
Nonvested benefit obligation	373	381
Effect of projected future earnings	2,353	1,560
	-----	-----
Projected benefit obligation	7,793	5,871
Fair value of plan assets	(5,155)	(4,353)
	-----	-----
Projected benefit obligation in excess of plan assets	2,638	1,518
Unrecognized prior service cost	85	26
Unrecognized net loss	(2,759)	(1,567)
Unrecognized net obligation remaining to be amortized	(196)	(216)
Additional minimum liability	517	--
	-----	-----
(Prepaid) Accrued pension cost	\$285	\$(239)
	=====	=====

The plan assets consist primarily of U.S. government securities.

The projected benefit obligation includes an accumulated benefit obligation of \$5,440,000 and \$4,311,000 for 1995 and 1994, respectively. The obligation exceeded the fair value of the pension plan assets at September 30, 1995. The Company recorded an additional minimum liability of \$517,000. An intangible asset of \$111,000 was also recorded (up to the unrecognized prior service costs) and a reduction was made in stockholder's equity of \$406,000 for the excess additional minimum liability over the unrecognized prior service costs.

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 percent and 5.5 percent, respectively, at September 30, 1995, and 8 and 5.5 percent at September 30, 1994. The expected long-term rate of return on assets was 7.5 percent at September 30, 1995 and 1994.

The net pension cost for the fiscal years ended September 30, 1995 and 1994, included the following components:

(dollars in thousands)	1995	1994
Service costs	\$483	\$510
Interest cost on projected benefit obligation	500	414
Actual return on plan assets	(510)	(116)
Net amortization and deferral	266	(13)
Net periodic pension plan cost	\$739	\$795

EMPLOYEE STOCK OWNERSHIP PLAN

The Company has an Employee Stock Ownership Plan ("ESOP") that covers eligible full-time employees. Contributions in cash or stock 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 \$1,046,000, \$856,000, and \$645,000 for the years ended September 30, 1995, 1994, and 1993, respectively.

At September 30, 1995, the ESOP held 1,099,178 shares of Company stock. The amount of dividends on ESOP shares were \$64,000, \$85,000 and \$82,000 for the years ended September 30, 1995, 1994, and 1993, 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 the rate of 30 percent after three years of employment, 10 percent in the fourth year and 20 percent annually thereafter.

DEFINED CONTRIBUTION PLANS

The Company offers 401(k) plans for eligible employees. Eligible employees may contribute up to 15% of compensation. The Company provides a matching contribution which is vested over five years. The Company contributions to 401(k) plans were \$454,000, \$291,000 and \$224,000 for years ended September 30, 1995, 1994, and 1993. During fiscal 1995, the Company established a supplemental retirement and savings plan for certain officers and senior management employees. Company contributions to that plan for fiscal 1995 were \$91,000.

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 \$4,030,000, \$3,381,000 and \$2,566,000 for the years ended September 30, 1995, 1994, and 1993, 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.

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 \$4,764,000, \$3,738,000, and \$2,724,000 for the years ended September 30, 1995, 1994, and 1993 respectively.

9. STOCK

COMMON

A total of 15,000,000 shares of common stock, \$0.01 par value, are authorized, of which 12,289,862 shares (including 53,562 shares of treasury stock) were issued at September 30, 1995, and 12,068,804 shares (including 101,822 shares of treasury stock) were issued at September 30, 1994.

PREFERRED

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

10. STOCK OPTION PLANS

Officers, key employees and non-employee directors have been granted options under the Company's stock option plans to purchase Company common stock at fair market value at date of grant. Total options exercisable were 449,900 and 609,400 at September 30, 1995 and 1994, respectively.

Changes in options outstanding during the three years in the period ended September 30, 1995:

	Number of Shares	Exercise Price per Share

Options outstanding		
Sept. 30, 1992	1,172,000	\$1.11-\$4.44
Granted	194,000	\$8.25-\$8.50
Exercised	(283,000)	\$1.11-\$3.50

Options outstanding		
Sept. 30, 1993	1,083,000	\$1.11-\$8.50
Granted	142,000	\$13.25-\$15.38
Forfeitures	(68,000)	\$8.25-\$8.50
Exercised	(289,600)	\$1.11-\$3.50

Options outstanding		
Sept. 30, 1994	867,400	\$1.11-\$15.38
Granted	161,850	\$19.31-\$28.38
Exercised	(217,500)	\$1.11-\$8.50

Options outstanding		
Sept. 30, 1995	811,750	\$1.89-\$28.38
	=====	

11. COMMITMENTS AND CONTINGENCIES

The Company conducts certain of its operations in facilities occupied under operating leases expiring principally in December 2001. The leases provide for annual increases based upon the Consumer Price Index ("CPI").

Minimum future rental commitments under operating leases are as follows:

Year ending September 30,	(dollars in thousands)
-----	-----
1996	\$3,837
1997	3,805
1998	3,627
1999	3,300
2000	3,389
Thereafter	4,509

	\$22,467
	=====

Rent expense under operating leases, including month-to-month leases, was \$2,939,000, \$2,155,000 and \$2,046,000 for the years ended September 30, 1995, 1994, and 1993, 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.

12. SEGMENT INFORMATION

The Company operates principally in the financial services industry. Its DynaMark subsidiary provides services to the direct marketing industry. Operations in other industries are less than 10% of consolidated revenues. The Company's international operations consist primarily of sales and service offices. Substantially all foreign sales are exports. The Company's revenues from customers outside the United States were \$14,851,000, \$12,531,000 and \$10,915,000 in 1995, 1994 and 1993 respectively.

13. 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, 1995. In the Company's opinion, this unaudited information has been prepared on the same basis as the audited information and includes all adjustments (consisting of only normal recurring adjustments) necessary for a fair statement of the financial information for the period presented.

(in thousands except per share data)	Dec. 31, 1993	Mar. 31, 1994	June 30, 1994	Sept. 30, 1994
Revenues	\$21,106	\$21,025	\$22,636	\$25,512
Cost of revenues	7,842	8,119	8,258	9,880
Gross profit	\$13,264	\$12,906	\$14,378	\$15,632
	=====	=====	=====	=====
Net income	\$2,295	\$2,183	\$2,553	\$3,018
	=====	=====	=====	=====
Earnings per share	\$.19	\$.18	\$.20	\$.24
	=====	=====	=====	=====
Shares used in computing earnings per share	12,408	12,476	12,488	12,546

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

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 6, 1996.

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) Reporting" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on February 6, 1996.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the information under the captions "Compensation of Executive Officers," "Compensation Committee Interlocks and Insider Participation," and "Director Consulting Arrangement" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on February 6, 1996.

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 6, 1996.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference from the information under the captions "Director Consulting Arrangement" and "Compensation Committee Interlocks and Insider Participation" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on February 6, 1996.

PART IV

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

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3. EXHIBITS:	
2.1 Asset Purchase Agreement, dated December 31, 1992, by and between the Registrant and DynaMark, Inc., filed as Exhibit 2.1 to the Company's report on Form 8-K dated December 31, 1992, and incorporated herein by reference.	
2.2 Employment and Non-Competition Agreement, dated December 31, 1992, by and between the Registrant and Kenneth M. Rapp, filed as Exhibit 2.2 to the Company's report on Form 8-K dated December 31, 1992, and incorporated herein by reference.*	
3.1 Restated Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (Commission File No. 33-14491) (the "Registration Statement") and incorporated herein by reference.	
3.2 By-laws of the Company, filed as Exhibit 3.2 to the Registration Statement and incorporated herein by reference.	
3.3 Amendment as of August 23, 1994, to Section 3.1 of the By-laws of the Company, filed as Exhibit 3.3 to the Company's report on Form 10-K for the fiscal year ended September 30, 1994, and incorporated herein by reference.	
3.4 Amendment as of January 28, 1988, adding Article 7 to the Restated Certificate of Incorporation of the Company, filed as Exhibit 3.4 to the Company's report on Form 10-K for the fiscal year ended September 30, 1989, 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.
- 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.
- 10.8 First Amendment to the Company's 1987 Stock Option Plan, filed as Exhibit 10.11 to the Company's report on Form 10-K for the fiscal year ended September 30, 1989, and incorporated herein by reference.*
- 10.9 First Amendment to the Company's Stock Option Plan for Non-Employee Directors, filed as Exhibit 10.12 to the Company's report on Form 10-K for the fiscal year ended September 30, 1989, and incorporated herein by reference.*
- 10.10 Amendment Number 1 to Stock Option Plan (1984) of the Company, filed as Exhibit 10.13 to the Company's report on Form 10-K for the fiscal year ended September 30, 1989, and incorporated herein by reference.*
- 10.11 Addendum Number Seven to lease between S.R.P. Limited Partnership and the Company filed as Exhibit 10.15 to the Company's report on Form 10-K for the fiscal year ended September 30, 1990, and incorporated herein by reference.
- 10.12 Addenda Numbers Eight and Nine to lease between SRP Limited Partnership and the Company.
- 10.13 Lease, dated September 5, 1991, between 111 Partners, a California general partnership, and the Company filed as Exhibit 10.20 to the Company's report on Form 10-K for the fiscal year ended September 30, 1991, and incorporated herein by reference.
- 10.14 Construction Loan Agreement dated September 5, 1991, between 111 Partners and the Company filed as Exhibit 10.21 to the Company's report on Form 10-K for the fiscal year ended September 30, 1991, and incorporated herein by reference.
- 10.15 Consulting contract between the Company and William R. Fair dated April 10, 1991 filed as Exhibit 10.22 to the Company's report on Form 10-K for the fiscal year ended September 30, 1991, and incorporated herein by reference.*
- 10.16 Fair, Isaac and Company, Incorporated 1992 Long-term Incentive Plan filed as Exhibit 10.24 to the Company's report on Form 10-K for the fiscal year ended September 30, 1992, and incorporated herein by reference.*
- 10.17 Consulting Contracts between the Company and Robert M. Oliver effective January 1, 1995 and July 1, 1995.*
- 10.18 Lease dated May 1, 1995, between Control Data Corporation and DynaMark, Inc.
- 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.
- 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.
- 10.23 Fourth Contract Extension, dated April 7, 1995, to the Consulting Contract between the Company and William R. Fair.*
- 11.1 Computation of net income per common share.
- 13.1 Annual Report to Stockholders for the Fiscal Year Ended September 30, 1995.
- 21.1 Subsidiaries of the Company.
- 23.1 Consent of KPMG Peat Marwick LLP (see page 41 of this Form 10-K).
- 24.1 Power of Attorney (see page 38 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, 1995.

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 22, 1995

By PETER L. McCORKELL

Peter L. McCorkell
Senior Vice President, Secretary and General Counsel

POWER OF ATTORNEY

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

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

----- LARRY E. ROSENBERGER Larry E. Rosenberger	President, Chief Executive Officer (Principal Executive Officer) and Director	December 22, 1995
----- GERALD DE KERCHOVE Gerald de Kerchove	Executive Vice President, Chief Financial Officer	December 22, 1995
----- William R. Fair	Director	December , 1995
----- ROBERT D. SANDERSON Robert D. Sanderson	Director	December 22, 1995
----- JOHN D. WOLDRICH John D. Woldrich	Director	December 22, 1995
----- H. ROBERT HELLER H. Robert Heller	Director	December 22, 1995
----- GUY R. HENSHAW Guy R. Henshaw	Director	December 22, 1995
----- DAVID S.P. HOPKINS David S.P. Hopkins	Director	December 22, 1995
----- ROBERT M. OLIVER Robert M. Oliver	Director	December 22, 1995
----- BRYANT J. BROOKS Bryant J. Brooks	Director	December 22, 1995
----- PATRICIA COLE Patricia Cole	Controller	December 22, 1995

Independent Auditors' Report

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

Under date of October 25, 1995, we reported on the consolidated balance sheets of Fair, Isaac and Company, Incorporated and subsidiaries as of September 30, 1995 and 1994, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 1995, which are included in the 1995 annual report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule in the 1995 annual report on Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

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

KPMG Peat Marwick LLP

San Francisco, California
October 25, 1995

SCHEDULE VIII

FAIR, ISAAC AND COMPANY, INCORPORATED
 VALUATION AND QUALIFYING ACCOUNTS
 RULE 12-09
 SEPTEMBER 30, 1995 AND 1994

Description -----	Balance at Beginning of Period -----	Additions Charged to Expense -----	Deductions -----	Balance at End of Period -----
September 30, 1995:				
Allowance for Doubtful Accounts	\$429,000	\$--	(\$152,550)	\$276,450
September 30, 1994:				
Allowance for Doubtful Accounts	\$188,000	\$293,000	(\$52,000)	\$429,000

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, and the registration statement (No. 33-33057) on Form S-8 of Fair, Isaac and Company, Incorporated and subsidiaries of our report dated October 25, 1995, relating to the consolidated balance sheets of Fair, Isaac and Company, Incorporated and subsidiaries as of September 30, 1995 and 1994, and the related consolidated statements of income, stockholders' equity, and cash flows, and the related financial statement schedule, which report appears in the September 30, 1995 annual report on Form 10-K of Fair, Isaac and Company, Incorporated, and subsidiaries.

KPMG Peat Marwick LLP

San Francisco, California
December 22, 1995

EXHIBIT INDEX

TO FAIR, ISAAC AND COMPANY, INCORPORATED

REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1995

Exhibit No.	Exhibit	Sequentially Numbered Page
-----	-----	-----
10.3	Lease dated April 28, 1995, between CSM Investors, Inc., and DynaMark, Inc.	
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.	
10.12	Addenda Numbers Eight and Nine to lease between SRP Limited Partnership and the Company.	
10.17	Consulting Contracts between the Company and Robert M. Oliver effective January 1, 1995 and July 1, 1995.	
10.18	Lease dated May 1, 1995, between Control Data Corporation and DynaMark, Inc.	
10.21	Lease dated July 10, 1993, between the Joseph and Eda Pell Revocable Trust and the Company.	
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.	
10.23	Fourth Contract Extension, dated April 7, 1995, to the Consulting Contract between the Company and William R. Fair.	
11.1	Computation of net income per common share.	
13.1	Annual Report to Stockholders for the Fiscal Year Ended September 30, 1995.	
21.1	Subsidiaries of the Company.	
27	Financial Data Schedule.	

LEASE

ARTICLE 1. LEASE TERMS

1.1 LANDLORD AND TENANT. This lease ("Lease") is entered into this 28th DAY OF APRIL, 1995 by and between CSM INVESTORS, INC., 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. 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. Architectural plans and specifications for the Building and the Premises, and a description of the improvements to be constructed therein, are attached hereto as EXHIBITS C AND D.

1.4 EXCESS LAND. Landlord and Tenant acknowledge and agree that Landlord is acquiring more property than is necessary for the development and construction of the Building, and that development and construction of a second building on the easterly portion of the property, and site improvements related solely thereto, will be subject to the terms and conditions set forth in Section 14.13 of this Lease.

1.5 LEASE TERM. The term of this Lease shall commence on SEPTEMBER 1, 1995 ("Commencement Date") and shall terminate ONE HUNDRED TWENTY (120) MONTHS thereafter on August 31, 2005, unless sooner terminated as hereinafter provided. 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.

1.6 BASE RENT.

A. Initial Base Rent.	Months	Monthly Base Rent	Per Sq. Ft.
Initial Term:	1-60	\$23,375.00	\$8.50
	61-120	\$24,750.00	\$9.00
Option Terms:	121-180	\$27,500.00	\$10.00
	181-240	\$29,562.50	\$10.75

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.

1.7 PERMITTED USE: GENERAL OFFICE.

1.8 PRO-RATA SHARE: ONE HUNDRED AND NO/100 PERCENT (100%) subject to adjustment as provided in Section 2.2 hereof.

1.9 ADDRESSES.	LANDLORD'S ADDRESS:	TENANT'S ADDRESS:
	-----	-----
	CSM INVESTORS, INC. 2561 TERRITORIAL ROAD ST. PAUL, MN 55114-1500 (612) 646-1717	DYNAMARK, INC. 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 1.6 of this Lease, which amount

shall be payable to Landlord at the address shown above. One monthly installment shall be due and payable on or before the first day of each calendar month succeeding the Commencement Date during the term of this Lease; provided, if the Commencement Date should be a date other than the first day of a calendar month, the monthly rental set forth above shall be prorated to the end of that calendar month, and all succeeding installments of rent shall be payable on or before the first day of each succeeding calendar month during the term of this Lease. Tenant shall pay, as additional rent, all other sums due under this Lease. Notwithstanding anything in this Lease to the contrary, if Landlord, for any reason whatsoever (other than Tenant's default), cannot deliver possession of the Premises to the Tenant on the Commencement Date, substantially complete and ready for Tenant's occupancy, this Lease shall not be void or voidable, nor shall Landlord be liable for any loss or damage resulting therefrom, nor shall the expiration of the term be extended, but all rent and additional rent shall be abated until Landlord delivers possession; provided that if the Premises are not substantially complete and ready for Tenant's occupancy by the later of: (i) September 1, 1995, or (ii) the date one hundred twenty (120) days after Landlord secures a building permit from the City of Arden Hills, which Landlord shall diligently pursue, (except by reason of force majeure or Tenant caused delays, including failure to approve plans and specifications for the Premises by April 12, 1995, in which case such date shall be extended by the number of days equal to the delays caused by Tenant), Landlord shall pay to Tenant, as a credit against the first installments of rent and additional rent payable hereunder, an amount equal to \$500.00 for each day thereafter until the Premises are substantially complete and ready for Tenant's occupancy; and provided that if the Premises are not substantially complete and ready for Tenant's occupancy on or before October 1, 1995

(except by reason of force majeure or Tenant caused delays, in which case such date shall be extended by the number of days equal to the delays caused by Tenant), Tenant shall have the option, in its absolute and unfettered discretion, to terminate this Lease by written notice to Landlord given at any time prior to substantial completion of the Premises and Tenant taking occupancy of the Premises. In the event Landlord, despite due diligence, is unable to secure a building permit by May 15, 1995, Landlord shall so notify Tenant, and either Landlord or Tenant may thereafter terminate this Lease by written notice to the other, given on or before May 25, 1995.

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 operating expenses for each calendar year, which amount shall be adjusted from time-to-time by Landlord based upon reasonably anticipated operating expense. 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. Following development and construction of a second building on the property, as described in Subsection 1.4 above, Tenant's pro rata share set forth in Section 1.9 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 both the Tenant's Building and the second 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 there by reduces operating expense; all other expense 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. Operating expenses including taxes and installments of special assessments, insurance premiums and maintenance expenses attributable to the unimproved portion of the property of which the Premises are a part after the earlier of: (i) the completion of construction of a second building thereon by Landlord and reduction of Tenant's proportionate share pursuant to the last sentence of Section 2.2 above (which shall be determined by reference to assessors worksheets, insurance carrier rate calculations and other available data); or (ii) the termination or expiration of the Holding Period as described in Section 14.13 hereof;
- E. Management fees exceeding fifteen percent (15%) of other operating expenses except taxes and special assessments; or
- F. Expenses incurred by Landlord in satisfying its obligations under Section 14.15 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 1.7. 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 fire 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 all 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 for 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, insurers 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 caused 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 aft 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 additions 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 AN 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 untenable in whole or in part following the damage, the rent payable under this Lease during the period for which the Premises are untenable 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 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 or 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 novation 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 TENANTS STATEMENT. Tenant agrees to furnish, from time to time, within ten (10) 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 except 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 a Jointed in the case (the "Trustee") seeks to assume the lease, then Tenant, or Trustee if applicable, in addition to providing adequate assurance described in a 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 canceling 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 or 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 shall 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 shall 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 1.10. All payments required to be made by Landlord to Tenant shall be payable at the address set forth in Section 1.10, 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 shall 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 1.10.

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 shall 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 shall 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 shall 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 The Shelard Group 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 shall be no brokerage fee or commissions 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 service of process and receive or give receipts for notices and demand on behalf of Landlord. Landlord reserved s the right to change the identity and status of its duly authorized agent upon written notice to Tenant.

14.12 OPTION TO EXTEND TERM OF LEASE. Tenant shall have the option to extend the term of this Lease for two (2) additional five (5) year terms ("Option Term") under the same terms and conditions contained herein, provided however, that the base rent shall be adjusted as set forth in Section 1.6 of this Lease. Tenant may exercise its Option Term by delivering written notice to Landlord, stating its irrevocable intent to exercise the Option Term, not less than one hundred eighty (180) days prior to the expiration of the Lease Term or first Option Term. In the event that Tenant fails to deliver timely notice of its intent to exercise the Option Term, Tenant's right to the Option Term shall be deemed as null and void. It shall be a condition of the exercise of the Option Term that Tenant not be in Default pursuant to Section 11 of this Lease Agreement.

14.13 EXCESS LAND. Landlord and Tenant acknowledge and agree that Landlord is acquiring more land than is necessary for the development and construction of the Building covered by this Lease. The excess land consists of approximately 136,561 square feet and is outlined in yellow on attached EXHIBIT A (Excess Land). Landlord and Tenant agree, as follows, with respect to the Excess Land:

- A. Landlord will refrain from proceeding with development of the Excess Land for a period of four (4) years, from and after the Commencement Date of this Lease (the "Holding Period"). Tenant shall have the right to shorten the Holding Period by written notice to Landlord given not less than one (1) year prior to the earlier termination of the Holding Period.
- B. In consideration thereof, Tenant will reimburse Landlord for all real estate taxes, assessments and insurance costs attributable to the Excess Land from the Commencement Date of this Lease until the earlier of the expiration of the said Holding Period or the date that development of the Excess Land is completed. These costs will be reimbursed by Tenant to Landlord, monthly, as a part of the operating expenses that Tenant pays Landlord pursuant to Section 2.2 hereof.

- C. Tenant will also reimburse Landlord for the costs of carrying the Excess Land for the remainder of the Holding Period after the first year thereof. For the purposes of this provision, carrying costs shall mean interest on the costs incurred by Landlord to acquire the Excess Land from and after the date incurred. Interest shall be at a rate equal to the rate on Four Year Treasury Securities, in effect on the Commencement Date of this Lease, plus two percent (2%). Tenant shall reimburse Landlord for carrying costs, as aforesaid, in cash, upon expiration of said Holding Period, unless, prior to that time, Landlord and Tenant have entered into a binding lease agreement for Tenant's occupancy of a building to be constructed on the Excess Land, in which case, Tenant's obligation to reimburse Landlord shall be deemed waived and of no force and effect.
- D. Tenant may, at its option and upon written notice given not less than one hundred twenty (120) days prior to expiration of the said Holding Period, extend said Holding Period, for an additional two (2) years. Tenant may exercise said option only by providing written notice as aforesaid and by paying to Landlord the full reimbursement due to Landlord pursuant to Subsections B and C above. In the event Tenant exercises this option to extend, the same terms and conditions as outlined above shall apply, except that Tenant shall be obligated to reimburse Landlord for carrying costs for both years of the extended period.
- E. The rights herein conferred are personal to Tenant and may not be sold or assigned without Landlord's prior written consent.
- F. In the event that Tenant defaults in the performance of its obligations under this Lease and such default is not cured within the applicable cure period, then Tenant's rights hereunder shall be deemed null and void and of no force and effect, but Tenant's obligation to reimburse Landlord for carrying costs shall remain in force and effect until the earlier of the expiration of the hold period or Landlord's commencement of site development.

14.14 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.

14.15 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 warranties 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:

CSM INVESTORS, INC.

BY: _____
ITS: Vice President

TENANT:

DYNAMARK, INC.

BY: J.R. Schoeller

ITS: Senior Vice President

April 27, 1995

OFFICE BUILDING LEASE

1. PARTIES This Lease, dated, for reference purposes only, July 1, 1993 is made by and between The Joseph and Eda Pell Revocable Trust (herein called "Landlord") and Fair, Isaac and Company, Incorporated, (herein called "Tenant").
2. PREMISES Landlord does hereby lease to Tenant and Tenant hereby leases from Landlord that certain office space (herein called "Premises") indicated on Exhibit "A" attached hereto and reference thereto made a part hereof, said Premises being agreed, for the purposes of this Lease, to have an area of approximately 15,090 rentable square feet and 13,595 useable square feet, being situated in Suite 330 on the third floor of that certain Building known as Regency Center, 100 Smith Ranch Road, San Rafael, California 94903.

Said Lease is subject to the terms, covenants and conditions herein set forth and the Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of said terms, covenants and conditions and that this Lease is made upon the condition of said performance.

3. TERM The term of this Lease shall be for eight (8) years and five (5) months, commencing on the 1st day of July, 1993, and ending on the 30th day of November, 2001.
4. POSSESSION Tenant is currently in possession of the space and shall remain in possession.
5. A. RENT Tenant agrees to pay to Landlord as rental for the premises, without prior notice or demand, the sum of Thirty Thousand One Hundred and Eighty Dollars (\$30,180.00) on or before the first day of the first full calendar month of the term hereof and a like sum on or before the first day of each and every successive calendar month thereafter during the term hereof, except that the first month's rent shall be paid upon the execution of this Lease. Rent for any period during the term which is for less than one (1) month shall be a prorated portion of the monthly installment herein, based upon a thirty (30) day month. Said rental shall be paid to Landlord without deduction or offset in lawful money of the United States of America, which shall be legal tender at the time of payment at 100 Smith Ranch Road, Suite 325, San Rafael, California 94903, or to such other place as Landlord may from time to time designate in writing.
- B. RENT ESCALATIONS Commencing on the 17th month of this Lease (December 1, 1994) and on each annual anniversary following, the base rent shall be adjusted by the increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U. S. Department of Labor for All Urban Consumers, San Francisco-Oakland-San Jose (1984=100), "All Items" herein referred to as "C.P.I."

The C.P.I. increase shall be calculated as follows: The base rent payable for the first month term of this Lease shall be multiplied by the percentage change in the C.P.I. for the 12 months preceding December 1, 1994. On each anniversary following, the base rent shall be multiplied by the percentage change in the C.P.I. for the 12 months preceding. No single increase shall exceed 4% of the previous year's rental rate and in no event shall the new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment.

6. SECURITY DEPOSIT Tenant has deposited with Landlord the sum of Thirty Thousand One Hundred and Eighty Dollars (\$30,180.00). Said sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease including, but not limited to, the provisions relating to the payment of rent, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any other sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's default to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the security deposit to its original amount and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep this security deposit separate from its general fund and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the security deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) at the expiration of the Lease term. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer said deposit to

Landlord's successor in interest. Tenant is entitled to a Security Deposit credit in the amount of \$1,911.67 (\$32,091.67 - \$30,180.00) as a result of renegotiating the existing lease dated December 15, 1988.

7. OPERATING EXPENSE ADJUSTMENTS For the purposes of this Article, the following terms are defined as follows:

- BASE YEAR The Base Year shall be 1993.
- COMPARISON YEAR Each calendar year of the term after the Base Year.
- DIRECT EXPENSES All direct costs of operation and maintenance, as determined by standard accounting practices, including the following costs by way of illustration, but not be limited to: real property taxes and assessments; rent taxes, gross receipt taxes, (whether assessed against the Landlord or assessed against the Tenant and collected by the Landlord, or both); water and sewer charges; insurance premiums; utilities; janitorial services; labor; costs incurred in the management of the Building; air conditioning & heating; elevator maintenance; supplies; materials; equipment and tools; and maintenance, costs and upkeep of all parking and common areas. ("Direct Expenses" shall not include depreciation on the Building of which the Premises are a part or equipment therein, loan payments, executive salaries or real estate broker's commissions.)

If the Direct Expenses paid or incurred by the Landlord for the Comparison Year on account of the operation or maintenance of the Building of which the Premises are a part are in excess of the Direct Expenses paid or incurred for the Base Year, then the Tenant shall pay 14.51% of the increase. This percentage is that portion of the total rentable area of the Building occupied by the Tenant hereunder. Landlord shall endeavor to give to Tenant on or before the first day of March of each year following the respective Comparison Year a statement of the increase in rent payable by Tenant hereunder, but failure by Landlord to give such statement by said date shall not constitute a waiver by Landlord of its right to require an increase in rent. Upon receipt of the statement for the first Comparison Year, Tenant shall pay in full the total amount of the increase due for the first Comparison Year and, in addition for the then current year, the amount of any such increase shall be used as an estimate for said current year and this amount shall be divided into twelve (12) equal monthly installments and Tenant shall pay

to Landlord, concurrently with the regular monthly rent payment next due following the receipt of such statement, an amount equal to one (1) monthly installment multiplied by the number of months from January in the calendar year in which said statement is submitted to the month of such payment, both months inclusive. Subsequent installments shall be payable concurrently with the regular monthly rent payments for the balance of that calendar year and shall continue until the next Comparison Year's statement is rendered. If the next or any succeeding Comparison Year results in a greater increase in Direct Expenses, then upon receipt of a statement from Landlord, Tenant shall pay a lump sum equal to such total increase in Direct Expenses over the Base Year, less the total of the monthly installments to be paid for the next year, following said Comparison Year, shall be adjusted to reflect such increase. If in any Comparison Year the Tenant's share of Direct Expenses be less than the preceding year, then upon receipt of Landlord's statement, any overpayment made by Tenant on the monthly installment basis provided above shall be credited towards the next monthly rent falling due and the estimated monthly installments of Direct Expenses to be paid shall be adjusted to reflect such lower Direct Expenses for the most recent Comparison Year.

Even though the term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's share of Direct Expenses for the year in which this Lease terminates, Tenant shall immediately pay any increase due over the estimated expenses paid and conversely any overpayment made in the event said expenses decrease shall be immediately rebated by Landlord to Tenant.

Notwithstanding anything contained in this Article, the rent payable by Tenant shall in no event be less than the rent specified in Article 5 hereinabove.

See Addendum to Lease, P. 1, Operating Expense Adjustments.

8. USE Tenant shall use the Premises for general office purposes and shall not use or permit the Premises to be used for any other purposes without the prior written consent of Landlord.

General office purposes shall be defined for purposes of this Lease to include computer rooms of any size required by Tenant.

Tenant shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein which will in any way increase the existing rate of or affect any fire or other insurance upon the Building or any of its contents, or cause cancellation of any insurance policy covering said Building or any part thereof or any of its contents. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or injure or annoy them or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

9. COMPLIANCE WITH LAW Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules now in force or which may hereafter be in force, and with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted, relating to, or affecting the condition, use or occupancy of the Premises, excluding changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law,

statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between the Landlord and Tenant.

10. ALTERATIONS AND ADDITIONS Tenant shall not make or suffer to be made any alterations, additions or improvements to or of the Premises or any part thereof without the written consent of Landlord first had and obtained. Any alterations, additions or improvements to or of said Premises including, but not limited to, wallcovering, paneling, air conditioning units and built-in cabinet work, but excepting movable furniture and trade fixtures, shall on the expiration of the term become a part of the realty and belong to the Landlord and shall be surrendered with the Premises. In the event Landlord consents to the making of any alterations, additions or improvements to the Premises by Tenant, the same shall be made by Tenant at Tenant's sole cost and expense, and any contractor or persons selected by Tenant to make the same must first be approved in writing by the Landlord. Such approval shall not be unreasonably withheld. Upon the expiration or sooner termination of the term hereof, Tenant shall, upon written demand by Landlord which shall be given at the time Landlord approves the tenant improvement work, , at Tenant's sole cost and expense, forthwith and with all due diligence, remove any alterations, additions, or improvements made by Tenant, designated by Landlord to be removed, and Tenant shall, forthwith and with all due diligence at its sole cost and expense, repair any damage to the Premises caused by such removal.

11. REPAIRS

A. By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises as being in good, sanitary order, condition and repair. Tenant shall, at Tenant's sole cost and expense, keep the Premises and every part thereof in good condition and repair damage thereto from causes beyond the reasonable control of Tenant with ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Lease hereof surrender the Premises to the Landlord in good condition, ordinary wear and tear and damage from causes beyond the reasonable control of Tenant excepted. Except as specifically provided in an addendum, if any, to this Lease, Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof once the initial tenant improvements are completed and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Premises or the Building except as specifically herein set forth.

B. Notwithstanding the provisions of Article 11. A. hereinabove, Landlord shall repair and maintain the structural portions of the Building, including the basic plumbing, air conditioning, heating and electrical systems installed or furnished by Landlord unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the reasonable cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Article 22 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Building or the Premises, or in or to fixtures, appurtenances and equipment therein. Tenant waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect (including the provisions of California Civil Code Sections 1941 and 1942 and any successor sections or statutes of a similar nature); provided, however, if Landlord fails to perform any repair work required of

Landlord with respect to the Premises pursuant to this Paragraph, within thirty (30) days after Landlord receives Tenant's written notice of the need for such repair (or such period of time in excess of thirty (30) days as is reasonably necessary based upon the nature of the required work), then Tenant shall be permitted to make such repairs, using contractors reasonably approved by Landlord, provided (i) Tenant first gives Landlord an additional two (2) business days' prior written notice indicating that Tenant intends to undertake such repair, and (ii) Landlord fails to commence such repair within such two (2) business day period. If Tenant performs any repair as permitted under this Paragraph, Landlord agrees to reimburse Tenant for the reasonable, actual and documented costs of such repair performed by Tenant, but without any off-set rights against rent or any other amounts payable by Tenant under this Lease. Any repair work done by Tenant shall be done in accordance with the provisions of this Lease, including without limitation, Paragraph 12, keeping the premises free from liens.

12. LIENS Tenant shall keep the Premises and the property in which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. Landlord may require, at Landlord's sole option, that Tenant shall provide to Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half (1-1/2) times any and all estimated cost of any improvements, additions or alteration in the Premises to insure Landlord against any liability for mechanics' and materialmen's liens and to insure completion of the work.
13. ASSIGNMENT AND SUBLETTING Tenant shall not either voluntarily or by operation of law, assign, transfer, mortgage, pledge, or encumber this Lease or any interest therein, and shall not sublet the said Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the said Premises or any portion thereof, without written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld; provided however, that Landlord in the exercise of its good faith business judgment may refuse to approve the assignment or sublease and shall promptly provide Tenant with the reasons for its refusal. In the event Tenant desires to assign this Lease or any interest therein or sublet all or part of the Premises, Tenant shall give Landlord written notice thereof, which notice shall include (i) the name of the proposed assignee, subtenant or occupant ("Transferee"), (ii) reasonable financial information regarding the Transferee, (iii) a description of the Transferee's business to be carried on in the Premises, and (iv) the terms of the assignment or sublease and a description of the portion of the Premises to be affected. Tenant shall also provide Landlord such additional information regarding the Transferee or the proposed assignment or sublease as Landlord may reasonably request.

Notwithstanding the foregoing, Tenant shall have the right to assign or sublet the premises, or a portion thereof, to a wholly owned affiliated company or subsidiary, without the Landlord's consent. Tenant shall be required, however, to give written notice to Landlord in advance of such assignment or sublet and to prepare assignment or sublet agreements on forms that are reasonably satisfactory to Landlord. In no event shall such an assignment or sublet release Tenant from its obligations under the terms of this Lease.

Consent to one assignment, subletting, occupation or use by any other person shall not be deemed to a consent to any subsequent assignment, subletting, occupation or use by another person. Any assignment or subletting without such consent shall be void, and shall, at the option of the Landlord, constitute a default under this Lease.

14. HOLD HARMLESS Tenant shall indemnify and hold harmless Landlord against and from any and all claims arising from Tenant's use of Premises for the conduct of its business or from any activity, work or other thing done, permitted or suffered by the Tenant in or about the Building, and shall further indemnify and hold harmless Landlord against and from any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any act or negligence of the tenant, or any officer, agent, employee, guest or invitee of Tenant, and from and against all cost, attorney's fees, expenses and liabilities incurred in or about any such claim or any action or proceeding brought thereon and in any case, action or proceeding brought against Landlord by reason of any such claim. Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord. Tenant as a material part of the consideration to Landlord hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises, from any cause other than Landlord's negligence or willful act, and Tenant hereby waives all claims in respect thereof against Landlord.

Landlord or its agents shall not be liable for any damage to property entrusted to employees of the Building, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak dampness or any other cause whatsoever, unless caused by or due to the negligence or willful acts of Landlord, its agents, servant or employees. Landlord or its agents shall not be liable for interference with the light or other incorporeal hereditaments, less of business by Tenant, nor shall Landlord be liable for any latent defect in the premises or in the Building. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building or of defects therein or in the fixtures or equipment.

15. SUBROGATION Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage and other property insurance policies existing for the benefit of the respective parties. Each party shall obtain any special endorsements, if required by their insurer to evidence compliance with the aforementioned waiver.

16. LIABILITY INSURANCE Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Lease, (1) a policy of comprehensive general liability insurance insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto; (2) workers' compensation insurance as may be required by law; and (3) "all risk" property insurance on Tenant's above-standard tenant improvements, personal property, equipment, furniture and fixtures. The limit of said insurance shall not, however, limit the liability of the Tenant hereunder. Tenant may carry said insurance under a blanket policy, providing, however, said insurance by Tenant shall have a Landlord's protective liability endorsement attached thereto. If Tenant shall fail to procure and maintain said insurance, Landlord may, but shall not be required to, procure and maintain same, but at the expense of Tenant. Insurance required hereunder, shall be in companies rated A+ AAA or better in "Best's Insurance Guide." Tenant shall deliver to Landlord prior to occupancy of the Premises copies of policies of insurance required herein or certificates evidencing the existence and amounts of such insurance with loss payable clauses reasonably satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after ten (10) days prior written notice to Landlord.

17. See Addendum to Lease, P. 5, Services and Utilities.

18. PROPERTY TAXES Tenant shall pay, or cause to be paid, before delinquency, any and all taxes levied or assessed and which become payable during the term hereof upon all Tenant's leasehold improvements, equipment, furniture, fixtures and personal property located in the Premises; except that which has been paid for by Landlord, and is the standard of the Building. In the event any or all of the Tenant's leasehold improvements, equipment, furniture, fixtures and personal property shall be assessed and taxed with the Building, Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.
19. RULES AND REGULATIONS Tenant shall faithfully observe and comply with the reasonable rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications to said rules. The additions and modifications to those rules shall be binding upon Tenant upon delivery of a copy of them to Tenant. Landlord shall not be responsible for the nonperformance of any said rules by any other tenants or occupants. These rules and regulations shall be applied equally to all Tenants occupying Regency Center.
20. HOLDING OVER If Tenant remains in possession of the Premises or any part thereof after the expiration of the term hereof, with the express written consent of Landlord, such occupancy shall be a tenancy from month-to-month at a rental in the amount of the last monthly rental, plus all other charges payable hereunder, and upon all the terms hereof applicable to a month-to-month tenancy.
21. ENTRY BY LANDLORD Landlord reserves and shall at any and all times have the right to enter the Premises, inspect the same, supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to submit said Premises to prospective purchasers or tenants, to post notices of non-responsibility, and to alter, improve or repair the Premises and any portion of the Building of which the Premises are a part that Landlord may deem necessary or desirable, without abatement of rent and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always providing that the entrance to the Premises shall not be blocked thereby, and further providing that the business of the Tenant shall not be interfered with unreasonably. Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults, safes and files, and specific, secured, sensitive and confidential offices and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in any emergency, in order to obtain entry to the Premises without liability to Tenant except for any failure to exercise due care for Tenant's property. Any entry to the Premises obtained by Landlord by any of said means, or otherwise shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof.
22. RECONSTRUCTION In the event the Premises or the Building of which the Premises are a part are damaged by fire or other perils covered by extended coverage insurance, Landlord agrees to forthwith repair the same, and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Premises. If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Premises or the Building of which the Premises are a part are damaged as a result of any cause other than the perils covered by fire or extended coverage insurance, then Landlord shall forthwith repair the same provided the extent of the destruction be less than ten (10%) of the then full replacement cost of the Premises or the Building of which the Premises are a part. In the event the destruction of the Premises or the Building is to an extent greater than ten (10%) of the full replacement cost, then Landlord shall have the option (1) to repair or restore such damage, this Lease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove in this Article provided; or (2) give notice to Tenant at any time within sixty (60) days after such damage terminating this Lease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Lease shall expire and all interest of the Tenant in the Premises shall terminate on the date so specified in such notice and the Rent, reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Premises, shall be paid up to date of said such termination.

Notwithstanding anything to the contrary contained in this Article, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the damage to the Premises resulting from any casualty covered under this Article which occurs during the last twelve (12) months of the term of this Lease or any extension thereof.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs to replacements of any trade fixtures, equipment, furniture, personal property, or any tenant improvements added to the Premises by Tenant after the initial improvements were installed.

Except for abatement of rent as provided above, the Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the premises, Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

23. DEFAULT The occurrence of any or more of the following events shall constitute a default and breach of this Lease by Tenant:

- A. The vacating or abandonment of the Premises by Tenant, except in cases when Tenant is current with all rental payments.
- B. The failure by Tenant to make any payment of rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of ten (10) days after written notice thereof by Landlord to Tenant.
- C. The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by the Tenant, other than described in Article 23.B. above, where such failure shall continue for a period of thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

- D. The making by Tenant of any general assignment or general arrangement for the benefit of creditors, or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition or reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interests in this Lease, where such seizure is not discharged in thirty (30) days.
24. REMEDIES IN DEFAULT In the event of any such material default or breach by Tenant, Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach:
- A. Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by necessary renovation and alteration of the Premises, reasonable attorney's fees, any real estate commission actually paid, the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided, that portion of the leasing commission paid by Landlord and applicable to the unexpired term of this Lease. Unpaid installments of rent or other sums shall bear interest from the date due at the rate of ten (10%) per cent per annum. In the event Tenant shall have abandoned the Premises, Landlord shall have the option of (a) taking possession of the Premises and recovering from Tenant the amount specified in this paragraph, or (b) proceeding under the provisions of the following Article 24.B.
- B. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event Landlord shall be entitled to enforce all of Landlord's right and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.
- C. Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decision of the State in which the Premises are located.
25. EMINENT DOMAIN If more than twenty-five (25%) per cent of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain, either party hereto shall have the right, at its option, to terminate this Lease, and Landlord shall be entitled to any and all income, rent, award or any interest therein whatsoever which may be paid or made in connection with such public or quasi-public use or purpose, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease. If either less than or more than twenty-five (25%) per cent of the Premises is taken, and neither party elects to terminate as herein provided, the rental thereafter to be paid shall be equitably reduced. If any part of the Building other than the Premises may be so taken or appropriated, Landlord shall have the right at its option to terminate this Lease and shall be entitled to the entire award as above provided. Notwithstanding the foregoing, Tenant shall be entitled to that portion of any condemnation award made specifically on account of Tenant's relocation expenses, increased rental costs, improvements contracted at Tenant's expense or disruption of Tenant's business.

26. OFFSET STATEMENT Tenant shall at any time and from time to time upon not less than ten (10) days prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the date to which the rental and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord hereunder or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part.

27. PARKING Tenant shall have the right to use in common with other tenants or occupants of the Building the parking facilities of the Building.

28. AUTHORITY OF PARTIES

A. Corporate Authority. If Tenant is a corporation, each individual executing this Lease on behalf of said corporation represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the board of directors of said corporation or in accordance with the by-laws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms.

B. Limited Partnerships. If the Landlord herein is a limited partnership, it is understood and agreed that any claims by Tenant on Landlord shall be limited to the assets of the limited partnership, and furthermore, Tenant expressly waives any and all rights to proceed against the individual partners or the officers, directors or shareholders of any corporate partner, except to the extent of their interest in said limited partnership.

29. GENERAL PROVISIONS

(i) Plats and Riders. Clauses, plats and riders, if any, signed by the Landlord and the Tenant and endorsed on or affixed to this Lease are a part hereof.

(ii) Waiver. The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptances of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.

(iii) Notices. All notices and demands which may or are to be required or permitted to be given by either party to the other hereunder shall be in writing. All notices and demands by the Landlord to the Tenant shall be sent by United States Mail, postage prepaid, addressed to the Tenant at 120 North Redwood Drive, San Rafael, California 94903, or to such other places as Tenant may from time to time designate in a notice to the Landlord. All notices and demands by the Tenant to the Landlord shall be sent by United States Mail, postage prepaid, addressed to the Landlord at 100 Smith Ranch Road, Suite 325, San Rafael, California 94903, or to such other person or place as the Landlord may from time to time designate in a notice to the Tenant.

- (iv) Joint Obligation. If there be more than one Tenant the obligations hereunder imposed upon Tenants shall be joint and several. (v) Marginal Headings. The marginal headings and titles to the Articles of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.
- (vi) Time. Time is of the essence of this Lease and each and all of its provisions in which performance is a factor.
- (vii) Successors and Assigns. The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.
- (viii) Recordation. Neither Landlord nor Tenant shall record this Lease or a short form memorandum hereof without the prior written consent of the other party.
- (ix) Quiet Possession. Upon Tenant paying the rent reserved hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Lease.
- (x) Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after said amount is past due, then Tenant shall pay to Landlord a late charge equal to ten (10%) per cent of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.
- (xi) Prior Agreements. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.
- (xii) Inability to Perform. This Lease and the obligations of the Tenant hereunder shall not be affected or impaired because the Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the reasonable control of the Landlord.

(xiii) Attorney's Fees. In the event of any action or proceeding brought by either party against the other under this Lease the prevailing party shall be entitled to recover all costs and expenses including the fees of its attorneys in such action or proceeding in such amount as the court may adjudge reasonable as attorney's fees.

(xiv) Sale of Premises by Landlord. In the event of any sale of the Building, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale; and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such purchaser to have assumed and agreed to carry out any and all of the covenants and obligations of the Landlord under this Lease.

(xv) Subordination Attornment. Upon request of the Landlord, Tenant will in writing subordinate its rights hereunder to the lien of any first mortgage, or first deed of trust to any bank, insurance company or other lending institution, now or hereafter in force against the land and Building of which the Premises are a part, and upon any buildings hereafter placed upon the land of which the Premises are a part, and to all advances made or hereafter to be made upon the security thereof.

Notwithstanding such subordination, neither Tenant's right to quiet possession of the Premises nor this Lease shall be disturbed or affected if Tenant is not in default hereunder and so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms.

(xvi) In the event any proceedings are brought for foreclosure, or in the event of the exercise of power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, the Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease.

(xvii) Name. Tenant shall not use the name of the Building or of the development in which the Building is situated for any purpose other than as an address of the business to be conducted by the Tenant in the Premises.

(xviii) Separability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way effect, impair or invalidate any other provision hereof and such other provision shall remain in full force and effect.

(xix) Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

(xx) Choice of Law. This Lease shall be governed by the laws of the State in which the Premises are located.

(xxi) Signs and Auctions. Tenant shall not place any sign upon the Premises or Building or conduct any auction thereon without Landlord's prior written consent.

30. BROKERS Tenant warrants that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease and it knows no real estate broker or agent who is entitled to a commission in connection with this Lease.

31. PREVIOUS LEASE NULL AND VOID As of July 1, 1993, the previous Lease between Fair, Isaac and Company, Incorporated and Regency Center, dated December 15, 1988 which expires April 30, 1994, is effectively null and void and this Lease supersedes all provisions contained therein. However, Tenant will owe the present value of the unamortized tenant improvements for the months of November 1993 through April 1994 in the amount of \$23,089.98. Tenant shall receive a rental credit for the months of July 1993 through October 1993 at the rate of \$3,367.83 per month for a total rental credit of \$13,471.32. The balance owed which shall be paid in a lump sum at the time of lease execution is \$9,618.66 (\$23,089.98 - \$13,471.32).

THE JOSEPH AND EDA PELL
REVOCABLE TRUST

FAIR, ISAAC AND COMPANY,
INCORPORATED

By: Joseph Pell

Joseph Pell

By: Robert D. Sanderson

Its:

Its: EVP, Chief Operating Officer

By: Eda Pell

Eda Pell

Date: November 24, 1993

Its:

Date:

RULES AND REGULATIONS

1. No sign, placard, picture, advertisement, name or placard shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the Building without the written consent of the Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant.

All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved of by Landlord.

Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which may appear unsightly from outside the Premises; provided, however, that Landlord may furnish and install a Building standard window covering at all exterior windows. Tenant shall not without prior written consent of Landlord cause or otherwise sunscreen any window.

2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress and egress from their respective Premises.
3. Tenant shall not alter any lock or install any new or additional locks without permission of Landlord, whose consent shall not be unreasonably withheld, or any bolts on any doors or windows of the Premises.
4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage, damage resulting from the violation of this rule shall be borne by the Tenant who, or whose employees or invitees shall have caused it.
5. Tenant shall not overload the floor of the Premises or in any way deface the Premises or any part thereof.
6. No furniture, freight or equipment of any kind shall be brought into the Building without the prior notice to Landlord and all moving of the same into or out of the Building shall be done at such time and in such manner as Landlord shall designate. Notwithstanding the above, Tenant shall have the right to move furniture, freight or equipment into and out of the building without prior notice to Landlord, provided that such moves do not involve exclusive use of an elevator for an extended period of time, nor does the move interfere with the operation of other tenants in the building. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of the Tenant.
7. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors

and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Building.

8. No cooking, except for microwave and coffee machines, shall be done or permitted by any Tenant on the Premises, nor shall the Premises be used for the storage of merchandise, for washing clothes, for lodging, or for any improper, objectionable or immoral purposes.
9. Tenant shall not use or keep in the Premises of the Building any kerosene, gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.
10. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of the Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord which shall not be unreasonably withheld.
11. On Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 p.m. and 8:00 a.m. the following day, access to the Building, or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. The Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing of the doors or otherwise, for the safety of the tenants and protection of property in the Building and the Building.
12. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.
13. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the written consent of the Landlord which shall not be unreasonably withheld.
14. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and street address of the Building of which the Premises are a part.
15. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.
16. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

17. Landlord shall have the right to control and operate the public portions of the Building, and the public facilities, and heating and air conditioning, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.
18. All entrance doors in the Premises shall be left locked when the Premises are not in use, and all doors opening to public corridors shall be kept closed except for normal ingress and egress from the Premises unless suite entry doors are controlled by UL and municipally approved hold-open devices which are connected to building life safety systems.

FIRST ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST, LANDLORD
AND
FAIR, ISAAC AND COMPANY, INCORPORATED, TENANT
DATED JULY 1, 1993

1. OPERATING EXPENSE ADJUSTMENTS (Continued from Article 7 of the Lease.)
- A. During the initial term of this Lease, management costs for the building shall not exceed three percent (3%) of the gross rental income for the building.
 - B. Landlord shall keep full, accurate and separate books of account and records covering all Direct Expenses, which books of accounts and records shall accurately reflect the total Direct Expenses and Landlord's billings to Tenant for Operating Expense Adjustments.
 - C. Tenant shall have the right to protest any charge to Tenant by Landlord for Operating Expense Adjustments, provided that said protest is made within thirty (30) days after receipt of Landlord's notice of such charge. In the event that Tenant shall protest, Tenant shall be entitled to audit Landlord's books of account, records and other pertinent data regarding Direct Expenses. The audit shall be limited to the determination of direct Expenses and charges to Tenant for Operating Expense Adjustments and shall be conducted during normal business hours. If the audit shows that there has been an overpayment by Tenant, the overpayment shall be immediately due and repayable by Landlord to Tenant.

2. OPTION TO EXTEND

- A. Landlord grants to Tenant the option to extend the term of this Lease for two 3-year periods commencing when the prior term expires upon each and all of the following terms and conditions:
 - (i) Tenant gives to Landlord and Landlord receives notice of the exercise of the option to extend this Lease for said additional term no later than twelve (12) months prior to the time that the option period would commence if the option were exercised, time being of the essence. If said notification of the exercise of said option is not so given and received, this option shall automatically expire;
 - (ii) At the time said written notification of exercise of option is given and received, Tenant shall not be in default under any of the material obligations of this Lease to be performed by Tenant and this Lease shall not have previously terminated nor terminated prior to the commencement of the option term;
 - (iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;
 - (iv) The monthly rent for each month of the option period shall be calculated as follows:

The rent payable by Tenant during the first option period shall be the Fair Market Rental Value of the Premises (as defined below) at the commencement date of the option period. There shall be an annual C.P.I. increase not to exceed four percent (4%) in each subsequent year of the first option period. The rent in the

first year of the second option period shall be the rent in the last year of the first option period to which will be added a C.P.I. increase not to exceed four percent (4%). There shall be an annual C.P.I. increase not to exceed four percent (4%) in each subsequent year of the second option period. All of the C.P.I. increases during the option periods shall be calculated on the basis of the formula provided in the Lease P. 5.B.

If Landlord and Tenant cannot agree on the Fair Market Rental Value of the Premises for the extension periods within forty-five (45) days after the Tenant has notified Landlord of its exercise of the option, Landlord and Tenant shall each select, within forty-five (45) days of such notification, an appraiser who must be a qualified M.A.I. appraiser to determine said Fair Market Rental Value. If one party fails to so designate an appraiser within the time required, the determination of Fair Market Rental Value of the one appraiser who has been designated by the other party hereto within the time required shall be binding upon both parties. The appraisers shall submit their determinations of Fair Market Rental Value to both parties within thirty (30) days after their selection. If the difference between the two determinations is ten percent (10%) or less of the higher appraisal, then the average between the two determinations shall be the Fair Market Rental Value of the Premises. If said difference is greater than ten percent (10%), then the two appraisers shall within twenty (20) days of the date that the later submittal is submitted to the parties designate a third appraiser who must also be a qualified M.A.I. appraiser. The sole responsibility of the third appraiser will be to determine which of the determinations made by the first appraisers is most accurate. The third appraiser shall have no right to propose a middle ground or any modification of either of the determinations made by the first two appraisers. The third appraiser's choice shall be submitted to the parties within thirty (30) days after his or her selection. Such determination shall bind both of the parties and shall establish the Fair Market Rental Value of the Premises. Each party shall pay for their own appraiser and shall pay an equal share of the fees and expenses of the third appraiser.

Fair Market Rental Value for purpose of this Lease shall mean the then prevailing rent for premises comparable in size, quality, and orientation to the demised Premises, located in buildings comparable in size to, and in the general vicinity of, the building which the demised Premises are located, leased on terms comparable to the terms contained in this Lease.

3. RIGHT OF FIRST OPPORTUNITY TO LEASE ADDITIONAL PREMISES AT 100 SMITH RANCH ROAD, SAN RAFAEL

At any time during the term hereof, or any options to extend which Tenant has exercised, provided that Tenant is not in default as defined herein, Tenant shall have a right of first opportunity to lease for all office space that becomes available for lease at 100 Smith Ranch Road, San Rafael, based on the terms and conditions as outlined below.

Landlord and Tenant acknowledge that there are existing tenants at 100 Smith Ranch Road, which tenants have options to renew or who wish to renew their respective leases, and that these existing options and requests to renew would take precedent over the first opportunity to lease described herein.

Landlord and Tenant further acknowledge that this right of first opportunity to lease shall apply only to premises, from which existing tenants vacate or which is currently vacant.

Landlord shall notify Tenant in writing of the availability of additional office premises at 100 Smith Ranch Road, San Rafael within 30 days of Landlord receiving notice from an existing Tenant at 100 Smith Ranch Road of that Tenant's intent to vacate their premises. Landlord's notice to Tenant shall include the size of premises, the projected date at which the premises may be available, and a floor plan indicating the current configuration of the premises.

Tenant shall have 30 days after receipt of notice from Landlord to notify Landlord of Tenant's intent to lease the premises which was the subject of the notice. In the event Landlord does not receive notice from Tenant of Tenant's intent to lease said available space, Landlord shall have the right to lease said space to any other Tenant which Landlord chooses, and Tenant's right of first opportunity to lease that specific premises shall be deemed waived.

In the event Tenant notifies Landlord of its intent to lease said premises, Landlord and Tenant shall proceed as soon as is reasonably possible to execute a lease agreement for the specific premises that became available. Terms and conditions of the Lease shall be based on the same terms and conditions of the Lease(s) on the other space Tenant occupies in the Building at the time the Lease is executed. Landlord and Tenant shall make a good faith effort to execute a Lease for the specific available space within 30 days after Tenant has notified Landlord of its intent to lease said space.

This right of first opportunity to lease shall in no way limit the Landlord from executing leases with new tenants for terms of any length, with options to renew for any length, for those spaces for which Tenant has not exercised its right of first opportunity to lease as defined herein.

4. TENANT IMPROVEMENT WORK

There shall be no tenant improvement allowance provided. The space, which is already in Tenant's possession, shall be taken in as is condition.

5. SERVICES AND UTILITIES

A. Provided that Tenant is not in default hereunder, Landlord agrees to furnish to the Premises five-day per week janitorial service. Landlord shall also maintain and keep lighted, heated and air conditioned during reasonable hours of generally recognized business days, the common entries, common corridors, common stairs and toilet rooms in the building of which Premises are a part. Landlord shall not be liable for, and Tenant shall not be entitled to, any reduction of rental by reason of Landlord's failure to furnish any of the foregoing when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord. Landlord shall not be liable under any circumstances for a loss of or injury to property, however occurring, through or in connection with or incidental to failure to furnish any of the foregoing.

B. Tenant shall have 24-hour per day, seven-day per week access to its Premises.

C. Landlord shall provide Tenant a monthly allowance of \$1,359.50 (13,595 useable square feet x \$.10) for Tenant's electrical service. This allowance is included in the Base Rent as defined in Article 5 of the Lease.

Landlord and Tenant recognize that Tenant's electrical service shall cost in excess of \$.10 per square foot per month due to Tenant's use of machines requiring 220 Volt service in Tenant's computer room, Tenant's separate air conditioning unit for computer room, and Tenant's heavy electrical requirements.

Landlord's electrical engineer shall provide an estimate of Tenant's electrical usage which shall include the heating and air conditioning system for Tenant's premises, the separate heating and air conditioning system for Tenant's computer room, the special power required for Tenant's computer room, and power required for the balance of Tenant's premises.

Electrical engineer's estimate shall be based on a computation of Tenant's electrical equipment and special heating and air conditioning requirements, the amount of amps required by Tenant's use of the premises and the building kilowatt charge from Pacific Gas and Electric.

Electrical engineer shall document his calculations and shall submit these calculations to Tenant for Tenant's review. In the event Tenant questions any of the variables used in engineer's estimate, the Tenant shall submit information to the electrical engineer sufficient to establish Tenant's electrical use at premises. Electrical engineer, Tenant and Landlord shall then agree upon correct data to be used in computation of Tenant's electrical usage and electrical engineer, if necessary, shall submit new calculations for Tenant's electrical use.

Landlord shall bill Tenant monthly for this excess electrical usage. After the first year of Tenant's occupancy, or sooner should Landlord or Tenant require it, electrical engineer shall recalculate the estimate of Tenant's electrical usage to determine the monthly charge for the following year. At this time, any excess payments made by Tenant during the preceding year would be refunded, or any shortfalls for the preceding year would be paid by Tenant.

- D. The hours of operation of the heating and air conditioning system for the building are as follows:

Monday thru Friday:	7:00 a.m. to 6:00 p.m.
Saturdays:	8:00 a.m. to 3:00 p.m.

- E. In the event Tenant requires the operation of the heating and air conditioning system beyond the normal hours of operation for the building, Tenant shall notify the building manager in advance of the required extended hour usage, and the building manager shall program the heating and air conditioning system to operate during the time period requested by Tenant.
- F. In the event Tenant shall request that an override mechanism be installed during the term of the Lease, an override mechanism shall be installed on the heating and air conditioning system which services Tenant's premises. The cost of this mechanism shall be paid by the Tenant at the time of the installation. This mechanism shall allow Tenant to have control of the heating and air conditioning system for its premises in hours other than the normal building hours stated above.

Along with the override mechanism, an hourly meter shall be attached to the override mechanism which shall measure Tenant's use of the heating and air conditioning system beyond the normal building hours. On a monthly basis, Landlord shall charge Tenant for this usage by multiplying the number of hours used by the per hour charge for

operating the heating and air conditioning system which shall be determined by Landlord's electrical engineer and heating and air conditioning contractor.

6. COMMUNICATIONS INSTALLATION

Tenant has installed certain communications equipment on the roof of the Building. Prior to the end of the term of this Lease, Tenant, at Tenant's sole cost and expense, shall remove the communications equipment and shall, forthwith and with all due diligence, repair any damage to the Premises caused by such removal.

7. CONSENT

Landlord and Tenant agree that in the event their consent is required pursuant to the provisions of the Lease, such consent shall not be unreasonably withheld.

LANDLORD

THE JOSEPH AND EDA PELL REVOCABLE TRUST

By: Joseph Pell

Joseph Pell

Its:

By: Eda Pell

Eda Pell

Its: -----

Date: -----

TENANT

FAIR, ISAAC AND COMPANY, INCORPORATED

By: Robert D. Sanderson

Its: EVP, Chief Operating Officer

Date: November 24, 1993

SECOND ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST
("THE LANDLORD")
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
("THE TENANT")
DATED
JULY 1, 1993

This Second Addendum to Lease dated January 31, 1994 ("Second Addendum") is hereby attached to and incorporated into and made a part of that Lease dated July 1, 1993, by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated and First Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated July 1, 1993. The parties agree to the following terms and conditions set forth herein below:

LEASE

29. GENERAL PROVISIONS

- J. Late Charges. Paragraph 29.J. shall be amended to delete the ten percent (10%) late charge and provide for a five percent (5%) late charge.

FIRST ADDENDUM

5. SERVICES AND UTILITIES

Paragraph C shall be amended as follows:

- C. Landlord shall provide Tenant a monthly allowance of \$1,659.90 (15,090 rentable SF x \$.11) for Tenant's electrical service. This allowance is included in the Base Rent as defined in Article 5 of the Lease.

Landlord and Tenant recognize that Tenant's electrical service shall cost in excess of \$.11 per square foot per month due to Tenant's heavy electrical and air conditioning requirements.

Tenant shall be charged for all PG&E charges to the building over and above the monthly allowance provided above, less any over-standard charges to other tenant's in the building (any usage over the \$.11 allowance provided to each Tenant.) At the time of Lease execution, no per square foot tenants in the Building, other than Fireman's Fund who currently occupies the entire second floor, have any over-standard useage. Landlord shall notify Tenant as to any changes in the existing tenants' electrical useage or any over-standard useage of new tenants to the building. Tenant may at any time notify Landlord that, in Tenant's view, a particular tenant may be using over-standard electrical and Landlord will investigate that useage with the assistance of an electrical engineer. Landlord shall report to Tenant its findings regarding the useage and shall charge the other tenant for any actual over-standard useage, which amount shall be deducted from Tenant's over-standard charges. If Tenant does not agree with Landlord or Landlord's engineer's calculation, Tenant may have its own engineer evaluate the other tenant's useage.

For the first year of Tenant's occupancy, Landlord shall charge Tenant \$.11 per useable square foot per month for over-standard electrical useage as a projected expense, which amount is an average paid by Tenant in its other Premises located at 111 Smith Ranch Road and 120 North Redwood Drive. This amount (\$1,495.45) 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 useage by Tenant. Landlord shall credit Tenant for any amounts paid in excess of the actual cost of over-standard useage. 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 useage 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.

LANDLORD

THE JOSEPH AND EDA PELL REVOCABLE TRUST

By: _____
Joseph Pell

Its: _____

By: _____
Eda Pell

Its: _____

Date: _____

TENANT

FAIR, ISAAC AND COMPANY, INCORPORATED

By: _____

Its: _____

Date: _____

THIRD ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST
("THE LANDLORD")
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
("THE TENANT")
DATED
JULY 1, 1993

This Addendum to Lease dated January 31, 1994 ("Third Addendum") is hereby attached to and incorporated into and made a part of that Lease dated July 1, 1993, by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated and First Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated July 1, 1993, and Second Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated January 31, 1994. The parties agree to the following terms and conditions set forth herein below:

LEASE

2. PREMISES: Paragraph 2 shall be amended to provide that Tenant's Premises on the third floor shall be increased from approximately 15,090 rentable square feet and 13,595 useable square feet ("Original Premises") to 16,429 rentable square feet and 14,767 useable square feet ("Added Premises") to include those Premises known as Suite 309.
4. POSSESSION: Tenant shall take possession of the Added Premises as of February 1, 1994. That date shall also be the Commencement Date for the Added Premises.
5. A. RENT: Paragraph 5.A. of the Lease shall be amended to provide that Tenant agrees to pay Landlord as rental for the Original Premises and the Added Premises the sum of Thirty Two Thousand Eight Hundred and Fifty-eight Dollars (\$32,858.00). Provided, however, that there shall be one month of free rent on the Added Premises.
7. OPERATING EXPENSES ADJUSTMENTS: Paragraph 7 shall be amended to provide that Tenant shall pay 15.79% of the increase in Direct Expenses and the figure of 14.51% shall be deleted.

FIRST ADDENDUM

4. TENANT IMPROVEMENT WORK: Landlord shall provide the following work on the Added Premises:

- a) shampoo carpet;
- b) clean walls and windows;
- c) repair/replace noisy light ballasts and replace non-functioning lamps;
- d) repair broken door stops;
- e) inspect HVAC balancing; and
- f) add Fair, Isaac door signage.

Tenant, if it so decides, shall provide at its sole cost and expense, the following tenant improvement work:

- a) install telecommunications network wiring;
- b) relocate/add electrical outlets;
- c) install card access reader at front door;
- d) remove wall adjacent to Tenant's Data Services group;
- e) remove 3 - 4 interior offices;
- f) refit lights and HVAC, if necessary;
- g) replace carpet if necessary;
- h) refit telecommunications to new floor plan;
- i) convert storage area in Suite 330 back into offices; and
- j) any other work which Tenant deems necessary subject to the prior approval of Tenant's plans by Landlord, which approval shall not be unreasonably withheld.

Tenant shall be able to apply any of its Tenant Improvement Allowance provided for the Premises located on the First Floor by Landlord in the Lease between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated October 11, 1993 (Addendum P. 4.B.) and/or the Tenant Improvement Allowance for the Premises on Second Floor provided by Landlord in the Lease between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated July 10, 1993 (Addendum P. 1.C.) to the work in the Added Premises up to \$23.00 per useable square foot or a total of \$26,956.00 if such sums have not already been spent on Tenant's Premises located on the First and Second Floors of Regency Center. All of the provisions regarding disbursement contained in the Lease between the parties dated July 10, 1993 (Addendum P. 1.D.) shall apply to the tenant improvements in this space.

SECOND ADDENDUM

5. SERVICES AND UTILITIES

Paragraph C shall be amended as follows:

To provide that Tenant's monthly allowance shall be \$1,807.19 (16,429 rentable SF x \$.11) and the figure of \$1,659.90 shall be deleted.

For the first year of Tenant's occupancy, Tenant shall pay the amount of \$1,624.37 (14,767 x \$.11) per month as a projected expense for over-standard electrical usage and the figure of \$1,495.45 shall be deleted.

LANDLORD

THE JOSEPH AND EDA PELL REVOCABLE TRUST

By: Joseph Pell

Joseph Pell

Its: -----

By: Eda Pell

Eda Pell

Its: -----

Date: January 6, 1995

TENANT

FAIR, ISAAC AND COMPANY, INCORPORATED

By: Michael C. Gordon

Its: -----

Date: January 6, 1995

FOURTH ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST
("THE LANDLORD")
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
("THE TENANT")
DATED
JULY 1, 1993

This Addendum to Lease dated December 15, 1994 ("Fourth Addendum") is hereby attached to and incorporated into and made a part of that Lease dated July 1, 1993, by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated and First Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated July 1, 1993, and Second Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated January 31, 1994, and Third Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated January 31, 1994. The parties agree to the following terms and conditions set forth herein below:

LEASE

2. PREMISES: Paragraph 2 shall be amended to provide that Tenant's Premises on the third floor shall be increased from approximately 16,429 rentable square feet and 14,767 useable square feet ("Original Premises") to 17,309 rentable square feet and 15,490 useable square feet ("Added Premises") to include those Premises known as Suite 308 (880 rentable SF and 723 useable SF).
4. POSSESSION: Tenant shall take possession of the Added Premises as of January 1, 1995. That date shall also be the Commencement Date for the Added Premises.
5. A. RENT: Paragraph 5.A. of the Lease shall be amended to provide that Tenant agrees to pay Landlord as rental for the Original Premises and the Added Premises the sum of Thirty Four Thousand Six Hundred and Eighteen Dollars (\$34,618.00).
7. OPERATING EXPENSES ADJUSTMENTS: Paragraph 7 shall be amended to provide that Tenant shall pay 16.79% of the increase in Direct Expenses.

The Base Year shall be 1995.

SECOND ADDENDUM

5. SERVICES AND UTILITIES

Paragraph C shall be amended as follows:

To provide that Tenant's monthly allowance shall be \$1,903.99 (17,309 rentable SF x \$.11).

For the first year of Tenant's occupancy, Tenant shall pay the amount of \$1,703.90 (15,490 useable SF x \$.11) per month as a projected expense for over-standard electrical usage.

LANDLORD

THE JOSEPH AND EDA PELL REVOCABLE TRUST

By: Joseph Pell

Joseph Pell

Its: -----

By: Eda Pell

Eda Pell

Its: -----

Date: January 6, 1995

TENANT

FAIR, ISAAC AND COMPANY, INCORPORATED

By: Michael C. Gordon

Its: -----

Date: January 6, 1995

FIFTH ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH PELL AND EDA PELL REVOCABLE TRUST
("THE LANDLORD")
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
("THE TENANT")
DATED
JULY 1, 1993

This Addendum to Lease dated May 24, 1995, ("Fifth Addendum") is hereby attached to and incorporated into and made a part of that Lease dated July 1, 1993, by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated and First Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated July 1, 1993, and Second Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated January 31, 1994, and Third Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated January 31, 1994, and Fourth Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated December 15, 1994. The parties agree to the following terms and conditions set forth herein below:

LEASE

2. PREMISES: Paragraph 2 shall be amended to provide that Tenant's Premises on the third floor shall be increased from approximately 17,309 rentable square feet and 15,490 useable square feet ("Original Premises") to 18,115 rentable square feet and 16,210 useable square feet ("Added Premises") to include the partial Premises from Suite 306 (806 rentable SF and 720 useable SF) as shown on the attached Exhibit A.
4. POSSESSION: Tenant shall take possession of the Added Premises as of June 1, 1995. That date shall also be the Commencement Date for the Added Premises.
5. A. RENT: Paragraph 5.A. of the Lease shall be amended to provide that Tenant agrees to pay Landlord as rental for the Original Premises and the Added Premises the sum of Thirty Six Thousand Two Hundred and Thirty Dollars (\$36,230.00) (18,115 rentable SF x \$2.00 per square foot).
7. OPERATING EXPENSES ADJUSTMENTS: Paragraph 7 shall be amended to provide that Tenant shall pay 17.25% of the increase in Direct Expenses (18,115RSF/105,000SF).

The Base Year for the Added Premises shall be 1995.

SECOND ADDENDUM

5. SERVICES AND UTILITIES

Paragraph C shall be amended as follows:

To provide that Tenant's monthly allowance shall be \$1,992.65 (18,115 rentable SF x \$.11).

For the first year of Tenant's occupancy, Tenant shall pay the amount of \$1,783.10 (16,210 useable SF x \$.11) per month as a projected expense for over-standard electrical usage.

LANDLORD THE JOSEPH PELL AND EDA PELL REVOCABLE TRUST

By: Joseph Pell

Joseph Pell, Trustee

Date: June 5, 1995

TENANT FAIR, ISAAC AND COMPANY, INCORPORATED

By: M.C. Gordon

Its: -----

Date: June 1, 1995

CONTRACT

This contract between Dr. Robert M. Oliver ("Oliver") and Fair, Isaac and Company, Incorporated, is entered into in the light of the following facts:

1. Oliver possesses knowledge and skills important to Fair, Isaac and Company, Incorporated.
2. Fair, Isaac and Company, Incorporated, wishes to make use of this knowledge and these skills by engaging Oliver as a consultant from time to time.

It is agreed between the parties as follows:

1. For general consulting services, Oliver will be compensated at the rate of One Hundred Dollars per hour.
2. For specific projects the consulting rate may be different, or a fixed price for a completed project may be agreed upon.
3. Tasks will be undertaken at the request of the President of the Company who may delegate the authority to request consulting services from Oliver in specific cases. Tasks will be undertaken only after a task statement is produced, which shall be in the form of an agreement, in writing, on the nature and scope of the task, as well as the hourly rate or the fixed price, as the case may be. Task statements are effective only if signed by Oliver and the President or the individual to whom authority has been delegated.
4. Invoices will be submitted quarterly, unless a different schedule is agreed on in the task statement. These invoices shall be due and payable on receipt by Fair, Isaac and Company, Inc.
5. The term of this agreement shall be six months.
6. This agreement shall go into effect as of January 1, 1995.
7. It is understood that this contract requires the approval of the disinterested directors of the Company and that unless further specifically approved by said Directors the amount to be paid to Oliver hereunder shall not exceed \$50,000.

For Fair, Isaac and Company, Incorporated

Larry E. Rosenberger

Larry E. Rosenberger, President

Date: May 31, 1995

Robert M. Oliver

Robert M. Oliver

Date: June 1, 1995

CONTRACT

This contract between Dr. Robert M. Oliver ("Oliver") and Fair, Isaac and Company, Incorporated, is entered into in the light of the following facts:

1. Oliver possesses knowledge and skills important to Fair, Isaac and Company, Incorporated.
2. Fair, Isaac and Company, Incorporated, wishes to make use of this knowledge and these skills by engaging Oliver as a consultant from time to time.

It is agreed between the parties as follows:

1. For general consulting services, Oliver will be compensated at the rate of One Hundred Dollars per hour.
2. For specific projects the consulting rate may be different, or a fixed price for a completed project may be agreed upon.
3. Tasks will be undertaken at the request of the President of the Company who may delegate the authority to request consulting services from Oliver in specific cases. Tasks will be undertaken only after a task statement is produced, which shall be in the form of an agreement, in writing, on the nature and scope of the task, as well as the hourly rate or the fixed price, as the case may be. Task statements are effective only if signed by Oliver and the President or the individual to whom authority has been delegated.
4. Invoices will be submitted quarterly, unless a different schedule is agreed on in the task statement. These invoices shall be due and

payable on receipt by Fair, Isaac and Company, Inc.

5. The term of this agreement shall be six months.
6. This agreement shall go into effect as of July 1, 1995.
7. It is understood that this contract requires the approval of the disinterested directors of the Company and that unless further specifically approved by said Directors the amount to be paid to Oliver hereunder shall not exceed \$60,000.

For Fair, Isaac and Company, Incorporated

Larry E. Rosenberger

Larry E. Rosenberger, President

Date: October 12, 1995

Robert M. Oliver

Robert M. Oliver

Date: October 12, 1995

LEASE AGREEMENT

CONTROL DATA SYSTEMS, INC., (hereinafter referred to as "Landlord") and DYNAMARK, INC., (hereinafter referred to as "Tenant"), entered into a Lease dated April 6, 1992, covering premises at 4290 Fernwood Avenue, Arden Hills, Minnesota.

NOW THEREFORE, Landlord and Tenant agree to terminate the subject April 6, 1992 Lease in its entirety as of the Commencement Date (except as to any sums remaining owing, whether actual or contingent) and enter into a new Lease Agreement, the terms and conditions of which are stated as follows:

1. PARTIES.

This Lease is made and entered into this 1st day of May 1995, by and between CONTROL DATA SYSTEMS, INC. (hereinafter referred to as "Landlord") and DYNAMARK, INC., hereinafter referred to as "Tenant").

2. PREMISES.

In consideration of the rents and covenants herein agreed to be paid and performed, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, on the terms and conditions hereinafter set forth, that certain space (the "Premises") consisting of approximately forty eight thousand eight hundred four (48,804) rentable square feet and other improvements located at 4290 Fernwood Avenue, Arden Hills, Minnesota. The Premises are more particularly designated on the plan attached hereto as Exhibit A and made a part of this Lease Agreement.

3. TERM.

The term of this Lease shall be for a period commencing on May 1, 1995, (the "Commencement Date"), and ending at midnight on August 31, 2005, unless sooner terminated as hereinafter provided.

4. BASE RENT.

(a) For the period from the Commencement Date of this Lease Agreement through July 31, 1997, Tenant agrees to pay Base Rent for the Premises in monthly installments at the rate of thirty-four thousand five hundred dollars (\$34,500.00) per month.

Landlord shall provide during this period, included in the Base Rent listed above at no additional cost to Tenant, the following items: parking lot and grounds maintenance, property insurance, property tax payments (up to the amount paid in 1992), sewer and water, and property management services. The Base Rent shall be adjusted periodically as necessary to reflect any increases or decreases in Tenant's actual pro rata share of real estate taxes

attributable to the Premises. Taxes allocated to the Premises are currently deemed to be 6.663713898% of the taxes and assessments for the entire complex in which the Premises are located. Tenant may challenge such allocation if the circumstances concerning the Premises and its relationship to the taxes and assessments change so as to make such allocation inequitable. If Landlord incurs any reasonable expenses as a result of real estate tax appeals or related actions which benefit Tenant in the lowering of the Base Rent, Tenant will be responsible for its pro rata share of these expenses.

During this period, Tenant shall also pay all costs for utilities including electricity, chilled water, heating, custodial services and all other costs not specifically covered by Landlord and addressed herein. Such costs will be invoiced at Landlord's actual cost and will not contain any additional charges.

(b) Beginning August 1, 1997 and thereafter for the remainder of the Term of this Lease Agreement, Base Rent shall be paid according to the following schedule:

Months	Annual Base Rent/RSF	Base Rent/Month
-----	-----	-----
1 - 36	\$6.89	\$28,021.63
37 - 72	\$7.24	\$29,455.08
73 - 97	\$7.54	\$30,665.18

Tenant shall pay as Additional Rent three dollars and twenty-nine cents (\$3.29) per rentable square foot per annum as a fixed charge for Tenant's share of Operating Expenses (as defined in the OPERATING EXPENSES section), payable monthly with Base Rent. On each January 1 of the Term after August 1, 1997, Tenant's pro rata share of Operating Expenses shall increase three percent (3%) over Tenant's pro rata share for the previous year, with the exception of Tenant's pro rata share of real estate taxes which shall reflect the actual increases or decreases.

During this period, Tenant shall also pay all costs for utilities including electricity, water and sewer, chilled water usage and availability, heating, custodial services and all other costs not specifically covered by Landlord and addressed herein. If Landlord incurs any reasonable expenses as a result of real estate tax appeals or related actions which benefit Tenant in the lowering of the Additional Rent for real estate taxes, Tenant will be

responsible for its pro rata share of these expenses.

(c) Said rent is subject to late charges and other terms and conditions of this Agreement. Tenant further agrees to pay its pro rata share of any increases in expenses attributable to a change in law relating to the building and its usage. Monthly rental shall be payable in advance on the first day of each month during the term of this Lease, without notice or demand and without any deduction, off-set, or abatement, except as expressly provided herein, in lawful money of the United States to the Landlord at the address stated herein for notices or to such other persons or such other places as the Landlord may designate to Tenant in writing. Rent not paid within ten (10) days of the due date shall be subject to a late charge equal to the lesser of

five (5) percent of the amount unpaid or the maximum allowable under applicable law, which amount shall be charged against each installment of rent not paid when due. In addition, any installment of rent not paid within ten (10) days of the due date shall bear interest at the rate of twelve (12) percent per annum from the due date until paid, which interest shall be immediately due and payable as additional rent. Any items of additional rent shall be invoiced on a monthly basis by Landlord and shall be payable by Tenant within fifteen(15) days of the date of such invoice.

5. OPERATING EXPENSES

(a) Operating Expenses as Additional Rent. During the Term of the Lease, Tenant shall pay to Landlord as additional rent, without any set-off or deduction except as described herein, the fixed charge specified in Section 4 (b) above for a prorata share ("Tenant's Proportionate Share") of all costs which Landlord may incur in owning, maintaining and operating the premises ("Operating Expenses").

(b) Definition of Operating Expenses. The term "Operating Expenses" shall mean all of the following: (i) all of Landlord's direct costs and expenses of operation, repair and maintenance of the Premises, the property and the common areas and supporting facilities, as determined by Landlord in accordance with generally accepted accounting principles or other recognized accounting principles, consistently applied; (ii) costs, or a portion thereof, properly allocable to the Premises, property or common areas of any capital improvements made to the Premises, property or common areas by Landlord which comprise labor-saving devices or other equipment intended to improve the operating efficiency of any system within the Premises, property or common areas (such as an energy management computer system) to the extent of cost savings in Operating Expenses as a result of the device or equipment, as reasonably determined by Landlord; and (iii) costs properly allocable to the Premises, property or common areas of any capital improvements made to the Premises, property or common areas by Landlord that are required under any governmental law or regulation that was not applicable to the Premises, property and common areas at the time they were constructed, or that are reasonably required for the health and safety of tenants in the property or Premises, the costs, or allocable portion thereof, to be amortized over its useful life as reasonably determined by Landlord and Tenant will pay Tenant's Proportionate Share based on the time remaining in the lease term, together with interest upon the unamortized balance at the interest rate or such higher rate as may have been paid by Landlord on funds borrowed for the purpose of constructing the capital improvements. The term "Operating Expenses" shall include the costs of all utilities (including surcharges) for the property and Premises; the cost of all insurance which Landlord or Landlord's lender deems necessary for the property and Premises; a property management fee equal to ten percent (10%) of Operating Expenses; and the Real Property Taxes. If Landlord elects to self-insure or includes the Premises under blanket insurance policies covering multiple properties, then the term "Operating Expenses" shall include the portion of the cost of such self-insurance properly allocated by Landlord to the Premises. Without

limiting the foregoing, Operating Expenses shall include the costs set forth on Exhibit C attached hereto, showing the breakdown of the initial \$3.29 per square foot charge. After August 1, 1997, Landlord agrees not to unreasonably withhold its agreement to modifications of the services provided by Landlord as part of Operating Expenses, as requested by Tenant, so long as such modifications do not result in increased costs to Landlord, deferred maintenance of the Premises, increased casualty or theft risk to property or premises, or other detriment to Landlord; and upon such modification of services the fixed charge for Operating Expenses shall be appropriately adjusted to reflect the reduced or increased costs to Landlord of providing such services at the time of such modification.

(c) Exclusions From Operating Expenses. The term "Operating Expenses" shall not include (i) costs paid directly by Tenant; (ii) principal and interest payments on loans secured by deeds of trust recorded against property; (iii) real estate sales or leasing brokerage commissions; or (iv) executive salaries of off-site personnel employed by Landlord except for the charge (or pro rata share) of the manager of the property and building; (v) any costs or expenses resulting from the presence of Hazardous Substances as are attributable to Tenant, (as described in Exhibit B) on the date hereof or at any time during the Term.

6. OPTION TO EXTEND LEASE.

Tenant shall have the right and option (the "Option") to extend this Lease for all (but not part) of the Premises, as hereinafter provided, for two (2) periods of five (5) years each (hereinafter referred to as "Renewal Term One" and "Renewal Term Two") provided that (i) there is not then an Event of Default at the time of exercise of the Option nor at the commencement of either of the Renewal Terms; or (ii) that Tenant has not received written notice from Landlord of a default in rent payments more than five (5) times during the last two (2) years of the lease term or renewal period. Tenant's right to extend for any Renewal Term shall lapse without further act or deed if Tenant has not exercised its option to extend for all available preceding Renewal Terms.

The Option shall be exercised by Tenant giving written notice to Landlord of Tenant's intention to exercise said Option on or before that date which is not more than twelve (12) months nor less than nine (9) months prior to the then applicable expiration date for the Term. Unless Landlord has received such written notice of Tenant's intention to exercise said Option within the time period specified herein, then Landlord shall have no further obligation to offer the Premises to the Tenant. If Tenant has not exercised its Option to extend the Terms as outlined herein, Landlord shall be entitled to show the Premises at least nine (9) months prior to the expiration of each Term and offer the Premises for lease to any other prospective tenants. Landlord will give Tenant at least 24 hours notice prior to such showings to prospective tenants. The Option contained herein is personal to Tenant and shall not be assigned or sublet to another party, except as to such party that purchases Tenant or Tenant's assets.

Rental rates will be at then Fair Market Rate, but, in no case, less than the current Base Rent then in effect for the Premises. The Fair Market Rent shall be established by agreement between Landlord and Tenant in accordance with the FAIR MARKET RENT DEFINITION section or, failing agreement, in accordance with the ARBITRATION PROCEDURES section.

7. FAIR MARKET RENT DEFINITION

"Fair Market Rent" shall mean the base rent that the Landlord would receive as of the commencement date in question if it were to lease to a tenant with a credit standing which Landlord reasonably determines is comparable to that of Tenant for similar sized space, similar leasehold improvements and similar other terms and conditions. For purposes of the determination of "Fair Market Rent," it shall be assumed that Landlord and Tenant are each ready, willing and able to enter into such a lease but are under no compulsion to do so.

8. ARBITRATION PROCEDURES

The parties to this Lease will initially attempt to agree upon the Fair Market Rate. If they have been unable to so agree within the period that they are required to agree as to such matter under the Lease, then either party may request by written notice to the other party ("Arbitration Request") that the matter be determined by binding arbitration by an arbitration board consisting of three reputable MAI appraisers who are recognized experts regarding office leases in the Twin Cities area. One arbitrator will be appointed by each party, and each such arbitrator will have no material financial or other business interest in common with the party selecting such arbitrator. If a party fails to appoint an arbitrator and notify the other party of such appointment within thirty (30) days after the Arbitration Request is made, then the arbitrator that was appointed by the other party within such 30-day period will be the sole arbitrator. If two arbitrators are properly appointed and such first two arbitrators are unable to agree on a third arbitrator within thirty (30) days after the appointment of the second arbitrator, then such third arbitrator will be appointed by the presiding judge of Ramsey County District Court, or by any person to whom such presiding judge formally delegates the matter, or, if such methods of appointment fail, by the American Arbitration Association.

The parties will submit a copy of this Lease to the sole arbitrator or the three arbitrators, as the case may be. In establishing the definition of Fair Market Rent, the arbitrator or arbitrators shall apply the standard described in the FAIR MARKET RENT DEFINITION section. If the arbitration is conducted by a sole arbitrator, such sole arbitrator will render his or her determination of the Fair Market Rate applicable during the period in question to the parties by the thirtieth (30th) day after the Arbitration Request was made. If the arbitration is conducted by three arbitrators, each arbitrator will submit his or her determination(s) of the Fair Market Rate applicable during the period in question in a sealed envelope by the thirtieth (30th) day following appointment of the last arbitrator, and any determinations not submitted by such time shall be disregarded. In such cases, the parties will

meet on such thirtieth (30th) day (or if it is not a business day, on the first business day thereafter) at the office of Landlord, or such other place as the parties may agree, and simultaneously deliver the determinations. If the determinations of at least two of the arbitrators are identical in amount, such amount will be deemed the decision of the arbitrators. If the determination of the three arbitrators are different in amount, the decision as to the Fair Market Rate will be independently determined as follows:

(i) If neither the highest nor lowest determination differs from the middle determination by more than fifteen (15%) percent of such middle determination, then the decision will be deemed to be the average of the three determinations; and

(ii) If clause (i) does not apply, then the decision will be deemed to be the average of the middle determination and the determination closest in amount to such middle determination.

The decision of the arbitrators, determined as above set forth, will be final and nonappealable. The fees and expenses of the arbitrator or arbitrators will be shared equally by Landlord and Tenant. During the period of time that any arbitration is pending under this Lease, the parties to this Lease will continue to comply with all those terms and provisions that are not the subject of the arbitration.

9. USE.

Tenant shall use the Premises only for general office use, as a data processing center and other reasonably related activities, or only as otherwise outlined and stated in this lease and for no other purpose without the Landlord's prior written consent. Tenant shall not do, bring or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises or the building in which the Premises are located; provided that Tenant's use for those purposes specified in the preceding sentence shall not be prohibited. If the rate of any insurance carried by the Landlord is increased as a result of Tenant's use, Tenant shall pay to Landlord within ten (10) days after written demand from Landlord, the amount of any such increase. Tenant shall comply with all laws concerning the Premises or Tenant's use of the Premises, including without limitation, the obligation at Tenant's cost to alter, maintain, or restore the Premises in compliance and conformity with all laws relating to the condition, use, or occupancy of the Premises by Tenant during the term of this Lease provided that Tenant shall not be obligated (nor shall Landlord) to make any material capital improvements required by such laws, ordinances, orders, rules and regulations. 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 \$25,000. Tenant shall not use or permit the use of the Premises in any manner that will tend to create waste or a nuisance or, if there shall be more than one tenant of the building containing the Premises, which shall unreasonably disturb any other tenant. Tenant hereby acknowledges that neither the Landlord nor the Landlord's agent has made any representation or warranty to Tenant as to the suitability of the Premises for the conduct of Tenant's business.

10. TAXES.

(a) Real Property Taxes.

Landlord shall pay all real property taxes and general assessments levied and assessed against the Premises during the term of this Lease.

(b) Personal Property Taxes.

Tenant shall pay prior to the delinquency all taxes assessed against and levied upon the trade fixtures, furnishings, equipment and other personal property of Tenant contained in the Premises. Tenant shall endeavor to cause such trade fixtures, furnishings and equipment and all other personal property to be assessed and billed separately from the property of the Landlord. If any of Tenant's said personal property shall be assessed with Landlord's property, Tenant shall pay to Landlord the taxes attributable to Tenant within ten (10) days after receipt of a written statement from Landlord setting forth the taxes applicable to Tenant's property.

11. MAINTENANCE AND REPAIRS.

(a) Landlord's Obligations. Except as provided in the DAMAGE OR DESTRUCTION section, and except for damage caused by any negligent or intentional act or omission of Tenant, Tenant's agents, employees, or invitees, Landlord at its sole cost and expense shall keep in good condition and repair the foundations, exterior walls, and exterior roof of the Premises. Landlord shall also maintain the unexposed electrical, plumbing and sewage systems including, without limitation, those portions of the systems lying outside the Premises; window frames, gutters and down spouts on the building, all sidewalks, landscaping and other improvements that are a part of the Premises or of which the Premises are a part. The Landlord shall also maintain the heating, ventilating and air-conditioning systems servicing the Premises. Landlord shall have thirty (30) days after notice from Tenant to commence to perform its obligations under this Section, and shall thereafter diligently proceed to complete such performance, except that Landlord shall perform its obligations immediately if the nature of the problem presents a hazard or emergency situation. If Landlord fails to perform Landlord's obligations as stated herein, Tenant may at its option (but shall not be required to) after ten (10) days prior written notice to Landlord, cure such failure, and the reasonable costs thereof together with interest thereon at the rate of ten percent (10%) per annum may be deducted by Tenant from the next payments of rent and additional rent payable hereunder.

(b) Tenant's Obligations. Subject to the provisions of Sub-paragraph (a) above and the DAMAGE OR DESTRUCTION section, Tenant at Tenant's sole cost and expense shall keep in good order, condition and repair the Premises and every part thereof, including, without limitation, all Tenant's personal property, fixtures, signs, plate glass, doors, interior walls, interior ceiling, and lighting facilities.

If Tenant fails to perform Tenant's obligations as stated herein, Landlord may at its option (but shall not be required to), enter the Premises,

after ten (10) days prior written notice to Tenant, put the same in good order, condition and repair, and the costs thereof together with interest thereon at the rate of ten (10%) percent per annum shall become due and payable as additional rental to Landlord together with Tenant's next rental installment.

12. ALTERATIONS AND ADDITIONS.

(a) Tenant agrees that no tenant improvements are necessary and Tenant hereby accepts the Premises on an as is basis.

(b) Tenant shall not, without the Landlord's prior written consent, make any alterations, improvements or additions in or about the Premises except for non-structural work. As a condition to giving any such consent, the Landlord may reserve the right to require the Tenant to remove any such alterations, improvements, or additions at the expiration of the term, and to restore the Premises to their prior condition by giving Tenant thirty (30) days written notice prior to the expiration of the term that Landlord requires Tenant to remove any such alterations, improvements or additions that Tenant has made to the Premises. If Landlord so elects, Tenant at its sole cost shall restore the Premises to the condition designated by Landlord in its election before the last day of the term of the Lease.

Before commencing any work relating to the alterations, additions, or improvements affecting the Premises, Tenant shall notify Landlord in writing of the expected date of the commencement of such work so that Landlord can post and record the appropriate notices of non-responsibility to protect Landlord from any mechanic's liens, materialman liens, or any other liens. In any event, Tenant shall pay, when due, all claims for labor and materials furnished to or for Tenant at or for use in the Premises. Tenant shall not permit any mechanic's liens or materialman's liens to be levied against the Premises for any labor or material furnished to Tenant or claimed to have been furnished to Tenant or Tenant's agents or contractors in connection with work of any character performed or claimed to have been performed on the Premises by or at the direction of Tenant. Tenant shall have the right to protest the validity of any such lien if, on within thirty (30) days after demand by Landlord, Tenant procures and records a lien release bond meeting the requirements of Minnesota law and shall provide for the payment of any sum that the claimant may recover on the claim (together with the costs of suit, if it is recovered in the action).

Unless the Landlord requires their removal as set forth above, all alterations, improvements or additions which are made on the Premises by the Tenant shall become the property of the Landlord and remain upon and be surrendered with the Premises at the expiration of the term. Notwithstanding the provisions of this paragraph, Tenant's trade fixtures, furniture, equipment and other machinery, other than that which is affixed to the Premises so that it cannot be removed without material or structural damage to the Premises, shall remain the property of the Tenant and removed by Tenant at the expiration of the term of this Lease.

13. INSURANCE; INDEMNITY.

(a) Fire Insurance.

Landlord at its cost shall maintain during the term of this Lease on the Premises a policy or policies of standard fire and extended coverage insurance to the extent of at least eighty (80%) percent of full replacement value thereof.

Tenant at its cost shall maintain during the term of this Lease on all its personal property, Tenant's improvements, and alterations in or about the Premises, a policy of standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements to the extent of their full replacement value. The proceeds from any such policy shall be used by Tenant for the replacement of personal property or the restoration of Tenant's improvements or alterations.

(b) Liability Insurance.

Tenant at its sole cost and expense shall maintain during the term of this Lease public liability and property damage insurance with a single combined liability limit of not less than two million (\$2,000,000.00) dollars, and property damage limits of not less than five hundred thousand (\$500,000.00) dollars, insuring against all liability of Tenant and its authorized representatives arising out of and in connection with Tenant's use or occupancy of the Premises. Both public liability insurance and property damage insurance shall insure performance by Tenant of the indemnity provisions in Sub-paragraph (d) below, but the limits of such insurance shall not, however, limit the liability of Tenant hereunder. Both Landlord and Tenant shall be named as additional insureds, and the policies shall contain cross-liability endorsements. All public liability, property damage and other casualty insurance policies shall be written as primary policies, not contributing with, and not as excess to coverage which Landlord may carry. Prior to occupancy and thereafter, within at least fifteen (15) days of the expiration of any such policies, Tenant agrees to deliver to Landlord, certificates evidencing such insurance, provided said certificates contain an endorsement stating that such insurance cannot be modified or canceled, nor the amount thereof reduced, except upon thirty (30) days prior written notice to Landlord. If Tenant shall fail to procure and maintain such insurance the Landlord may, but shall not be required to, procure and maintain same at the expense of Tenant and the cost thereof, together with interest thereon at the rate of ten (10%) percent per annum, shall become due and payable as additional rental to Landlord together with Tenant's next rental installment.

(c) Waiver of Subrogation.

Tenant and Landlord each waives any and all rights of recovery against the other, or against the officers, employees, agents, and representatives of the other, for loss of or damage to such waiving party or its property or the property of others under its control, where such loss or damage is insured against under any insurance policy in force at the time of such loss or damage or is insurable under the broad form Special Cause of Loss building and personal property insurance policy customarily used in the State of Minnesota. Each party shall cause each insurance policy obtained by it hereunder to provide that the insurance company waives all right of

recovery by way of subrogation against either party in connection with any damage covered by any such policy.

(d) Hold Harmless.

Tenant shall indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use or occupancy of the Premises or from the conduct of its business or from any activity, work, or things which may be permitted or suffered by Tenant in or about the Premises including all damage, costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or action or proceeding arising therefrom. Except for Landlord's willful or negligent conduct, Tenant hereby assumes all risk of damage to property or injury to person in or about the Premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord.

(e) Exemption of Landlord from Liability.

Except for Landlord's willful or negligent conduct, Tenant hereby agrees that Landlord shall not be liable for any injury to Tenant's business or loss of income therefrom or for damage to the goods, wares, merchandise, or other property of Tenant, Tenant's employees, invitees, customers or any other person in or about the Premises, nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or invitees, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning, or lighting fixtures, or from any other cause, whether such damage results from conditions arising upon the Premises or upon other portions of the building in which the Premises are a part, or from any other sources or places. Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant, if any, of the building in which the Premises are located.

14. DAMAGE OR DESTRUCTION.

(a) Damage - Insured.

If, during the term of this Lease, the Premises and/or the building and other improvements in which the Premises are located are totally or partially destroyed rendering the Premises totally or partially inaccessible or unusable, and such damage or destruction was caused by a casualty covered under an insurance policy required to be maintained hereunder, Landlord shall restore the Premises and/or the building and other improvements in which the Premises are located into substantially the same condition as they were in immediately before such damage or destruction, provided that the restoration can be made under the existing laws and can be completed within one hundred twenty (120) working days after the date of such destruction or damage. Such destruction or damage shall not terminate this Lease.

If the restoration cannot be made in said 120 day period, then within fifteen (15) days after the parties hereto determine that the restoration cannot be made in the time stated in this paragraph but, in any event within thirty (30) days of such damage or destruction, Tenant may terminate this

Lease immediately by giving notice to Landlord and the Lease will be deemed canceled as of the date of such damage or destruction. If Tenant fails to terminate this Lease and the restoration is permitted under the existing laws, Landlord, at its option, may terminate this Lease or restore the Premises and/or any other improvements in which the Premises are located within a reasonable time and this Lease shall continue in full force and effect. If the existing laws do not permit the restoration, either party can terminate this Lease immediately by giving notice to the other party.

Notwithstanding the above, if the Tenant is the insuring party and if the insurance proceeds received by Landlord are not sufficient to effect such repair, Landlord shall give notice to Tenant of the amount required in addition to the insurance proceeds to effect such repair. Tenant may, at Tenant's option, contribute the required amount, but upon failure to do so within thirty (30) days following such notice, Landlord's sole remedy shall be, at Landlord's option and with no liability to Tenant, to cancel and terminate this Lease. If Tenant shall contribute such amount to Landlord within said thirty (30) day period, Landlord shall make such repairs as soon as reasonably possible and this Lease shall continue in full force and effect. Tenant shall in no event have any right to reimbursement for any amount so contributed.

(b) Damage - Uninsured.

In the event that the Premises are damaged or destroyed by a casualty which is not covered by the fire and extended coverage insurance which is required to be carried by the party designated in Article 11(a) above, then Landlord shall restore the same; provided that if the damage or destruction is to an extent greater than ten (10%) percent of the then replacement cost of the improvements on the Premises (exclusive of Tenant's trade fixtures and equipment and exclusive of foundations and footings), then Landlord may elect not to restore and to terminate this Lease. Landlord must give to Tenant written notice of its intention not to restore within thirty (30) days from the date of such damage or destruction and, if not given, Landlord shall be deemed to have elected to restore and in such event shall repair any damage as soon as reasonably possible. In the event that Landlord elects to give such notice of Landlord's intention to cancel and terminate this Lease, Tenant shall have the right, within ten (10) days after receipt of such notice, to give written notice to Landlord of Tenant's intention to repair such damage at Tenant's expense, without reimbursement from Landlord, in which event the Lease shall continue in full force and effect and Tenant shall proceed to make such repairs as soon as reasonably possible. If the Tenant does not give such notice within such 10 day period, this Lease shall be canceled and be deemed terminated as of the date of the occurrence of such damage or destruction.

(c) Damage Near the End of the Term.

If the Premises are totally or partially destroyed or damaged during the last twelve (12) months of the term of this Lease, Landlord may, at Landlord's option, cancel and terminate this Lease as of the date of the cause of such damage by given written notice to Tenant of Landlord's election to do so within 30 days after the date of the occurrence of such damage; provided, however, that, if the damage or destruction occurs within the last twelve (12) months of the term and if within fifteen (15) days after the date of such

damage or destruction Tenant exercises any option to extend the term provided herein, Landlord shall restore the Premises if obligated to do so as provided in subparagraph (a) or (b) above.

(d) Abatement of Rent.

If the Premises are partially or totally destroyed or damaged and Landlord or Tenant repairs or restores them pursuant to the provisions of this Article, the rent and additional rent payable hereunder for the period during which such damage, repair or restoration continues shall be abated in proportion to the degree to which Tenant's reasonable use of the Premises is impaired. Except for the abatement of rent, if any, Tenant shall have no claim against Landlord for any damages suffered by reason of any such damage, destruction, repair or restoration.

(e) Trade Fixtures and Equipment.

If Landlord is required or elects to restore the Premises as provided in this Article, Landlord shall not be required to restore Tenant's improvements, trade fixtures, equipment or alterations made by Tenant, such excluded items being the sole responsibility of Tenant to restore hereunder.

15. PARKING.

At no additional cost, Landlord agrees to maintain (including snow removal when appropriate) and allow Tenant to use a general parking area. The parking area is designated on Exhibit A. Tenant's right to use said parking area is subject to the public's parking rights, as so designated by Landlord from time to time to the City of Arden Hills, for the adjacent park.

16. CONDEMNATION.

If the Premises or any portion thereof are taken by the power of eminent domain, or sold by Landlord under the threat of exercise of said power (all of which is herein referred to as "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever occurs first. If more than twenty (20%) percent of the floor area of any buildings on the Premises, or more than twenty (20%) percent of the land area of the Premises not covered with buildings, is taken by condemnation, either Landlord or Tenant may terminate this Lease as of the date the condemning authority takes possession by notice in writing of such election within twenty (20) days after Landlord shall have notified Tenant of such taking or, in the absence of such notice, then within twenty (20) days after the condemning authority shall have taken possession. Notwithstanding the foregoing, if such partial materially interferes with Tenant's use or occupancy of the Premises, Tenant shall have the right to terminate the Lease.

If this Lease is not terminated by either Landlord or Tenant as provided hereinabove, then it shall remain in full force and effect as to the portion of the Premises remaining, provided that the rental shall be reduced in proportion to the floor area of the buildings taken within the Premises as bears to the total floor area of all buildings located on the Premises. In the

event this Lease is not so terminated, then Landlord agrees at Landlord's sole cost and expense, to as soon as reasonably possible restore the Premises to a complete unit of like quality and character as existed prior to the condemnation.

All awards for the taking of any part of the Premises or any payment made under the threat of the exercise of the power of eminent domain shall be the property of the Landlord, whether made as compensation for the diminution of the value of the leasehold or for the taking of the fee or as severance damages; provided, however, that Tenant shall be entitled to any award for loss of or damage to Tenant's trade fixtures and removable personal property, good will and going-concern value.

Rent shall be abated or reduced during the period from the date of taking until the completion of restoration by Landlord, but all other obligations of Tenant under this Lease shall remain in full force and effect. The abatement or reduction of the rent shall be based on the extent to which the restoration interferes with Tenant's use of the Premises.

17. ASSIGNMENT AND SUBLETTING.

Landlord's rights under this Lease may be assigned or conveyed without notice to Tenant, but such assignment or conveyance shall not relieve Landlord of any of its obligations hereunder and shall not be valid as to Tenant until ten (10) days after Tenant receives written notice thereof. Tenant shall not voluntarily or by operation of law assign, transfer, sublet, mortgage, or otherwise transfer or encumber all or any part of Tenant's interest in this Lease or in the Premises without Landlord's prior written consent which consent shall not be unreasonably withheld. Any attempted assignment, transfer, mortgage, encumbrance, or subletting without such consent shall be void and shall constitute a breach of this Lease. Tenant's extension rights in this Lease Agreement are not assignable except in connection with a sale of Tenant or Tenant's assets. Regardless of Landlord's consent, no subletting or assignment shall release Tenant of Tenant's obligation to pay the rent and to perform all other obligations to be performed by Tenant hereunder for the term of this Lease. The acceptance of rent by Landlord from any other person shall not be deemed a waiver by Landlord of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting.

18. DEFAULT

(a) Events of Default.

The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

(1) Failure to pay rent when due, if the failure continues for five (5) days after written notice has been given to Tenant.

(2) Tenant shall be considered in default under the Lease for the abandonment of the Premises if the Premises are not kept in an orderly condition and the rent is not paid in accordance with the terms of the Lease within the grace periods provided in paragraphs (1) and (3) of this section.

(3) Failure to perform any other provision of this Lease if the failure to perform is not cured within thirty (30) days after written notice thereof has been given to Tenant by Landlord. If the default cannot reasonably be cured within said thirty (30) day period, Tenant shall not be in default under this Lease if Tenant commences to cure the default within the thirty (30) day period and diligently prosecutes the same to completion.

(4) The making by Tenant of any general assignment, or general arrangement for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy unless the same is dismissed within sixty (60) days; the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where such seizure is not discharged within thirty (30) days.

Notices given under this paragraph shall specify the alleged default and the applicable lease provisions, and shall demand that Tenant perform the provisions of this Lease or pay the rent that is in arrears as the case may be, within the applicable period of time. No such notice shall be deemed a forfeiture or a termination of this Lease unless Landlord so elects in the notice.

(b) Landlord's Remedies.

The Landlord shall have the following remedies if Tenant commits a default under this Lease. These remedies are not exclusive but are cumulative and in addition to any remedies now or hereafter allowed by law.

Landlord can continue this Lease in full force and effect, and the Lease will continue in effect so long as Landlord does not terminate Tenant's right to possession, and the Landlord shall have the right to collect rent when due. During the period that Tenant is in default, Landlord can enter the Premises and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to the Landlord for all costs the Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises required by the reletting, and like costs. Reletting can be for a period shorter or longer than the remaining term of this Lease. Tenant shall pay to Landlord the rent due under this Lease on the dates the rent is due, less the rent Landlord receives from any reletting. No act by Landlord allowed by this paragraph shall terminate this Lease unless Landlord notifies Tenant that Landlord elects to terminate this Lease. After Tenant's default and for so long as Landlord has not terminated Tenant's right to possession of the Premises, if Tenant obtains Landlord's consent, Tenant shall have the right to assume or sublet its interest in the Lease, but Tenant shall not be released from liability. Landlord's consent to the proposed assignment or subletting shall not be unreasonably withheld.

If Landlord elects to relet the Premises as provided in this paragraph, any rent that Landlord receives from such reletting shall apply first to the payment of any indebtedness from Tenant to Landlord other than the rent

due from Tenant to Landlord; secondly, to all costs, including maintenance, incurred by Landlord in such reletting; and third, to any rent due and unpaid under this Lease. After deducting the payments referred to in this paragraph, any sum remaining from the rent Landlord receives from such reletting shall be held by Landlord and applied in payment of future rent as rent becomes due under this Lease. In no event shall tenant be entitled to any excess rent received by Landlord. If, on the date rent is due under this, Lease, the rent received from the reletting is less than the rent due on that date, Tenant shall pay to Landlord, in addition to the remaining rent due, all costs, including maintenance, that Landlord shall have incurred in reletting that remain after applying the rent received from the reletting as provided in this paragraph.

If Tenant is in default and such default is continuing, Landlord can, at its option, terminate Tenant's right to possession of the Premises at any time. No act by Landlord other than giving written notice to Tenant shall terminate this Lease. Acts of maintenance or efforts to relet the Premises shall not constitute a termination of Tenant's right to possession. In the event of such termination, Landlord has the right to recover from Tenant:

(1) The unpaid rent that had been earned at the time of the termination of this Lease;

(2) The present value (using a discount factor equal to treasury rates for a comparable period) of the amount of rent that would have been due under the lease from the time of termination to the end of the term of this Lease Agreement in excess of the Fair Market Rental Value of the Premises;

(3) Notwithstanding Article 18(b)(2) above, Landlord, at its option, may defer terminating the Lease until such time as Landlord has relet the Premises. In such case, Landlord has the right to recover from the Tenant the amount of rent that would have been due under the Lease from the time of the determination less the proceeds attributable to the reletting of the Premises;

(4) Any other amount, including court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's default;

(5) Any damage or loss of rent sustained by Landlord may be recovered by Landlord, at Landlord's option, at the time of the reletting or in separate actions from time to time as said damage shall have been ascertained or, at Landlord's option, may be deferred until the expiration of the Term (in which event Tenant hereby agrees that the cause of action shall not be deemed to have accrued until the date of expiration of the Term). The provisions contained in this Article 18(b)(5) shall be in addition to and shall not prevent the enforcement of any claim Landlord may have against Tenant for anticipatory breach of the unexpired term of this Lease.

Landlord at any time after Tenant commits a default, after notice to Tenant can cure the default at Tenant's cost and expense. If Landlord at any time, by reason of Tenant's default, pays any sum or does any act that requires the payment of any sum, the sum paid by Landlord shall be due immediately from Tenant to Landlord at the time the sum is paid, and if paid at a later date shall bear interest at the maximum rate an individual is permitted by law to charge from the date the sum is paid by Landlord until

Landlord is reimbursed by Tenant. The sum, together with interest thereon, shall be considered additional rent.

19. SIGNS.

Tenant shall not have the right to place, construct or maintain any sign, advertisement, awning, banner, or other exterior decorations on the building or property of the Landlord or other improvements that are a part of the Premises (except those existing on the date hereof) without Landlord's prior, written consent. Any signs that are placed on the Landlord's property or the Premises shall be at the sole expense of Tenant and shall conform with all applicable zoning laws. Tenant agrees to maintain its signs in good repair, to remove its signs at the end of the term or any intended term, repairing any damage caused by such removal, and to hold Landlord harmless from any loss, cost or damages resulting from the erection, existence, maintenance or removal of Tenant's signs.

20. SUBORDINATION.

This Lease, at Landlord's option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation for security now or hereafter placed upon the real property of which the Premises are a part and to any and all advances made on the security thereof and to all renewal, modifications, and extensions thereof. Notwithstanding any such subordination, Tenant's right to quiet possession of the Premises and other rights under this Lease shall not be disturbed and shall be recognized if Tenant is not in default and so long as Tenant shall pay the rent and observe and perform all the other provisions of this Lease within the periods of grace provided for herein, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee, or ground lessor shall elect to have this Lease prior to the lien of its mortgage or deed of trust or ground lease, and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such mortgage, deed of trust or ground lease, whether this Lease is dated prior to or subsequent to the date of such mortgage, deed of trust or ground lease, or the date of recording thereof. Tenant agrees to execute any documents required to effect such subordination or to make this Lease prior to the lien of any mortgage, deed of trust, or ground lease, as the case may be, and failing to do so within ten (10) days after written demand from Landlord does hereby make, constitute and irrevocably appoint Landlord as Tenant's attorney in fact and in Tenant's name, place and stead to do so.

21. SURRENDER.

On the last day of the term hereof, or on any sooner termination, Tenant shall surrender the Premises to Landlord in good condition, broom clean, ordinary wear and tear and casualty damage excepted. Tenant shall repair any damage to the Premises occasioned by its use thereof, or by the removal of Tenant's trade fixtures, furnishings and equipment which repair shall include the patching and filling of holes and repair of structural damage.

25. LANDLORD'S RIGHT TO INSPECTIONS.

Landlord and Landlord's agent shall have the right to enter the Premises upon 24 hours notice at reasonable times for the purpose of inspecting same, showing the same to prospective purchasers or lenders, and making such alterations, repairs, improvements or additions to the Premises or to the building of which the Premises are a part as Landlord may deem necessary or desirable. Landlord may at any time place on or about the Premises any ordinary "For Sale" signs and Landlord may at any time during the last ninety (90) days of the term of this Lease place on or about the Premises any ordinary "For Sale or Lease" signs, all without rebate of rent or liability to Tenant.

26. CHOICE OF LAW.

This Lease Agreement shall be constructed, interpreted and enforced according to the laws of the state of Minnesota.

27. ATTORNEY'S FEES.

If either Landlord or Tenant becomes a party to any litigation or arbitration concerning this Lease, the Premises, or the building or other improvements in which the Premises are located, by reason of any act or omission of the other party or its authorized representatives, and not by reason of any act or omission of the party that becomes a party to that litigation or any act or omission of its authorized representatives, the party that causes the other party to become involved in the litigation shall be liable to that party for reasonable attorney's fees and court costs incurred by it in the litigation.

If either party commences an action against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to have and recover from the losing party reasonable attorney's fees and costs of suit.

28. LANDLORD'S LIABILITY.

The obligations contained in this Lease to be performed by Landlord shall be binding upon the Landlord's successors and assigns, only during their respective periods of ownership.

29. WAIVERS.

No waiver by Landlord of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Tenant of the same or any other provision. Landlord's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act by Tenant. The acceptance of rent hereunder by Landlord shall not be a waiver of any preceding breach by Tenant of any provision hereof, other than the failure of Tenant to pay the

particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of its acceptance of such rent.

30. INCORPORATION OF PRIOR AGREEMENTS.

This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified only in writing, and signed by the parties in interest at the time of such modification.

31. TIME.

Time is of the essence in this Lease.

32. SEVERABILITY.

The unenforceability, invalidity, or illegality of any provision of this Lease shall not render the other provisions hereof unenforceable, invalid or illegal.

33. ESTOPPEL CERTIFICATES.

Each party, within ten (10) days after notice from the other party, shall execute and deliver to the other party a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating the modification. The certificate shall also state the amount of minimum monthly rent, the dates to which rent has been paid in advance, and the amount of any security deposit or prepaid rent, if any, as well as acknowledging that there are not, to that party's knowledge, any uncured defaults on the part of the other party, or specifying such defaults, if any, which are claimed. Failure to deliver such a certificate within the ten (10) day period shall be conclusive upon the party failing to deliver the certificate to the benefit of the party requesting the certificate that this Lease is in full force and effect, that there are no uncured defaults hereunder, and has not been modified except as may be represented by the party requesting the certificate.

34. ACCEPTANCE OF PREMISES.

Tenant acknowledges that it is currently in occupancy of the Premises and accepts them in an "as is" condition with no renovations or Tenant Improvements to be performed by the Landlord. If the use or occupancy of the Premises by Tenant causes the Landlord to be required under the ADA to make additional modifications or alterations to the Premises or any of the other areas of the building or its entrances and parking areas, then Tenant shall pay the cost of such additional modifications or alterations subject to the provisions of Section 9. Landlord represents and warrants that, to the best of

Landlord's knowledge that, except for those areas listed on Exhibit D, the Premises do not contain any asbestos containing materials.

35. COVENANTS AND CONDITIONS.

Each provision of this Lease performable by Tenant shall be deemed both a covenant and a condition.

36. SINGULAR AND PLURAL.

When required by the context of this Lease, the singular shall include the plural.

37. USE.

Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall fully comply at its sole expense with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which hereafter may be in force other than such laws or regulations which require the making of structural changes, changes to the Premises' life safety system, plumbing, air conditioning, heating and electrical systems. Tenant shall not be responsible for compliance with any provisions governing cleanup, remediation, removal or restoration work required by any federal, state, or local government agency or political subdivision because of hazardous material present in the soil or ground water on or under the premises except to the extent that if such cleanup, remediation, removal or restoration is attributable to Tenant's actions or failure to act. In such case, tenant shall be fully responsible for compliance and shall indemnify and hold landlord harmless for any costs, expenses or damages attributable thereto.

38. ADDENDUM.

Any addendum or exhibit attached hereto and either signed or initialed by the parties shall be deemed a part hereof and shall supersede any conflicting terms or provisions contained in this Lease.

39. BROKER.

Landlord and Tenant each represent and warrant to the other that it is not aware of any brokers or finders who may claim a fee or commission in connection with the consummation of the transactions contemplated by this Agreement except for The Shellard Group whose fee shall be paid by Landlord. The said fee for The Shellard Group shall be one dollar (\$1.00) per rentable square foot. Said fee will be payable within thirty (30) days after the Commencement Date of this Lease Agreement.

If any other claims for brokers' or finders' fees in connection with the transactions contemplated by this Agreement arise, then Tenant agrees to indemnify, protect, hold harmless and defend Landlord (with counsel satisfactory to Landlord) from and against any such claims if they shall be based upon any statement, representation or agreement made by Tenant, and Landlord agrees to indemnify, protect, hold harmless and defend Tenant (with counsel satisfactory to Tenant) if such claims are based upon any statement, representation or agreement made by Landlord.

40. ENVIRONMENTAL COMPLIANCE AND REQUIREMENTS

Tenant shall fully comply with the requirements set forth in Exhibit B attached hereto and incorporated herein.

41. SOLICITATION

Landlord and Tenant agree, that for the term of this Agreement, neither Landlord or Tenant shall intentionally solicit to hire the employees of the other party without advance written approval of the other party.

42. QUIET ENJOYMENT

Landlord covenants that Tenant, upon performing the terms, conditions and covenants of this lease, shall have quiet and peaceful possession of the Premises as against any person.

43. FAIR DEALING AND CONSENTS

It is mutually understood and agreed to between Landlord and Tenant that each party will act fairly and reasonably with the other in all matters pertaining to this Lease Agreement. Where a consent or approval is required, it will not be unreasonably withheld, denied or delayed by either party.

44. FORCE MAJEURE

Landlord shall be excused for the period of any delay in the performance of any obligations hereunder, when prevented from so doing by cause or causes beyond Landlord's control which shall include, without limitation, all labor disputes, civil commotion, war, war-like operations, invasion, rebellion, hostilities, military or usurped power, sabotage, governmental regulations or controls, fire or other casualty, inability to obtain any material services or through acts of God. Tenant shall similarly be excused for delay in the performance of obligations hereunder provided:

(a) nothing contained in this Paragraph or elsewhere in this Lease shall be deemed to excuse or permit any delay in the payment of any sums of money required hereunder, or any delay in the cure of any default which may be cured by the payment of money;

(b) no reliance by Tenant upon this Paragraph shall limit or restrict in any way Landlord's right of self-help as provided in this Lease; and

(c) Tenant shall not be entitled to rely upon this Paragraph unless it shall advise Landlord in writing, of the existence of any force majeure preventing the performance of an obligation of Tenant within five (5) days after becoming aware of the delay resulting from force majeure.

45. SECURITY DEPOSIT

Landlord acknowledges that Tenant has paid Landlord a Security Deposit of thirty-three thousand five hundred dollars (\$33,500.00) prior to the Commencement Date of this Lease Agreement. If Tenant is in arrears in its Rent payment or other financial obligations to Landlord, subject Security Deposit may be applied to current Rent or such other financial obligations owed to Landlord and Tenant will immediately replenish the Security Deposit in full. After August 1, 1997, if Tenant is not in default, is current in its Rent payments to Landlord and has met its full financial obligations, within sixty (60) days after receipt of a written request from Tenant, Landlord will issue a credit of subject Security Deposit to Tenant's monthly rental payment due Landlord.

46. RIGHT OF NOTICE TO PURCHASE PROPERTY

Not less than sixty (60) days prior to accepting any offer to purchase or making any offer to sell the Premises or the property of which the Premises are a part, Landlord shall notify Tenant in writing and advise Tenant of the price at which Landlord intends to list such property or otherwise is willing to accept for sale of such property. Landlord agrees to entertain in good faith any purchase offer made by Tenant for such property after giving such notice, but this provision shall not be deemed to be an agreement for the sale of any property on any terms.

The parties hereto have executed this Lease on the date first above written.

TENANT: DYNAMARK, INC.

BY: J.R. Schoeller

TITLE: Senior Vice President

DATE: April 27, 1995

LANDLORD: CONTROL DATA SYSTEMS, INC.

BY: W.D. Seiler

TITLE: Director of Real Estate

DATE:

EXHIBIT A
PREMISES

(This Exhibit consists of a small-scale map of the leased premises relative to nearby buildings and roads.)

EXHIBIT B
ENVIRONMENTAL COMPLIANCE AND REQUIREMENTS

1.01 DEFINITIONS. As used in this Appendix and the Lease the following terms shall have the following meanings:

(a) "CLAIMS" shall mean:

(1) any and all suits, demands, actions, fines, penalties, claims, enforcement, clean-up, removal, closure plans, contribution or other actions or proceedings, liens, or other claims by any Governmental Entity at any time from and after the Commencement Date threatened, instituted or claimed;

(2) any and all claims, liabilities, costs, expenses, damages, attorneys' fees, experts' fees, costs or expenses arising in connection with any death or injury to any person or damage to any property occurring on or after the Commencement Date;

(3) any and all personal injury, property damage, nuisance, tort, or other claims, actions, or demands arising on or after the Commencement Date brought at any time by any third parties; and

(4) any and all other judgments, claims, losses, damages, liabilities, deficiencies, injunctions, attorneys fees, experts' fees, costs or expenses imposed, threatened, paid or incurred at any time from and after the Commencement Date arising out of Tenant's use of the Property, whether foreseeable or unforeseeable, suspected or unsuspected, conditional or unconditional.

(b) "ENVIRONMENTAL LAWS" shall mean the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U. S. C. Section 9601, et. seq.; the Resource Conservation and Recovery Act, 42 U. S. C. Section 6901, et. seq.; the Hazardous Materials Transportation Act, 49 U. S. C. 1802, et. seq.; the Toxic Substances Control Act, 15 U. S. C. Section 2601, et. seq.; the Federal Water Pollution Control Act, 33 U. S. C. 1251, et. seq.; the Clean Water Act, 33 U. S. C. Section 1321, et. seq.; the Clean Air Act, 42 U. S. C. Section 7401, et. seq.; the Minnesota Environmental Response and Liability Act, Minn. Stat. 115B.01, et. seq.; the Minnesota Petroleum Tank Release Cleanup Act, Minn. Stat. 115C.01, et. seq.; and any other federal, state, county, municipal, local or other statute, law, ordinance, rule, or regulation which may relate to or deal with human health or the environment, all as may be from time to time amended or subsequently enacted.

(c) "GOVERNMENTAL ENTITY" shall mean any local, state, federal, foreign, or international governmental authority, agency, or entity, including, but not limited to, any court, tribunal, or panel.

(d) "HAZARDOUS SUBSTANCE ACTIVITY" shall mean the generation, possession, transportation, transfer, recycling, storage, use, treatment, manufacture, investigation, removal, remediation, release, exposure of others to, sale, distribution, or disposal (including, but not limited to, landfilling, incineration, abandonment, evaporation, or dilution) of any Hazardous Substance or any product containing a Hazardous Substance.

(e) "HAZARDOUS SUBSTANCES" shall mean any material or substance which is defined or included in the definition of a hazardous or toxic material, substance or waste, or a pollutant or contaminant, pursuant to any Environmental Law.

1.02 USE OF HAZARDOUS SUBSTANCES. From and after the Commencement Date, Tenant shall conduct all Hazardous Substance Activity in compliance with Environmental Laws.

1.03 REPORTS. At Tenant's expense, Tenant will comply with any period reporting requirements concerning Hazardous Substance Activity. If required, Tenant shall file reports on any such Activities with the appropriate Governmental Entity. If, at any time during the Term of this Lease, any Governmental Entity should request a report on any Hazardous Substances Tenant has used, stored or disposed of on or from the Property, Tenant will either cause said report to be made as soon as possible at its own cost and expense, or, if not made within thirty (30) days of Landlord's request for the same, will reimburse Landlord, as Additional Rent, for Landlord's cost of obtaining said report.

1.04 PERMITS. Tenant shall obtain, at Tenant's expense, all approvals, whether in the form of a license, permit, certification, or other authorization, required by any Governmental Entity with respect to Hazardous Substance Activity, maintain all such required approvals for the duration of the Lease Term, and provide such evidence of such continuing compliance as Landlord may from time to time request.

1.05 REMOVAL OF STORAGE TANKS. At the expiration of this Lease, Tenant shall remove, at Tenant's expense, any tanks for storage of Hazardous Substances installed by Tenant in compliance with all Environmental Laws.

1.06 INDEMNIFICATION OF LANDLORD. Tenant agrees to absolutely indemnify, defend and hold Landlord harmless of and from any Claims arising out of or in any manner related to all Hazardous Substance Activities conducted or occurring on the Property in connection with Tenant's use or arising out of or related to Hazardous Substances introduced on the Property by Tenant or its employees, invitees, visitors, or agents during the Lease Term. This indemnification obligation shall survive the expiration or termination of this Lease.

EXHIBIT C
OPERATING COSTS

Ground Maintenance/Snow Plowing	\$0.18
Roof/Road Repair	\$0.36
Chilled Water Availability	\$0.16
Mechanical/Electrical Maintenance	\$0.46
Building Insurance	\$0.04
Security Services	\$0.51
Real Estate Taxes	\$1.28
Property Management	\$0.30

	\$3.29

EXHIBIT D
ASBESTOS CONTAINING MATERIALS

Description	% Asbestos
Floor Tile	1%
Floor Tile Adhesive	20%
Chilled Water Valve	25%
Chilled Water Elbow	20%

The above information was extracted from a sample analysis report conducted by Pabershaw & Pike, Inc. dated November 3, 1986.

OFFICE BUILDING LEASE

1. PARTIES This Lease, dated, for reference purposes only, July 10, 1993 is made by and between The Joseph and Eda Pell Revocable Trust (herein called "Landlord") and Fair, Isaac and Company, Incorporated (herein called "Tenant").
2. PREMISES Landlord does hereby lease to Tenant and Tenant hereby leases from Landlord that certain office space (herein called "Premises") indicated on Exhibit "A" attached hereto and reference thereto made a part hereof, said Premises being agreed, for the purposes of this Lease, to have an area of approximately 35,261 rentable square feet and 33,140 useable square feet, being situated in Suite 200 on the second floor of that certain Building known as Regency Center, 100 Smith Ranch Road, San Rafael, CA 94903.

Said Lease is subject to the terms, covenants and conditions herein set forth and the Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of said terms, covenants and conditions and that this Lease is made upon the condition of said performance.

3. TERM The term of this Lease shall be for seven (7) years, commencing on the 1st day of December, 1994, and ending on the 30th day of November, 2001.

See Addendum to Lease, P. 4, Commencement.

4. POSSESSION See Addendum to Lease, P. 3, Possession.

5. A. RENT Tenant agrees to pay to Landlord as rental for the premises, without prior notice or demand, the sum of Seventy Thousand Five Hundred Twenty-two Dollars (\$70,522.00) on or before the first day of the first full calendar month of the term hereof and a like sum on or before the first day of each and every successive calendar month thereafter during the term hereof, except that the first month's rent shall be paid upon the execution of this Lease. Rent for any period during the term which is for less than one (1) month shall be a prorated portion of the monthly installment herein, based upon a thirty (30) day month. Said rental shall be paid to Landlord without deduction or offset in lawful money of the United States of America, which shall be legal tender at the time of payment at 100 Smith Ranch Road, Suite 325, San Rafael, California 94903, or to such other place as Landlord may from time to time designate in writing.

See Addendum to Lease, P. 5, Free Rent.

- B. RENT ESCALATIONS Commencing on the 12th month of this lease (December 1, 1995) and on each annual anniversary following, the base rent shall be adjusted by the increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U. S. Department of Labor for All Urban Consumers, San Francisco-Oakland-San Jose (1984=100), "All Items" herein referred to as "C.P.I."

The C.P.I. increase shall be calculated as follows: The base rent payable for the first month term of this lease shall be multiplied by the percentage change in the C.P.I. for the 12 months preceding December 1, 1995. On each anniversary following, the base rent shall be multiplied by the percentage change in the C.P.I. for the 12 months preceding. No single increase shall exceed 4% of the previous year's rental rate and in

no event shall the new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment.

6. SECURITY DEPOSIT Tenant shall deposit with Landlord the sum of Seventy Thousand Five Hundred Twenty-two Dollars (\$70,522.00), on or before the Date of Possession, See Addendum to Lease P. 3. Said sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease including, but not limited to, the provisions relating to the payment of rent, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any other sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's default to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the security deposit to its original amount and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep this security deposit separate

from its general fund and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the security deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) at the expiration of the Lease term. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer said deposit to Landlord's successor in interest.

7. OPERATING EXPENSE ADJUSTMENTS For the purposes of this Article, the following terms are defined as follows:

- BASE YEAR The Base Year shall be 1995.
- COMPARISON YEAR Each calendar year of the term after the Base Year.
- DIRECT EXPENSES All direct costs of operation and maintenance, as determined by standard accounting practices, including the following costs by way of illustration, but not be limited to: real property taxes and assessments; rent taxes, gross receipt taxes, (whether assessed against the Landlord or assessed against the Tenant and collected by the Landlord, or both); water and sewer charges; insurance premiums; utilities; janitorial services; labor; costs incurred in the management of the Building; air conditioning & heating; elevator maintenance; supplies; materials; equipment and tools; and maintenance, costs and upkeep of all parking and common areas. ("Direct Expenses" shall not include depreciation on the Building of which the Premises are a part or equipment therein, loan payments, executive salaries or real estate broker's commissions.)

If the Direct Expenses paid or incurred by the Landlord for the Comparison Year on account of the operation or maintenance of the Building of which the Premises are a part are in excess of the Direct Expenses paid or incurred for the Base Year, then the Tenant shall pay 33.90% of the increase. This percentage is that portion of the total rentable area of the Building occupied by the Tenant hereunder. Landlord shall endeavor to give to Tenant on or before the first day of March of each year following the respective Comparison Year a statement of the increase in rent payable by Tenant hereunder, but failure by Landlord to give such statement

by said date shall not constitute a waiver by Landlord of its right to require an increase in rent. Upon receipt of the statement for the first Comparison Year, Tenant shall pay in full the total amount of the increase due for the first Comparison Year and, in addition for the then current year, the amount of any such increase shall be used as an estimate for said current year and this amount shall be divided into twelve (12) equal monthly installments and Tenant shall pay to Landlord, concurrently with the regular monthly rent payment next due following the receipt of such statement, an amount equal to one (1) monthly installment multiplied by the number of months from January in the calendar year in which said statement is submitted to the month of such payment, both months inclusive. Subsequent installments shall be payable concurrently with the regular monthly rent payments for the balance of that calendar year and shall continue until the next Comparison Year's statement is rendered. If the next or any succeeding Comparison Year results in a greater increase in Direct Expenses, then upon receipt of a statement from Landlord, Tenant shall pay a lump sum equal to such total increase in Direct Expenses over the Base Year, less the total of the monthly installments to be paid for the next year, following said Comparison Year, shall be adjusted to reflect such increase. If in any Comparison Year the Tenant's share of Direct Expenses be less than the preceding year, then upon receipt of Landlord's statement, any overpayment made by Tenant on the monthly installment basis provided above shall be credited towards the next monthly rent falling due and the estimated monthly installments of Direct Expenses to be paid shall be adjusted to reflect such lower Direct Expenses for the most recent Comparison Year.

Even though the term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's share of Direct Expenses for the year in which this Lease terminates, Tenant shall immediately pay any increase due over the estimated expenses paid and conversely any overpayment made in the event said expenses decrease shall be immediately rebated by Landlord to Tenant.

Notwithstanding anything contained in this Article, the rent payable by Tenant shall in no event be less than the rent specified in Article 5 above.

See Addendum to Lease, P. 6, Operating Expense Adjustments.

8. USE Tenant shall use the Premises for general office purposes and shall not use or permit the Premises to be used for any other purposes without the prior written consent of Landlord.

General office purposes shall be defined for purposes of this Lease to include computer rooms of any size required by Tenant.

Tenant shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein which will in any way increase the existing rate of or affect any fire or other insurance upon the Building or any of its contents, or cause cancellation of any insurance policy covering said Building or any part thereof or any of its contents. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or injure or annoy them or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

9. COMPLIANCE WITH LAW Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules now in force or which may hereafter be in force, and with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted, relating to, or affecting the condition, use or occupancy of the Premises, excluding changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between the Landlord and Tenant.

10. ALTERATIONS AND ADDITIONS Tenant shall not make or suffer to be made any alterations, additions or improvements to or of the Premises or any part thereof without the written consent of Landlord first had and obtained. Any alterations, additions or improvements to or of said Premises including, but not limited to, wallcovering, paneling, air conditioning units and built-in cabinet work, but excepting movable furniture and trade fixtures, shall on the expiration of the term become a part of the realty and belong to the Landlord and shall be surrendered with the Premises. In the event Landlord consents to the making of any alterations, additions or improvements to the Premises by Tenant, the same shall be made by Tenant at Tenant's sole cost and expense, and any contractor or persons, selected by the Tenant to make the same must first be approved in writing by the Landlord. Such approval shall not be unreasonably withheld. Upon the expiration or sooner termination of the term hereof, Tenant shall, upon written demand by Landlord, which shall be given at the time Landlord approves the tenant improvement work, at Tenant's sole cost and expense, forthwith and with all due diligence, remove any alterations, additions, or improvements made by Tenant, designated by Landlord to be removed, and Tenant shall, forthwith and with all due diligence at its sole cost and expense, repair any damage to the Premises caused by such removal.

11. REPAIRS

A. By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises as being in good, sanitary order, condition and repair. Tenant shall, at Tenant's sole cost and expense, keep the Premises and every part thereof in good condition and repair damage thereto from causes beyond the reasonable control of Tenant with ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Lease hereof surrender the Premises to the Landlord in good condition, ordinary wear and tear and damage from causes beyond the reasonable control of Tenant excepted. Except as specifically provided in an addendum, if any, to this Lease, Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof once the initial tenant improvements are completed and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Premises or the Building except as specifically herein set forth.

B. Notwithstanding the provisions of Article 11. A. hereinabove, Landlord shall repair and maintain the structural portions of the Building, including the basic plumbing, air conditioning, heating and electrical systems installed or furnished by Landlord unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or

omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the reasonable cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Article 22 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Building or the Premises, or in or to fixtures, appurtenances and equipment therein. Tenant waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect, (including the provisions of California Civil Code Sections 1941 and 1942 and any successor sections or statutes of a similar nature); provided, however, if Landlord fails to perform any repair work required of Landlord with respect to the Premises pursuant to this Paragraph, within thirty (30) days after Landlord receives Tenant's written notice of the need for such repair (or such period of time in excess of thirty (30) days as is reasonably necessary based upon the nature of the required work), then Tenant shall be permitted to make such repairs, using contractors reasonably approved by Landlord, provided (i) Tenant first gives Landlord an additional two (2) business days prior written notice indicating that Tenant intends to undertake such repair, and (ii) Landlord fails to commence such repair within such two (2) business day period. If Tenant performs any repair as permitted under this Paragraph, Landlord agrees to reimburse Tenant for the reasonable, actual and documented costs of such repair performed by Tenant, but without any off-set rights against rent or any other amounts payable by Tenant under this Lease. Any repair work done by Tenant shall be done in accordance with the provisions of this Lease, including without limitation, Paragraph 12, keeping the premises free from liens.

12. LIENS Tenant shall keep the Premises and the property in which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. Landlord may require, at Landlord's sole option, that Tenant shall provide to Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half (1-1/2) times any and all estimated cost of any improvements, additions or alteration in the Premises to insure Landlord against any liability for mechanics' and materialmen's liens and to insure completion of the work.
13. ASSIGNMENT AND SUBLETTING Tenant shall not either voluntarily or by operation of law, assign, transfer, mortgage, pledge, or encumber this Lease or any interest therein, and shall not sublet the said Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the said Premises or any portion thereof, without written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld; provided however, that Landlord in the exercise of its good faith business judgment may refuse to approve the assignment or sublease and shall promptly provide Tenant with the reasons for its refusal. In the event Tenant desires to assign this Lease or any interest therein or sublet all or part of the Premises, Tenant shall give Landlord written notice thereof, which notice shall include (i) the name of the proposed assignee, subtenant or occupant ("Transferee"), (ii) reasonable financial information regarding the Transferee, (iii) a description of the Transferee's business to be carried on in the Premises, and (iv) the terms of the assignment or sublease and a description of the portion of the Premises to be affected. Tenant shall also provide Landlord such additional information regarding the Transferee or the proposed assignment or sublease as Landlord may reasonably request.

Notwithstanding the foregoing, Tenant shall have the right to assign or sublet the premises, or a portion thereof, to a wholly owned affiliated company or subsidiary, without the Landlord's consent. Tenant shall be required, however, to give written notice to Landlord in advance of such assignment or sublet and to prepare assignment or sublet agreements on forms that are reasonably satisfactory to Landlord. In no event shall such assignment or sublet release Tenant from its obligations under the terms of this Lease.

Consent to one assignment, subletting, occupation or use by any other person shall not be deemed to a consent to any subsequent assignment, subletting, occupation or use by another person. Any assignment or subletting without such consent shall be void, and shall, at the option of the Landlord, constitute a default under this Lease.

14. HOLD HARMLESS Tenant shall indemnify and hold harmless Landlord against and from any and all claims arising from Tenant's use of Premises for the conduct of its business or from any activity, work or other thing done, permitted or suffered by the Tenant in or about the Building, and shall further indemnify and hold harmless Landlord against and from any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any act or negligence of the tenant, or any officer, agent, employee, guest or invitee of Tenant, and from and against all cost, attorney's fees, expenses and liabilities incurred in or about any such claim or any action or proceeding brought thereon and in any case, action or proceeding brought against Landlord by reason of any such claim. Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord. Tenant as a material part of the consideration to Landlord hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises, from any cause other than Landlord's negligence or willful act, and Tenant hereby waives all claims in respect thereof against Landlord.

Landlord or its agents shall not be liable for any damage to property entrusted to employees of the Building, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak dampness or any other cause whatsoever, unless caused by or due to the negligence or willful acts of Landlord, its agents, servant or employees. Landlord or its agents shall not be liable for interference with the light or other incorporeal hereditaments, less of business by Tenant, nor shall Landlord be liable for any latent defect in the premises or in the Building. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building or of defects therein or in the fixtures or equipment.

15. SUBROGATION Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage and other property insurance policies existing for the benefit of the respective parties. Each party shall obtain any special endorsements, if required by their insurer to evidence compliance with the aforementioned waiver.
16. LIABILITY INSURANCE Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Lease, (1) a policy of comprehensive general liability insurance insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. (2) workers compensation insurance as may be required by law, and (3) "all risk" property insurance on

Tenant's above-standard tenant improvements (specifically those improvements exceeding the Landlord's tenant improvement allowance as defined in Addendum to Lease P. 1.C), personal property, equipment, furniture and fixtures. The limit of said insurance shall not, however, limit the liability of the Tenant hereunder. Tenant may carry said insurance under a blanket policy, providing, however, said insurance by Tenant shall have a Landlord's protective liability endorsement attached thereto. If Tenant shall fail to procure and maintain said insurance, Landlord may, but shall not be required to, procure and maintain same, but at the expense of Tenant. Insurance required hereunder, shall be in companies rated A+ AAA or better in "Best's Insurance Guide." Tenant shall deliver to Landlord prior to occupancy of the Premises copies of policies of liability insurance required herein or certificates evidencing the existence and amounts of such insurance with loss payable clauses reasonably satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after ten (10) days prior written notice to Landlord.

17. SERVICES AND UTILITIES See Addendum to Lease, P. 9, Services and Utilities.
18. PROPERTY TAXES Tenant shall pay, or cause to be paid, before delinquency, any and all taxes levied or assessed and which become payable during the term hereof upon all Tenant's leasehold improvements, equipment, furniture, fixtures and personal property located in the Premises; except that which has been paid for by Landlord, and is the standard of the Building. In the event any or all of the Tenant's leasehold improvements, equipment, furniture, fixtures and personal property shall be assessed and taxed with the Building, Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.
19. RULES AND REGULATIONS Tenant shall faithfully observe and comply with the reasonable rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications to said rules. The additions and modifications to those rules shall be binding upon Tenant upon delivery of a copy of them to Tenant. Landlord shall not be responsible for the nonperformance of any said rules by any other tenants or occupants. The rules and regulations shall be applied equally to all tenants occupying Regency Center.
20. HOLDING OVER If Tenant remains in possession of the Premises or any part thereof after the expiration of the term hereof, with the express written consent of Landlord, such occupancy shall be a tenancy from month-to-month at a rental in the amount of the last monthly rental, plus all other charges payable hereunder, and upon all the terms hereof applicable to a month-to-month tenancy.
21. ENTRY BY LANDLORD Landlord reserves and shall at any and all times have the right to enter the Premises, inspect the same, supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to submit said Premises to prospective purchasers or tenants, to post notices of non-responsibility, and to alter, improve or repair the Premises and any portion of the Building of which the Premises are a part that Landlord may deem necessary or desirable, without abatement of rent and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always providing that the entrance to the Premises shall not be blocked thereby, and further providing that the business of the Tenant shall not be interfered with unreasonably. Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business any loss of occupancy or quiet

enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults, safes and files, and specific, secured, sensitive and confidential offices and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in any emergency, in order to obtain entry to the Premises without liability to Tenant except for any failure to exercise due care for Tenant's property. Any entry to the Premises obtained by Landlord by any of said means, or otherwise shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof.

22. RECONSTRUCTION In the event the Premises or the Building of which the Premises are a part are damaged by fire or other perils covered by extended coverage insurance, Landlord agrees to forthwith repair the same, and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Premises. If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Premises or the Building of which the Premises are a part are damaged as a result of any cause other than the perils covered by fire or extended coverage insurance, then Landlord shall forthwith repair the same provided the extent of the destruction be less than ten (10%) of the then full replacement cost of the Premises or the Building of which the Premises are a part. In the event the destruction of the Premises or the Building is to an extent greater than ten (10%) of the full replacement cost, then Landlord shall have the option (1) to repair or restore such damage, this Lease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove in this Article provided; or (2) give notice to Tenant at any time within sixty (60) days after such damage terminating this Lease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Lease shall expire and all interest of the Tenant in the Premises shall terminate on the date so specified in such notice and the Rent, reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Premises, shall be paid up to date of said such termination.

Notwithstanding anything to the contrary contained in this Article, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the damage to the Premises resulting from any casualty covered under this Article which occurs during the last twelve (12) months of the term of this Lease or any extension thereof.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs to replacements of any over-standard tenant improvements (specifically those exceeding Landlord's tenant improvement allowance as defined in Addendum to Lease P. 1.C.) or Tenant's trade fixtures, equipment, furniture or personal property.

Except for abatement of rent as provided above, the Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the premises, Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

23. **DEFAULT** The occurrence of any or more of the following events shall constitute a default and breach of this Lease by Tenant:

- A. The vacating or abandonment of the Premises by Tenant, except in cases when Tenant is current with all rental payments.
- B. The failure by Tenant to make any payment of rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of ten (10) days after written notice thereof by Landlord to Tenant.
- C. The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by the Tenant, other than described in Article 23.B. above, where such failure shall continue for a period of thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.
- D. The making by Tenant of any general assignment or general arrangement for the benefit of creditors, or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition or reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interests in this Lease, where such seizure is not discharged in thirty (30) days.

24. **REMEDIES IN DEFAULT** In the event of any such material default or breach by Tenant, Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach:

- A. Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by necessary renovation and alteration of the Premises, reasonable attorney's fees, any real estate commission actually paid, the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided, that portion of the leasing commission paid by Landlord and applicable to the unexpired term of this Lease. Unpaid installments of rent or other sums shall bear interest from the date due at the rate of ten (10%) percent per annum. In the event Tenant shall have abandoned the Premises, Landlord shall have the option of (a) taking possession of the Premises and recovering from Tenant the amount specified in this paragraph, or (b) proceeding under the provisions of the following Article 24.B.

- B. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event Landlord shall be entitled to enforce all of Landlord's right and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.
 - C. Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decision of the State in which the Premises are located.
25. EMINENT DOMAIN If more than twenty-five (25%) percent of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain, either party hereto shall have the right, at its option, to terminate this Lease, and Landlord shall be entitled to any and all income, rent, award or any interest therein whatsoever which may be paid or made in connection with such public or quasi-public use or purpose, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease. If either less than or more than twenty-five (25%) percent of the Premises is taken, and neither party elects to terminate as herein provided, the rental thereafter to be paid shall be equitably reduced. If any part of the Building other than the Premises may be so taken or appropriated, Landlord shall have the right at its option to terminate this Lease and shall be entitled to the entire award as above provided. Notwithstanding the foregoing, Tenant shall be entitled to that portion of any condemnation award made specifically on account of Tenant's relocation expenses, increased rental costs, improvements contracted at Tenant's expense or disruption of Tenant's business.
26. OFFSET STATEMENT Tenant shall at any time and from time to time upon not less than ten (10) days prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the date to which the rental and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord hereunder or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part.
27. PARKING Tenant shall have the right to use in common with other tenants or occupants of the Building the parking facilities of the Building.
28. AUTHORITY OF PARTIES
- A. Corporate Authority. If Tenant is a corporation, each individual executing this Lease on behalf of said corporation represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the board of directors of said corporation or in accordance with the by-laws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms.
 - B. Limited Partnerships. If the Landlord herein is a limited partnership, it is understood and agreed that any claims by Tenant on Landlord shall be limited to the assets of the limited partnership, and furthermore, Tenant expressly waives any and all rights to proceed against the individual partners or the officers, directors or shareholders of any corporate partner, except to the extent of their interest in said limited partnership.

29. GENERAL PROVISIONS

- A. Plats and Riders. Clauses, plats and riders, if any, signed by the Landlord and the Tenant and endorsed on or affixed to this Lease are a part hereof.
- B. Waiver. The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptances of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.
- C. Notices. All notices and demands which may or are to be required or permitted to be given by either party to the other hereunder shall be in writing. All notices and demands by the Landlord to the Tenant shall be sent by United States Mail, postage prepaid, addressed to the Tenant at 120 North Redwood Drive, San Rafael, California 94903, or to such other places as Tenant may from time to time designate in a notice to the Landlord. All notices and demands by the Tenant to the Landlord shall be sent by United States Mail, postage prepaid, addressed to the Landlord at 100 Smith Ranch Road, Suite 325, San Rafael, California 94903, or to such other person or place as the Landlord may from time to time designate in a notice to the Tenant.
- D. Joint Obligation. If there be more than one Tenant the obligations hereunder imposed upon Tenants shall be joint and several.
- E. Marginal Headings. The marginal headings and titles to the Articles of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.
- F. Time. Time is of the essence of this Lease and each and all of its provisions in which performance is a factor.
- G. Successors and Assigns. The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.
- H. Recordation. Neither Landlord nor Tenant shall record this Lease or a short form memorandum hereof without the prior written consent of the other party.
- I. Quiet Possession. Upon Tenant paying the rent reserved hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Lease.
- J. Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges

which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after said amount is past due, then Tenant shall pay to Landlord a late charge equal to five (5%) percent of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

- K. **Prior Agreements.** This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.
- L. **Inability to Perform.** This Lease and the obligations of the Tenant hereunder shall not be affected or impaired because the Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the reasonable control of the Landlord.
- M. **Attorney's Fees.** In the event of any action or proceeding brought by either party against the other under this Lease the prevailing party shall be entitled to recover all costs and expenses including the fees of its attorneys in such action or proceeding in such amount as the court may adjudge reasonable as attorney's fees.
- N. **Sale of Premises by Landlord.** In the event of any sale of the Building, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale; and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such purchaser to have assumed and agreed to carry out any and all of the covenants and obligations of the Landlord under this lease.
- O. **Subordination Attornment.** Upon request of the Landlord, Tenant will in writing subordinate its rights hereunder to the lien of any first mortgage, or first deed of trust to any bank, insurance company or other lending institution, now or hereafter in force against the land and Building of which the Premises are a part, and upon any buildings hereafter placed upon the land of which the Premises are a part, and to all advances made or hereafter to be made upon the security thereof.

Notwithstanding such subordination, neither Tenant's right to quiet possession of the Premises nor this Lease shall be disturbed or affected if Tenant is not in default hereunder and so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms.

- P. In the event any proceedings are brought for foreclosure, or in the event of the exercise of power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, the Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease.
- Q. Name. Tenant shall not use the name of the Building or of the development in which the Building is situated for any purpose other than as an address of the business to be conducted by the Tenant in the Premises.
- R. Separability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way effect, impair or invalidate any other provision hereof and such other provision shall remain in full force and effect.
- S. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.
- T. Choice of Law. This Lease shall be governed by the laws of the State in which the Premises are located.
- U. Signs and Auctions. Tenant shall not place any sign upon the Premises or Building or conduct any auction thereon without Landlord's prior written consent.

30. BROKERS Tenant warrants that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease and it knows no real estate broker or agent who is entitled to a commission in connection with this Lease.

THE JOSEPH AND EDA PELL
REVOCABLE TRUST

FAIR, ISAAC AND COMPANY,
INCORPORATED

By: _____
Joseph Pell

By: _____

Its: _____

Its: _____

By: _____
Eda Pell

Date: _____

Its: _____

Date: _____

RULES AND REGULATIONS

1. No sign, placard, picture, advertisement, name or placard shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the Building without the written consent of the Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant.

All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved of by Landlord.

Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which may appear unsightly from outside the Premises; provided, however, that Landlord may furnish and install a Building standard window covering at all exterior windows. Tenant shall not without prior written consent of Landlord cause or otherwise sunscreen any window.

2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress and egress from their respective Premises.
3. Tenant shall not alter any lock or install any new or additional locks without permission of Landlord, whose consent shall not be unreasonably withheld, or any bolts on any doors or windows of the Premises.
4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage, damage resulting from the violation of this rule shall be borne by the Tenant who, or whose employees or invitees shall have caused it.
5. Tenant shall not overload the floor of the Premises or in any way deface the Premises or any part thereof.
6. No furniture, freight or equipment of any kind shall be brought into the Building without the prior notice to Landlord and all moving of the same into or out of the Building shall be done at such time and in such manner as Landlord shall designate. Notwithstanding the above, Tenant shall have the right to move furniture, freight or equipment into and out of the building without prior notice to Landlord, provided that such moves do not involve exclusive use of an elevator for an extended period of time, nor does the move interfere with the operation of other tenants in the building. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of the Tenant.

7. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Building.
8. No cooking, except for microwave and coffee machines, shall be done or permitted by any Tenant on the Premises, nor shall the Premises be used for the storage of merchandise, for washing clothes, for lodging, or for any improper, objectionable or immoral purposes.
9. Tenant shall not use or keep in the Premises of the Building any kerosene, gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.
10. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of the Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.
11. On Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 p.m. and 8:00 a.m. the following day, access to the Building, or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. The Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing of the doors or otherwise, for the safety of the tenants and protection of property in the Building and the Building.
12. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.
13. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the written consent of the Landlord.
14. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and street address of the Building of which the Premises are a part.
15. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.
16. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.
17. Landlord shall have the right to control and operate the public portions of the Building, and the public facilities, and heating and air conditioning, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.

18. All entrance doors in the Premises shall be left locked when the Premises are not in use, and all doors opening to public corridors shall be kept closed except for normal ingress and egress from the Premises.

FIRST ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST, LANDLORD
AND
FAIR, ISAAC AND COMPANY, INCORPORATED, TENANT
DATED JULY 10, 1993

1. TENANT IMPROVEMENTS

- A. Working Drawings and Specifications ("Bid Package"): Tenant shall authorize Richard Pollack and Associates or any other architect or architectural firm of Tenant's choice ("Architect") to prepare a space plan, construction drawings and design specifications for the Premises. Tenant may direct Architect to utilize the services of consultants ("Consultants") to provide engineered drawings and design specifications for the mechanical, electrical and plumbing systems in the Premises, including, but not limited to any air conditioning system, duct work, heating and electric facilities. (All such architectural and engineering drawings and specifications are herein referred to collectively as the "Bid Package"). In putting together the Bid Package, Architect and Consultants shall exert their best efforts to reuse all existing improvements in the Premises where possible and in conformance with Tenant's requirements in the Premises. Tenant shall not be required to reuse existing light fixtures in the Premises, but rather shall specify its own light fixtures. Landlord shall provide the Architect and Consultants with the base building capacity for (1) electrical power, (2) HVAC and (3) floor loading (live and dead load capacities and design criteria for the Premises). The Bid Package shall be submitted to Tenant for its review and written approval which shall be evidenced by Tenant's signing the Bid Package. The Bid Package shall also be submitted to Landlord for Landlord's approval which shall also be evidenced by Landlord's signing the Bid Package. Landlord's approval shall not be unreasonably withheld. It is the understanding of the parties that Tenant intends to provide its employees with high quality office space which meets the current needs of the workforce and enhances the work performance of the employees and the company, while remaining flexible enough to accommodate the growth and changing needs of the Tenant. In other words, the Tenant may not always be looking for the most economical solution or method of construction, but rather one which provides Tenant with the highest ability to perform its work while maintaining flexibility for future needs.

All architectural design, engineering, and consulting fees shall be included in the Tenant Improvement Allowance. See Addendum P. 1.C. Tenant may require that certain subcontractors be used by the Contractor in bidding and performing the work, including, but not limited to, WBE Electrical, WBE Telecom and Peerless Lighting.

The Bid Package shall include the Construction Contract which shall be provided by Tenant. Landlord shall have the right to review and approve the Construction Contract and make any necessary changes with respect to preserving and protecting Landlord's rights, remedies and property.

The Bid Package shall be completed and accepted by both Landlord and Tenant no later than July 1, 1994. Each party shall have at least ten (10) working days to review the Bid Package. Tenant will prepare a schedule for delivery and review of the Bid Package by January 1, 1994.

- B. Contractor: The Contractor who shall perform the tenant improvement work in the Premises shall be selected from two bidders. Landlord shall select one Contractor and Tenant shall select one Contractor. No later than June 1, 1994, Landlord and Tenant shall provide each other with the name and address of their respective Contractor. Landlord shall have fourteen (14) days to evaluate the Contractor selected by Tenant. Landlord's criteria for evaluation of Tenant's Contractor shall include, but not be limited to, reputation and quality of workmanship, record of completing previous jobs on schedule and within budget, relationship with the City of San Rafael Building and Planning Departments, cooperativeness in dealing with Landlord and its employees, financial strength and billing procedure. Tenant shall have fourteen (14) days to evaluate Landlord's Contractor. Tenant's criteria for evaluation of Landlord's Contractor shall include, but not be limited to, cost effectiveness, quality of workmanship, creativity, record of completing work on schedule and within budget, and an understanding of Tenant's current and future requirements and a good working relationship with Tenant and Tenant's employees. Landlord and Tenant shall each use best efforts in ensuring that their evaluation process of each other's Contractors is fair and reasonable. A copy of the Bid Package may be given to each Contractor and may be used in evaluating the Contractor. Landlord and Tenant shall have the right to reject each other's Contractor based on any of the above criteria or any other relevant criteria. If a Contractor is rejected, the reasons for the rejection shall be stated in a letter to Landlord or Tenant. If a Contractor is rejected by Landlord or Tenant, another Contractor shall be selected and its name submitted in writing within five (5) days. Each Contractor shall be evaluated using the same criteria stated above. Neither Tenant nor Landlord may reject more than three Contractors submitted by the other.

Landlord may submit its own name as a Contractor.

As soon as Landlord approves Tenant's choice of a Contractor ("Tenant's Contractor") and as soon as Tenant approves Landlord's choice of a Contractor ("Landlord's Contractor") Tenant's Contractor and Landlord's Contractor shall be requested in writing to submit a bid on the Bid Package. Ten (10) working days after receipt of the request for bid and the complete Bid Package, both Contractors shall submit a sealed fixed price contract bid (on such contract form as Landlord, Tenant and Architect shall designate) to construct the tenant improvements specified in the Bid Package. Landlord and Tenant shall jointly open and review the bids. Landlord and Tenant (after adjustments for any inconsistent assumptions to reflect an "apples-to-apples" comparison) shall select the lowest price bidder as the Contractor ("Contractor"). The Contractor shall enter into a construction contract with Tenant consistent with the terms of the Bid Package and its bid to construct the tenant improvements. That contract must state that Tenant shall hold Landlord harmless from any and all liability for the work to be performed under the terms of that construction contract.

If Landlord's Contractor is not selected as the successful bidder, Tenant shall pay Landlord or its representative a reasonable owner's representation fee to compensate Landlord for its time and effort in inspecting and overseeing the construction of the tenant improvement work and assuring itself of good quality materials and

workmanship, that the work contained in the Request for Disbursement (see Addendum P. 1.D.) is complete, and that there is no interference with the day-to-day operations of the Building as a result of Tenant's construction. The parties agree that the maximum fee chargeable by Landlord shall be \$50.00 per hour for up to five (5) hours per week. This fee shall be deducted from the Tenant Improvement Allowance (see Addendum to Lease P. 1.C.

- C. Tenant Improvement Allowance: Landlord shall contribute Seven Hundred Sixty-two Thousand Two Hundred Twenty Dollars (\$762,220.00) (\$23.00 x 33,140 usable SF) toward the construction of the tenant improvements for Tenant's Premises ("Tenant Improvement Allowance"). The Tenant Improvement Allowance shall include all architectural, engineering and consultant fees, and all other fees charged in conjunction with preparation of the Bid Package. All costs exceeding the Tenant Improvement Allowance shall be borne by Tenant.
- D. Disbursement of Tenant Improvement Allowance: Once a month, on or before the 10th day of the month, Tenant shall present to Landlord a Request for Disbursement ("Request for Disbursement") requesting payment by Landlord of any costs associated with the design, engineering or construction of the tenant improvements. The Request for Disbursement shall include the following information:
- 1) A certificate from Tenant confirming that all of the work contained in the Request for Disbursement has been completed in accordance with the applicable contracts.
 - 2) A Certificate from Tenant's Architect confirming that all of the work contained in the Request for Disbursement has been completed in accordance with the applicable contracts and certifying that materials have arrived on the job.
 - 3) Unconditional mechanics lien releases and copies of invoices from the Contractor, subcontractors, suppliers and materialmen marked "Paid."
 - 4) And such other reasonable documentation as may be requested by Landlord not later than the 25th day of the previous month.

Payment shall not be made on any Request for Disbursement until all of the information and documentation above is complete.

Payment shall be made only for those materials which have been installed or which have been delivered to the Premises. Landlord shall have five (5) calendar days from the date of receipt of the Request for Disbursement to review same and request clarification. If Landlord is in Agreement with the Request for Disbursement, payment shall be made to Tenant within ten (10) days of receipt of the Request for Disbursement. If any items are in dispute, Landlord shall not make payment on those items until the dispute is resolved, but Landlord shall make payment to Tenant of all amounts not in dispute within ten (10) days of receipt of the Request for Disbursement. Landlord shall not unreasonably withhold its approval of any Request for Disbursement or on any specific request for payment made therein. A final disbursement of Twenty-five Thousand Dollars (\$25,000.00) shall be held until all punchlist items in Tenant's Premises are complete, and the time for the filing of any mechanics liens claimed or which might be filed on account of any work performed by Tenant, Contractor, subcontractors, suppliers or materialmen has passed. Any damage to Landlord's property will be repaired to

Landlord's satisfaction. Once Landlord has disbursed the entire amount of the Tenant Improvement Allowance (See Addendum P. 1.C.) to Tenant, except the final disbursement of \$25,000.00, any and all costs associated with the design, engineering or construction of Tenant's Premises shall be paid directly by Tenant.

- E. Change Orders: Tenant may, but only by written instructions or drawings issued to Landlord and Contractor ("Change Order Request"), make changes to the work specified in the Bid Package, including without limitation, requiring additional work, directing the omission of work previously ordered or changing the quantity or type of any materials, equipment or services. Promptly upon receipt of a Change Order Request, Contractor will provide Tenant with a statement in detail setting forth the cost of said change (including a breakdown of costs attributable to labor and materials, construction equipment exclusively necessary for the change, and preparation or amendment to shop drawings resulting from said change and any time delays anticipated to result from said change). Tenant will have two (2) days after receipt of such statement in which to confirm the Change Order Request and authorize the work to be performed or to withdraw such request. Change Orders will be signed by Landlord and Tenant in advance of any work being performed on a Change Order.
- F. Substantial Completion: For purposes of this Lease, "Substantial Completion" shall mean that construction of the tenant improvements has been completed in accordance with the Bid Package, except for minor finishing details of construction, decoration, mechanical adjustment, minor replacement of defective or damaged materials, and other items of a type commonly found on architectural punchlists, all of which do not materially interfere with the occupancy and use of the Premises by Tenant or with Tenant's ability to complete the improvements to the Premises to be made by Tenant. Within three (3) days of Substantial Completion Tenant's, Architect shall notify Landlord in writing that the Premises are Substantially Complete. If Tenant is conducting business in any part of the Premises the space shall be automatically deemed Substantially Complete.

Within ten (10) calendar days after Substantial Completion of the tenant improvements, Tenant, accompanied by Landlord or Landlord's representative, shall make an inspection of the Premises and prepare a punchlist of items needing additional work by the Contractor. Contractor shall complete all punchlist items reasonably identified by Tenant or Landlord within thirty (30) calendar days after the inspection or as soon as practicable thereafter. If there is any dispute as to whether Contractor has substantially completed the work, a good faith decision of Tenant's Architect shall be final and binding on the parties.

- G. Standard of Construction: Contractor shall complete all work in accordance with the Bid Package approved by Landlord and Tenant and shall make no alterations, additions, or reinforcements to the structure of the building except as specifically approved by Landlord in the Bid package, or in writing thereafter. Tenant, or Contractor, at its expense, shall procure all building and other permits required for completion of Tenant's work. Tenant agrees that all work done by Tenant, its Contractor and subcontractors shall be performed in full compliance with all laws, rules, orders, permits, ordinances, directions, regulations and requirements of all governmental agencies, offices, and departments having jurisdiction, including without limitation applicable provisions pertaining to use of hazardous or toxic materials and the Americans with Disabilities Act,

and in full compliance with the rules, orders, directions, regulations and requirements of the Board of Fire Underwriters or any other organization performing a similar function.

Landlord shall have the right to enter the Premises at any time to post any Notice of Non-Responsibility or other notice on the Premises during Tenant's construction. Contractor and all contractors and subcontractors retained by Tenant or Contractor shall be bondable and bonded, licensed contractors, possessing good labor relations, adequate financials, and with a record of performing quality workmanship.

During the course of construction, Tenant shall maintain builder's risk insurance in form and content reasonably satisfactory to Landlord. Tenant's insurance shall name Landlord as an additional insured and shall provide that it may not be canceled or amended without twenty (20) days prior written notice to Landlord. At least seven (7) calendar days prior to commencement of construction, Tenant shall provide Landlord with a certificate of such insurance and evidence of any required bonds in form satisfactory to Landlord.

Contractor shall complete the tenant improvement work with diligence and in such a manner as not to interfere with the use or enjoyment of other portions of the Project or common areas by Landlord or other tenants. Contractor shall provide for all temporary power, water and other utility facilities as required in connection with the construction of Tenant's work. Contractor shall provide its own dumpster for collection and disposition of construction debris, which shall be located at a location approved by Landlord, and all construction debris from construction shall be disposed of in Contractor's dumpster and not in trash facilities for the Project. Contractor's construction materials, tools, equipment and debris shall be stored only within the Premises, or in areas designated for that purpose by Landlord. Work space exterior to the Premises shall be available only with the written approval of Landlord. Tenant's construction work shall be subject to the inspection and supervision of Landlord and Landlord's representatives.

Tenant and Contractor shall indemnify and hold harmless Landlord for any and all claims arising from Tenant's work. Tenant shall pay for all damage to the Building, the Project, or appurtenant areas or equipment, as well as all damage to tenants or occupants thereof or their licensees, or invitees, including, but not limited to, losses incurred as the result of power outages caused by Tenant's or Contractor's work in the Building. Any such damages may be deducted from the Tenant Improvement Allowance.

- H. Liability: The parties acknowledge that Landlord is not an architect or engineer and that the tenant improvement work will be designed by independent Architects, Engineers and Consultants. Accordingly, Landlord does not guarantee or warrant that any part of the Bid Package will be free from errors or omissions, and Landlord shall have no liability therefor.

Tenant shall be solely responsible for the adequacy in all respects of the Bid Package, including without limitation compliance with all governmental requirements, compatibility with the building shell, and any special requirements of Tenant's proposed equipment or machines with respect to ambient temperatures, electrical use or current, or water availability. Landlord shall warrant only that the information provided regarding the base building (referred to in Addendum to Lease P. 1.A.) is true and correct to the best of its knowledge. Tenant acknowledges that in connection with obtaining Landlord's approval of the Bid Package, Tenant may provide Landlord with certain information

regarding its specific needs relating to the Premises in developing plans and specifications for Tenant's work and that Tenant may provide some of its own equipment for installation in the Premises. Tenant further acknowledges that Landlord will make no independent review of any such information and that Landlord does not warrant, either expressly or impliedly, the adequacy of the Bid Package for Tenant's requirements or Tenant's equipment for Tenant's intended purpose.

- I. Ownership of Tenant Improvements: Upon termination of the Lease, all of the tenant improvements shall remain in the Premises unless Landlord shall consent in writing to the removal thereof by Tenant. However, all Tenant's trade fixtures, equipment, furniture and personal property shall remain the property of Tenant.
- J. Life Safety: With respect to Life Safety System, Landlord believes to the best of its knowledge that Regency Center meets all current code requirements including handicap access compliance. If any code requirements are not met with respect to the Building's Life Safety System all costs to accomplish changes necessary to the Building shall be covered by Landlord. All code compliance costs with respect to Tenant's Premises shall be covered by the Tenant Improvement Allowance or by Tenant.
- K. Use of Current Fixtures in Space: Tenant shall have the right to reuse the fixtures currently in the Premises including but not limited to all cafeteria built-ins, the moveable partitions (retractable wall) in the training rooms and fire extinguishers and cases. The food trolley located in the cafeteria and the equipment purchased or leased by the previous Tenant including, but not limited to, the cafeteria tables and chairs, ice dispenser, training room tables, chairs, white boards, projection screen, reception desk, counter and hutch are not part of the fixtures in the Premises.

3. POSSESSION

- A. Possession of the Premises ("Possession") shall be delivered to Tenant no later than October 1, 1994 for the purpose of constructing the tenant improvements. If possession of the space cannot be delivered by Landlord by that date, for any reason whatsoever, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the expiration date of the term of Lease be in any way extended, but in that event, of Commencement Date (as defined in Addendum P. 4.A.) shall be extended by the exact number of days of Landlord's delay in delivering possession. Landlord shall inform Tenant of the date of Possession in writing at least thirty (30) days prior to Possession.
- B. If Landlord shall not have delivered Possession of the Premises within ninety (90) days after the Commencement Date (as defined in Addendum P. 4.A.), Tenant may, at Tenant's option, by notice in writing to Landlord within ten (10) days thereafter, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder; provided, however, that if such written notice by Tenant is not received by Landlord within said ten (10) day period, Tenant's right to cancel this lease hereunder shall terminate and be of no further force or effect.

4. COMMENCEMENT

- A. If Possession is delivered on October 1, 1994 the Commencement Date ("Commencement") shall be defined as December 1, 1994 or five (5) days after Substantial Completion of the tenant improvement work (as defined in Addendum P. 1.E.) whichever is earlier. If Possession is delivered prior to October 1, 1994, the Commencement Date shall be sixty (60) calendar days after the date of Possession or five (5) days after Substantial Completion of the tenant improvement work, whichever is earlier.

Landlord shall notify Tenant in writing of the actual Commencement Date no later than thirty (30) days after Substantial Completion. In the event Substantial Completion is delayed by Tenant Caused Delays (as defined in Addendum P. 4.C.) the same number of days shall be deducted from total number of days of the build-out and that date shall be the Commencement.

5. FREE RENT

Landlord shall allow Tenant and Contractor to occupy and perform the tenant improvement work in the Premises without payment of rent after Possession (as defined in Addendum P. 3) for a period of two (2) months. Landlord shall allow Tenant to occupy one-half (1/2) of the Premises (approximately 17,630 rentable square feet) for six (6) months after the Commencement Date without payment of rent. Tenant's first month's rent paid upon execution of this Lease shall cover the rent on the remaining one-half (1/2) of the Premises for the first two (2) months after the Commencement Date.

6. OPERATING EXPENSE ADJUSTMENTS (Continued from Article 7 of the Lease.)

- A. During the initial term of this Lease, management costs for the building shall not exceed three percent (3%) of the gross rental income for the building.
- B. Landlord shall keep full, accurate, and separate books of account and records covering all Direct Expenses, which books of accounts and records shall accurately reflect the total Direct Expenses, and Landlord's billings to Tenant for Operating Expense Adjustments.
- C. Tenant shall have the right to protest any charge to Tenant by Landlord for Operating Expense Adjustments, provided that said protest is made within thirty (30) days after receipt of Landlord's notice of such charge. In the event that Tenant shall protest, Tenant shall be entitled to audit Landlord's books of account, records, and other pertinent data regarding Direct Expenses. The audit shall be limited to the determination of direct Expenses and charges to Tenant for Operating Expense Adjustments and shall be conducted during normal business hours. If the audit shows that there has been an overpayment by Tenant, the overpayment shall be immediately due and repayable by Landlord to Tenant.

7. OPTION TO EXTEND

- A. Landlord grants to Tenant the option to extend the term of this Lease for two 3-year periods commencing when the prior term expires upon each and all of the following terms and conditions:

- (i) Tenant gives to Landlord and Landlord receives notice of the exercise of the option to extend this Lease for said additional term no later than twelve (12) months prior to the time that the option period would commence if the option were exercised, time being of the essence. If said notification of the exercise of said option is not so given and received, this option shall automatically expire;
- (ii) At the time said written notification of exercise of option is given and received, Tenant shall not be in default under any of the material obligations of this Lease to be performed by Tenant and this Lease shall not have previously terminated nor terminated prior to the commencement of the option term;
- (iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;
- (iv) The monthly rent for each month of the option period shall be calculated as follows:

The rent payable by Tenant during the first option period shall be the Fair Market Rental Value of the Premises (as defined below) at the commencement date of the option period. There shall be an annual C.P.I. increase not to exceed four percent (4%) in each subsequent year of the first option period. The rent in the first year of the second option period shall be the rent in the last year of the first option period to which will be added a C.P.I. increase not to exceed four percent (4%). There shall be an annual C.P.I. increase not to exceed four percent (4%) in each subsequent year of the second option period. All of the C.P.I. increases during the option periods shall be calculated on the basis of the formula provided in the Lease P. 5.B. If Landlord and Tenant cannot agree on the Fair Market Rental Value of the Premises for the extension periods within forty-five (45) days after the Tenant has notified Landlord of its exercise of the option, Landlord and Tenant shall each select, within forty-five (45) days of such notification, an appraiser who must be a qualified M.A.I. appraiser to determine said Fair Market Rental Value. If one party fails to so designate an appraiser within the time required, the determination of Fair Market Rental Value of the one appraiser who has been designated by the other party hereto within the time required shall be binding upon both parties. The appraisers shall submit their determinations of Fair Market Rental Value to both parties within thirty (30) days after their selection. If the difference between the two determinations is ten percent (10%) or less of the higher appraisal, then the average between the two determinations shall be the Fair Market Rental Value of the Premises. If said difference is greater than ten percent (10%), then the two appraisers shall within twenty (20) days of the date that the later submittal is submitted to the parties designate a third appraiser who must also be a qualified M.A.I. appraiser. The sole responsibility of the third appraiser will be to determine which of the determinations made by the first appraisers is most accurate. The third appraiser shall have no right to propose a middle ground or any modification of either of the determinations made by the first two appraisers. The third appraiser's choice shall be submitted to the parties within thirty (30) days after his or her selection. Such determination shall bind both of the parties and shall establish the Fair Market Rental Value of the Premises. Each party shall pay for their own appraiser and shall pay an equal share of the fees and expenses of the third appraiser.

Fair Market Rental Value for purpose of this Lease shall mean the then prevailing rent for premises comparable in size, quality, and orientation to the demised Premises, located in buildings comparable in size to, and in the general vicinity of, the building which the demised Premises are located, leased on terms comparable to the terms contained in this Lease.

8. RIGHT OF FIRST OPPORTUNITY TO LEASE ADDITIONAL PREMISES AT 100 SMITH RANCH ROAD, SAN RAFAEL

At any time during the term hereof, or any options to extend which Tenant has exercised, provided that Tenant is not in default as defined herein, Tenant shall have a right of First Opportunity to Lease for all office space that becomes available for lease at 100 Smith Ranch Road, San Rafael, based on the terms and conditions as outlined below.

Landlord and Tenant acknowledge that there are existing tenants at 100 Smith Ranch Road, which tenants have options to renew or wish to renew their respective leases, and that these existing options and requests to renew would take precedent over the Right of First Opportunity to Lease described herein.

Landlord and Tenant further acknowledge that this Right of First Opportunity to Lease shall apply only to premises, from which existing tenants vacate or which is currently vacant.

Landlord shall notify Tenant in writing of the availability of additional office premises at 100 Smith Ranch Road, San Rafael within thirty (30) days of Landlord receiving notice from an existing Tenant at 100 Smith Ranch Road of that Tenant's intent to vacate their premises. Landlord's notice to Tenant shall include the size of premises, the projected date at which the premises may be available, and a floor plan indicating the current configuration of the premises.

Tenant shall have ten (10) days after receipt of notice from Landlord to notify Landlord of Tenant's intent to lease the premises which was the subject of the notice. In the event Landlord does not receive notice from Tenant of Tenant's intent to lease said available space, Landlord shall have the right to lease said space to any other Tenant which Landlord chooses, and Tenant's Right of First Opportunity to lease that specific premises shall be deemed waived.

In the event Tenant notifies Landlord of its intent to lease said premises, Landlord and Tenant shall proceed as soon as is reasonably possible to execute a lease agreement for the specific premises that became available. Terms and conditions of the Lease shall be based on the same terms and conditions of the lease(s) on the other space Tenant occupies in the Building at the time the lease is executed. Landlord and Tenant shall make a good faith effort to execute a Lease for the specific available space within thirty (30) days after Tenant has notified Landlord of its intent to lease said space.

This Right of First Opportunity to Lease shall in no way limit the Landlord from executing leases with new tenants for terms of any length, with options to renew for any length, for those spaces for which Tenant has not exercised its Right of First Opportunity to lease as defined herein.

9. SERVICES AND UTILITIES

- A. Provided that Tenant is not in default hereunder, Landlord agrees to furnish to the Premises five-day per week janitorial service. Landlord shall also maintain and keep lighted, heated and air conditioned during reasonable hours of generally recognized business days, the common entries, common corridors, common stairs and toilet rooms in the building of which Premises are a part. Landlord shall not be liable for, and Tenant shall not be entitled to, any reduction of rental by reason of Landlord's failure to furnish any of the foregoing when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord. Landlord shall not be liable under any circumstances for a loss of or injury to property, however occurring, through or in connection with or incidental to failure to furnish any of the foregoing.
- B. Tenant shall have 24-hour per day, seven-day per week access to its Premises.
- C. Landlord shall provide Tenant a monthly allowance of \$3,878.71 (35,261 rentable SF x \$.11) for Tenant's electrical service. This allowance is included in the Base Rent as defined in Article 5 of the Lease.

Landlord and Tenant recognize that Tenant's electrical service shall cost in excess of \$.11 per square foot per month due to Tenant's heavy electrical and air conditioning requirements.

Tenant shall be charged for all PG&E charges to the building over and above the monthly allowance provided above, less any over-standard charges to other tenant's in the building (any usage over the \$.11 allowance provided to each Tenant.) At the time of Lease execution, no per square foot tenants in the Building other than Fireman's Fund who currently occupies the entire second floor, have any over-standard useage. Landlord shall notify Tenant as to any changes in the existing tenant's electrical useage or any over-standard useage of new tenants to the building. Tenant may at any time notify Landlord that in Tenant's view, a particular tenant may be using over-standard electrical and Landlord will investigate that useage with the assistance of an electrical engineer and shall report to Tenant its findings regarding the useage and shall charge the other tenant for any actual over-standard useage, which amount shall be deducted from Tenant's over-standard charges. If Tenant does not agree with Landlord or Landlord's engineer's calculation, Tenant may have its own engineer evaluate the other tenant's useage.

For the first year of Tenant's occupancy, Landlord shall charge Tenant \$.11 per useable square foot per month for over-standard electrical useage as a projected expense, which amount is an average paid by Tenant in its other Premises located at 111 Smith Ranch Road and 120 North Redwood Drive. This amount (\$3,645.40) shall be paid along with the monthly rent. At the end of the first year of occupancy, Landlord shall prepare a PG&E invoice analysis showing the actual cost of over-standard useage by Tenant. Landlord shall credit Tenant for any amounts paid in excess of the actual cost of over-standard useage. 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 useage for each subsequent year of occupancy shall be based on

the previous year's charges and a similar accounting between Landlord and Tenant will occur annually.

- D. The hours of operation of the heating and air conditioning system for the building are as follows:

Monday thru Friday:	7:00 a.m. to 6:00 p.m.
Saturdays:	8:00 a.m. to 3:00 p.m.

- E. In the event Tenant requires the operation of the heating and air conditioning system beyond the normal hours of operation for the building, Tenant shall notify the building manager in advance of the required extended hour usage, and the building manager shall program the heating and air conditioning system to operate during the time period requested by Tenant.
- F. In the event Tenant shall request that an override mechanism be installed during the term of the Lease, an override mechanism shall be installed on the heating and air conditioning system which services Tenant's premises. The cost of this mechanism shall be paid by the Tenant at the time of the installation. This mechanism shall allow Tenant to have control of the heating and air conditioning system for its premises in hours other than the normal building hours stated above.

Along with the override mechanism, an hourly meter shall be attached to the override mechanism which shall measure Tenant's use of the heating and air conditioning system beyond the normal building hours. On a monthly basis, Landlord shall charge Tenant for this usage by multiplying the number of hours used by the per hour charge for operating the heating and air conditioning system which shall be determined by Landlord's electrical engineer and heating and air conditioning contractor.

10. COMMUNICATIONS INSTALLATION

Tenant has installed certain communications equipment on the roof of the Building.

Prior to the end of the term of this Lease, Tenant, at Tenant's sole cost and expense, shall remove the communications equipment and shall, forthwith and with all due diligence, repair any damage to the Premises caused by such removal.

11. CONSENT

Landlord and Tenant agree that in the event their consent is required pursuant to the provisions of the Lease, such consent shall not be unreasonably withheld.

LANDLORD

THE JOSEPH AND EDA PELL REVOCABLE TRUST

By: Joseph Pell

Joseph Pell

Its: -----

By: Eda Pell

Eda Pell

Its: -----

Date: March 30, 1994

TENANT

FAIR, ISAAC AND COMPANY, INCORPORATED

By: Robert D. Sanderson

Its: Executive Vice President

Date: March 10, 1994

OFFICE BUILDING LEASE

1. PARTIES This Lease, dated, for reference purposes only, October 11, 1993, is made by and between The Joseph and Eda Pell Revocable Trust (herein called "Landlord") and Fair, Isaac and Company, Incorporated (herein called "Tenant").
2. PREMISES Landlord does hereby lease to Tenant and Tenant hereby leases from Landlord that certain office space (herein called "Premises") indicated on Exhibit "A" attached hereto and reference thereto made a part hereof, said Premises being agreed, for the purposes of this Lease, to have an area of approximately 4,007 rentable square feet and 3,506 useable square feet, being situated in Suite 124 on the first floor of that certain Building known as Regency Center, 100 Smith Ranch Road, San Rafael, CA 94903.

Said Lease is subject to the terms, covenants and conditions herein set forth and the Tenant covenants as a material part of the consideration for this Lease to keep and perform each and all of said terms, covenants and conditions and that this Lease is made upon the condition of said performance.
3. TERM The term of this Lease shall be for seven (7) years and eleven (11) months, commencing on the 1st day of January, 1994, and ending on the 30th day of November, 2001.
4. POSSESSION See Addendum to Lease P. 5, Possession.
5. A. RENT Tenant agrees to pay to Landlord as rental for the premises, without prior notice or demand, the sum of Eight Thousand Fourteen Dollars (\$8,014.00) on or before the first day of the first full calendar month of the term hereof and a like sum on or before the first day of each and every successive calendar month thereafter during the term hereof, except that the first month's rent shall be paid upon the execution of this Lease. Rent for any period during the term which is for less than one (1) month shall be a prorated portion of the monthly installment herein, based upon a thirty (30) day month. Said rental shall be paid to Landlord without deduction or offset in lawful money of the United States of America, which shall be legal tender at the time of payment at 100 Smith Ranch Road, Suite 325, San Rafael, California 94903, or to such other place as Landlord may from time to time designate in writing.

B. RENT ESCALATIONS Commencing on the 11th month of this Lease (December 1, 1994) and on each annual anniversary following, the base rent shall be adjusted by the increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U. S. Department of Labor for All Urban Consumers, San Francisco-Oakland-San Jose (1984=100), "All Items" herein referred to as "C.P.I."

The C.P.I. increase shall be calculated as follows: The base rent payable for the first month term of this Lease shall be multiplied by the percentage change in the C.P.I. for the 12 months preceding December 1, 1994. On each anniversary following, the base rent shall be multiplied by the percentage change in the C.P.I. for the 12 months preceding. No single increase shall exceed 4% of the previous year's rental rate and in no event shall the new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment.
6. SECURITY DEPOSIT Tenant has deposited with Landlord the sum of Eight Thousand Fourteen Dollars (\$8,014.00). Said sum shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the term hereof. If Tenant defaults with respect to any provision of this Lease including, but not limited to, the provisions relating to the payment of rent, Landlord may (but shall not be required to) use, apply or retain all or any part of this security deposit for the payment of any rent or any other sum in default, or for the payment of any amount which Landlord may spend or become obligated to spend by reason of Tenant's default to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the security deposit to its original amount and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep this security deposit separate from its general fund and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the security deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) at the expiration of the Lease term. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer said deposit to Landlord's successor in interest.

7. OPERATING EXPENSE ADJUSTMENTS For the purposes of this Article, the following terms are defined as follows:

- BASE YEAR The Base Year shall be 1994.
- COMPARISON YEAR Each calendar year of the term after the Base Year.
- DIRECT EXPENSES All direct costs of operation and maintenance, as determined by standard accounting practices, including the following costs by way of illustration, but not be limited to: real property taxes and assessments; rent taxes, gross receipt taxes, (whether assessed against the Landlord or assessed against the Tenant and collected by the Landlord, or both); water and sewer charges; insurance premiums; utilities; janitorial services; labor; costs incurred in the management of the Building; air conditioning & heating; elevator maintenance; supplies; materials; equipment and tools; and maintenance, costs and upkeep of all parking and common areas. ("Direct Expenses" shall not include depreciation on the Building of which the Premises are a part or equipment therein, loan payments, executive salaries or real estate broker's commissions.)

If the Direct Expenses paid or incurred by the Landlord for the Comparison Year on account of the operation or maintenance of the Building of which the Premises are a part are in excess of the Direct Expenses paid or incurred for the Base Year, then the Tenant shall pay 3.9% of the increase. This percentage is that portion of the total rentable area of the Building occupied by the Tenant hereunder. Landlord shall endeavor to give to Tenant on or before the first day of March of each year following the respective Comparison Year a statement of the increase in rent payable by Tenant hereunder, but failure by Landlord to give such statement by said date shall not constitute a waiver by Landlord of its right to require an increase in rent. Upon receipt of the statement for the first Comparison Year, Tenant shall pay in full the total amount of the increase due for the first Comparison Year and, in addition for the then current year, the amount of any such increase shall be used as an estimate for said current year and this

amount shall be divided into twelve (12) equal monthly installments and Tenant shall pay to Landlord, concurrently with the regular monthly rent payment next due following the receipt of such statement, an amount equal to one (1) monthly installment multiplied by the number of months from January in the calendar year in which said statement is submitted to the month of such payment, both months inclusive. Subsequent installments shall be payable concurrently with the regular monthly rent payments for the balance of that calendar year and shall continue until the next Comparison Year's statement is rendered. If the next or any succeeding Comparison Year results in a greater increase in Direct Expenses, then upon receipt of a statement from Landlord, Tenant shall pay a lump sum equal to such total increase in Direct Expenses over the Base Year, less the total of the monthly installments to be paid for the next year, following said Comparison Year, shall be adjusted to reflect such increase. If in any Comparison Year the Tenant's share of Direct Expenses be less than the preceding year, then upon receipt of Landlord's statement, any overpayment made by Tenant on the monthly installment basis provided above shall be credited towards the next monthly rent falling due and the estimated monthly installments of Direct Expenses to be paid shall be adjusted to reflect such lower Direct Expenses for the most recent Comparison Year.

Even though the term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's share of Direct Expenses for the year in which this Lease terminates, Tenant shall immediately pay any increase due over the estimated expenses paid and conversely any overpayment made in the event said expenses decrease shall be immediately rebated by Landlord to Tenant.

Notwithstanding anything contained in this Article, the rent payable by Tenant shall in no event be less than the rent specified in Article 5 hereinabove.

See Addendum to Lease, P. 1, Operating Expense Adjustments.

8. USE Tenant shall use the Premises for general office purposes and shall not use or permit the Premises to be used for any other purposes without the prior written consent of Landlord.

General office purposes shall be defined for purposes of this Lease to include computer rooms of any size required by Tenant.

Tenant shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein which will in any way increase the existing rate of or affect any fire or other insurance upon the Building or any of its contents, or cause cancellation of any insurance policy covering said Building or any part thereof or any of its contents. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or injure or annoy them or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

9. COMPLIANCE WITH LAW Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules now in force or which may hereafter be in force, and with the requirements of any board of fire insurance underwriters or other similar bodies

now or hereafter constituted, relating to, or affecting the condition, use or occupancy of the Premises, excluding changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between the Landlord and Tenant.

10. ALTERATIONS AND ADDITIONS Tenant shall not make or suffer to be made any alterations, additions or improvements to or of the Premises or any part thereof without the written consent of Landlord first had and obtained. Any alterations, additions or improvements to or of said Premises including, but not limited to, wallcovering, paneling, air conditioning units and built-in cabinet work, but excepting movable furniture and trade fixtures, shall on the expiration of the term become a part of the realty and belong to the Landlord and shall be surrendered with the Premises. In the event Landlord consents to the making of any alterations, additions or improvements to the Premises by Tenant, the same shall be made by Tenant at Tenant's sole cost and expense, and any contractor or persons selected by the Tenant to make the same must first be approved in writing by the Landlord. Such approval shall not be unreasonably withheld. Upon the expiration or sooner termination of the term hereof, Tenant shall, upon written demand by Landlord which shall be given at the time Landlord approves the tenant improvement work, , at Tenant's sole cost and expense, forthwith and with all due diligence, remove any alterations, additions, or improvements made by Tenant, designated by Landlord to be removed, and Tenant shall, forthwith and with all due diligence at its sole cost and expense, repair any damage to the Premises caused by such removal.

11. REPAIRS

- A. By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises as being in good, sanitary order, condition and repair. Tenant shall, at Tenant's sole cost and expense, keep the Premises and every part thereof in good condition and repair damage thereto from causes beyond the reasonable control of Tenant with ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Lease hereof surrender the Premises to the Landlord in good condition, ordinary wear and tear and damage from causes beyond the reasonable control of Tenant excepted. Except as specifically provided in an addendum, if any, to this Lease, Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof once the initial tenant improvements are completed and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Premises or the Building except as specifically herein set forth.
- B. Notwithstanding the provisions of Article 11. A. hereinabove, Landlord shall repair and maintain the structural portions of the Building, including the basic plumbing, air conditioning, heating and electrical systems installed or furnished by Landlord unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the reasonable cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Article 22 hereof, there shall be no abatement of rent and no

liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Building or the Premises, or in or to fixtures, appurtenances and equipment therein. Tenant waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect (including the provisions of California Civil Code Sections 1941 and 1942 and any successor sections or statutes of a similar nature); provided, however, if Landlord fails to perform any repair work required of Landlord with respect to the Premises pursuant to this Paragraph, within thirty (30) days after Landlord receives Tenant's written notice of the need for such repair (or such period of time in excess of thirty (30) days as is reasonably necessary based upon the nature of the required work), then Tenant shall be permitted to make such repairs, using contractors reasonably approved by Landlord, provided (i) Tenant first gives Landlord an additional two (2) business days' prior written notice indicating that Tenant intends to undertake such repair, and (ii) Landlord fails to commence such repair within such two (2) business day period. If Tenant performs any repair as permitted under this Paragraph, Landlord agrees to reimburse Tenant for the reasonable, actual and documented costs of such repair performed by Tenant, but without any off-set rights against rent or any other amounts payable by Tenant under this Lease. Any repair work done by Tenant shall be done in accordance with the provisions of this Lease, including without limitation, Paragraph 12, keeping the premises free from liens.

12. LIENS Tenant shall keep the Premises and the property in which the Premises are situated free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. Landlord may require, at Landlord's sole option, that Tenant shall provide to Landlord, at Tenant's sole cost and expense, a lien and completion bond in an amount equal to one and one-half (1-1/2) times any and all estimated cost of any improvements, additions or alteration in the Premises to insure Landlord against any liability for mechanics' and materialmen's liens and to insure completion of the work.
13. ASSIGNMENT AND SUBLETTING Tenant shall not either voluntarily or by operation of law, assign, transfer, mortgage, pledge, or encumber this Lease or any interest therein, and shall not sublet the said Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the said Premises or any portion thereof, without written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld; provided however, that Landlord in the exercise of its good faith business judgment may refuse to approve the assignment or sublease and shall promptly provide Tenant with the reasons for its refusal. In the event Tenant desires to assign this Lease or any interest therein or sublet all or part of the Premises, Tenant shall give Landlord written notice thereof, which notice shall include (i) the name of the proposed assignee, subtenant or occupant ("Transferee"), (ii) reasonable financial information regarding the Transferee, (iii) a description of the Transferee's business to be carried on in the Premises, and (iv) the terms of the assignment or sublease and a description of the portion of the Premises to be affected. Tenant shall also provide Landlord such additional information regarding the Transferee or the proposed assignment or sublease as Landlord may reasonably request.

Notwithstanding the foregoing, Tenant shall have the right to assign or sublet the premises, or a portion thereof, to a wholly owned affiliated company or subsidiary, without the Landlord's consent. Tenant shall be required, however, to give written notice to Landlord in advance of such assignment or sublet and to prepare assignment or sublet agreements on

forms that are reasonably satisfactory to Landlord. In no event shall such an assignment or sublet release Tenant from its obligations under the terms of this Lease.

Consent to one assignment, subletting, occupation or use by any other person shall not be deemed to a consent to any subsequent assignment, subletting, occupation or use by another person. Any assignment or subletting without such consent shall be void, and shall, at the option of the Landlord, constitute a default under this Lease.

14. HOLD HARMLESS Tenant shall indemnify and hold harmless Landlord against and from any and all claims arising from Tenant's use of Premises for the conduct of its business or from any activity, work or other thing done, permitted or suffered by the Tenant in or about the Building, and shall further indemnify and hold harmless Landlord against and from any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any act or negligence of the tenant, or any officer, agent, employee, guest or invitee of Tenant, and from and against all cost, attorney's fees, expenses and liabilities incurred in or about any such claim or any action or proceeding brought thereon and in any case, action or proceeding brought against Landlord by reason of any such claim. Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord. Tenant as a material part of the consideration to Landlord hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises, from any cause other than Landlord's negligence or willful act, and Tenant hereby waives all claims in respect thereof against Landlord.

Landlord or its agents shall not be liable for any damage to property entrusted to employees of the Building, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak dampness or any other cause whatsoever, unless caused by or due to the negligence or willful acts of Landlord, its agents, servant or employees. Landlord or its agents shall not be liable for interference with the light or other incorporeal hereditaments, less of business by Tenant, nor shall Landlord be liable for any latent defect in the premises or in the Building. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building or of defects therein or in the fixtures or equipment.

15. SUBROGATION Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss insured by fire, extended coverage and other property insurance policies existing for the benefit of the respective parties. Each party shall obtain any special endorsements, if required by their insurer to evidence compliance with the aforementioned waiver.
16. LIABILITY INSURANCE Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Lease, (1) a policy of comprehensive general liability insurance insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto; (2) workers' compensation insurance as may be required by law; and (3) "all risk" property insurance on Tenant's above-standard tenant improvements (specifically those improvements exceeding the Landlord's tenant improvement allowance as defined in Addendum to Lease, P. 4.B), personal property, equipment, furniture and fixtures. The limit of said insurance shall not, however, limit the liability of the Tenant hereunder. Tenant may carry said insurance under a blanket policy, providing, however, said insurance by Tenant shall have a Landlord's protective

liability endorsement attached thereto. If Tenant shall fail to procure and maintain said insurance, Landlord may, but shall not be required to, procure and maintain same, but at the expense of Tenant. Insurance required hereunder, shall be in companies rated A+ AAA or better in "Best's Insurance Guide." Tenant shall deliver to Landlord prior to occupancy of the Premises copies of policies of liability insurance required herein or certificates evidencing the existence and amounts of such insurance with loss payable clauses reasonably satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after ten (10) days prior written notice to Landlord.

17. See Addendum to Lease, P. 7, Services and Utilities.
18. **PROPERTY TAXES** Tenant shall pay, or cause to be paid, before delinquency, any and all taxes levied or assessed and which become payable during the term hereof upon all Tenant's leasehold improvements, equipment, furniture, fixtures and personal property located in the Premises; except that which has been paid for by Landlord, and is the standard of the Building. In the event any or all of the Tenant's leasehold improvements, equipment, furniture, fixtures and personal property shall be assessed and taxed with the Building, Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.
19. **RULES AND REGULATIONS** Tenant shall faithfully observe and comply with the reasonable rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications to said rules. The additions and modifications to those rules shall be binding upon Tenant upon delivery of a copy of them to Tenant. Landlord shall not be responsible for the nonperformance of any said rules by any other tenants or occupants. The rules and regulations shall be applied equally to all tenants occupying Regency Center.
20. **HOLDING OVER** If Tenant remains in possession of the Premises or any part thereof after the expiration of the term hereof, with the express written consent of Landlord, such occupancy shall be a tenancy from month-to-month at a rental in the amount of the last monthly rental, plus all other charges payable hereunder, and upon all the terms hereof applicable to a month-to-month tenancy.
21. **ENTRY BY LANDLORD** Landlord reserves and shall at any and all times have the right to enter the Premises, inspect the same, supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to submit said Premises to prospective purchasers or tenants, to post notices of non-responsibility, and to alter, improve or repair the Premises and any portion of the Building of which the Premises are a part that Landlord may deem necessary or desirable, without abatement of rent and may for that purpose erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, always providing that the entrance to the Premises shall not be blocked thereby, and further providing that the business of the Tenant shall not be interfered with unreasonably. Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults, safes and files, and specific, secured, sensitive and confidential offices and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in any emergency, in

order to obtain entry to the Premises without liability to Tenant except for any failure to exercise due care for Tenant's property. Any entry to the Premises obtained by Landlord by any of said means, or otherwise shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from the Premises or any portion thereof.

22. RECONSTRUCTION In the event the Premises or the Building of which the Premises are a part are damaged by fire or other perils covered by extended coverage insurance, Landlord agrees to forthwith repair the same, and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Premises. If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Premises or the Building of which the Premises are a part are damaged as a result of any cause other than the perils covered by fire or extended coverage insurance, then Landlord shall forthwith repair the same provided the extent of the destruction be less than ten (10%) of the then full replacement cost of the Premises or the Building of which the Premises are a part. In the event the destruction of the Premises or the Building is to an extent greater than ten (10%) of the full replacement cost, then Landlord shall have the option (1) to repair or restore such damage, this Lease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove in this Article provided; or (2) give notice to Tenant at any time within sixty (60) days after such damage terminating this Lease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Lease shall expire and all interest of the Tenant in the Premises shall terminate on the date so specified in such notice and the Rent, reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Premises, shall be paid up to date of said such termination.

Notwithstanding anything to the contrary contained in this Article, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the damage to the Premises resulting from any casualty covered under this Article which occurs during the last twelve (12) months of the term of this Lease or any extension thereof.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs to replacements of any over-standard tenant improvements (specifically those exceeding Landlord's tenant improvement allowance as defined in Addendum to Lease, P. 4.B) or Tenant's trade fixtures, equipment, furniture or personal property.

Except for abatement of rent as provided above, the Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the premises, Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

23. DEFAULT The occurrence of any or more of the following events shall constitute a default and breach of this Lease by Tenant:
- A. The vacating or abandonment of the Premises by Tenant, except in cases when Tenant is current with all rental payments.

- B. The failure by Tenant to make any payment of rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of ten (10) days after written notice thereof by Landlord to Tenant.
- C. The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by the Tenant, other than described in Article 23.B. above, where such failure shall continue for a period of thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.
- D. The making by Tenant of any general assignment or general arrangement for the benefit of creditors, or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition or reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interests in this Lease, where such seizure is not discharged in thirty (30) days.

24. REMEDIES IN DEFAULT In the event of any such material default or breach by Tenant, Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of a right or remedy which Landlord may have by reason of such default or breach:

- A. Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by necessary renovation and alteration of the Premises, reasonable attorney's fees, any real estate commission actually paid, the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided, that portion of the leasing commission paid by Landlord and applicable to the unexpired term of this Lease. Unpaid installments of rent or other sums shall bear interest from the date due at the rate of ten (10%) percent per annum. In the event Tenant shall have abandoned the Premises, Landlord shall have the option of (a) taking possession of the Premises and recovering from Tenant the amount specified in this paragraph, or (b) proceeding under the provisions of the following Article 24.B.
- B. Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event Landlord shall be entitled to enforce all of Landlord's right and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

- C. Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decision of the State in which the Premises are located.
25. EMINENT DOMAIN If more than twenty-five (25%) percent of the Premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain, either party hereto shall have the right, at its option, to terminate this Lease, and Landlord shall be entitled to any and all income, rent, award or any interest therein whatsoever which may be paid or made in connection with such public or quasi-public use or purpose, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease. If either less than or more than twenty-five (25%) percent of the Premises is taken, and neither party elects to terminate as herein provided, the rental thereafter to be paid shall be equitably reduced. If any part of the Building other than the Premises may be so taken or appropriated, Landlord shall have the right at its option to terminate this Lease and shall be entitled to the entire award as above provided. Notwithstanding the foregoing, Tenant shall be entitled to that portion of any condemnation award made specifically on account of Tenant's relocation expenses, increased rental costs, improvements contracted at Tenant's expense or disruption of Tenant's business.
26. OFFSET STATEMENT Tenant shall at any time and from time to time upon not less than ten (10) days prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the date to which the rental and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord hereunder or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part.
27. PARKING Tenant shall have the right to use in common with other tenants or occupants of the Building the parking facilities of the Building.
28. AUTHORITY OF PARTIES
- A. Corporate Authority. If Tenant is a corporation, each individual executing this Lease on behalf of said corporation represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted resolution of the board of directors of said corporation or in accordance with the by-laws of said corporation, and that this Lease is binding upon said corporation in accordance with its terms.
- B. Limited Partnerships. If the Landlord herein is a limited partnership, it is understood and agreed that any claims by Tenant on Landlord shall be limited to the assets of the limited partnership, and furthermore, Tenant expressly waives any and all rights to proceed against the individual partners or the officers, directors or shareholders of any corporate partner, except to the extent of their interest in said limited partnership.

29. GENERAL PROVISIONS

- (i) Platsand Riders. Clauses, plats and riders, if any, signed by the Landlord and the Tenant and endorsed on or affixed to this Lease are a part hereof.
- (ii) Waiver. The waiver by Landlord of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptances of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.
- (iii) Notices. All notices and demands which may or are to be required or permitted to be given by either party to the other hereunder shall be in writing. All notices and demands by the Landlord to the Tenant shall be sent by United States Mail, postage prepaid, addressed to the Tenant at 120 North Redwood Drive, San Rafael, California 94903, or to such other places as Tenant may from time to time designate in a notice to the Landlord. All notices and demands by the Tenant to the Landlord shall be sent by United States Mail, postage prepaid, addressed to the Landlord at 100 Smith Ranch Road, Suite 325, San Rafael, California 94903, or to such other person or place as the Landlord may from time to time designate in a notice to the Tenant.
- (iv) Joint Obligation. If there be more than one Tenant the obligations hereunder imposed upon Tenants shall be joint and several.
- (v) Marginal Headings. The marginal headings and titles to the Articles of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.
- (vi) Time. Time is of the essence of this Lease and each and all of its provisions in which performance is a factor.
- (vii) Successors and Assigns. The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.
- (viii) Recordation. Neither Landlord nor Tenant shall record this Lease or a short form memorandum hereof without the prior written consent of the other party.
- (ix) Quiet Possession. Upon Tenant paying the rent reserved hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Lease.
- (x) Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting

charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within ten (10) days after said amount is past due, then Tenant shall pay to Landlord a late charge equal to ten (10%) percent of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

- (xi) **Prior Agreements.** This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.
- (xii) **Inability to Perform.** This Lease and the obligations of the Tenant hereunder shall not be affected or impaired because the Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the reasonable control of the Landlord.
- (xiii) **Attorney's Fees.** In the event of any action or proceeding brought by either party against the other under this Lease the prevailing party shall be entitled to recover all costs and expenses including the fees of its attorneys in such action or proceeding in such amount as the court may adjudge reasonable as attorney's fees.
- (xix) **Sale of Premises by Landlord.** In the event of any sale of the Building, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale; and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties and any such purchaser to have assumed and agreed to carry out any and all of the covenants and obligations of the Landlord under this Lease.
- (xv) **Subordination Attornment.** Upon request of the Landlord, Tenant will in writing subordinate its rights hereunder to the lien of any first mortgage, or first deed of trust to any bank, insurance company or other lending institution, now or hereafter in force against the land and Building of which the Premises are a part, and upon any buildings hereafter placed upon the land of which the Premises are a part, and to all advances made or hereafter to be made upon the security thereof.

Notwithstanding such subordination, neither Tenant's right to quiet possession of the Premises nor this Lease shall be disturbed or affected if Tenant is not in default hereunder and so long as Tenant shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms.

- (xvi) In the event any proceedings are brought for foreclosure, or in the event of the exercise of power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, the Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease.
- (xvii) Name.Tenant shall not use the name of the Building or of the development in which the Building is situated for any purpose other than as an address of the business to be conducted by the Tenant in the Premises.
- (xviii) Separability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way effect, impair or invalidate any other provision hereof and such other provision shall remain in full force and effect.
- (xix) Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.
- (xx) Choice of Law. This Lease shall be governed by the laws of the State in which the Premises are located.
- (xxi) Signs and Auctions. Tenant shall not place any sign upon the Premises or Building or conduct any auction thereon without Landlord's prior written consent.

30. BROKERS Tenant warrants that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease and it knows no real estate broker or agent who is entitled to a commission in connection with this Lease.

THE JOSEPH AND EDA PELL
REVOCABLE TRUST

FAIR, ISAAC AND COMPANY,
INCORPORATED

By: Joseph Pell

Joseph Pell

By: Robert D. Sanderson

Its:

Its: Executive Vice President

By: Eda Pell

Eda Pell

Date: December 28, 1993

Its:

Date: January 14, 1994

RULES AND REGULATIONS

1. No sign, placard, picture, advertisement, name or placard shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the Building without the written consent of the Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant.

All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of Tenant by a person approved of by Landlord.

Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which may appear unsightly from outside the Premises; provided, however, that Landlord may furnish and install a Building standard window covering at all exterior windows. Tenant shall not without prior written consent of Landlord cause or otherwise sunscreen any window.

2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress and egress from their respective Premises.
3. Tenant shall not alter any lock or install any new or additional locks without permission of Landlord, whose consent shall not be unreasonably withheld, or any bolts on any doors or windows of the Premises.
4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage, damage resulting from the violation of this rule shall be borne by the Tenant who, or whose employees or invitees shall have caused it.
5. Tenant shall not overload the floor of the Premises or in any way deface the Premises or any part thereof.
6. No furniture, freight or equipment of any kind shall be brought into the Building without the prior notice to Landlord and all moving of the same into or out of the Building shall be done at such time and in such manner as Landlord shall designate. Notwithstanding the above, Tenant shall have the right to move furniture, freight or equipment into and out of the building without prior notice to Landlord, provided that such moves do not involve exclusive use of an elevator for an extended period of time, nor does the move interfere with the operation of other tenants in the building. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of the Tenant.

7. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises or the Building.
8. No cooking, except for microwave and coffee machines, shall be done or permitted by any Tenant on the Premises, nor shall the Premises be used for the storage of merchandise, for washing clothes, for lodging, or for any improper, objectionable or immoral purposes.
9. Tenant shall not use or keep in the Premises of the Building any kerosene, gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.
10. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of the Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord, which shall not be unreasonably withheld.
11. On Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 p.m. and 8:00 a.m. the following day, access to the Building, or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. The Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing of the doors or otherwise, for the safety of the tenants and protection of property in the Building and the Building.
12. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.
13. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the written consent of the Landlord, which shall not be unreasonably withheld.
14. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and street address of the Building of which the Premises are a part.
15. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.
16. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

17. Landlord shall have the right to control and operate the public portions of the Building, and the public facilities, and heating and air conditioning, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.
18. All entrance doors in the Premises shall be left locked when the Premises are not in use, and all doors opening to public corridors shall be kept closed except for normal ingress and egress from the Premises, unless suite entry doors are controlled by UL and municipally approved hold-open devices which are connected to building life-safety systems.

FIRST ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH & EDA PELL REVOCABLE TRUST, LANDLORD
AND
FAIR, ISAAC AND COMPANY, INCORPORATED, TENANT
DATED OCTOBER 11, 1993

1. OPERATING EXPENSE ADJUSTMENTS (Continued from Article 7 of the Lease.)
 - A. During the initial term of this Lease, management costs for the building shall not exceed three percent (3%) of the gross rental income for the building.
 - B. Landlord shall keep full, accurate and separate books of account and records covering all Direct Expenses, which books of accounts and records shall accurately reflect the total Direct Expenses and Landlord's billings to Tenant for Operating Expense Adjustments.
 - C. Tenant shall have the right to protest any charge to Tenant by Landlord for Operating Expense Adjustments, provided that said protest is made within thirty (30) days after receipt of Landlord's notice of such charge. In the event that Tenant shall protest, Tenant shall be entitled to audit Landlord's books of account, records and other pertinent data regarding Direct Expenses. The audit shall be limited to the determination of direct Expenses and charges to Tenant for Operating Expense Adjustments and shall be conducted during normal business hours. If the audit shows that there has been an overpayment by Tenant, the overpayment shall be immediately due and repayable by Landlord to Tenant.

2. OPTION TO EXTEND
 - A. Landlord grants to Tenant the option to extend the term of this Lease for two 3-year periods commencing when the prior term expires upon each and all of the following terms and conditions:
 - (i) Tenant gives to Landlord and Landlord receives notice of the exercise of the option to extend this Lease for said additional term no later than twelve (12) months prior to the time that the option period would commence if the option were exercised, time being of the essence. If said notification of the exercise of said option is not so given and received, this option shall automatically expire;
 - (ii) At the time said written notification of exercise of option is given and received, Tenant shall not be in default under any of the material obligations of this Lease to be performed by Tenant and this Lease shall not have previously terminated nor terminated prior to the commencement of the option term;
 - (iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

- (iv) The monthly rent for each month of the option period shall be calculated as follows:

The rent payable by Tenant during the first option period shall be the Fair Market Rental Value of the Premises (as defined below) at the commencement date of the option period. There shall be an annual C.P.I. increase not to exceed four percent (4%) in each subsequent year of the first option period. The rent in the first year of the second option period shall be the rent in the last year of the first option period to which will be added a C.P.I. increase not to exceed four percent (4%). There shall be an annual C.P.I. increase not to exceed four percent (4%) in each subsequent year of the second option period. All of the C.P.I. increases during the option periods shall be calculated on the basis of the formula provided in the Lease P. 5.B.

If Landlord and Tenant cannot agree on the Fair Market Rental Value of the Premises for the extension periods within forty-five (45) days after the Tenant has notified Landlord of its exercise of the option, Landlord and Tenant shall each select, within forty-five (45) days of such notification, an appraiser who must be a qualified M.A.I. appraiser to determine said Fair Market Rental Value. If one party fails to so designate an appraiser within the time required, the determination of Fair Market Rental Value of the one appraiser who has been designated by the other party hereto within the time required shall be binding upon both parties. The appraisers shall submit their determinations of Fair Market Rental Value to both parties within thirty (30) days after their selection. If the difference between the two determinations is ten percent (10%) or less of the higher appraisal, then the average between the two determinations shall be the Fair Market Rental Value of the Premises. If said difference is greater than ten percent (10%), then the two appraisers shall within twenty (20) days of the date that the later submittal is submitted to the parties designate a third appraiser who must also be a qualified M.A.I. appraiser. The sole responsibility of the third appraiser will be to determine which of the determinations made by the first appraisers is most accurate. The third appraiser shall have no right to propose a middle ground or any modification of either of the determinations made by the first two appraisers. The third appraiser's choice shall be submitted to the parties within thirty (30) days after his or her selection. Such determination shall bind both of the parties and shall establish the Fair Market Rental Value of the Premises. Each party shall pay for their own appraiser and shall pay an equal share of the fees and expenses of the third appraiser.

Fair Market Rental Value for purpose of this Lease shall mean the then prevailing rent for premises comparable in size, quality, and orientation to the demised Premises, located in buildings comparable in size to, and in the general vicinity of, the building which the demised Premises are located, leased on terms comparable to the terms contained in this Lease.

3. RIGHT OF FIRST OPPORTUNITY TO LEASE ADDITIONAL PREMISES AT 100 SMITH RANCH ROAD, SAN RAFAEL

At any time during the term hereof, or any options to extend which Tenant has exercised, provided that Tenant is not in default as defined herein, Tenant shall have a right of first opportunity to lease all office space that becomes available for lease at 100 Smith Ranch Road, San Rafael, based on the terms and conditions as outlined below. Landlord and Tenant acknowledge that there are existing tenants at 100 Smith Ranch Road, which tenants have options to renew or who wish to renew their respective leases, and that these existing options and requests to renew would take precedent over the first opportunity to lease described herein.

Landlord and Tenant further acknowledge that this right of first opportunity to lease shall apply only to premises, from which existing tenants vacate or which is currently vacant.

Landlord shall notify Tenant in writing of the availability of additional office premises at 100 Smith Ranch Road, San Rafael within 30 days of Landlord receiving notice from an existing Tenant at 100 Smith Ranch Road of that Tenant's intent to vacate their premises. Landlord's notice to Tenant shall include the size of premises, the projected date at which the premises may be available, and a floor plan indicating the current configuration of the premises.

Tenant shall have 30 days after receipt of notice from Landlord to notify Landlord of Tenant's intent to lease the premises which was the subject of the notice. In the event Landlord does not receive notice from Tenant of Tenant's intent to lease said available space, Landlord shall have the right to lease said space to any other Tenant which Landlord chooses, and Tenant's right of first opportunity to lease that specific premises shall be deemed waived.

In the event Tenant notifies Landlord of its intent to lease said premises, Landlord and Tenant shall proceed as soon as is reasonably possible to execute a lease agreement for the specific premises that became available. Terms and conditions of the Lease shall be based on the same terms and conditions of the lease(s) on the other space Tenant occupies in the Building at the time the lease is executed. Landlord and Tenant shall make a good faith effort to execute a Lease for the specific available space within 30 days after Tenant has notified Landlord of its intent to lease said space.

This right of first opportunity to lease shall in no way limit the Landlord from executing leases with new tenants for terms of any length, with options to renew for any length, for those spaces for which Tenant has not exercised its right of first opportunity to lease as defined herein.

4. TENANT IMPROVEMENTS

A. Construction: Landlord shall, prior to the Commencement Date (as defined in Addendum P. 6.A), construct the tenant improvements in Tenant's Premises based on the space plan prepared by Tenant's Architect dated _____, Exhibit B to the Lease, and working drawings prepared by _____, dated _____, which will be attached to the Lease as Exhibit C.

B. Allowance: Landlord shall contribute Eighty Thousand Six Hundred Thirty-eight Dollars (\$80,638.00) (\$23.00 x 3,506 useable sq. ft.) toward the construction of the tenant improvements for Tenant's Premises. The Tenant Improvement Allowance shall include all architectural, engineering and consultant fees. In the event that the total cost of the tenant improvements including architectural, engineering and consulting fees, exceeds the Tenant Improvement Allowance, Tenant shall pay Landlord the amount of such excess within thirty (30) days after receipt by Tenant of an invoice from Landlord documenting the cost of the tenant improvement work. In the event the total cost of the tenant improvements in Tenant's Premises is less than \$80,638.00, Landlord shall provide Tenant with a credit for the unused balance which Tenant can apply to the Tenant Improvement Allowance for the build-out in Tenant's Premises on the Second Floor of the Building (See Lease dated July 10, 1993).

C. Contractor: The contractor for the tenant improvements in Tenant's Premises shall be Mike Donovan. Tenant shall approve the budget figures for the build-out prior to commencement of the work.

If Tenant chooses, WBE Electrical and WBE Telecom shall provide the electrical and data communication system cabling services, Peerless Lighting will provide lighting fixtures, and Warren Security shall provide the security systems.

D. Change Orders: Tenant may, but only by written instructions or drawings issued to Landlord and Contractor ("Change Order Request"), make changes to the work specified in the working drawings, including without limitation, requiring additional work, directing the omission of work previously ordered or changing the quantity or type of any materials, equipment or services. Promptly upon receipt of a Change Order Request, Contractor will provide Tenant with a statement in detail setting forth the cost of said change (including a breakdown of costs attributable to labor and materials, construction equipment exclusively necessary for the change, and preparation or amendment to shop drawings resulting from said change and any time delays anticipated to result from said change). Tenant will have two (2) days after receipt of such statement in which to confirm the Change Order Request and authorize the work to be performed or to withdraw such request. Change Orders will be signed by Landlord and Tenant in advance of any work being performed on a Change Order.

E. Substantial Completion: For purposes of this Lease, "Substantial Completion" shall mean that construction of the tenant improvements has been completed in accordance with the working drawings, except for minor finishing details of construction, decoration, mechanical adjustment, minor replacement of defective or damaged materials, and other items of a type commonly found on architectural punchlists, all of which do not materially interfere with the occupancy and use of the Premises by Tenant or with Tenant's ability to complete the improvements to the Premises to be made by Tenant.

Within seven calendar (7) days after Substantial Completion of the tenant improvements, Tenant shall make an inspection of the Premises and prepare a punchlist of items needing additional work by the Contractor. Landlord's Contractor shall complete all punchlist items reasonably identified by Tenant or Landlord within thirty calendar (30) days after the inspection or as soon as practicable thereafter. If

there is any dispute as to whether Contractor has substantially completed the work, a good faith decision of Tenant's Architect shall be final and binding on the parties.

Landlord's Contractor will perform the tenant improvement work and Landlord will notify Tenant in writing that the work is Substantially Complete. If Tenant fails to object in writing within seven calendar (7) days thereafter specifying in reasonable detail the items of work needed to be performed in order to achieve Substantial Completion, then Tenant shall be deemed conclusively to have agreed that the work is Substantially Complete, for purposes of Commencement under the Lease. Substantial Completion shall not prejudice Tenant's rights to require full completion of any remaining items of work.

- F. Ownership of Tenant Improvements: Upon termination of the Lease, all of the tenant improvements shall remain in the Premises unless Landlord shall consent in writing to the removal thereof by Tenant. All trade fixtures, equipment, furniture and personal property installed by or at the expense of Tenant shall remain the property of Tenant.
- G. Life Safety: With respect to Life Safety System, Landlord believes to the best of its knowledge that Regency Center meets all current code requirements including handicap access compliance. If any code requirements are not met with respect to the Building's Life Safety System all costs to accomplish changes necessary to the Building shall be covered by Landlord. All code compliance costs with respect to Tenant's Premises shall be covered by the Tenant Improvement Allowance or by Tenant.

5. POSSESSION

- A. If for any reason whatsoever, Landlord cannot deliver possession of the Premises to Tenant as of the Commencement Date as defined in Addendum, P. 6.A, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the expiration date of the above term be in any way extended, but in that event, all rent shall be abated during the period between the Commencement Date and the date when Landlord actually delivers possession.
- B. In the event Landlord shall permit Tenant to occupy the Premises prior to the Commencement Date, such occupancy shall be subject to all of the provisions of this Lease. Said early possession shall not advance the termination date hereinabove provided.
- C. If Landlord shall not have delivered possession of the Premises within ninety (90) days after the Commencement Date (as defined in AddendumP. 6.), Tenant may, at Tenant's option, by notice in writing to Landlord within ten (10) days thereafter, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder; provided, however, that if such written notice by Tenant is not received by Landlord within said ten (10) day period, Tenant's right to cancel this lease hereunder shall terminate and be of no further force or effect. If there are Tenant Caused Delays (as defined in AddendumP. 6.C.), the number of days of delay shall be added to the ninety (90) days in which Landlord has to deliver possession of the Premises before Tenant has the right to cancel this Lease.

6. COMMENCEMENT

- A. The Commencement Date shall be defined as five (5) business days after Landlord delivers possession of the Premises to Tenant, after Substantial Completion of the tenant improvement work (as defined in Addendum P. 4.E) and in no event later than January 5, 1994. Thirty (30) days after Substantial Completion, Landlord shall notify Tenant in writing of the actual Commencement Date. In the event Substantial Completion is delayed by Tenant Caused Delays (as defined in Addendum P. 6.C.) the same number of days shall be deducted from total number of days of the build-out and that date shall be the Commencement Date.
- C. The following shall be deemed "Tenant Caused Delays" for purposes of this lease:
- (i) Tenant's or Tenant's Architect's failure to timely complete, approve or reasonably object to any proposed plans, specifications or drawings for the Premises, or the tenant improvement work.
 - (ii) Tenant's requests for changes, alterations or additions with respect to the layout of the Premises, the build-out of the tenant improvements and the materials or finish of the improvements which result in delay.
 - (iii) Any upgrades, special work, fixtures or equipment or other items to the extent that the same involve longer lead times, installation times or other delays not encountered in standard office improvements or as a result of any materials not readily available or unusually difficult to install or apply.
 - (iv) The performance by Tenant, or by any company or person employed by Tenant, of any work at the Premises which in any manner disrupts or delays the work at the Premises that Landlord or Contractor shall be performing; or
 - (v) Any failure of Tenant to cooperate with Landlord or otherwise act in good faith in order to cause the Work to be designed and performed in a timely manner.

7. SERVICES AND UTILITIES

- A. Provided that Tenant is not in default hereunder, Landlord agrees to furnish to the Premises five-day per week janitorial service. Landlord shall also maintain and keep lighted, heated and air conditioned during reasonable hours of generally recognized business days, the common entries, common corridors, common stairs and toilet rooms in the building of which Premises are a part. Landlord shall not be liable for, and Tenant shall not be entitled to, any reduction of rental by reason of Landlord's failure to furnish any of the foregoing when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord. Landlord shall not be liable under any circumstances for a loss of or injury to property, however occurring, through or in connection with or incidental to failure to furnish any of the foregoing.
- B. Tenant shall have 24-hour per day, seven-day per week access to its Premises.

- C. Landlord shall provide Tenant a monthly allowance of \$350.60 (3,506 useable square feet x \$.10) for Tenant's electrical service. This allowance is included in the Base Rent as defined in Article 5 of the Lease.

Landlord and Tenant recognize that Tenant's electrical service may cost in excess of \$.10 per square foot per month due to Tenant's heavy electrical requirements. Landlord's electrical engineer shall provide an estimate of Tenant's electrical usage. Electrical engineer's estimate shall be based on a computation of Tenant's electrical equipment and special heating and air conditioning requirements, the amount of amps required by Tenant's use of the premises and the building kilowatt charge from Pacific Gas and Electric.

Electrical engineer shall document his calculations and shall submit these calculations to Tenant for Tenant's review. In the event Tenant questions any of the variables used in engineer's estimate, the Tenant shall submit information to the electrical engineer sufficient to establish Tenant's electrical use at premises. Electrical engineer, Tenant and Landlord shall then agree upon correct data to be used in computation of Tenant's electrical usage and electrical engineer, if necessary, shall submit new calculations for Tenant's electrical use.

Landlord shall bill Tenant monthly for this excess electrical usage. After the first year of Tenant's occupancy, or sooner should Landlord or Tenant require it, electrical engineer shall recalculate the estimate of Tenant's electrical usage to determine the monthly charge for the following year. At this time, any excess payments made by Tenant during the preceding year would be refunded, or any shortfalls for the preceding year would be paid by Tenant.

- D. The hours of operation of the heating and air conditioning system for the building are as follows:

Monday thru Friday:	7:00 a.m. to 6:00 p.m.
Saturdays:	8:00 a.m. to 3:00 p.m.

- E. In the event Tenant requires the operation of the heating and air conditioning system beyond the normal hours of operation for the building, Tenant shall notify the building manager in advance of the required extended hour usage, and the building manager shall program the heating and air conditioning system to operate during the time period requested by Tenant.
- F. In the event Tenant shall request that an override mechanism be installed during the term of the Lease, an override mechanism shall be installed on the heating and air conditioning system which services Tenant's premises. The cost of this mechanism shall be paid by the Tenant at the time of the installation. This mechanism shall allow Tenant to have control of the heating and air conditioning system for its premises in hours other than the normal building hours stated above.

Along with the override mechanism, an hourly meter shall be attached to the override mechanism which shall measure Tenant's use of the heating and air conditioning system beyond the normal building hours. On a monthly basis, Landlord shall charge Tenant for this usage by multiplying the number of hours used by the per hour charge for operating the heating and air conditioning system which shall be determined by Landlord's electrical engineer and heating and air conditioning contractor.

8. COMMUNICATIONS INSTALLATION

Tenant has installed certain communications equipment on the roof of the Building. Prior to the end of the term of this Lease, Tenant, at Tenant's sole cost and expense, shall remove the communications equipment and shall, forthwith and with all due diligence, repair any damage to the Premises caused by such removal.

9. CONSENT

Landlord and Tenant agree that in the event their consent is required pursuant to the provisions of the Lease, such consent shall not be unreasonably withheld.

LANDLORD

THE JOSEPH AND EDA PELL REVOCABLE TRUST

By: Joseph Pell

Joseph Pell

Its: -----

By: Eda Pell

Eda Pell

Its: -----

Date: January 14, 1994

TENANT

FAIR, ISAAC AND COMPANY, INCORPORATED

By: Robert D. Sanderson

Its: Executive Vice President

Date: December 28, 1993

SECOND ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST
("THE LANDLORD")
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
("THE TENANT")
DATED
OCTOBER 11, 1993

This Second Addendum to Lease dated January 31, 1994 ("Second Addendum") is hereby attached to and incorporated into and made a part of that Lease dated October 11, 1993, by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated and First Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated October 11, 1993. The parties agree to the following terms and conditions set forth herein below:

LEASE

29. GENERAL PROVISIONS

- (x) Late Charges. Paragraph 29.(x) shall be amended to delete the ten percent (10%) late charge and provide for a five percent (5%) late charge.

FIRST ADDENDUM

7. SERVICES AND UTILITIES

Paragraph C shall be amended as follows:

- C. Landlord shall provide Tenant a monthly allowance of \$440.77 (4,007 rentable SF x \$.11) for Tenant's electrical service. This allowance is included in the Base Rent as defined in Article 5 of the Lease.

Landlord and Tenant recognize that Tenant's electrical service shall cost in excess of \$.11 per square foot per month due to Tenant's heavy electrical and air conditioning requirements.

Tenant shall be charged for all PG&E charges to the building over and above the monthly allowance provided above, less any over-standard charges to other tenant's in the building (any usage over the \$.11 allowance provided to each Tenant.) At the time of Lease execution, no per square foot tenants in the Building, other than Fireman's Fund who currently occupies the entire second floor, have any over-standard useage. Landlord shall notify Tenant as to any changes in the existing tenants' electrical useage or any over-standard useage of new tenants to the building. Tenant may at any time notify Landlord that, in Tenant's view, a particular tenant may be using over-standard electrical and Landlord will investigate that useage with the assistance of an electrical engineer. Landlord shall report to Tenant its findings regarding the useage and shall charge the other tenant for any actual over-standard useage, which amount shall be deducted from Tenant's over-standard charges. If Tenant does not agree with Landlord or Landlord's engineer's calculation, Tenant may have its own engineer evaluate the other tenant's useage.

For the first year of Tenant's occupancy, Landlord shall charge Tenant \$.11 per useable square foot per month for over-standard electrical useage as a projected expense, which amount is an average paid by Tenant in its other Premises located at 111 Smith Ranch Road and 120 North Redwood Drive. This amount (\$385.66) 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 useage by Tenant. Landlord shall credit Tenant for any amounts paid in excess of the actual cost of over-standard useage. 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 useage 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.

LANDLORD

THE JOSEPH AND EDA PELL REVOCABLE TRUST

By: -----
Joseph Pell

Its: -----

By: -----
Eda Pell

Its: -----

Date: -----

TENANT

FAIR, ISAAC AND COMPANY, INCORPORATED

By: -----

Its: -----

Date: -----

THIRD ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST
("THE LANDLORD")
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
("THE TENANT")
DATED
OCTOBER 11, 1993

This Third Addendum to Lease dated December 15, 1994 ("Third Addendum") is hereby attached to and incorporated into and made a part of that Lease dated October 11, 1993, by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated and First Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated October 11, 1993, and Second Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated January 31, 1994. The parties agree to the following terms and conditions set forth herein below:

LEASE

2. PREMISES: Paragraph 2 shall be amended to provide that Tenant's Premises on the first floor shall be increased from approximately 4,007 rentable square feet and 3,506 useable square feet ("Original Premises") to 6,152 rentable square feet and 5,486 useable square feet ("Added Premises") to include those Premises known as Suite 124 (2,145 rentable square feet and 1,980 useable square feet).
4. POSSESSION: Tenant shall take possession of the Added Premises as of January 1, 1995. That date shall also be the Commencement Date for the Added Premises.
5. A. RENT: Paragraph 5.A. of the Lease shall be amended to provide that Tenant agrees to pay Landlord as rental for the Original Premises and the Added Premises the sum of Twelve Thousand Three Hundred and Four Dollars (\$12,304.00).
7. OPERATING EXPENSES ADJUSTMENTS: Paragraph 7 shall be amended to provide that Tenant shall pay 5.9% of the increase in Direct Expenses and the figure of 3.9% shall be deleted.

The Base Year Shall be 1995.

SECOND ADDENDUM

7. SERVICES AND UTILITIES

Paragraph C shall be amended as follows:

To provide that Tenant's monthly allowance for electrical service shall be \$676.72 (6,152 rentable SF x \$.11) and the figure of \$440.77 shall be deleted.

For the first year of Tenant's occupancy, Tenant shall pay the amount of \$603.46 (5,486 x \$.11) per month as a projected expense for over-standard electrical usage and the figure of \$385.66 shall be deleted.

LANDLORD

THE JOSEPH AND EDA PELL REVOCABLE TRUST

By: Joseph Pell

Joseph Pell

Its: -----

By: Eda Pell

Eda Pell

Its: -----

Date: January 6, 1995

TENANT

FAIR, ISAAC AND COMPANY, INCORPORATED

By: Michael C. Gordon

Its: -----

Date: January 6, 1995

FOURTH ADDENDUM TO LEASE
BY AND BETWEEN
THE JOSEPH AND EDA PELL REVOCABLE TRUST
("THE LANDLORD")
AND
FAIR, ISAAC AND COMPANY, INCORPORATED
("THE TENANT")
DATED
OCTOBER 11, 1993

This Fourth Addendum to Lease dated April 3, 1995 ("Fourth Addendum") is hereby attached to and incorporated into and made a part of that Lease dated October 11, 1993, by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated and First Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated October 11, 1993; and Second Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated January 31, 1994; and Third Addendum to Lease by and between The Joseph and Eda Pell Revocable Trust and Fair, Isaac and Company, Incorporated dated December 15, 1994. The parties agree to the following terms and conditions set forth herein below:

LEASE

2. PREMISES: Paragraph 2 shall be amended to provide that Tenant's Premises on the first floor shall be increased from approximately 6,152 rentable square feet and 5,486 useable square feet ("Original Premises") to 11,875 rentable square feet and 10,642 useable square feet ("Added Premises") to include those Premises known as Suite 105 (5,723 rentable square feet and 5,156 useable square feet).
4. POSSESSION: Tenant shall take possession of the Added Premises the first day after the current tenant vacates the premises which shall be no earlier than June 25, 1995 nor any later than August 25, 1995. Landlord will give Tenant seven (7) days written notice prior to Tenant's taking possession of the Added Premises. That date shall also be the Commencement Date for the Added Premises.
5. A. RENT: Paragraph 5.A. of the Lease shall be amended to provide that Tenant agrees to pay Landlord as rental for the Original Premises and the Added Premises the sum of Twenty-Three Thousand Seven Hundred and Fifty Dollars (\$23,750.00) (11,875 rentable square feet x \$2.00 per square foot).
7. OPERATING EXPENSES ADJUSTMENTS: Paragraph 7 shall be amended to provide that Tenant shall pay 11.3% of the increase in Direct Expenses and the figure of 5.9% shall be deleted (11,875RSF/105,000SF).

The Base Year for the Added Premises shall be 1995.

SECOND AND THIRD ADDENDUM

7. SERVICES AND UTILITIES

Paragraph C shall be amended as follows:

To provide that Tenant's monthly allowance for electrical service shall be \$1,306.25 (11,875 rentable SF x \$.11) and the figure of \$676.72 shall be deleted.

For the first year of Tenant's occupancy, Tenant shall pay the amount of \$1,170.62 (10,642USF x \$.11) per month as a projected expense for over-standard electrical usage and the figure of \$603.46 shall be deleted.

LANDLORD

THE JOSEPH AND EDA PELL REVOCABLE TRUST

March 5, 1995

Joseph Pell Date

Eda Pell June 2, 1995

Eda Pell Date

TENANT

FAIR, ISAAC AND COMPANY, INCORPORATED

By: Michael C. Gordon

Its: -----

Date: May 24, 1995

FOURTH
CONTRACT EXTENSION

Fair, Isaac and Company, Inc. and William R. Fair hereby extend the contract between them for Mr. Fair's services as a consultant to the Company for an additional year, that is from April 1, 1995 through March 31, 1996, all other terms and conditions remaining the same as in the original contract.

In witness whereof, the parties have executed this contract extension as of this 7th day of April, 1995.

Fair, Isaac and Company, Incorporated

By: Larry E. Rosenberger

William R. Fair

Larry E. Rosenberger
President and CEO

William R. Fair

FAIR, ISAAC AND COMPANY, INCORPORATED
 COMPUTATION OF EARNINGS PER SHARE
 (IN THOUSANDS EXCEPT PER SHARE DATA)

	YEAR ENDED SEPTEMBER 30		
	1995	1994	1993
PRIMARY EARNINGS PER SHARE:			
Weighted Average Common Shares Outstanding	12,206	11,810	11,408
Shares Issuable Upon Exercise of Stock Options-Weighted Average	760	958	1,102
Less Shares Assumed to be Repurchased	(243)	(292)	(346)
	-----	-----	-----
Weighted Average Common Shares, as Adjusted	12,723	12,476	12,164
	=====	=====	=====
Net Income	\$ 12,695	\$ 10,049	\$ 5,277
	=====	=====	=====
Primary Earnings per Share	\$ 1.00	\$.81	\$ 0.44
	=====	=====	=====
FULLY DILUTED EARNINGS PER SHARE:			
Weighted Average Common Shares Outstanding	12,206	11,810	11,408
Shares Issuable Upon Exercise of Stock Options-Weighted Average	760	964	1,102
Less Shares Assumed to be Repurchased	(199)	(228)	(268)
	-----	-----	-----
Weighted Average Common Shares, as Adjusted	12,767	12,546	12,242
	=====	=====	=====
Net Income	\$ 12,695	\$ 10,049	\$ 5,277
	=====	=====	=====
Fully Diluted Earnings Per Share	\$.99	\$.80	\$ 0.43
	=====	=====	=====

SUBSIDIARIES OF
FAIR, ISAAC AND COMPANY, INCORPORATED

Name of Company and Name under which it Does Business =====	Jurisdiction of Incorporation or Organization =====
Fair, Isaac International Corporation(1)	California
DynaMark, Inc.(1)	Minnesota
Fair, Isaac International Germany Corporation(2)	California
Fair, Isaac International Canada Corporation(2)	California
Fair, Isaac International UK Corporation(2)	California
Fair, Isaac International Japan Corporation(2)	California
Fair, Isaac International Ltd(2)	England
Fair, Isaac International France Corporation(2)	California
Fair, Isaac International Mexico Corporation(2)	California
Fair, Isaac International, S. A.(3)	Monaco

(1) 100% owned by Fair, Isaac and Company, Incorporated.

(2) 100% owned by Fair, Isaac International Corporation.

(3) 100% owned by Fair, Isaac International Corporation except for qualifying shares.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS IN THE COMPANY'S 1995 ANNUAL REPORT ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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	12-MOS	
SEP-30-1995	SEP-30-1995	
		8,321
	5,874	
	19,370	
	276	
	0	
	47,771	
		29,754
	12,939	
	88,290	
23,378		
		0
		123
0		
		0
	56,005	
88,290		
		113,881
	113,881	
		0
	94,017	
	231	
	0	
	196	
	21,446	
	8,751	
12,695		
	0	
	0	
		0
	12,695	
	1.00	
	.99	