

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

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 2000

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.)

200 Smith Ranch Road, San Rafael, California 94903
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, \$0.01 par value per share New York Stock Exchange, Inc.
(Title of Class) (Name of each exchange on
which registered)

Securities registered pursuant to Section 12(g) of the Act:
None

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

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, 2000 the aggregate market value of the Registrant's common stock held by nonaffiliates of the Registrant was \$367,616,043 based on the last transaction price as reported on the New York Stock Exchange. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purposes.

The number of shares of common stock outstanding on December 8, 2000 was 14,550,510 (excluding 258,724 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, 2001.

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Forward-Looking Statements

In addition to historical information, this Annual Report contains forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled "Management's Discussion and Analysis of Financial Position and Results of Operations-Risk Factors" as well as those discussed elsewhere in this report. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. The Company undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in other documents the Company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by the Company in fiscal year 2001.

PART I

ITEM 1. BUSINESS

Development Of The Business

Fair, Isaac and Company, Incorporated, (NYSE: FIC) ("Fair, Isaac" or the "Company" or "we") is a global provider of decision-making solutions. We serve clients primarily in the Financial Services industry, and to a lesser extent, the Insurance, Retail and Telecommunications industries. We employ various tools, such as database enhancement software, predictive modeling, adaptive control and systems automation to help businesses use data to make faster, more profitable decisions on their marketing, customer acquisition campaigns, operations and portfolio management. Founded in 1956, we pioneered the credit risk scoring technologies now employed by most major United States consumer credit grantors. We are headquartered in San Rafael, California.

Our 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, application processing, card reissuance, online credit authorization, and collection. Among our signature products are the leading North American credit bureau scores, FICO(R) credit bureau risk scores, used throughout the credit card, mortgage, auto lending and other industries; the world's leading credit account management system, TRIAD(TM); and the leading scoring systems for granting small business credit.

In recent years, using our deep expertise in predictive technology, database management, profitability management, decision-support software, and consulting and systems integration, we expanded our product and service offerings to automobile and home insurance underwriting, small business and mortgage lending, telecommunications, retail, and e-business. Our work has made a positive impact on many industries, helping businesses increase revenues, reduce costs, streamline their operations and give their customers better service.

Our regular clients include hundreds of the world's leading credit card and travel card issuers, personal lines insurers, retailers, telecommunications service providers and consumer and commercial lenders. We have enjoyed continuous client relationships with some of these companies for nearly 31 years. Through alliances with all three major United States credit bureaus, we also serve 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 our end-user products, such as our application risk models and our LiquidCredit(TM) line of products, are designed to meet the needs of relatively small users as well as large users.

The impact of our technology is demonstrated by the following:

- o More than 12 billion decisions were made in fiscal 2000 using our credit bureau scores and credit account management systems.
- o More than 75% of credit cards issued in United States and 90% of those issued in the United Kingdom/Ireland are managed with our account management systems.
- o More than 75% of all mortgage applications in the United States are evaluated using our credit bureau risk scores.
- o 90% of the top lenders to small businesses in the United States use our Small Business Scoring Service sm to speed loan decisions.
- o 15 of the 20 largest US insurance companies use our decision-making solutions.

- o Our products and services are used by companies in more than 60 countries.

Approximately 19% of our fiscal 2000 revenues came from sales outside the United States. With our long-standing presence in Western Europe and Canada, and operating bases in Brazil, United Kingdom, France, Germany, Italy, Japan, Mexico, South Africa and Spain, we believe we are well positioned to benefit from the expected growth in global credit card issuance and usage and use of the Internet in business to business e-credit.

During the period since 1990, while the rate of account growth in the U S bankcard industry has been slowing and many of our largest institutional clients have merged and consolidated, we generated growth in revenues--even after adjusting for the effect of acquisitions--from our bankcard-related scoring and account management businesses by cross-selling our products and services within large banks and other credit issuers. We believe much of our future growth prospects will rest on our ability to: (1) develop new, high value-added products, (2) increase our market share in established or emerging credit markets outside the US and Canada and (3) expand, either directly or through further acquisitions, into relatively undeveloped or underdeveloped markets for our products and services, such as direct marketing, insurance, small business lending, retail, telecommunications and e-business.

In fiscal 2000, we declared our intent to expand our delivery channel capabilities by becoming an application service provider or "ASP." An application service provider is a company that offers individuals or businesses netsource access (over the Internet to software programs and related services that would otherwise have to be located in their own personal and enterprise computers). We have already delivered many of our capabilities through secure Web sites and will adopt this delivery mode whenever possible in the future. Although not Web-based, certain other services, such as credit scores delivered through credit reporting agencies and account management services delivered through credit card processors, fall within the broader definition of an ASP.

During fiscal 2000 we made significant progress on our initiative to increase our netsource ASP capabilities and on initiatives to target growth opportunities in the retail and telecommunications markets, and in the business-to-business e-credit marketplace. We can provide our technology directly from our site, or we can become the decisioning technology "inside" our client's Web site. The overall focus of our netsource ASP-delivered products is to quickly and simply deliver to our clients the most effective customer decisioning available in today's complex business environment. We launched four major new netsource ASP-delivered products in fiscal 2000 to support a broad range of client needs:

- o LiquidCredit service for Web credit origination
- o Fair, Isaac MarketSmart Decision System(TM)for multi-channel customer relationship management
- o ClickPremium(TM)service for insurance underwriting
- o TelAdaptive(TM)service, our TRIAD-based adaptive control offering for the telecommunications industry

We also made other changes to support these initiatives that we believe will further our growth. The following are a few of the steps we have taken to reach our goals:

- o Distribution channels for our TRIAD decisioning technology were expanded to include additional global card processors, such as Electronic Data Systems Corp. (EDS) and Equifax, Inc., in new countries.
- o Our NexGen(TM) credit bureau risk scores were released at two of the three leading U S credit bureaus and are expected to be available at all three in 2001.
- o We increased our emphasis on developing partnerships to supplement our direct sales organization.
- o We bolstered our management team with new management in finance, sales and technology and centralized our technology group.
- o We reorganized the sales organization and implemented a new sales commission program to focus on obtaining new business.
- o Principal products were upgraded and less profitable products were discontinued.

Products and Services

Our principal products are statistically derived, rule-based analytic tools designed to help businesses make more profitable decisions on their customers and prospective customers; software systems and components to implement these analytic tools and databases; and data management services that organize, enhance and make accessible information on an organizations' prospects and customers. In addition to sales of these products directly to end-users, we also make these products available in service mode, either directly or through arrangements with partners such as credit bureaus and third-party credit card processors.

Products and services sold to the consumer credit industry have traditionally accounted for most of our revenues and we expect this to continue. However, we are actively promoting our 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, telecommunications and retail. Sales to customers in the direct marketing business, including the marketing arms of financial service businesses, (i.e., financial services related products) accounted for 20% to 24% of revenues in each of the three years in the period ended September 30, 2000.

The business segments of the Company for fiscal 2000 are North American Financial Services, NetSourced Services and Other International business units. Additional information about these segments appears in Note 12 to the Consolidated Financial Statements. Products and services marketed by each of our business segments are described below.

North American Financial Services

The majority of our revenues are derived from our North American Financial Services business segment, which primarily markets Analytic Products and Services and Alliance Products and Services in the United States and Canadian markets.

Analytic Products and Services

We apply a wide array of well-established and cutting-edge data mining and modeling techniques to support critical business decisions. Our primary Analytic Products are scoring models (also called "algorithms" or "scorecards") which include our custom models, custom software and related consulting projects. Our analytic models support a wide spectrum of business decisions that are based on modeling customer behavior--assessing the likelihood of a behavior of interest, understanding customer profiles, and optimizing strategies for taking subsequent actions. To develop our models, we analyze and aggregate a variety of data sources, including historical behavior data, customer data, and third party (e.g., credit reporting agency) data. Models are developed by correlating information available at the time a particular decision is made with known performance at a later date and they can be developed either for a particular user ("custom" models) or for many users in a particular industry ("pooled data" models). A wide variety of business decisions leverage our analytic services and products. Some examples of the decisions are screening lists of prospective customers, evaluating applicants for credit or insurance and managing existing credit accounts.

Some examples of our products and services are:

Application Scoring Models. Credit application scoring models permit credit grantors to calculate the risk of lending to individual applicants. A significant proportion of revenues from credit application scoring risk models is derived from sales of new or replacement models to existing users.

Behavior Scoring Models. Behavior scoring models permit businesses to define rules for the treatment of existing customers on an ongoing basis. To use a credit card portfolio example, scores produced by behavior scoring models can be used to select the appropriate treatment of an existing customer such as increases in credit limits, authorizing individual credit card transactions, taking various actions on delinquent accounts and offering other products or product features. Behavior scoring models are also components of the adaptive control systems described under "Account and Customer Management" below.

Other Scoring Models. We have developed scoring models for other users, which include retailers that want to know the likelihood that a consumer will buy a particular product, public utilities that require deposits from selected applicants before starting service, tax authorities that select returns to be audited, and mortgage lenders.

Analytic Consulting. We have provided analytic services to clients in incorporating data, models and strategies in their decision making process. For example, we provide solutions that leverage historical customer behavior data to determine the best customer treatments. Another example is a service that analyzes

portfolio-level profitability dynamics to determine the optimal operating point based on the trade-offs among risk, volume of business and profitability goals.

Alliance Products and Services

Our Alliance Product and Services offerings are composed of our products and services that are delivered through alliances with credit bureaus and credit card processors in North America. The majority of these products generate usage revenues. Approximately 50% of our revenues in fiscal 2000 were derived from usage-priced products and services marketed through alliances with major credit bureaus and third-party credit card processors.

Credit Bureau Scoring Services. We provide scoring models to each of the three major credit bureaus in the United States--Trans Union Corporation, Experian Information Solutions, Inc. (formerly known as TRW Information Systems & Services) and Equifax Inc.--for calculating credit bureau scores. Our scores are recognized as the "gold standard" by North American lenders managing credit cards, installment loans, mortgage loans and other products. Customers of the credit bureau can use the scores derived from these models to prescreen solicitation candidates, to evaluate applicants for new credit and to review existing accounts. Using Fair, Isaac credit bureau scores, credit grantors improve profitability throughout the credit life cycle by targeting the right actions to the right prospects, applicants and customers.

Our credit bureau scores include risk scores, industry-specific risk scores, bankruptcy scores, revenue scores, and attrition scores. Credit grantors using these services pay the credit bureau based on usage and the credit bureau share these usage revenues with us. Our PreScore(R) Service offered through credit bureaus combines a license to use such models for prescreening solicitation candidates along with tracking and our consulting services, and is priced on a time or usage basis.

Our ScoreNet(R) Service allows North American credit grantors to obtain our credit bureau scores and related data on a regular basis and in a format convenient for use in their account management system or service at a credit card processor. We obtain the data from the credit bureaus selected by each subscriber and deliver it to the subscriber in a format compatible with the subscriber's account management system.

In fiscal 2000 we introduced our new US credit bureau product, NextGen credit bureau risk scores. The NextGen risk scores are credit bureau risk assessment tools designed to rank-order consumer applicants, prospects and customers according to the likelihood of future default on credit obligations. These next generation of credit bureau risk scores will provide a more refined risk assessment than other credit bureau risk scores, including our FICO scores. The NextGen models use a new design blueprint to take advantage of constantly changing credit reporting agency data and our deep analytic expertise and predictive technology innovations. The NextGen risk scores will be offered as an alternative to classic credit bureau risk scores, which we will continue to support and redevelop. By using the NextGen risk scores instead of other credit bureau risk scores, credit grantors in many industries will be able to more accurately and confidently design strategies for prospects, applicants, and customers across the entire risk spectrum.

The NextGen scores are called PinnacleSM scores at Equifax. Pinnacle scores are generally available in batch mode and online at Equifax. The scores are called PRECISIONSM scores at Trans Union and are available in pilot program. Experian is working with us on a NextGen product. We expect that NextGen scores, when fully implemented, will be available from the credit bureaus in online, prescreen and account review mode, like the FICO scores. They will also be available through our PreScore Service for comprehensive prescreening support and through the ScoreNet Service used for managing existing customers.

We believe that consumers have a right to understand their credit rating, and what behaviors affect their FICO credit bureau risk score. In October 2000, we made publicly available the clearest, most comprehensive explanations of FICO risk scores on the market. To lenders and brokers, we offer a Web-based FICO Guide(TM) service that provides a personalized explanation of the factors considered in a given consumer's FICO score, and suggestions on how to improve the score over time. It can be accessed at www.ficoguide.com. This Web site is not incorporated into this 10K annual report

Credit Bureau Insurance Scoring Services. We have also developed scoring systems for insurance underwriters and marketers. Such systems use the same underlying statistical technology as our "gold standard" credit bureau risk scores but are designed to predict claim frequency or applicant profitability for automobile or homeowners' coverage. With Trans Union we offer ASSIST. We have a similar score with Experian named the Experian/Fair, Isaac Insurance Score. We offer Property Loss Score (PLS) and Casualty Loss Score (CLS) with ChoicePoint. We have also introduced a score for homeowners' and automobile

insurance called InfoScore with Equifax. ASSIST, CLS/PLS, the Experian/Fair, Isaac Insurance Score and InfoScore rely on data from Trans Union, ChoicePoint, Experian and Equifax along with Fair, Isaac's unparalleled knowledge and understanding of the predictive capabilities of that data. We are actively marketing our products and services to the insurance industry.

Account Management Services at Credit Card Processors. We also provide account management products and services through First Data Resources, Inc. (FDR) and Total System Services, Inc. (TSYS), the two largest third-party credit card processors in the United States. FDR and TSYS provide processing and related services to financial institutions issuing credit cards and debit cards and to issuers of private label cards. Our Adaptive Control System (known as ACS at FDR and TRIAD at TSYS) is recognized as the "industry standard" by North American lenders in managing their credit card accounts. Customers of the credit card processors can use the ACS/TRIAD product and services to reduce losses, increase profitability, and improve customer service on their existing accounts. The ACS/TRIAD product offering includes behavior scoring, automated decision strategy software, and a consulting service to help customers get the most value from the use of this product. Customers using this product pay the processors based on usage, and the processors and we share these usage revenues.

NetSourced Services

The NetSourced Services business segment principally markets Targeting and Prospecting and Origination and Underwriting products, together with Account and Customer Management products and Standalone Consulting services in the North American market.

Targeting and Prospecting Products

Our Targeting and Prospecting products are principally data processing and database management services for companies and organizations involved in direct marketing. We offer several proprietary tools in connection with such services. Our newest and most sophisticated Targeting and Prospecting product is our Fair, Isaac MarketSmart Decision System. The Fair, Isaac MarketSmart Decision System is a multi-channel, Web-enabled marketing solution with campaign management, data warehousing, analytic and other capabilities. It is a full-service, multi-channel marketing solution that helps financial institutions, retailers and telecommunications companies determine where, when and how to interact with their prospects and customers to build stronger relationships.

Other Targeting and Prospecting products include DynaLink(R) (database access system) and DynaMatch(R) (merge/purge service). The DynaLink product gives financial institutions and other users remote computer access to their "warehoused" customer account files or marketing databases. It allows them to perform online 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. The DynaMatch product 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.

Origination and Underwriting

Our Origination and Underwriting products automate the processing of credit applications, including the implementation of our credit application scoring models. The tasks performed by these systems may 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 economical 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.

Our traditional Origination and Underwriting systems are mainframe systems consisting of software for IBM and IBM-compatible mainframe computers or personal computer-based systems for smaller credit grantors, principally our CreditDesk(R) product. Our new LiquidCredit line of products is the next evolution in credit origination. We intend to concentrate the majority of our future enhancement efforts on this new platform. Our ClickPremium product is Web-based decisioning product in an ASP model directed to the Insurance industry.

Our new and traditional Origination and Underwriting systems are:

LiquidCredit A Web-based credit decisioning solution that enables click-and-mortar financial institutions, Internet financing marketplaces and Web-based retailers to turn browsers into buyers by offering immediate credit to consumers and small businesses at the point of contact. LiquidCredit has three solutions: LiquidCredit app engine which allows traditional Web-enabled credit grantors to make instant credit decisions by providing complete credit application processing capabilities for consumer and small business credit products; LiquidCredit decision engine which provides e-tailers, click-and-mortar financial institutions and retailers with the ability to determine the right product or products for a credit applicant based on that credit grantor's product matching and decisioning criteria so the applicant receives a tailored selection of credit offers from the credit grantor; and LiquidCredit broker engine which delivers to Internet brokers and e-marketmakers a tool that sits behind their own Web site, and matches scored applicants to credit grantors' criteria, to present applicants with a variety of credit options within minutes. Applicants receive a list of credit offers with multiple terms, while participating lenders receive exposure to potential quality borrowers.

ClickPremium A powerful decision engine and application generator that supports the definition, testing and automated execution of insurance decision strategies. The software can be used to establish automated strategies at any level of complexity for multiple insurance decision areas, including insurance underwriting, retention, cross-selling, claims handling, prospect targeting and collections.

CreditDesk Software designed for use on stand alone or networked personal computers. CreditDesk is a bundled scoring and automated application processing solution which performs data collection, credit bureau report acquisition and analysis, credit scoring, decision recommendation based on user-defined parameters, online review resolution, letter generation and reporting.

ScoreWare(R) Software that provides for easy installation of credit application models and computes scores from such models as part of the application processing sequence

StrategyWare(R) A comprehensive and flexible decision strategy management software system that processes decision requests by applying user defined decision strategies and generates decision responses including decisions and actions, for example, processing an application.

SEARCH(TM) Software that acquires and interprets credit bureau reports as a separate package.

CreditCenter(TM) Product for application processing that integrates components from mainframe ASAP(TM), StrategyWare and SEARCH with a web-enabled user interface.

Our mainframe Origination and Underwriting systems are currently being used in the United States and Canada by banks, retailers, and other financial institutions. We do not expect significant new sales of mid-range Origination and Underwriting systems, but still derive maintenance and enhancement revenues from existing systems. It is our intention to migrate our current CreditDesk clients to the new LiquidCredit products as quickly as possible, to allow them to begin taking advantage of Web-based decisioning in an ASP model.

Account and Customer Management

One of our most sophisticated products is an adaptive control system for account and customer management, generally marketed under the tradename TRIAD. TRIAD is a complex system composed of behavior scoring models, software, and account management strategies which addresses one or more aspects of the management of a consumer credit or similar portfolio. TRIAD is used by industries of various kinds: credit card, debit card, revolving credit, installment lending, mail order, retail, and others.

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 strategy. TRIAD allows testing of innovative challenger strategies on a small group of customers and comparison of the results to existing champion strategies. The new winning strategies can then be applied to larger segments of the portfolio. TRIAD allows a number of challengers to be in place at any one time.

Contracts for TRIAD for end-users generally include multi-year software maintenance, strategy design and evaluation, and consulting components. Our Origination and Underwriting product, StrategyWare, is an adaptive control system designed to apply champion/challenger principles to the processing of new credit accounts, rather than the management of existing accounts. Our new netsource ASP product, TelAdaptive, has TRIAD as its core and is a comprehensive Web-delivered account management solution for the telecommunications industry. It focuses on four key areas of account management: delinquent collections, usage limit, authorizations management and marketing communications. It also includes a sophisticated data warehouse that facilitates the use of scoring and decisioning modules, and provides easy access to critical business data.

Standalone Consulting

Our Standalone Consulting products generate revenues from analytics, custom applications, data warehousing, integration, and risk management consulting services in North America. These services were provided by our former subsidiary, Credit & Risk Management Associates, Inc. (CRMA), which was merged into us in fiscal 1999. We undertake consulting engagements primarily with credit grantors who are users of our analytics, software and ASP solutions, and with credit grantors deemed to be attractive prospective clients for those solutions. We advise clients on how to develop and implement sound analytic solutions, provide expert view of model development and assist with successful implementation or repositioning of predictive modeling within the business for greater effectiveness.

Other International

The Other International business unit covers all of our operations outside of the United States and Canadian markets. We have offices throughout the world to deliver products and services which cover our core competencies in analytics, software and consulting. European and South African markets represent a little over half of our international business, followed by Latin America and Asia. Currently the principal products marketed internationally are TRIAD, CreditDesk, scoring models for account origination and account management (including those marketed under the name CrediTable(R)), fraud systems, StrategyWare and ScoreWare. We also market to insurance companies, retailers and telecommunications firms, with the primary offerings being scoring models and adaptive control systems. As noted above, we establish and maintain alliance relationships through which our products-chieflly scores and credit account management services-are sold. These include third-party credit card processors and credit bureaus. We provide credit account management services in the United Kingdom through First Data Resources, Ltd and Bank of Scotland; in Buenos Aires, through Argencard S.A.; and in Frankfurt, through B+S Card Service GmbH.

Customer Service and Support

We provide service and support to our customers in a variety of ways. These include: (i) consulting and training services; (ii) delivery of special studies which are related to the use of our products and services; (iii) conducting annual conferences for clients in which user experiences are shared and new products are introduced; (iv) education of liaison teams appointed by buyers of scoring models and software; (v) maintenance of an answering service that responds to inquiries on minor technical questions; (vi) proactive follow-up with purchasers of our products and services; and (vii) conducting seminars several times a year both in the United States and in other countries.

We provide tracking services and software products that measure the continuing performance of scoring models used by our customers. The effectiveness of scoring models can diminish 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 models so that they can be replaced when it is economical to do so.

Technology

We are focusing our technological development in the following areas: 1) enhancing our current offerings for our existing clients who look to us to provide products and services that add value to their businesses, and 2) developing and applying analytic and software technologies to create real-time decision-making solutions for the Internet. At present we are concentrating our efforts on both new versions and next

generations of our decision engines, innovative analytic solutions for Web-based decisioning, and groundbreaking work on decision strategy optimization.

Our personnel are experienced in several disciplines: operations research, mathematical statistics, computer-based systems design, programming and data processing.

Operations research is focused on developing mathematical models to assist managers in making decisions that maximize the utility of available information. Our analytic products are examples of this research reduced to practice. The focus is on decision making using the best mathematical and computational techniques available.

The goal of mathematical statistics is to provide a method for deriving the maximum amount of useful information from raw statistical data. The objective of the design of computer-based systems is to provide a mechanism for efficiently accepting input data from a source, storing the data in a cost-effective medium, utilizing the data with reliable models and decision rules and reporting results in a readily comprehensible format.

Our analytic products' distinguishing characteristic is that they make management by rule possible where the only alternative is reliance on a group of people whose actions can never be entirely consistent. Rules for selecting actions require the computation of probabilities of results. However, computing the probability of a particular result using traditional methods, that is, by counting the number of occurrences of each possible result in all possible combinations of circumstances, breaks down as the number of combinations becomes large. When as few as a few thousand results are available, more subtle mathematical methods must be used. We have been actively developing and using techniques of this kind for 44 years, as indicated by the development and continual enhancement of our proprietary suite of models and computer programs used to develop scoring models.

Our products must also interface successfully with our clients' existing systems. For example, our products must accept data in various formats and media, such as handwritten applications, display terminal input, and telecommunications messages from credit bureaus. Our products must also provide output in diverse formats and media, such as magnetic and electronic media. In response to this interface requirement we have recruited and trained a staff that has expertise in both logical design of information systems and the various computer languages used for coding.

Markets and Customers

Our products for consumer credit are marketed to banks, retailers, e-tailers, finance companies, oil companies, credit unions and credit card companies. We have more than 600 end-users of our products who purchase directly from us. These include about 75 of the 100 largest banks in the United States; several of the largest banks in Canada; approximately 40 banks in the United Kingdom; more than 70 retailers (and e-tailers); seven oil companies; major travel and entertainment card companies; and more than 40 finance companies. Custom models and systems have generally been sold to larger credit grantors. The scoring, application processing and account management services offered through credit bureaus and third-party processors are intended, in part, to extend usage of our technology to smaller credit issuers and we believe that users of our products and services distributed through third-parties number in the thousands. As noted above, we also sell our products to telecommunications service providers, insurance companies, and utilities.

We market our services to a wide variety of businesses engaged in direct marketing. These include banks and insurance companies, catalog merchandisers, fund-raisers among others. Most of our Targeting and Prospecting product revenues come from direct sales to the end user of our services, but in some cases we act as a subcontractor to advertising agencies or others managing a particular project for the end user.

In fiscal 2000, Trans Union Corporation accounted for approximately 12% of our revenues; Equifax, Inc., approximately 10%; and Experian Information Solutions, Inc., less than 10%. Revenues generated through our alliances with Equifax, Experian and Trans Union each accounted for approximately 8% to 10% in fiscal 1999 and 7% to 10% of our revenues in fiscal 1998.

The percentage of revenues derived from clients outside the United States was approximately 19% in fiscal 2000 and 15% in fiscal 1999 and approximately 17% in fiscal 1998. The United Kingdom and Canada are our largest market segments outside the United States. Mexico, South Africa, a number of countries in South America and almost all of the Western European countries are represented in our user base. We have delivered products to users in approximately 60 countries. The information set forth under the caption "Segment Information" in Note 12 to the Consolidated Financial Statements is incorporated herein by

reference. Our foreign offices are primarily sales and customer service offices acting as agents on behalf of the U S production operations. Net identifiable assets, capital expenditures and depreciation associated with foreign offices are not material.

We enjoy good relations with the majority of our clients and a substantial portion of our revenue is derived from repeat customers. As noted above, we are actively pursuing new users, particularly in the marketing, insurance, telecommunications and retail industries, as well as potential users in the consumer credit area not currently using our products.

Contracts and Backlog

Our practice is to enter into contracts with several different kinds of payment terms. Scoring models are sold through one-time, fixed-price contracts and through longer term contractual arrangements for our largest clients, who receive multiple models. CreditDesk customers have the option to enter into contracts that provide for a one-time license fee or volume-sensitive monthly lease payments, with a provision requiring monthly maintenance payments. We derive revenues from LiquidCredit products under usage-based contracts that are subject to a minimum quarterly and annual fee. Contracts for mainframe Origination and Underwriting systems include a one-time fee for the basic software license, plus monthly fees for maintenance and enhancement services. We also realize maintenance and enhancement revenues from users of our line of mid-range Origination and Underwriting systems. PreScore contracts call for usage or periodic license fees and there is generally a minimum charge. Contracts for the delivery of complete Account and Customer Management Systems typically contain both fixed and variable elements because they extend over multiple years and must be negotiated in light of substantial uncertainties. As noted above, we are also providing scoring models 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. Targeting and Prospecting products, including our new Fair, Isaac MarketSmart products, are priced using a combination of fixed fee and volume or usage-based pricing.

As of September 30, 2000, our backlog, which consisted of firm contracts, was approximately \$64.1 million, as compared with approximately \$55.9 million as of September 30, 1999. Most usage-based revenues do not appear as part of the backlog. Most contracts for our Targeting and Prospecting products include unit or usage charges, the total amount of which cannot be determined until the work is completed. Backlog for our Targeting and Prospecting and Standalone Consulting services are not significant in amount, are not considered a significant indicator of future revenues, and are not included in the foregoing figures. Our backlog is subject to significant fluctuations and is not necessarily indicative of our future revenues.

Competition

As credit scoring, rule-based decision systems, and behavioral scoring models, all of which we pioneer, have become standard tools for credit providers, competition has emerged from five sectors: scoring model 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 our present and potential competitors have substantially greater financial, managerial, marketing, and technological resources than we do. We believe that none of our competitors offer the same mix of products as we do. 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 our products and services.

We believe that the principal factors affecting competition for scoring models are product performance and reliability; expertise and knowledge of the credit industry; the ability to deliver models in a timely manner; customer support, training and documentation; ongoing enhancement of products; and comprehensiveness of product applications. We compete with both outside suppliers and in-house computer systems departments for this business. Major competitor among outside suppliers of scoring models include Experian and Trans Union. Scores sold by credit bureaus in conjunction with credit reports, including scores computed by models developed by us, provide potential customers with the alternative of purchasing scores on a usage-priced basis.

We believe that the principal factors affecting competition in the market for automated application processing systems (such as CreditDesk and LiquidCredit) are the same as those affecting scoring models, together with experience in developing computer software products. Competitors in this area include outside computer service providers and in-house computer systems departments. We believe that a major competitor in this area is American Management Systems, Incorporated ("AMS"). AMS also offers credit scoring models.

We compete with data vendors in the market for our 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 our primary scoring model competitor, Experian.

Both AMS and Experian offer products intended to perform some of the same functions as our adaptive control systems, TRIAD and StrategyWare. We believe that customers using our adaptive control systems, in both custom end-user form and through third-party processors, significantly outnumber users of the competing AMS and Experian 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 database of results, from which rules and models are developed, as compared to expert systems, which are typically based primarily on the "expert's" judgment and less so upon a significant database. We believe our technology is superior to expert system technology where sufficient performance data are available. Neural networks, on the other hand, are an alternative method of developing scoring models from a database but using mathematical techniques quite different from those used by us. For example, HNC Software, Inc., has developed systems using neural network technology which compete with some of our products and services. We believe that analytical skill and knowledge of the business environment in which a model will be used are generally more important than the choice of techniques used to develop the model; and, further, that we have an advantage in these areas with respect to our primary markets as compared with neural network developers.

There is a large number of companies providing data processing and database management services in competition with our Targeting and Prospecting products, some of which are considerably larger than us. We believe 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, the ability of the processor to perform specialized tasks. We have concentrated on providing specialized types of data processing and database management services using proprietary tools which, we believe, give us an edge over our competition in these areas.

We also have developed a new model for our Targeting and Prospecting solutions, most of which are now marketed under the Fair, Isaac MarketSmart Decision System brand, in which we have formed alliances with several companies which are judged to provide the "best of breed" for their particular service. Clients who contract with us may access services we have developed (e.g., analytics, consulting) integrated with services developed by our partners (e.g., campaign management service provided by Prime Response). We believe the range and quality of the services we provide in this model further enhances our competitive position, by broadening the type of value we can bring to clients without requiring us to develop expertise in all the services provided for database marketing.

There are regional risk management, marketing, systems integration, and data warehousing competitors that have recently emerged for consulting services comparable to ours, but we believe that few offer the comprehensive business and technical expertise found within our consulting unit. Most often we compete against HNC, AMS and The Dun & Bradstreet Corporation.

Product Protection

We rely upon the laws protecting trade secrets and upon contractual non-disclosure safeguards, including our employee non-disclosure agreements and restrictions on transferability that are incorporated into our client agreements, to protect our software and proprietary interests in our product methodology and know-how. We currently have seven patent applications pending but do not otherwise have patent protection for any of our proprietary software. We instead rely principally upon such factors as the knowledge, ability, and experience of our personnel, new products, frequent product enhancements, and name recognition for our success and growth. We retain title to and protect the suite of models and software used to develop scoring models as a trade secret.

Despite these precautions, it may be possible for competitors or users to copy or reproduce aspects of our software or to obtain information that we regard as trade secrets. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of the United States. Due to recent changes in the case law and Patent and Trademark Office Guidelines with respect to the patentability

of software, models and "methods of doing business," we are currently pursuing efforts to obtain patent protection for additional aspects of our technology.

Research and Development

We devote, and intend to continue to devote, significant funds to research and development to develop both new products and enhancements to our existing products. We believe that our future performance will in large part depend on our ability to enhance our current products and to develop new products on a timely and cost-effective basis that will keep pace with technological developments and address the increasingly sophisticated needs of our clients. In addition, we have ongoing projects for improving our fundamental knowledge in the area of algorithm design for both predictive and decision technology, our ability to develop and execute real-time, dynamic decisioning, our capabilities to produce models efficiently, and our ability to specify and code algorithm executing software. We anticipate that certain new products and services will be developed internally but we have and may, based on timing and cost considerations, acquire or license technology or license software from third parties when appropriate. 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.

Personnel

As of September 30, 2000, we employed 1,534 persons. None of our employees is covered by a collective bargaining agreement and no work stoppages have been experienced.

ITEM 2. PROPERTIES

Our properties consist primarily of leased office facilities for sales, data processing, research and development, consulting and administrative personnel. Our principal office is located in San Rafael, California, approximately 15 miles north of San Francisco. We lease approximately 270,000 square feet of office space in four buildings at that location under leases expiring in 2001 or later. We also lease approximately 6,800 square feet of warehouse space in San Rafael for hardware operations and for storage under month-to-month leases and have a 2,400 square foot telecommute center in Petaluma, California.

Our leased properties also include

- o Approximately 168,000 square feet of office and data processing space in four buildings in Arden Hills, Minnesota, under leases expiring in 2005 or later.
- o Approximately 138,000 square feet of office space in Baltimore, Maryland; Berkeley, California; Wilmington, Delaware; New York City, New York; Atlanta, Georgia; Chicago, Illinois; Brookings and Madison, South Dakota; Shoreview, Minnesota; Toronto, Ontario; Birmingham, England; Tokyo, Japan; Paris, France; Mexico City, Mexico; Sao Paulo, Brazil; Milan, Italy; Johannesburg, South Africa; Madrid, Spain; Vienna, Austria; Kuala Lumpur, Malaysia; and Wiesbaden, Germany.

See Notes 4 and 11 in the Consolidated Financial Statements for information regarding our obligations under leases. We believe that suitable additional space will be available to accommodate future needs.

ITEM 3. LEGAL PROCEEDINGS

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
Thomas G. Grudnowski	President and Chief Executive Officer since joining the Company in December 1999. Became a Director of the Company in December 1999. Partner at Andersen Consulting from 1983-1999. Joined Andersen Consulting in 1972.	50
Larry E. Rosenberger	Executive Vice President since December 1999. President and Chief Executive Officer from March 1991 to December 1999, Executive Vice President 1985-1991, Senior Vice President 1983-1985, Vice President 1977-1983. A Director from 1983-1999. Joined the Company in 1974.	54
John D. Woldrich	Executive Vice President since 1985, Senior Vice President 1983-1985, Vice President 1977-1983. Chief Operating Officer August 1995 to November 1999. A Director from 1983 to November 1999. Joined the Company in 1972. Will retire from the Company effective January 5, 2001.	57
H. Robert Heller	Executive Vice President since September 1996 and a Director since February 1994. President of International Payments Institute from December 1994 to September 1996; President and Chief Executive Officer of Visa U.S.A., Inc. 1991-1993, Executive Vice President of Visa International 1989-1991.	60
Henk J. Evenhuis	Executive Vice President and Chief Financial Officer since joining the Company in October 1999. Executive Vice President and Chief Financial Officer of Lam Research Corporation 1987-1998.	57
Sue A. Simon	Executive Vice President since December 1999; Vice President 1997-1999. Joined the Company in 1996. Partner of The Spectrum Group from 1993-1996.	44
Kenneth M. Rapp	Executive Vice President since October 1999; Senior Vice President since August 1994, and President and Chief Operating Officer of DynaMark, Inc. (acquired by the Company as of December 1992) since it was founded in 1985. Resigned effective September 30, 2000.	54
Eric J. Educate	Executive Vice President since July, 2000. Vice President of Global Sales for Imation Corporation, 1999-2000; key sales executive at EMC Corporation, 1997-1999; Silicon Graphics, 1987-1997.	48
Mark P. Pautsch	Executive Vice President since August, 2000. Managing Partner for the CIO Technology Services Organization of Anderson Consulting. Mr. Pautsch spent 21 years at Anderson Consulting.	44

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

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of May 6, 1996, our common stock began trading on the New York Stock Exchange under the symbol: FIC. Prior to that date, it was traded over-the-counter on the NASDAQ Stock Market under the symbol: FICI. At December 8, 2000, Fair, Isaac had 460 shareholders of record of our common stock. The following table lists the high and low sales prices for the period shown, as reported by the New York Stock Exchange.

Stock Prices	High	Low
October 1 - December 31, 1998	461/2	289/16
January 1 - March 31, 1999	549/16	311/2
April 1 - June 30, 1998	371/16	321/2
July 1 - September 30, 1999	449/16	261/4
October 1 - December 31, 1999	5510/16	28
January 1 - March 31, 2000	556/16	38
April 1 - June 30, 2000	461/8	369/16
July 1 - September 30, 2000	511/8	3913/16

Dividends

We paid quarterly dividends of 2 cents per share or 8 cents per year during the 1998, 1999 and 2000 fiscal years. There are no current plans to change the amount of the cash dividend.

ITEM 6. SELECTED FINANCIAL DATA

Fiscal years ended September 30,	(in thousands, except per share data)				
	2000	1999	1998	1997	1996
Revenues	\$297,985	\$276,931	\$245,545	\$199,009	\$155,913
Income from operations	44,614	46,375	40,432	37,756	29,518
Income before income taxes	47,070	50,600	42,105	35,546	28,704
Net income	27,631	29,980	24,327	20,686	17,423
Earnings per share:					
Diluted	\$1.89	\$2.09	\$1.68	\$1.46	\$1.25
Basic	\$1.94	\$2.13	\$1.77	\$1.55	\$1.32
Dividends per share	\$.08	\$.08	\$.08	\$.08	\$.08
At September 30,	2000	1999	1998	1997	1996
Working capital	\$100,694	\$ 55,885	\$ 54,852	\$ 47,727	\$ 34,699
Total assets	241,288	210,353	189,614	145,228	118,023
Long-term capital lease obligations	--	364	789	1,183	1,552
Stockholders' equity	199,001	156,499	133,451	103,189	79,654

The financial data for the fiscal year ended September 30, 1996 has been restated to reflect the merger, effective July 1997, between Fair, Isaac and Company, Incorporated, and Risk Management Technologies, which has been accounted for under the pooling-of-interests method.

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

Business Overview

We are a global provider of analytics and decision technology. We provide products and services designed to help a variety of businesses use data to make faster, more profitable decisions on their marketing, customers, operations and portfolios. In fiscal 2000 we powered more than 12 billion decisions. Widely recognized for our pioneering work in predictive technology, we develop, produce, market and distribute advanced decision-making solutions to the financial services, retail, telecommunications, e-business, insurance and other industries.

Our products include statistically derived, rule-based analytical tools; software that automates strategy design and implementation; and consulting services to help clients use and track the performance of those tools. We also provide a range of credit scoring and credit account management services for credit bureaus and credit card processing agencies, and data processing and database management services to businesses engaged in direct marketing activities, many of which are in the financial services and insurance industries.

During fiscal 2000 we made significant progress on our initiatives announced in fiscal 1999 that included targeting growth opportunities in the retail and telecommunications markets and becoming a Web-based ASP or netsourced service provider. We launched four major new products that use our netsource ASP model designed to service a broad range of our clients' needs. These products include LiquidCredit(TM) for e-business credit decision making; Fair, Isaac MarketSmart Decision System(TM) for netsourced customer relationship management; ClickPremium for insurance underwriting; and TelAdaptive(TM), our TRIAD(TM) adaptive control offering for the telecommunications industry. We released our NexGen bureau scores currently available at two of the three credit bureaus in the United States and expect to roll out to the third in early 2001. We put a new management team in place. We changed our sales commission structure to provide greater incentive to acquire new business, and upgraded a number of current products and retired unprofitable products. We also expanded our distribution channels for our TRIAD decisioning technology with additional global card processors, such as EDS and Equifax into new countries and plan to focus our efforts on developing partnerships to supplement our direct sales organization. We also recently announced our Decision Technology Venture Program designed to identify, pursue and transact strategic equity investments. We believe that these changes will further the corporate vision to become the premier provider of decision technology on the Internet as well as promote growth in other areas.

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

RESULTS OF OPERATIONS

Revenues

Our business segments are:

- o North American Financial Services. The majority of our revenues are derived from our North American Financial Services unit, which primarily markets our Alliance Products and Services and Analytic Products and Services in the United States and Canadian markets.
- o NetSourced Services. The NetSourced Services unit principally markets Targeting and Prospecting products, together with Origination and Underwriting, Account and Customer Management products and Standalone Consulting services in the North American market.
- o Other International. The Other International business unit covers all of our operations outside of the United States and Canadian markets.

Comparative segment revenues, profits and related financial information for 2000, 1999 and 1998 are set forth in Note 12 to the Consolidated Financial Statements.

Sales to the consumer credit industry continue to account for the majority of our revenues. Credit scoring and credit account management services sold through credit bureaus and third-party credit card processors are generally priced based on usage. 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 models (also known as "Analytic Products," "scorecards" or "models"), credit application processing systems (CreditDesk and CreditCenter) 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. Products sold to the insurance industry are generally priced based on the number of policies in force, subject to contractual minimums. Targeting and Prospecting products are sold under a combination of fixed-fee and usage-based pricing.

The following table displays (a) the percentage of revenues by product category and (b) the percentage change in revenues within each product category from the prior fiscal year.

	Percentage of revenues			Period-to-period percentage changes	
	Years ended September 30, 2000	1999	1998	1999 to 2000	1998 to 1999
Alliance Products and Services	50	49	49	10	13
Targeting and Prospecting	24	24	20	11	33
Analytic Products and Services	8	9	9	(8)	13
Origination and Underwriting	7	7	11	15	(22)
Account and Customer Management	7	5	5	43	10
Standalone Consulting	3	4	3	(23)	45
Other	1	2	3	(59)	(20)
Total Revenues	100	100	100	8	13

Alliance Products and Services revenues are generated primarily by usage-priced credit scoring services distributed through major credit bureaus and credit account management services distributed through third-party bankcard processors in the United States and Canada. Alliance Products and Services also include our ScoreNet and PreScore services, insurance bureau scores, and other related products. The growth in Alliance Products and Services revenues in fiscal 2000 and fiscal 1999 compared to the respective prior fiscal periods were primarily due to a strong demand for risk scoring services at the credit bureaus, and increased revenues from services provided through bankcard processors and from our insurance bureau scores at the credit bureaus. In fiscal 2000, these increases were partially offset by decreased revenues derived from the ScoreNet services and in fiscal 1999, were partially offset by decreased revenues derived from the ScoreNet and PreScore service. We believe that the decline in ScoreNet service revenues primarily reflects a shift in the purchasing patterns of our customers from these products to credit scoring service at the credit bureaus.

Revenues derived from alliances with credit bureaus and credit card processors have accounted for most of our revenue growth in the last three years. Revenues from services produced through credit bureaus increased 13% in fiscal 2000 compared with fiscal 1999 and 14% in fiscal 1999 compared with fiscal 1998, and accounted for approximately 37% of revenues in fiscal 2000 and 36% in fiscal 1999. Revenues from services provided through bankcard processors also increased in each of these years, primarily due to increases in the number of accounts at each of the major processors.

While we have been successful in extending or renewing our agreements with credit bureaus and credit card processors in the past, and believe we will likely be able to do so in the future, the loss of one or more such alliances or an adverse change in terms could have a material adverse effect on revenues and operating margin. In fiscal 2000, Trans Union Corporation accounted for approximately 12% of our revenues; Equifax, Inc., approximately 10%; and Experian Information Solutions, Inc., less than 10%. Revenues generated through our alliances with Equifax, Experian and Trans Union each accounted for approximately 8% to 10% in fiscal 1999 and 7% to 10% of our revenues in fiscal 1998.

Targeting and Prospecting Services, comprised principally of the former DynaMark business unit, include a variety of data processing, database management and Internet delivery services provided to companies and organizations involved in direct marketing. Revenues from Targeting and Prospecting products are generated from a combination of fixed fee and usage-based pricing arrangements. The increases in Targeting and Prospecting products revenues in fiscal 2000 and fiscal 1999 were due primarily to increased demand for services from customers in the financial services industry.

Analytic Products and Services include all revenues from our custom models, custom software and related consulting projects used for screening lists of prospective customers, evaluating applicants for credit or insurance and managing existing credit accounts. The decrease in revenues in fiscal 2000 primarily reflects the impact of bank consolidations and external marketing forces related to the Year 2000 issue. The increase in fiscal 1999 was due primarily to our sales of new products and increased sales of small business loan scoring products.

Origination and Underwriting products automate the processing of credit applications and are primarily comprised of products that were formerly referred to as ASAP(TM) products. Revenues from Origination and Underwriting products increased in fiscal 2000 compared with fiscal 1999 due primarily to increased sales of CreditDesk and sales of StrategyWare(R) decision engine systems. In May 2000 we released a new line of products, LiquidCredit, which provides real-time credit decisioning over the Internet. We believe that the LiquidCredit line of products will, over time, replace our CreditDesk product offerings. During the quarter ended September 30, 1999, we elected to adopt AICPA Statement of Position No. 98-9 (SOP 98-9) though adoption by us was not required for periods prior to October 1, 1999. Origination and Underwriting revenues decreased by 22% in fiscal 1999 compared with fiscal 1998, due primarily to the deferral of revenues resulting from the adoption of SOP 98-9. If SOP 98-9 had not been adopted, Origination and Underwriting revenues would have decreased by 2% in fiscal 1999. As a result of the early adoption of SOP 98-9, software revenues of approximately \$4.7 million were deferred to fiscal 1999. If we had implemented SOP 98-9 as of October 1, 1998, there would have been approximately \$7.4 million less in Origination and Underwriting revenue for the year ended September 30, 1999, which would have been deferred to future periods.

Account and Customer Management products include our revenues from sales of credit account management systems (TRIAD) sold to end-users, and our fraud control systems products. The increases in revenues from fiscal 1999 to fiscal 2000 were primarily due to the release of TRIAD 6.0 in fiscal 2000 and increases from fiscal 1998 to fiscal 1999 were due primarily to continuing sales of TRIAD 5.0. With respect to TRIAD, our high degree of success in penetrating the US bankcard industry with these products has limited, and may continue to limit, the revenue growth in that market. However, we have added functionality for the existing base of TRIAD users and are actively marketing TRIAD for other types of credit products and in overseas markets.

Standalone Consulting Services, composed principally of the services offered by our former Credit and Risk Management Associates subsidiary. Revenues declined in fiscal 2000 compared to fiscal 1999 due to redeployment of personnel to implement the Company's new focus and initiatives after having increased in fiscal 1999, compared to 1998, due to increased sales of consulting services.

Our revenues derived from clients outside the United States increased to \$57.1 million in fiscal 2000, compared to \$41.5 million in fiscal 1999 and \$42.9 million in fiscal 1998. Increases in international revenues in fiscal 2000 were due primarily to sales of software products, including TRIAD and CreditDesk, increased usage of credit bureau scores and the number of accounts using our account management services at credit card processors in Europe. The decrease in international revenues in fiscal 1999 was principally the result of a decline in revenues from sales by our subsidiary, Risk Management Technologies ("RMT"), in the Asian market. Fluctuations in currency exchange rates have not had a significant effect on revenues to date, but may become more important if, as expected, the proportion of our revenues denominated in foreign currencies increases in the future.

Other products include our smaller, discrete product lines and revenues of RMT. The revenues of RMT were down significantly in fiscal 1999 from fiscal 1998 due primarily to bank consolidations and delay in releases of new products and in fiscal 2000 from fiscal 1999 were due principally to our decision to cease marketing RMT's RADAR(TM) product line.

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, 2000, and we do not expect revenues from either of these sources to exceed 10% of revenues in the foreseeable future.

Over the long term, in addition to the factors discussed above, our rate of revenue growth--excluding growth due to acquisitions--is limited by the rate at which we can recruit and absorb additional professional staff. We believe this constraint will continue to exist indefinitely. On the other hand, despite the high penetration we have already achieved in certain markets, the opportunities for application of our core competencies are much greater than we can pursue. Thus, we believe we can continue to grow revenues, within the personnel constraint, for the foreseeable future. At times we may forego short-term revenue growth in order to devote limited resources to opportunities that we believe have exceptional long-term potential. This is the basis for our new strategic focus on becoming an e-business company and implementing new growth initiatives targeted at the retail and telecommunications markets.

Expenses

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

	Percentage of revenue			Period-to-period percentage changes	
	2000	Years ended September 30, 1999	1998	1999 to 2000	1998 to 1999
Total revenues	100	100	100	8	13
Costs and expenses:					
Cost of revenues	43	38	35	22	24
Research and development	10	11	12	<1	2
Sales, general and administrative	30	33	36	(4)	4
Amortization of intangibles	1	1	1	16	30
Restructuring Charge	1	---	---	---	---
Total costs and expenses	85	83	84	10	12
Income from operations	15	17	16	(4)	15
Other income (expense)	1	1	1	(42)	153
Income before income taxes	16	18	17	(7)	20
Provision for income taxes	7	7	7	(6)	16
Net income	9	11	10	(8)	23

Cost of revenues

Cost of revenues consists primarily of personnel directly involved in creating revenue, travel and related overhead costs; costs of computer service bureaus; and the amounts paid by us to credit bureaus for scores and related information in connection with the ScoreNet Service.

Cost of revenues, as a percentage of revenues, increased in fiscal 2000 and fiscal 1999 over the prior year. In fiscal 2000 the increase was primarily due to costs related to the discontinued Healthcare Receivables Management System (HRMS) line of business, the increasing revenues coming from Targeting and Prospecting products and services, all of which generally have a lower gross margin than our other products and services, and an increase in personnel costs because of a change in policy for accrued vacation and sick leave. In fiscal 1999, the increase was primarily due to the increasing percentage of revenues coming from Targeting and Prospecting products and services, which generally have a lower gross margin than our other products and services on average.

Research and development

Research and development expenses include the personnel and related overhead costs incurred in new and existing product development, researching mathematical and statistical models and developing software tools that are aimed at improving productivity, profitability and management control.

Research and development expenses decreased in fiscal 2000 as a percentage of revenues compared to the prior period, due primarily to redeployment of personnel to focus on increasing ASP delivery capacity for new products. Research and development expenditures in fiscal 2000 were primarily related to new products, product extensions and charges for a software development license.

Research and development expenditures in fiscal 1999 were primarily related to new fraud detection software products, the release of a new version of TRIAD software, Year 2000 compliance work, development of a new automated strategic application processing system for high-end users, next generation credit bureau risk scores and healthcare receivables management. In the last quarter of fiscal 1999, we began work on a number of projects for clients in the e-business and telecommunications industries. The decrease in research and development expenses, as a percentage of revenues, in fiscal 1999 was due to a reduction in costs of Year 2000 compliance work and work related to product development for eFunds (formerly Deluxe Financial Services, Inc.), and the replacement of relatively expensive consultants with salaried employees.

Though individual offerings accounted for a decreasing percentage of revenues in fiscal 2000 and 1999, we continue to invest in innovations in the context of current offerings for existing clients and developing and applying analytic and software technologies to create real time decision-making solutions for Internet applications. We expect that research and

development expenses will continue to be a significant expense in future periods as new products targeted at the telecommunications and retail markets are developed and we continue to implement our strategy to become an e-business company.

Sales, general and administrative

Sales, general and administrative expenses consist principally of employee salaries and benefits, travel, overhead, advertising and other promotional expenses, corporate facilities expenses, the costs of administering certain benefit plans, legal expenses, expenses associated with the exploration of new business opportunities, the costs of operating administrative functions, such as finance and computer information systems and compensation expenses for certain senior management. Sales, general and administrative expenses for fiscal 2000, as a percentage of revenues, were lower as compared with fiscal 1999, due primarily to a reduction in consulting expenses. In the prior fiscal year, we incurred consulting fees related to our Northstar reorganization and incurred no such fees in the current fiscal year. As a percentage of revenues, sales, general and administrative expenses for fiscal 1999 were lower than in fiscal 1998, due primarily to emphasis on cost reduction measures resulting in slower personnel growth and reassignment of personnel and related costs.

Amortization of intangibles

We are amortizing the intangible assets arising from various acquisitions over periods ranging from four to fifteen years. Also see Note 1 and 5 of Notes to the Consolidated Financial Statements.

Restructuring charge

In the first quarter of fiscal 2000, we announced the discontinuance of our HRMS line and recorded restructuring charges totaling \$1,935,000. During the second quarter we announced and began to implement supplemental restructuring actions aimed at reducing costs and recognized a \$988,000 charge for the estimated costs of those actions. The restructuring action consisted of terminating approximately 40 full-time employees. The combined restructuring actions have resulted in cash expenditures of \$2,439,000 and a non-cash asset write-down of \$99,000 through September 30, 2000. See Note 7 to the Consolidated Financial Statements for additional information.

Other income (expense)

The table in Note 13 to the Consolidated Financial Statements presents the detail of other income and expenses. Interest income is derived from the investment of funds surplus to our immediate operating requirements. At September 30, 2000, we had approximately \$83.0 million invested in U S treasury securities and other interest-bearing instruments. Interest income increased in both fiscal 2000 and 1999 due to higher average cash balances in interest-bearing accounts and instruments.

In fiscal 1998, we entered into a synthetic lease arrangement to construct an office complex intended to accommodate future growth. On September 27, 2000, we sold our office complex project (the "Lindaro project") to a real estate development firm and have decided not to occupy any part of the project. The transaction closed in the fourth quarter of fiscal 2000 and resulted in a loss of approximately \$1.4 million as detailed in Note 13 to the Consolidated Financial Statements.

In fiscal 1999, we realized a one-time gain of \$720,000 due to curtailment of our pension plan, as described in Note 8 and 13 to the Consolidated Financial Statements, and realized a gain of \$483,000 from the sale of marketable securities. In fiscal 1998, the difference between the increase in operating income of 7% and the increase in net income of 18% was primarily due to the interest income derived from investments in US treasury securities and other interest-bearing instruments, and the absence of losses from equity investments in start-ups.

Provision for income taxes

Our effective tax rate was 41.3%, 40.8% and 42.2%, in fiscal 2000, 1999 and 1998, respectively. The increase to 41.3% in fiscal 2000 compared to fiscal 1999 was due primarily to the increased goodwill amortization in the current year resulting from the earnout paid to former stockholders of CRMA under the 1996 CRMA purchase agreement.

Capital Resources and Liquidity

Working capital increased to \$100,694,000 at September 30, 2000 from \$55,885,000 at September 30, 1999 and \$54,852,000 at September 30, 1998. The increase in fiscal 2000 was due primarily to increases in cash, cash equivalents, a higher proportion of investments in short-term investments, a lower accrual for compensation and employee benefits expenses, and increases in accounts receivable and billings in excess of earned revenues. The increase in fiscal 1999 was due primarily to increases in cash, cash equivalents, unbilled work in progress and decreases in other accrued liabilities,

which more than offset the decreases in short-term investments and accounts receivable and increases in accrued compensation and employee benefits.

Our exposure to collection risks is comprised of the sum of accounts receivable plus unbilled work in progress, less billings in excess of earned revenues. Changes in contract terms and product offerings, along with variations in timing, may cause fluctuations in any or all of these items. During fiscal 1999, accounts receivable decreased compared with fiscal 1998 due to improved collection efforts. The increases in billings in excess of earned revenues were proportional to the increase in revenues. The increase in unbilled work in progress was due primarily to the implementation of Statement of Position (SOP) 97-2, "Software Revenue Recognition" as amended by SOP 98-4 and SOP 98-9 during fiscal year ended 1999. Compared with fiscal 1999, during fiscal 2000, increases in accounts receivables (15%) and increases in billings in excess of earned revenues (14%) were proportional, with minimal change in unbilled work in progress.

Our primary method for funding operations and growth has been cash flows generated from operations and occasional lease financing. Cash flows from operating activities were \$36,652,000 in fiscal 2000 compared to \$42,484,000 in fiscal 1999 and \$41,268,000 in 1998. Net operating cash flows in fiscal 2000 decreased \$5,832,000 compared to fiscal 1999, primarily due to a decrease in net income, non-cash adjustment for deferred income tax, and net working capital changes, partially offset by increase in a non-cash adjustments for depreciation. Net operating cash flows in fiscal 1999 increased \$1,216,000 compared to fiscal 1998, primarily due to an increase in net income and a non-cash adjustment for depreciation, partially offset by a non-cash adjustment for deferred income tax charge and net working capital increases.

Investing activities consumed \$27,580,000 in cash in fiscal 2000, compared to \$25,488,000 in fiscal 1999 and \$41,477,000 in fiscal 1998. We primarily use cash for purchases of property and equipment and investment in marketable securities. Increase in spending during fiscal 2000 compared to 1999 was primarily due to the purchase of property and equipment. The decrease in spending during fiscal 1999 compared to fiscal 1998 was primarily due to a decrease in net investments in marketable securities, and a non-recurring payment for acquisition of subsidiaries during 1998.

Financing activities provided \$9,719,000 in cash in fiscal 2000, compared to using cash of \$10,523,000 in fiscal 1999, and providing cash of \$1,242,000 in fiscal 1998. Our financing activities primarily consist of proceeds from the exercise of stock options and the issuance of treasury stock, principal payments for capital lease obligations, and for dividends and repurchases of our stock. Net cash provided by financing activities in fiscal 2000 and 1998 was primarily due to proceeds received from the exercise of stock options and the issuance of treasury stock. Net cash used in financing during fiscal 1999 was primarily made for repurchases of our stock.

The Lindaro project was closed out in the fourth quarter of fiscal 2000 and resulted in a loss of approximately \$1.4 million. 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, 2000, we had no significant capital commitments other than those obligations described in Notes 4 and 11 of the Consolidated Financial Statements.

In fiscal 1999, the Company initiated a stock repurchase program under which the Company was authorized to purchase up to one million shares of its common stock, to be funded by cash on hand. Through September 30, 2000, the Company had repurchased 360,004 shares at a cost of approximately \$12.2 million.

We believe that the cash and marketable securities on hand, along with cash expected to be generated by operations, will be adequate to meet our capital and liquidity needs for both the current fiscal year and the foreseeable future.

European Economic and Monetary Union (EMU)

Under the European Union's plan for Economic and Monetary Union (EMU), the euro becomes the sole accounting currency of EMU countries on January 1, 2002. Its initial phase went into effect on January 1, 1999, in 11 participating countries: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. In this initial phase the EMU mandated that key financial systems be able to triangulate conversion rates so that any amount booked will be logged and processed simultaneously in both the local currency and euros. We believe that our computer systems and programs are euro-compliant. Costs associated with compliance were not material and were expensed by us as they were incurred. We also believe the conversion to the euro will not have a material impact on our consolidated financial results.

Risk Factors

Our revenues are dependent, to a great extent, upon general economic conditions and more particularly, upon conditions in the consumer credit and the financial services industries.

The majority of our revenues are derived from sales to the consumer credit industry. In addition, during fiscal 2000, 24 % of our revenues were derived from financial services related products. A downturn in the consumer credit industry

or the financial services industry caused by increases in interest rates or a tightening of credit, among other factors could harm our results of operations. The revenue growth and profitability of our business depends on the overall demand for our existing and new products, particularly in the product segments in which we compete. Because our sales are primarily to major corporations, our business also depends on general economic and business conditions. A softening of demand for our decisioning solutions caused by a weakening of the economy may result in decreased revenues or lower growth rates. In particular, one of the challenges we face in promoting future growth in revenues is the successful refocusing of our marketing and sales efforts to our new initiatives. There can be no assurances that we will be able to effectively promote future revenue growth in our business. Since 1990, while the rate of account growth in the U S bankcard industry has been slowing and many of our largest institutional clients have merged and consolidated, we have generated most of our revenue growth from our bankcard-related scoring and account management business by cross-selling our products and services to large banks and other credit issuers. As this industry continues to consolidate, we may have fewer opportunities for revenue growth.

Quarterly operating results have varied significantly in the past and this unpredictability will likely continue in the future.

Our revenues and operating results have varied significantly in the past. We expect fluctuations in our operating results to continue for the foreseeable future. Consequently, we believe that period-to-period comparisons of our financial results should not be relied upon as an indication of future performance. It is possible that in some future periods our operating results may fall below the expectations of market analysts and investors, and in this event the market price of our common stock would likely fall. Factors that affect our revenues and operating results include the following:

- o Decrease in recurring revenues
- o The lengthy sales cycle of many of our products
- o Failure of our target markets and customers to accept our new products
- o Our ability to successfully and timely develop, introduce and market new products and product enhancements
- o The timing of our new product announcements and introductions in comparison with our competitors
- o Changes in the level of our operating expenses
- o Competitive conditions in the consumer credit industry
- o Competitive conditions in the financial services industry
- o Domestic and international economic conditions
- o Changes in prevailing technologies
- o Acquisition-related expenses and charges
- o Timing of orders for and deliveries of certain software systems
- o Increased operating expenses related to the development of products for the Internet and
- o Other factors unique to our product lines

With the exception of the cost of ScoreNet data purchased by us, most of our operating expenses are not affected by short-term fluctuations in revenues; thus, short-term fluctuations in revenues may have a significant impact on operating results.

Our ability to increase our revenues is highly dependent upon the introduction of new products and services and if our products and services are not accepted by the marketplace, our business may be harmed.

We have a significant share of the available market for our traditional products and services, such as our Alliance Products and Services. To increase our revenues, we must enhance and improve existing products and continue to introduce new products and new versions of existing products that keep pace with technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance. We believe much of our future growth prospects will rest on our ability to expand into newer markets for our products and services, such as direct marketing, insurance, small business lending, retail and telecommunications. If our current or potential customers are not willing to switch to or adopt our electronic commerce solution, our growth and revenues will be limited. The failure to generate a large customer base for our new products would harm our ability to grow and increase revenues. This failure could occur for several reasons. Some of our business-to-business electronic commerce competitors charge their customers large fees upon the execution of customer agreements. Businesses that have made substantial up-front payments to our competitors for electronic commerce solutions may be reluctant to replace their current solution and adopt our solution. As a result, our efforts to create a larger customer base may be more difficult than expected even if we are

deemed to offer products and services superior to those of our competitors. Further, because the business-to-business electronic commerce market is new and underdeveloped, potential customers in this market may be confused or uncertain about the relative merits of each electronic commerce solution or which electronic commerce solution to adopt, if any. Confusion and uncertainty in the marketplace may inhibit current or potential customers from adopting our solution, which could harm our business, operating results and financial condition.

There are significant risks associated with the introduction of new products.

Significant undetected errors or delays in new products or new versions of a product, especially in the area of customer relationship management, or may affect market acceptance of our products and could harm our business, results of operations or financial position. If we were to experience delays in the commercialization and introduction of new or enhanced products, if customers were to experience significant problems with the implementation and installation of products, or if customers were dissatisfied with product functionality or performance, our business, results of operations or financial position could be harmed.

There can be no assurance that our new products will achieve significant market acceptance or will generate significant revenue. Additional products that we plan to directly or indirectly market in the future are in various stages of development. We are expanding our technology into a number of new business areas to foster long-term growth, including exchanges for a number of business procurement needs, Internet/electronic commerce, online business services and Internet computing. These areas are relatively new to our product development and sales and marketing personnel. There is no assurance that we will compete effectively or will generate significant revenues in these new areas. The success of Internet computing and, in particular, our current Internet computing software products is difficult to predict because Internet computing represents a method of computing that is relatively new to the computer industry. The successful introduction of Internet computing to the market will depend in large measure on (i) the lower cost of ownership of Internet computing relative to client/server architecture, (ii) the ease of use and administration relative to client/server architecture, and (iii) the means by which hardware and software vendors choose to compete in this market. There can be no assurances that sufficient numbers of vendors will undertake this commitment, that the market will accept Internet computing or that Internet computing will generate significant revenues for us.

Failure to obtain data from our clients to update and re-develop or to create new models could harm our business.

Updates of models and development of new and enhanced models depend to a significant extent on availability of statistically relevant data. Such data is usually obtained under agreements with our clients. Refusals by clients to provide such data or to obtain permission of their customers to provide such data, and privacy and data protection restrictions, could result in loss of access to required data.

Our business and the business of our clients is subject to government regulation and changes in regulation.

Our current and prospective clients, which primarily consist of credit bureaus, credit card processors, state and federally chartered banks, savings and loan associations, credit unions, consumer finance companies and other consumer lenders, as well as customers in the industries that we may target in the future, operate in markets that are subject to extensive and complex federal and state regulations. While we may not be directly subject to such regulations, our products and services must be designed to work within the extensive and evolving regulatory constraints in which our clients operate and to meet our client expectations with respect to handling data in conformity with applicable data protection laws. These constraints include federal and state truth-in-lending disclosure rules, state usury laws, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Community Reinvestment Act and the Financial Services Modernization Act of 1999.

Amendments to the federal Fair Credit Reporting Act (which became law in September 1997) expressly permits the use of credit bureau data to prescreen consumers for offers of credit and insurance and allows affiliated companies to share consumer information with each other subject to certain conditions. These amendments impose a seven-year moratorium on new state legislation on certain issues; however score disclosure regulation by states is not pre-empted under this legislation and the states remain free to regulate the use of credit bureau data in connection with insurance underwriting.

On September 30, 2000, the Score Disclosure Statute was signed into law in California and is the first legislation to require the disclosure of credit risk scores. The Score Disclosure Statute becomes effective July 1, 2001, and imposes significant new requirements on credit reporting agencies and residential creditors and brokers to disclose credit risk scores. In addition there are several pending federal score disclosure bills and other states may follow California's lead and pass score disclosure legislation. In September 2000 we initiated the FICO Guide service which delivers to lenders and brokers a personalized explanation of the factors considered in a given consumer's FICO score, and suggestions on how to improve the score over time.

We believe enacted or proposed state regulation of the insurance industry has had some detrimental impact on our efforts to sell insurance risk scores through credit reporting, but state regulation has not prevented growth of such sales. Examples of recent legislation include legislation pending in Missouri that would prohibit sole use of credit information

in the issuance, renewal, and cancellation of policies covering private passenger automobiles and a Connecticut law that will not allow use of credit inquiries in a model used in insurance underwriting.

Providing an individual with control over what personal information a business collects and uses is a growing, global trend. The recent Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley Act) includes several privacy provisions and introduces new controls over the transfer and use of individual data by financial institutions. Additional federal legislation is proposed. In addition over 400 state privacy bills are pending. On the International front, in the European Union (EU), the Data Protection Directive became effective October 1998 and places strict controls on the collection, use and transfer of personal data. We have registered under the US Safe Harbor provisions in the UK, pledging to meet the EU level of adequate protection for personal data, have another registration pending in Spain and are evaluating the desirability of registering in other countries. We expect increased costs of compliance with these regulations but such costs are not expected to have a material impact on our results of operation or financial condition.

Furthermore, some consumer groups have expressed concern regarding the privacy and security of automated credit processing, the use of automated credit scoring tools in credit underwriting and whether electronic lending is a desirable technological development in light of the current level of consumer debt.

The failure of our products and services to support customers' compliance with current regulations and to address changes in customers' regulatory environment, or our failure to comply with current regulations or adapt to changes in regulatory environment, in an efficient and cost-effective manner, could harm our business, results of operations and financial condition.

Our operations outside the United States subject us to unique risks that may harm our results of operations.

A growing portion of our revenues is derived from international sales. During the last fiscal year, we received approximately 19% of our revenues from business outside the United States. As part of our growth strategy, we plan to continue to pursue opportunities outside the United States. Accordingly, our future operating results could be negatively affected by a variety of factors, some of which are beyond our control. These factors include:

- o The general economic conditions in each country
- o Incongruent tax structures
- o Difficulty in managing an organization spread over various countries
- o Compliance with a variety of foreign laws and regulations
- o Import and export licensing requirements
- o Trade restrictions and tariffs
- o Longer payment cycles and
- o Volatile exchange rates for foreign currencies

There can be no assurances that we will be able to successfully address each of these challenges in the near term. Although some of our business is conducted in currencies other than the US dollar, foreign currency translation gains and losses are not currently material to our position, results of operations or cash flows. However, an increase in our foreign revenues could subject us to foreign currency translation risks in the future. We have found it to be impractical to hedge all foreign currencies in which we conduct business. As a result, we have experienced non-material foreign currency gains and losses and may continue to do so.

If we do not recruit and retain qualified personnel, our business could be harmed.

Our continued growth and success depend to a significant extent on the continued service of our senior management and other key research, development, sales and marketing personnel and the hiring of new qualified personnel. Competition for highly skilled business, product development, technical and other personnel is becoming more intense due to lower overall unemployment rates, the dramatic increase in information technology spending and private companies that can offer equity incentives that provide the potential for greater compensation in connection with an initial public offering. Accordingly, we expect to experience increased compensation costs that may not be offset through either improved productivity or higher prices. There can be no assurances that we will be successful in continually recruiting new personnel and in retaining existing personnel. In general, we do not have long-term employment or non-competition agreements with our employees. The loss of one or more key employees or our inability to attract additional qualified employees or retain other employees could harm our continued growth.

Over the long term, our rate of revenue growth is likely to be limited by the rate at which we can recruit and absorb additional professional staff. We believe this constraint will continue to exist indefinitely. At times we may forego short-term revenue growth in order to devote limited resources to opportunities that we believe have exceptional long-term

potential. This is the basis for our strategic focus of becoming an e-business company and implementing new growth initiatives targeted at the retail and telecommunications markets.

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

Because the protection of our proprietary technology is limited, our proprietary technology could be used by others without our consent. Our success depends, in part, upon our proprietary technology and other intellectual property rights. To date, we have relied primarily on a combination of copyright, patent, trade secret, and trademark laws, and nondisclosure and other contractual restrictions on copying and distribution to protect our proprietary technology. We have only seven patent applications and no issued patents to date. We cannot assure you that our means of protecting our intellectual property rights in the United States or abroad will be adequate or that others, including our competitors, will not use our proprietary technology without our consent. Furthermore, litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could harm our business, operating results and financial condition.

We may be subject to possible infringement claims that could harm our business.

With recent developments in the law that permit patentability of business methods, we expect that products in the industry segments in which we compete will increasingly be subject to such claims as the number of products and competitors in our industry segments grow and the functionality of products overlaps. In addition, we expect to receive more patent infringement claims as companies increasingly seek to patent their software, also in light of recent developments in the law that extend the ability to patent software. Regardless of the merits, responding to any such claim could be time-consuming, result in costly litigation and require us to enter into royalty and licensing agreements which may not be offered or available on terms acceptable to us. If a successful claim is made against us and we fail to develop or license a substitute technology, our business, results of operations or financial position could be harmed.

Security is important to our business, and breaches of security, or the perception that e-commerce is not secure could harm our business.

Internet-based, business-to-business electronic commerce requires the secure transmission of confidential information over public networks. Security breaches of networks on which netsourced products are used or well publicized security breaches affecting the Internet in general, could significantly harm our business, operating results and financial condition. We cannot be certain that advances in computer capabilities, new discoveries in the field of cryptography, or other developments will not result in a compromise or breach of the models we use to protect content and transactions on the networks on which the netsourced products or proprietary information in our databases. Anyone who is able to circumvent our security measures could misappropriate proprietary, confidential customer information or cause interruptions in our operations. We may be required to incur significant costs to protect against security breaches or to alleviate problems caused by such breaches. Further, a well-publicized compromise of security could deter people from using the Internet to conduct transactions that involve transmitting confidential information

We are dependent upon major contracts with credit bureaus.

A substantial portion of our revenues is derived from contracts with the three major credit bureaus with usual terms of five years or less. In the last fiscal year, these contracts accounted for approximately 30% of our revenues. If we are unable to renew any of these contracts on the same or similar terms with one or more of these credit bureaus, our revenues and results of operations may be harmed.

We may incur risks related to acquisitions or significant investment in businesses.

As part of our business strategy, we have made in the past and may make in the future acquisitions of, or significant investments in, businesses that offer complementary products, services and technologies. Although we do not currently have plans to do so, any acquisitions or investments will be accompanied by the risks commonly encountered in acquisitions of businesses. Such risks include, among other things, the possibility that we will pay much more than the acquired company or assets are worth, the difficulty of assimilating the operations and personnel of the acquired businesses, the potential product liability associated with the sale of the acquired company's products, the potential disruption of our ongoing business, the distraction of management from our business, the inability of management to maximize the financial and our strategic position, the maintenance of uniform standards, controls, procedures and policies and the impairment of relationships with employees and clients as a result of any integration of new management personnel. These factors could harm our business, results of operations or financial position, particularly in the case of a larger acquisition. Consideration paid for future acquisitions, if any, could be in the form of cash, stock, rights to purchase

stock or a combination thereof. Dilution to existing stockholders and to earnings per share may result in connection with any such future acquisitions.

Backlog orders may be cancelled or delayed.

There is no assurance that backlog will result in revenues. We believe that increased revenue growth in fiscal 2001 and later years will depend to a significant extent on sales of newly developed products.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Disclosures

The following discussion about our market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We are exposed to market risk related to changes in interest rates, foreign currency exchange rates and equity security price risk. We do not use derivative financial instruments for speculative or hedging purposes.

Interest Rate Sensitivity

We maintain an investment portfolio consisting mainly of income securities with an average maturity of less than five years. These available-for-sale securities are subject to interest rate risk and will fall in value if market interest rates increase. We have the ability to hold its fixed income investments until maturity, and therefore we would not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates on our securities portfolio. We believe that our foreign currency and equity risk is not material.

The following table presents the principal amounts and related weighted-average yields for our fixed rate investment portfolio at September 30, 2000:

	Carrying Amounts	Average Yield
Cash equivalents:		
Commercial paper	\$35,587,000	6.7%
Money market funds	172,000	6.3%

	35,759,000	6.7%

Short-term investments:		
Commercial paper	19,109,000	6.5%
Long-term investments:		
US government obligations	27,600,000	6.4%

Total	\$82,468,000	
	=====	

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report Of Independent Auditors

The Board of Directors and Stockholders
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, 2000 and 1999, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended September 30, 2000. 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 auditing standards generally accepted in the United States of America. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

San Francisco, California
October 27, 2000

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years ended September 30,	(in thousands, except per share data and number of shares)		
	2000	1999	1998
Revenues	\$297,985	\$276,931	\$245,545
Costs and expenses:			
Cost of revenues	128,316	105,454	84,980
Research and development	29,817	29,720	29,136
Sales, general and administrative	90,215	93,569	89,602
Amortization of intangibles	2,100	1,813	1,395
Restructuring charge	2,923	--	--
Total costs and expenses	253,371	230,556	205,113
Income from operations	44,614	46,375	40,432
Other income, net	2,456	4,225	1,673
Income before income taxes	47,070	50,600	42,105
Provision for income taxes	19,439	20,620	17,778
Net income	\$27,631	\$29,980	\$24,327
Net income	\$27,631	\$29,980	\$24,327
Other comprehensive income (loss), net of tax:			
Unrealized gains (losses) on investments:			
Unrealized holding gains (losses) arising during period	(84)	(293)	383
Less: reclassification adjustment	--	(281)	--
Net unrealized gains (losses)	(84)	(574)	383
Foreign currency translation adjustments	(389)	(127)	138
Other comprehensive income (loss)	(473)	(701)	521
Comprehensive income	\$27,158	\$29,279	\$24,848
Earnings per share:			
Diluted	\$1.89	\$2.09	\$1.68
Basic	\$1.94	\$2.13	\$1.77
Shares used in computing earnings per share:			
Diluted	14,635,000	14,364,000	14,463,000
Basic	14,260,000	14,073,000	13,763,000

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

September 30,	(in thousands)	
-----	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	\$ 39,506	\$ 20,715
Short-term investments	19,109	5,216
Accounts receivable, net of allowance (\$1,130 and \$1,274)	41,625	36,007
Unbilled work in progress	26,484	26,859
Prepaid expenses and other current assets	4,769	6,509
Deferred income taxes	5,719	6,021
	-----	-----
Total current assets	137,212	101,327
Investments	34,502	43,934
Property and equipment, net	48,565	44,715
Intangibles, net	8,630	10,730
Deferred income taxes	8,778	5,932
Other assets	3,601	3,715
	-----	-----
	\$241,288	\$210,353
	=====	=====
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$1,606	\$ 3,340
Accrued compensation and employee benefits	15,581	23,436
Other accrued liabilities	8,863	9,339
Billings in excess of earned revenues	10,104	8,898
Capital lease obligations	364	429
	-----	-----
Total current liabilities	36,518	45,442
Long-term liabilities:		
Accrued compensation and employee benefits	4,886	6,104
Other liabilities	883	1,944
Capital lease obligations	--	364
	-----	-----
Total liabilities	42,287	53,854
	-----	-----
Stockholders' equity:		
Preferred stock (\$0.01 par value; 1,000,000 authorized; none issued or outstanding)	--	--
Common stock (\$0.01 par value; 35,000,000 shares authorized; 14,797,844 and 14,313,616 shares issued, and 14,539,059 and 13,980,425 outstanding at September 30, 2000 and 1999, respectively)	148	143
Paid in capital in excess of par value	52,269	38,287
Retained earnings	156,021	129,530
Less treasury stock, at cost	(8,793)	(11,290)
Accumulated other comprehensive loss	(644)	(171)
	-----	-----
Total stockholders' equity	199,001	156,499
	-----	-----
	\$241,288	\$210,353
	=====	=====

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the years ended September 30, 1998, 1999 and 2000

(in thousands)

	Common stock Shares	Common stock Par value	Paid in capital in excess of par value	Retained earnings	Treasur stock	Accumulated Other comprehensive income (loss)	Total stockholders' equity
Balances at September 30, 1997	13,462	\$135	\$26,025	\$77,453	\$(433)	\$ 9	\$103,189
Issuance of common stock	33	--	1,468	--	--	--	1,468
Vesting of restricted stock	--	--	185	--	--	--	185
Exercise of stock options	487	5	2,726	--	--	--	2,731
Tax benefit of exercised stock options	--	--	1,660	--	--	--	1,660
Deferred compensation	--	--	472	--	--	--	472
Repurchase of company stock	(3)	--	(82)	--	(28)	--	(110)
Issuance of treasury stock	3	--	--	--	110	--	110
Net income	--	--	--	24,327	--	--	24,327
Dividends paid	--	--	--	(1,102)	--	--	(1,102)
Unrealized gains on investments	--	--	--	--	--	383	383
Cumulative translation adjustments	--	--	--	--	--	138	138
Balances at September 30, 1998	13,982	140	32,454	100,678	(351)	530	133,451
Issuance of common stock	44	--	1,455	--	--	--	1,455
Vesting of restricted stock	--	--	17	--	--	--	17
Exercise of stock options	277	3	3,203	--	--	--	3,206
Tax benefit of exercised stock options	--	--	1,285	--	--	--	1,285
Deferred compensation	--	--	255	--	--	--	255
Repurchase of company stock	(361)	--	--	--	(12,232)	--	(12,232)
Issuance of treasury stock	38	--	(382)	--	1,293	--	911
Net income	--	--	--	29,980	--	--	29,980
Dividends paid	--	--	--	(1,128)	--	--	(1,128)
Unrealized losses on investments	--	--	--	--	--	(574)	(574)
Cumulative translation adjustments	--	--	--	--	--	(127)	(127)
Balances at September 30, 1999	13,980	143	38,287	129,530	(11,290)	(171)	156,499
Exercise of stock options	484	5	11,229	--	--	--	11,234
Tax benefit of exercised stock options	--	--	1,786	--	--	--	1,786
Deferred compensation	--	--	870	--	--	--	870
Repurchase of company stock	--	--	--	--	(41)	--	(41)
Issuance of treasury stock	75	--	97	--	2,538	--	2,635
Net income	--	--	--	27,631	--	--	27,631
Dividends paid	--	--	--	(1,140)	--	--	(1,140)
Unrealized losses on investments	--	--	--	--	--	(84)	(84)
Cumulative translation adjustments	--	--	--	--	--	(389)	(389)
Balances at September 30, 2000	14,539	\$148	\$52,269	\$156,021	\$(8,793)	\$(644)	\$199,001

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30,	(in thousands)		
	2000	1999	1998

Cash flows from operating activities			
Net income	\$27,631	\$29,980	\$24,327
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	21,461	17,431	14,948
Restructuring charge	2,923	--	--
Deferred compensation	870	255	472
Gain on sale of investments	--	(483)	--
Deferred income taxes	(2,487)	(134)	(3,809)
Tax Benefit from exercise of stock options	1,786	1,285	1,660
Other	376	223	--
Changes in operating assets and liabilities:			
Accounts receivable	(5,805)	3,024	(2,743)
Unbilled work in progress	375	(4,855)	(3,828)
Prepaid expenses and other current assets	1,740	(2,213)	473
Other assets	117	(194)	(4,963)
Accounts payable	(1,707)	(2,883)	(590)
Accrued compensation and employee benefits	(6,531)	3,140	4,497
Other accrued liabilities	(3,289)	(1,862)	9,156
Billings in excess of earned revenues	1,206	1,036	1,516
Other liabilities	(2,014)	(1,266)	152
	-----	-----	-----
Net cash provided by operating activities	36,652	42,484	41,268
	-----	-----	-----
Cash flows from investing activities			
Purchases of property and equipment	(22,595)	(16,799)	(15,669)
Payments for acquisition of subsidiaries	--	(1,454)	(3,347)
Purchases of investments	(14,432)	(80,319)	(33,491)
Proceeds from sale of investments	--	46,647	--
Proceeds from maturities of investments	9,447	26,437	11,030
	-----	-----	-----
Net cash used in investing activities	(27,580)	(25,488)	(41,477)
	-----	-----	-----
Cash flows from financing activities			
Principal payments of capital lease obligations	(429)	(413)	(387)
Proceeds from the exercise of stock options and issuance of treasury stock	11,329	3,250	2,841
Dividends paid	(1,140)	(1,128)	(1,102)
Repurchase of company stock	(41)	(12,232)	(110)
	-----	-----	-----
Net cash provided by (used in) financing activities	9,719	(10,523)	1,242
	-----	-----	-----
Increase in cash and cash equivalents	18,791	6,473	1,033
Cash and cash equivalents, beginning of year	20,715	14,242	13,209
	-----	-----	-----
Cash and cash equivalents, end of year	\$39,506	\$20,715	\$14,242
	=====	=====	=====

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 products and services designed to help businesses use data to make better decisions about their customers. Products include analytical tools, software designed to implement those analytical tools and consulting services to help clients track the performance of those tools. The Company is a market leader in developing predictive and risk assessment models for the financial services industry, including credit and insurance scoring models. The Company also offers direct marketing and database management services, and enterprise-wide risk management and performance measurement solutions to major financial institutions.

Basis of consolidation

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

Use of estimates

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

Reclassifications

Certain amounts in the financial statements and notes thereto have been reclassified to conform to 2000 classifications.

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.

Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivable and accounts payable are approximately equal to their carrying amounts because of the short-term maturity of these instruments. The fair values of the Company's investments are disclosed in Note 3. The carrying amount of capital lease obligations approximates fair value at September 30, 2000.

Investments

Investments in US government obligations and marketable equity securities are classified as "available-for-sale" and are carried at market value. Other investments are carried at the lower of cost or net realizable value method. Investments with remaining maturities over one year are classified as long-term investments due to the Company's current intent. Realized gains and losses are included in Other Income, net. The cost of investments sold is based on the specific identification method.

Credit and market risk

The Company invests a portion of its excess cash in US government obligations and has established guidelines relative to diversification and maturities for maintaining safety and liquidity. In addition, an allowance for doubtful accounts is maintained at a level which management believes is sufficient to cover potential credit losses for accounts receivable.

Depreciation and amortization

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

Intangibles

The intangible assets consisting of goodwill and non-compete agreements arose principally from business acquisitions and are amortized on a straight-line basis over the periods of expected benefit, which range from 4 to 15 years.

Revenue recognition

The Company has adopted Statement of Position (SOP) 97-2, "Software Revenue Recognition" as amended by SOP 98-4 and SOP 98-9 during fiscal year ended 1999. SOP 97-2 as amended generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair value of the elements.

Revenues from contracts for the development of custom scoring systems and software which require significant consulting for customization are recognized using the percentage-of-completion method of accounting based upon milestones that are defined using management's estimates of costs incurred at various stages of the project as compared to total estimated project costs. Revenues determined by the percentage-of-completion method in excess of contract billings are recorded as unbilled work in progress. Such amounts are generally billable upon reaching certain performance milestones as defined by individual contracts. Deposits billed and received in advance of performance under contracts are recorded as billings in excess of earned revenues.

Revenues from credit-bureau usage-priced products and services are recognized based on usage reports received from the third parties through which such products and services are delivered. Amounts due under such arrangements are recorded as unbilled work in progress until collected. Revenues from non-customized software licenses and shrink-wrapped products are recognized ratably over the contract period or upon delivery to customers depending on whether certain revenue recognition criteria are met. 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 establish technological feasibility of a computer software product. 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 which 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 and technological feasibility is achieved, 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 fiscal year 2000, the Company capitalized approximately \$2,775,000 software costs to be amortized over a two-year period, and recorded total amortization charges of approximately \$319,000 for fiscal year 2000. There were no software costs capitalized for fiscal year 1999 or 1998.

Income taxes

Income taxes are recognized during the year in which transactions enter into the determination of financial statement income, with deferred taxes being provided for temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws.

Foreign currency

The Company has determined that the functional currency of each foreign operation is the local currency. Assets and liabilities denominated in foreign currencies are translated into US dollars at the exchange rate on the balance sheet date, while revenues and expenses are translated at average rates of exchange prevailing during the period. Translation adjustments are accumulated as a separate component of stockholders' equity.

Earnings per share

Diluted earnings per share are based on the weighted-average number of common shares outstanding and common stock equivalent shares. Common stock equivalent shares result from the assumed exercise of outstanding stock options that have a dilutive effect when applying the treasury stock method. Basic earnings per share are computed on the basis of the weighted average number of common stock shares outstanding.

New accounting pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, as amended by SFAS No. 137 and SFAS No. 138. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. The Company will adopt SFAS No. 133 for the fiscal year beginning October 1, 2000. Management believes that the adoption of SFAS No. 133 will not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101 regarding recognition, presentation and disclosure of revenue. SAB 101 is required to be implemented no later than the fourth quarter of fiscal year 2001. Management believes that the adoption of SAB No. 101 will not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44 (FIN No. 44), "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25." FIN No. 44 is effective July 1, 2000. This interpretation provides guidance for applying APB Opinion No. 25, "Accounting for Stock Issued to Employees." The Company's consolidated financial statements conform to FIN No. 44 beginning July 1, 2000. The adoption of FIN No. 44 did not have any material impact on the Company's consolidated financial position, results of operations or cash flows.

In March 2000, the Emerging Issues Task Force (EITF), published their consensus on EITF Issue No. 00-2, "Accounting for Web Site Development Costs", which requires that costs incurred during the development of web site applications and infrastructure, involving developing software to operate the web site, including graphics that affect the "look and feel" of the web page and all costs relating to software used to operate a web site should be accounted for under Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". However, if a plan exists or is being developed to market the software externally, the costs relating to the software should be accounted for pursuant to FASB Statement No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed". EITF Issue No. 00-2 is effective for all quarters of fiscal years beginning after June 30, 2000. The Company's consolidated statements conformed to EITF Issue No. 00-2 beginning June 1, 2000. The adoption of EITF Issue No. 00-2 resulted in the capitalization of approximately \$2,775,000 in software costs for fiscal year 2000.

2. Cash Flow Statement

Supplemental disclosure of cash flow information:

(in thousands)	Years ended September 30,		
	2000	1999	1998
Income tax payments	\$17,518	\$24,457	\$17,174
Interest paid	75	184	803
Non-cash activities:			
Reclassification of other assets to property and equipment	\$ 5,362	--	--
Assets acquired through financing	953	1,641	--
Issuance of common stock to ESOP	--	1,455	1,323
Purchase of CRMA with common/treasury stock	--	631	145
Contributions of treasury stock to ESOP and ESP	2,820	236	--
Vesting of restricted stock	--	17	185

3 Investments

The following is a summary of available-for-sale securities and other investments at September 30, 2000 and 1999:

(in thousands)	2000				1999			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Short-term investments:								
U.S. government obligations	\$19,168	\$ --	\$ (59)	\$19,109	\$ 5,228	\$ --	\$ (12)	\$ 5,216
Long-term investments:								
U.S. government obligations	\$28,159	\$ --	\$ (559)	\$27,600	\$39,462	\$ 21	\$ (709)	\$38,774
Marketable equity securities	5,219	691	--	5,910	3,751	913	--	4,664
Other	992	--	--	992	496	--	--	496
	\$34,370	\$691	\$ (559)	\$34,502	\$43,709	\$934	\$ (709)	\$43,934

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

On June 1, 2000, the Company entered into a joint venture with MarketSwitch Corporation (MKSX) to form a new limited liability company, ("the LLC"). The Company and MKSX, being Class A Members, each holds a 50% voting interest in the LLC and agrees to fund capital calls by the LLC in an amount not to exceed \$4,000,000. The Company and MKSX each contributed \$1,000,000 during fiscal year 2000. The LLC adopts the calendar year as its fiscal year. The Company accounts for the investment on an equity basis, and recorded its equity share of the operating loss of the LLC at approximately \$70,000 for the period ended September 30, 2000. At September 30, 2000 the investment is valued at \$930,000.

During the year ended September 30, 1998, the Company disposed its non-marketable investment in a start-up Italian credit reporting agency at a gain of \$165,000. The investment had an equity basis of \$773,000 which was written off in 1997 due to the potential negative impact on the agency's operations resulting from a new privacy law. The Company does not have any further financial commitments with respect to this investment.

4. Property and Equipment

Property and equipment at September 30, 2000 and 1999, valued at cost, consist of the following:

(in thousands)	2000	1999
Data processing equipment	\$70,978	\$56,892
Office furniture, vehicles and equipment	20,812	18,747
Leasehold improvements	18,032	16,660
Capitalized leases	2,841	2,841
Less accumulated depreciation and amortization	(64,098)	(50,425)
Net property and equipment	\$48,565	\$44,715

Depreciation and amortization charged to operations were \$19,361,000, \$15,618,000 and \$13,553,000 for the years ended September 30, 2000, 1999 and 1998, respectively.

The Company has one capital lease bearing an interest rate of 7%, maturing in the year 2001. The future minimum lease payments are \$375,000, with the present value of the net minimum lease payments of \$364,000 at September 30, 2000. Amortization of assets held under capital lease is included with depreciation expense, and amount to \$2,604,000 and \$2,282,000 in 2000 and 1999 respectively.

5. Intangibles

Intangibles at September 30, 2000 and 1999, consist of the following:

(in thousands)	2000	1999
Goodwill	\$15,515	\$15,515
Other	2,470	2,470
Less accumulated amortization	(9,355)	(7,255)
	\$8,630	\$10,730

Amortization charged to operations was \$2,100,000, \$1,813,000 and \$1,395,000 for the years ended September 30, 2000, 1999 and 1998, respectively.

6. Income Taxes

The provision for income taxes consists of the following:

(in thousands)	2000	Years ended September 30,	
		1999	1998
Current:			
Federal	\$17,755	\$16,832	\$17,380
State	3,954	3,695	3,967
Foreign	217	227	240
	21,926	20,754	21,587
Deferred:			
Federal	(2,188)	(112)	(3,152)
State	(299)	(22)	(657)
	(2,487)	(134)	(3,809)
	\$19,439	\$20,620	\$17,778

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

The tax effects of significant temporary differences resulting in deferred tax assets and liabilities at September 30, 2000 and 1999 are as follows:

(in thousands)	2000	1999

Deferred tax assets:		
Employee benefit plans	\$ 1,766	\$ 2,183
Customer advances	1,213	1,819
Depreciation and amortization	5,515	1,708
Compensated absences	2,733	1,659
Deferred compensation	527	1,617
State taxes	1,284	1,313
Bad debt provision	446	504
Other	1,257	1,647
	-----	-----
	14,741	12,450
Less valuation allowance	(214)	(410)
	-----	-----
	14,527	12,040
	-----	-----
Deferred tax liabilities:		
Tax on net unrealized gains on available-for-sale securities	(30)	(87)
	-----	-----
Deferred tax assets, net	\$14,497	\$11,953
	=====	=====

The valuation allowance for deferred tax assets at September 30, 2000 and 1999 was \$214,000 and \$410,000, respectively. The valuation allowance was needed to reduce the deferred tax assets since the Company does not meet the more-likely-than-not requirements for utilization of a capital loss carryforward. Variances from the amounts previously reported for the fiscal year of 1999 were primarily related to adjustments and/or reclassifications made to conform to the tax returns as filed.

The Reconciliation between the federal statutory income tax rate of 35% and the Company's effective tax rate of 41.3% is shown below:

(in thousands)	Years ended September 30,		
	2000	1999	1998

Income tax provision at federal statutory rates in 2000, 1999 and 1998	\$16,475	\$17,710	\$14,737
State income taxes, net of federal benefit	2,376	2,387	2,152
Increase (decrease) in valuation allowance	(196)	(236)	162
Other	784	759	727
	-----	-----	-----
	\$19,439	\$20,620	\$17,778
	=====	=====	=====

7. Restructuring Charge

In October 1999, the Company announced a restructuring plan to discontinue its Healthcare Receivables Management System ("HRMS") product line beginning December 1999. The restructuring plan was necessitated by disappointing market acceptance and the prospect of continuing losses in fiscal year 2000, and the Company's adoption of a new strategic direction. The restructuring actions consisted of terminating approximately 30 full-time employees before the end of January 2000; canceling certain facility leases and other operating leases supporting the HRMS product line; and writing down computer hardware and leasehold improvements due to the abandonment of the HRMS facility. Restructuring actions were completed under the plan by June 30, 2000. The Company recognized a net charge of \$1,935,000, of which \$263,000 was related to write-downs of operating assets.

During the second quarter of fiscal year 2000, the Company announced and began to implement supplemental restructuring actions aimed at reducing costs. The restructuring action consisted of terminating approximately 40 full-time employees during the second and the third quarters of fiscal year 2000. The restructuring actions were completed by June 30, 2000. The Company recognized a net charge of \$988,000 as a result of the supplemental restructuring actions.

The combined restructuring charges totaled \$2,923,000 for fiscal 2000. The Company made cash expenditures of \$2,439,000, and wrote off operating assets of \$99,000 through September 30, 2000, resulting in a provision of \$385,000 for restructuring charges included in its other accrued liabilities at September 30, 2000.

The following table summarizes the restructuring activity for fiscal years 2000:

(in thousands)	Payments to Employees Involuntarily Terminated	Write-Down of Operating Assets To Be Sold	Payments on Canceled Contracts	Total
Net additions	\$1,827	263	\$833	\$2,923
Expenditures and decreases	(1,806)	(99)	(633)	(2,538)
Balance as of September 30, 2000	\$ 21 =====	\$164 =====	\$200 =====	\$ 385 =====

8. Employee Benefit Plans

Pension plan

The Company had a defined benefit pension plan that covered eligible full-time employees. The benefits were based on years of service and the employee's compensation during employment. Contributions were intended to provide for benefits attributed to service to date plus those expected to be earned in the future.

In September 1999, the Company curtailed the pension plan so that no new participants would be eligible for the plan, and no additional benefits would accrue to participants after October 1, 1999. The curtailment resulted in a gain of \$720,000 in 1999. The pension plan was settled during fiscal year 2000 after receiving governmental approval.

The following table sets forth the plan's funding status at September 30, 2000 and 1999:

(in thousands)	2000	1999
Vested benefit obligation	\$73	\$14,140
Fair value of plan assets	(64)	(11,885)
Accrued pension cost	\$ 9	\$ 2,255

The plan assets consist primarily of cash equivalents.

All remaining benefits as of September 30, 2000 are assumed to be paid as lump sums using an interest rate of 5.72%. At September 30, 1999, the projected benefit obligation included an accumulated benefit obligation of \$14,140,000, which exceeded the fair value of the pension plan assets.

The net pension cost for the fiscal years ended September 30, 2000 and 1999, included the following components:

(in thousands)	2000	1999
Service costs	\$ --	\$ 2,134
Interest cost on projected benefit obligation	666	1,048
Actual return on plan assets	(257)	(2,363)
Net amortization and deferral	(305)	1,682
Net periodic pension plan cost	\$104	\$ 2,501

Employee stock ownership plan

The Company had an Employee Stock Ownership Plan (ESOP) that covered eligible full-time employees. Contributions to the ESOP were determined annually by the Company's Board of Directors. Effective October 1, 1999, the Company no longer accepted new participants, and made no provisions for contributions to the ESOP in fiscal year 2000. Provisions for contributions to the ESOP were \$0, \$1,585,000 and \$1,803,000 for the years ended September 30, 2000, 1999 and 1998, respectively.

At September 30, 2000 and 1999, the ESOP held 646,000 and 808,000 shares of Company stock, respectively. The amounts of dividends on ESOP shares were \$58,000, \$67,000 and \$75,000 for the years ended September 30, 2000, 1999 and 1998, respectively.

Defined contribution plans

The Company offers 401(k) plans for eligible employees. Eligible employees may contribute up to 15% of compensation or the statutory limit. The Company also provides a matching contribution. The Company contributions to 401(k) plans were \$3,618,000, \$1,357,000 and \$790,000 for the years ended September 30, 2000, 1999 and 1998, respectively. Effective October 1, 1999 the 401(k) plan does not require a minimum service period, and all Company matching contributions will vest 100% immediately. Also, all Company contributions made prior to October 1, 1999 vested 100% at October 1, 1999.

The Company maintained a supplemental retirement and savings plan for certain officers and senior management employees. Effective October 1, 1999, the Company made no matching contributions to the supplemental retirement and savings plan. Company contributions to that plan were \$0, \$298,000 and \$247,000 for the years ended September 30, 2000, 1999 and 1998, respectively.

Profit sharing plan

On October 1, 1999, the Company established a profit sharing plan that covered eligible employees after six months of continuous employment. Contributions to the plan are determined annually by the company's Board of Directors based on company performance. Participants vest at varying rates over a five-year period until fully vested. There were no contributions made to this plan during fiscal year 2000.

Officers' incentive plan

The Company had an executive compensation plan for the benefit of officers. Benefits were payable based on the achievement of financial and performance objectives set annually by the Board of Directors, and the market value of the Company's stock. Total expenses under the plan were \$1,348,000, \$1,391,000 and \$3,273,000 for the years ended September 30, 2000, 1999 and 1998, respectively. The incentive earned each year would be paid 50% currently, and the balance would be 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. The officers' incentive plan was consolidated with the employee incentive plan during fiscal year 2000. At September 30, 2000 and 1999, the long-term officers' incentive plan payables were \$0 and \$2,353,000, respectively.

Employee incentive plans

The Company has incentive plans for eligible employees not covered under the executive compensation plan. Awards under these plans are paid annually and are based on the achievement of certain financial and performance objectives. The officers' incentive plan was consolidated with the employee incentive plan during fiscal 2000. Total expenses under the employee incentive plans were \$1,661,000, \$8,263,000 and \$6,962,000 for the years ended September 30, 2000, 1999 and 1998, respectively.

Employee Stock Purchase Plan

At the Company's Annual Meeting held on February 1, 2000, the shareholders approved the adoption of the Company's 1999 Employee Stock Purchase Plan (the Purchase Plan) which was unanimously adopted by the Board of Directors on November 19, 1999. Under the Purchase Plan, the Company is authorized to issue up to 1,500,000 shares of common stock to eligible employees of the Company and its subsidiaries. Eligible employees can enter on the start date of any offering period or on any subsequent semi-annual entry date. Employees may have up to 10% of their base salary withheld through payroll deductions to purchase common stock of the Company. The purchase price of the stock is the lower of 85% of 1) the fair market value of the common stock on the enrollment date (the first day of the next offering

period) or 2) the fair market value on the exercise date (the last day of each offering period). Offering period means approximately six-month periods commencing (a) on the first trading day on or after January 1 and terminating on the last trading day in the following June, and (b) on the first trading day on or after July 1 and terminating on the last trading day in the following December. A total of 22,283 shares of common stock with a weighted average fair value of \$37.40 per share were issued under the Purchase Plan in fiscal year 2000. At September 30, 2000, 1,477,717 shares remained available for issuance.

9. Common Stock

Common

A total of 258,785 and 333,191 shares of treasury stock were included in the number of common shares outstanding at September 30, 2000 and 1999, respectively.

10. Stock Option Plans

The Company has two stock option plans, one of which is for the granting of stock options, stock appreciation rights, restricted stock and common stock that reserve shares of common stock for issuance to officers, key employees and non-employee directors. The Company has elected to continue to apply the provisions of APB No. 25, and provide the pro forma disclosures of SFAS No. 123, "Accounting for Stock-Based Compensation." Granted awards generally have a maximum term of ten years and vest over one to five years. Under this plan approved by the stockholders, a number of shares equal to 4% of the number of shares of the Company's common stock outstanding on the last day of the preceding fiscal year is added to the shares available under the plan each fiscal year, provided that the number of shares suitable for grants of incentive stock options for the remaining term of the plan shall not exceed 1,500,000 shares. The other plan is limited to the former employees of RMT, who, as of the merger date, held unexpired and unexercised stock option grants under the RMT stock option plans. Granted awards have a maximum term of ten years and vest over three years. The total number of issuable shares under the plan is 650,800.

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

	2000	1999	1998
Expected life (years)	5	5	5
Interest rate	6.4%	5.3%	5.5%
Volatility	41%	42%	43%
Dividend yield	0%	0%	0%

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

	2000		1999		1998	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding at beginning of year	2,370,000	\$33.21	1,796,000	\$29.11	1,843,000	\$20.63
Granted	1,525,000	\$38.86	1,009,000	\$35.38	526,000	\$38.02
Exercised	(484,000)	\$23.20	(277,000)	\$11.53	(487,000)	\$ 5.61
Forfeited	(479,000)	\$37.80	(158,000)	\$38.66	(86,000)	\$34.43
Outstanding at end of year	2,932,000	\$37.06	2,370,000	\$33.21	1,796,000	\$29.11
Options exercisable at year end	557,000	\$35.79	614,000	\$23.63	541,000	\$11.80

The weighted-average fair value of options granted for the years ended September 30, 2000, 1999 and 1998, was \$17.73, \$15.74 and \$17.30, respectively.

The following table summarizes information about significant fixed-price stock option groups outstanding at September 30, 2000:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted - average remaining contractual life	Weighted - average exercise price	Number outstanding	Weighted - average exercise price
\$ 6.15 to \$33.06	878,000	7.34	\$ 31.49	152,000	\$ 25.75
\$33.13 to \$37.06	978,000	7.38	\$ 36.60	101,000	\$ 34.98
\$38.25 to \$43.25	760,000	7.14	\$ 39.59	235,000	\$ 39.41
\$43.38 to \$51.94	316,000	8.52	\$ 47.86	69,000	\$ 46.79
\$ 6.15 to \$51.94	2,932,000	7.43	\$ 37.06	557,000	\$ 35.79

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

(in thousands, except per share data)	2000	1999	1998
Net income, as reported	\$27,631	\$29,980	\$24,327
Pro forma net income	\$19,010	\$25,440	\$20,655
Earnings per share, as reported:			
Diluted	\$1.89	\$2.09	\$1.68
Basic	\$1.94	\$2.13	\$1.77
Pro forma earnings per share:			
Diluted	\$1.30	\$1.77	\$1.43
Basic	\$1.33	\$1.81	\$1.50

The pro forma effect on net income for each of the years ended September 30, 2000, 1999 and 1998, may not be representative of the effects on reported net income in future years.

11. Commitments and Contingencies

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

Minimum future rental commitments under operating leases are as follows:

Years ending September 30,	(in thousands)
2001	\$13,872
2002	7,928
2003	6,277
2004	6,062
2005	5,446
Thereafter	48,767

	\$88,352

Rent expense under operating leases, including month-to-month leases, was \$9,135,000, \$9,161,000 and \$8,298,000 for the years ended September 30, 2000, 1999 and 1998, 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

Effective October 1, 1999, the Company reorganized the operating structure of the business segments. As a result, the Company changed its segment reporting structure to more closely match management's internal reporting of business operations. Significant changes included moving end-user software for clients in the US and Canada from the former Credit and other segments and combining this business with the former DynaMark business to form the Netsourced Services segment, and establishing two new segments named North American Financial Services and Other International, which are comprised primarily of businesses formerly included in the Credit segment. The segment information for the fiscal years ended September 30, 1999 and 1998 are restated to conform to the fiscal year 2000 presentation.

Our business segments are:

- o North American Financial Services. The majority of our revenues is derived from our North American Financial Services unit, which primarily markets our Alliance Products and Services and Analytic Products and Services in the United States and Canadian markets.
- o NetSourced Services. The NetSourced Services unit principally markets Targeting and Prospecting products, together with Origination and Underwriting, Account and Customer Management products and Standalone Consulting services in the North American market.
- o Other International. The Other International business unit covers all of our operations outside the United States and Canadian markets.

The Company's Chief Executive and Operating Officers evaluate financial performance based on measures of business segment revenues and operating profit or loss, therefore, information regarding depreciation, capital expenditure and amortization by segments are not presented. Unallocated other income consists mainly of interest income and net gain on sales of investments. The Company does not evaluate the financial performance of each segment based on its assets or capital expenditures.

(in thousands)	Year ended September 30, 2000			
	North American Financial Services	Other International	Netsourced Services	Total
Revenues:				
Segment	\$159,610	\$40,647	\$97,728	\$297,985
	=====	=====	=====	=====
Segment income (loss) from operations	\$ 41,643	\$ 5,864	\$(2,893)	\$ 44,614
	=====	=====	=====	
Unallocated other income, net				2,456

Income before Income Taxes				\$ 47,070
				=====

(in thousands)	Year ended September 30, 1999			Total
	North American Financial Services	Other International	Netsourced Services	
Revenues:				
Segment	\$141,335	\$29,276	\$106,320	\$276,931
Segment income (loss) for operations	\$ 45,074	\$ 2,216	\$ (915)	\$ 46,375
Unallocated other income, net				4,225
Income before Income Taxes				\$ 50,600

(in thousands)	Year ended September 30, 1998			Total
	North American Financial Services	Other International	Netsourced Services	
Revenues:				
Segment	\$124,845	\$31,758	\$88,942	\$245,545
Segment income from operations	\$37,313	\$ 1,366	\$ 1,753	\$40,432
Unallocated other income, net				1,673
Income before Income Taxes				\$ 42,105

Due to minor reclassifications, the revenues and income for the year ended September 30, 2000 are slightly different than the combination of the first four quarters.

Significant customer information is as follows. Amounts not presented were less than 10%.

	Percent of Revenues		
	Year ended September 30,		
	2000	1999	1998
Customer A	12%	10%	---
Customer B	10%	---	---

13. Other Income, Net

Other income, net consists of the following:

(in thousands)	Years ended September 30,		
	2000	1999	1998
Interest income	\$4,110	\$3,145	\$2,403
Loss on termination of the development right of the Lindaro property	(1,373)	--	--
Pension plan curtailment gain	--	720	--
Gain on sale of investments	--	483	--
Interest expense	(75)	(184)	(803)
Foreign currency loss	(122)	(183)	(278)
Other	(84)	244	351
	\$2,456	\$4,225	\$1,673

In fiscal year 1998, the Company entered into a synthetic lease arrangement to construct an office complex located at Second and Lindero Streets in downtown San Rafael to accommodate future growth. During fiscal 2000, the Company decided not to build out the site as planned following a five-month study of its options. Under a plan proposed to the San Rafael City Government, the Company would be released from its obligation to occupy buildings on the site, and Wilson Cornerstone, a real estate development firm would continue with the development of the site. As a result of the transaction concluded in the fourth quarter of fiscal year 2000, the Company recorded a loss of approximately \$1,373,000 in other income in fiscal year 2000.

14. Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss) Balance

In fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in financial statements. SFAS No. 130 requires classification of other comprehensive income (loss) in a financial statement and display of accumulated other comprehensive income (loss) separately from retained earnings and additional paid-in capital. Other comprehensive income (loss) includes unrealized gains (losses) on investments and foreign currency translation adjustments.

Supplemental disclosure of other comprehensive income (loss) information:

Year ended September 30, 2000			
(in thousands)	Before-tax amount	Tax amount	Net-of-tax amount
Unrealized losses on investments	\$(143)	\$ 59	\$ (84)
Foreign currency translation adjustments	(663)	274	(389)
Other comprehensive loss	\$(806)	\$333	\$ (473)
	=====	=====	=====

Year ended September 30, 1999			
(in thousands)	Before-tax amount	Tax amount	Net-of-tax amount
Unrealized losses on investments:			
Unrealized holding losses			
arising during period	\$ (494)	\$ 201	\$ (293)
Less: reclassification adjustment	(474)	193	(281)
Net unrealized loss	(968)	394	(574)
Foreign currency translation adjustments	(214)	87	(127)
Other comprehensive loss	\$(1,182)	\$ 481	\$ (701)
	=====	=====	=====

Year ended September 30, 1998			
(in thousands)	Before-tax amount	Tax amount	Net-of-tax amount
Unrealized gains on investments:			
	\$ 663	\$ (280)	\$ 383
Foreign currency translation adjustments	238	(100)	138
Other comprehensive income	\$ 901	\$ (380)	\$ 521
	=====	=====	=====

Supplemental disclosure of accumulated comprehensive income (loss)
balance:

Period from September 30, 1998 to September 30, 2000

(in thousands)	Unrealized gains (losses) on investments	Foreign currency translation adjustments	Accumulated other comprehensive income (loss)
Balances at September 30, 1998	700	(170)	530
Current period change	(574)	(127)	(701)
Balances at September 30, 1999	126	(297)	(171)
Current period change	(84)	(389)	(473)
Balances at September 30, 2000	\$ 42	\$ (686)	\$(644)

15. Earnings Per Share

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

(in thousands, except per share data)	Years ended September 30,		
	2000	1999	1998
Numerator - Net income	\$27,631	\$29,980	\$24,327
Denominator - Shares:			
Diluted weighted-average shares and assumed conversions of stock options	14,635	14,364	14,463
Effect of dilutive securities - employee stock options	(375)	(291)	(700)
Basic weighted-average shares	14,260	14,073	13,763
Earnings per share:			
Diluted	\$ 1.89	\$ 2.09	\$ 1.68
Basic	\$ 1.94	\$ 2.13	\$ 1.77

The computation of diluted EPS for the years ended September 30, 2000, 1999 and 1998, respectively, excludes stock options to purchase 189,000, 813,000 and 930,000 shares of common stock. The shares were excluded because the exercise prices for the options were greater than the respective average market price of the common shares and their inclusion would be antidilutive.

16. Supplementary Financial Data (Unaudited)

The following table presents selected unaudited consolidated financial results for each of the eight quarters in the two-year period ended September 30, 2000. In the Company's opinion, this unaudited information has been prepared on the same basis as the audited information and includes all adjustments (consisting of only normal recurring adjustments) necessary for a fair statement of the consolidated financial information for the period presented.

(in thousands, except per share data and the number of shares)	Dec. 31, 1999	Mar. 31, 2000	June 30, 2000	Sept. 30, 2000
Revenues	\$70,094	\$73,300	\$75,903	\$78,688
Cost of revenues	29,780	30,288	33,867	34,381
Gross profit	\$40,977	\$43,012	\$42,036	\$44,307
Net income	\$4,934	\$7,147	\$7,712	\$7,838
Earnings per share:				
Diluted	\$.34	\$.49	\$.53	\$.53
Basic	\$.35	\$.50	\$.54	\$.54
Shares used in computing earnings per share:				
Diluted	14,392,000	14,680,000	14,601,000	14,851,000
Basic	14,028,000	14,214,000	14,338,000	14,460,000

(in thousands, except per share data and the number of shares)	Dec. 31, 1998	Mar. 31, 1999	June 30, 1999	Sept. 30, 1999
Revenues	\$67,977	\$68,874	\$67,241	\$72,839
Cost of revenues	25,071	26,941	25,196	28,246
Gross profit	\$42,906	\$41,933	\$42,045	\$44,593
Net income	\$ 7,048	\$ 7,464	\$ 6,973	\$ 8,495
Earnings per share:				
Diluted	\$.49	\$.51	\$.49	\$.60
Basic	\$.50	\$.53	\$.50	\$.61
Shares used in computing earnings per share:				
Diluted	14,354,000	14,578,000	14,301,000	14,212,000
Basic	14,014,000	14,177,000	14,081,000	14,020,000

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The required information regarding our Directors is incorporated by reference from the information under the caption "Election of Directors - Nominees" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on February 6, 2001.

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

The required information regarding compliance with Section 16(a) of the Securities Exchange Act is incorporated by reference from the information under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on February 6, 2001.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the information under the captions "Compensation of Directors and Executive Officers," "Compensation Committee Interlocks and Insider Participation," and "Director Consulting Arrangements" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on February 6, 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference from the information under the caption "Stock Ownership" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on February 6, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference from the information under the captions "Director Consulting Arrangements" and "Compensation Committee Interlocks and Insider Participation" in our definitive proxy statement for the Annual Meeting of Stockholders to be held on February 6, 2001.

PART IV

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

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Form 10-K

(a) 1.	Consolidated financial statements:	
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	Consolidated balance sheets at September 30, 2000 and September 30, 1999.....	33
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2.	Financial statement schedule:	
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3.	Exhibits:	
2.1	Lease dated December 2, 1998, by and between DynaMark, Inc., and CSM Corporation filed as Exhibit 2.1 to the Company's report on Form 10-K for the fiscal year ended September 30, 1998, and incorporated herein by reference.	
2.2	Agreement and Plan of Reorganization, dated June 12, 1997, among the Company, FIC Acquisition Corporation, Risk Management Technologies ("RMT"), and the shareholders and optionholders of RMT, filed as Exhibit 2.2 to the Company's report on Form 10-K for the fiscal year ended September 30, 1997, and incorporated herein by reference. Pursuant to Item 601(b)(2) of Regulation S-K, certain schedules were omitted but will be furnished supplementally to the Commission on request.	
2.3	First Amendment to Agreement and Plan of Merger and Reorganization effective as of May 17, 1999, by and among the Company; Credit & Risk Management Associates, Inc.; and Donald J. Sanders, Paul A. Makowski, and Lawrence E. Dukes filed as Exhibit 2.3 to the Company's report on Form 10-K for the fiscal year ended September 30, 1999, and incorporated herein by reference.	
2.4	Amendment To Lease, dated December 2, 1998, by and between CSM Corporation (assignee) and DynaMark, Inc. amending lease dated May 1,1995 between DynaMark, Inc. and Control Data Systems Inc. filed as Exhibit 2.4 to the Company's report on Form 10-K for the fiscal year ended September 30, 1998, and incorporated herein by reference.	
3.1	Restated Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company's report on Form 10-K for the fiscal year ended September 30, 1997, and incorporated herein by reference.	
3.2	Restated By-laws of the Company (as amended effective November 19, 1999) filed as Exhibit 3.2 to the Company's report on Form 10-K for the fiscal year ended September 30, 1999, and incorporated herein by reference.	
4.1	Registration Rights Agreement, dated June 23, 1997, among the Company, David LaCross and Kathleen O. LaCross, Trustees U/D/T dated April 2, 1997, Jefferson Braswell, Software Alliance LLC, Robert	

Ferguson, James T. Fan and Leland Prussia, filed as Exhibit 4.1 to the Company's report on Form 10-K for the fiscal year ended September 30, 1997, and incorporated herein by reference.*

- 4.2 Registration Rights Agreement, dated September 30, 1996, among the Company, Donald J. Sanders, Paul A. Makowski and Lawrence E. Dukes, filed as Exhibit 4.2 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.
- 10.1 Certificate of Resolution Changing Officers' Incentive Plan, Exempt Employees Bonus Plan and other Company Plan Parameters filed as Exhibit 10.1 to the Company's report on Form 10-K for the fiscal year ended September 30, 1999, and incorporated herein by reference. *
- 10.2 Fair, Isaac and Company, Inc. 1999 Employee Stock Purchase Plan filed as Exhibit 10.2 to the Company's report on Form 10-K for the fiscal year ended September 30, 1999, and incorporated herein by reference.*
- 10.3 Lease dated April 28, 1995, between CSM Investors, Inc., and DynaMark, Inc. filed as Exhibit 10.3 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.
- 10.4 UK Lease dated October, 2000 by and between The Prudential Assurance Company Limited and Fair, Isaac International UK Corporation.
- 10.5 Lease, dated October 30, 1983, between S.R.P. Limited Partnership and the Company, as amended, originally filed as Exhibit 10.7 to the Registration Statement, filed as Exhibit 10.5 to the Company's report on Form 10-K for the fiscal year ended September 30, 1998, and incorporated herein by reference.
- 10.6 Stock Option Plan for Non-Employee Directors, originally filed as Exhibit 10.8 to the Company's report on Form 10-K for the fiscal year ended September 30, 1988, filed as Exhibit 10.6 to the Company's report on Form 10-K for the fiscal year ended September 30, 1998, and incorporated herein by reference. *
- 10.7 Lease dated July 1, 1993, between The Joseph and Eda Pell Revocable Trust and the Company and the First through Fifth Addenda thereto filed as Exhibit 10.7 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.
- 10.8 Amendment No. 3 to the Company's 1992 Long-Term Incentive Plan (as amended and restated effective November 19, 1999) filed as Exhibit 10.8 to the Company's report on Form 10-K for the fiscal year ended September 30, 1999, and incorporated herein by reference. *
- 10.9 First Amendment to the Company's Stock Option Plan for Non-Employee Directors, originally filed as Exhibit 10.12 to the Company's report on Form 10-K for the fiscal year ended September 30, 1989 and re-filed as Exhibit 10.9 to the Company's report on Form 10-K for the fiscal year ended September 30, 1998, and incorporated herein by reference. *
- 10.10 Amendment No.1 to the Company's 1992 Long-Term Incentive Plan (as amended and restated effective November 21, 1995), filed as Exhibit 10.10 to the Company's report on Form 10-K for the fiscal year ended September 30, 1997 and incorporated herein by reference.*
- 10.11 Addendum Number Seven to Lease between S.R.P. Limited Partnership and the Company, originally filed as Exhibit 10.15 to the Company's report on Form 10-K for the fiscal year ended September 30, 1990 and re-filed as Exhibit 10.11 to the Company's report on Form 10-K for the fiscal year ended September 30, 1998, and incorporated herein by reference.
- 10.12 Addenda Numbers Eight and Nine to lease between S.R.P Limited Partnership and the Company filed as Exhibit 10.12 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.
- 10.13 Lease, dated September 5, 1991, between 111 Partners, a California general partnership, and the Company originally filed as Exhibit 10.20 to the Company's report on Form 10-K for the fiscal year ended September 30, 1991 and re-filed as Exhibit 10.13 to the Company's report on Form 10-K for the fiscal year ended September 30, 1998, and incorporated herein by reference.

- 10.14 Construction Loan Agreement, dated September 5, 1991, between 111 Partners and the Company originally filed as Exhibit 10.21 to the Company's report on Form 10-K for the fiscal year ended September 30, 1991 and re-filed as Exhibit 10.14 to the Company's report on Form 10-K for the fiscal year ended September 30, 1998, and incorporated herein by reference.
- 10.15 Amendment No. 2 to the Company's 1992 Long-Term Incentive Plan (as amended and restated effective November 21, 1995) filed as Exhibit 10.15 to the Company's report on Form 10K for the fiscal year ended September 30, 1997 and incorporated herein by reference. *
- 10.16 The Company's 1992 Long-Term Incentive Plan as amended and restated effective November 21, 1995, filed as Exhibit 10.16 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference. *
- 10.17 Amendment No. 3 to the Company's Stock Option Plan for Non-Employee Directors, filed as Exhibit 10.17 to the Company's report on Form 10-K for the fiscal year ended September 30, 1997, and incorporated herein by reference. *
- 10.18 Lease dated May 1, 1995, between Control Data Corporation and DynaMark, Inc. filed as Exhibit 10.18 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.
- 10.19 First Amendment to Participation Agreement dated April 5, 1999 by and between Company, Lease Plan North America, Inc., ABN Amro Bank N.V. and other participants named therein filed as Exhibit 10.19 to the Company's report on Form 10-K for the fiscal year ended September 30, 1999, and incorporated herein by reference.
- 10.20 Fair, Isaac Supplemental Retirement and Savings Plan and Trust Agreement effective November 1, 1994, originally filed as Exhibit 10.20 to the Company's report on Form 10-K for the fiscal year ended September 30, 1994. *
- 10.21 Lease dated July 10, 1993, between the Joseph and Eda Pell Revocable Trust and the Company filed as Exhibit 10.21 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.
- 10.22 Lease dated October 11, 1993, between the Joseph and Eda Pell Revocable Trust and the Company and the First through Fourth Addenda thereto filed as Exhibit 10.22 to the Company's report on Form 10-K for the fiscal year ended September 30, 1995, and incorporated herein by reference.
- 10.23 Second Amendment to Lease dated December 2, 1998, between CSM Corporation and DynaMark, Inc. amending lease between the parties dated March 11, 1997 filed as Exhibit 10.23 to the Company's report on Form 10-K for the fiscal year ended September 30, 1998, and incorporated herein by reference.
- 10.24 Exchange Agreement and Plan of Reorganization, dated July 19, 1996, among DynaMark, Inc., Printronic Corporation of America, Inc., Leo R. Yochim, and Susan Keenan, filed as Exhibit 10.24 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.
- 10.25 Agreement and Plan of Merger and Reorganization, dated September 30, 1996, among the Company, FIC Acquisition Corporation, Credit & Risk Management Associates, Inc., Donald J. Sanders, Paul A. Makowski and Lawrence E. Dukes, filed as Exhibit 10.25 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.
- 10.26 Contract between the Company and Dr. Robert M. Oliver, dated April 2, 1996, filed as Exhibit 10.26 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference. *
- 10.27 Letter of Intent dated July 15, 1996, between the Company and Village Properties, and the First Amendment thereto dated July 18, 1996, filed as Exhibit 10.27 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.

- 10.28 Office Building Lease, dated November 14, 1996, between the Company and Regency Center, filed as Exhibit 10.28 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.
- 10.29 Sixth and Seventh Addenda to the Lease, dated July 1, 1993, between the Company and the Joseph and Eda Pell Revocable Trust, filed as Exhibit 10.29 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996 and incorporated herein by reference.
- 10.30 First and Second Addenda to the Lease dated July 10, 1993, between the Company and the Joseph and Eda Pell Revocable Trust, filed as Exhibit 10.30 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.
- 10.31 Fifth Addendum to the Lease, dated October 11, 1993, between the Company and the Joseph and Eda Pell Revocable Trust, filed as Exhibit 10.31 to the Company's report on Form 10-K for the fiscal year ended September 30, 1996, and incorporated herein by reference.
- 10.32 First Addendum to Lease, dated August 13, 1997, by and between the Company and Regency Center, filed as Exhibit 10.32 to the Company's report on Form 10-K for the fiscal year ended September 30, 1997, and incorporated herein by reference.
- 10.33 Option Agreement, dated November 26, 1997, by and between the Company and Village Builders, L.P., filed as Exhibit 10.33 to the Company's report on Form 10-K for the fiscal year ended September 30, 1997, and incorporated herein by reference.
- 10.34 Leasehold Improvements Agreement, dated November 26, 1997, by and between the Company and Village Builders, L.P., filed as Exhibit 10.34 to the Company's report on Form 10-K for the fiscal year ended September 30, 1997, and incorporated herein by reference.
- 10.35 Lease, dated March 11, 1997, by and between DynaMark, Inc. and CSM, filed as Exhibit 10.35 to the Company's report on Form 10-K for the fiscal year ended September 30, 1997, and incorporated herein by reference.
- 10.36 First Amendment to Lease, dated September 24, 1997, by and between DynaMark, Inc. and CSM, filed as Exhibit 10.36 to the Company's report on Form 10-K for the fiscal year ended September 30, 1997, and incorporated herein by reference.
- 10.37 Chase Database Agreement, dated October 29, 1997, by and among DynaMark, Inc. and Chase Manhattan Bank USA, National Association, filed as Exhibit 10.37 to the Company's report on Form 10-K for the fiscal year ended September 30, 1997, and incorporated herein by reference. Confidential treatment has been requested for certain portions of this document. Such portions have been omitted from the filing and have been filed separately with the Commission.
- 10.38 Stock Agreement between the Company and Judith W. Isaac dated December 16, 1998.
- 10.39 Intentionally omitted.
- 10.40 Intentionally omitted.
- 10.41 Third Amendment to Lease dated December 2, 1998, by and between CSM Corporation and DynaMark, Inc. amending lease between the parties dated April 28, 1995 filed as Exhibit 10.41 to the Company's report on Form 10-K for the fiscal year ended September 30, 1998, and incorporated herein by reference.
- 10.42 Employment Agreement entered into effective as of August 23, 1999, by and between Fair, Isaac and Company, Inc. and Thomas G. Grudnowski filed as Exhibit 10.42 to the Company's report on Form 10-K for the fiscal year ended September 30, 1999, and incorporated herein by reference. *
- 10.43 First Amendment to Employment Agreement entered into effective as of December 3, 1999, by and between Fair, Isaac and Company, Inc. and Thomas G. Grudnowski filed as Exhibit 10.43 to the Company's report on Form 10-K for the fiscal year ended September 30, 1999, and incorporated herein by reference. *

- 10.44 Purchase Agreement dated June 28, 2000, between the Company and San Rafael Corporate Center Investor, L.L.C.
- 10.45 Assignment of Contract dated July 28, 2000, between and San Rafael Corporate Center Investor, L.L.C. and San Rafael Corporate Center, LLC.
- 10.46 First Amendment to Purchase Agreement dated July 28, 2000, between the Company and San Rafael Corporate Center, LLC.
- 10.47 Amendment to Development Agreement dated September 22, 2000, among the City, the Company and San Rafael Corporate Center, LLC
- 10.48 Termination Agreement dated September 27, 2000, between Lease Plan North America, Inc. and the Company.
- 21.1 Subsidiaries of the Company.
- 23.1 Consent of KPMG, LLP (see page 61 of this Form 10-K).
- 24.1 Power of Attorney (see page 57 of this Form 10-K).
- 27 Financial Data Schedule.

*Management contract or compensatory plan or arrangement

(b) Reports on Form 8-K:

None.

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 27, 2000

By /s/ HENK J. EVENHUIS

Henk J. Evenhuis
Executive Vice President and Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints HENK J. EVENHUIS 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.

/s/ THOMAS G. GRUDNOWSKI ----- Thomas G. Grudnowski	President, Chief Executive Officer (Principal Executive Officer) and Director	December 27, 2000
/s/ HENK J. EVENHUIS ----- Henk J. Evenhuis	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	December 27, 2000
/s/ JONATHAN R. BOND ----- Jonathan R. Bond	Senior Vice President of Finance, Corporate Controller (Principal Accounting Officer)	December 27, 2000
/s/ A. GEORGE BATTLE ----- A. George Battle	Director	December 27, 2000
/s/ H. ROBERT HELLER ----- H. Robert Heller	Director	December 27, 2000
/s/ GUY R. HENSHAW ----- Guy R. Henshaw	Director	December 27, 2000
/s/ DAVID S.P. HOPKINS ----- David S. P. Hopkins	Director	December 27, 2000
/s/ ROBERT M. OLIVER ----- Robert M. Oliver	Director	December 27, 2000
/s/ ROBERT D. SANDERSON ----- Robert D. Sanderson	Director	December 27, 2000

FAIR, ISAAC AND COMPANY, INCORPORATED

Form 10K for fiscal year ended September 30, 2000

SIGNATURES AND POWER OF ATTORNEY continued

/s/ PHILIP G. HEASLEY

Director

December 27, 2000

Philip G. Heasley

/s/ TONY J. CHRISTIANSON

Director

December 27, 2000

Tony J. Christianson

/s/ MARGARET L. TAYLOR

Director

December 27, 2000

Margaret L. Taylor

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

Under date of October 27, 2000, we reported on the consolidated balance sheets of Fair, Isaac and Company, Incorporated, and subsidiaries as of September 30, 2000 and 1999, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2000, which are included in the 2000 annual report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule in the 2000 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.

San Francisco, California
October 27, 2000

Schedule II

Fair, Isaac and Company, Incorporated

VALUATION AND QUALIFYING ACCOUNTS

September 30, 2000, 1999 and 1998

Description -----	Balance at Beginning of Period -----	Charged to Expense -----	Charged to Revenues -----	Write-offs -----	Balance at End of Period -----
September 30, 2000:					
Allowance for Doubtful Accounts	\$1,274,000	\$218,000	\$86,000	\$(448,000)	\$1,130,000
September 30, 1999:					
Allowance for Doubtful Accounts	\$1,163,000	\$123,000	\$441,000	\$(453,000)	\$1,274,000
September 30, 1998:					
Allowance for Doubtful Accounts	\$758,000	\$677,000	\$271,000	\$(543,000)	\$1,163,000

Consent of KPMG LLP

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

We consent to incorporation by reference in the registration statements (Nos. 33-20349, 33-26659, 33-63426, 333-02121, 333-32309, 333-65179, 333-83905, 333-95889, 333-32396, and 333-32398) on Form S-8 and the registration statements (Nos. 333-20537 and 333-42473) on Form S-3 of Fair, Isaac and Company, Incorporated, and subsidiaries of our reports dated October 27, 2000, relating to the consolidated balance sheets of Fair, Isaac and Company, Incorporated, and subsidiaries as of September 30, 2000 and 1999, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2000 and related financial statement schedule, which reports appear in the September 30, 2000 annual report on Form 10-K of Fair, Isaac and Company, Incorporated, and subsidiaries.

San Francisco, California
December 28, 2000

/s/ KPMG LLP

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EXHIBIT INDEX

TO FAIR, ISAAC AND COMPANY, INCORPORATED REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000

Exhibit No.	Exhibit
10.4	UK Lease dated October, 2000 by and between The Prudential Assurance Company Limited and Fair, Isaac International UK Corporation.
10.20	Fair, Isaac Supplemental Retirement and Savings Plan and Trust Agreement effective November 1, 1994, originally filed as Exhibit 10.20 to the Company's report on Form 10-K for the fiscal year ended September 30, 1994.
10.38	Stock Agreement between the Company and Judith W. Isaac dated December 16, 1998.
10.44	Purchase Agreement dated June 28, 2000, between the Company and San Rafael Corporate Center Investor, L.L.C.
10.45	Assignment of Contract dated July 28, 2000, between San Rafael Corporate Center Investor, L.L.C. and San Rafael Corporate Center, LLC.
10.46	First Amendment to Purchase Agreement dated July 28, 2000, between the Company and San Rafael Corporate Center, LLC.
10.47	Amendment to Development Agreement dated September 22, 2000, among the City of San Rafael, the Company and San Rafael Corporate Center, LLC.
10.48	Termination Agreement dated September 27, 2000, between Lease Plan North America, Inc. and the Company.
21.1	Subsidiaries of the Company.
23.1	Consent of KPMG, LLP.
24.1	Power of Attorney.
27	Financial Data Schedule.

DATED October, 2000

PARTIES

1. Landlord THE PRUDENTIAL ASSURANCE COMPANY LIMITED
whose registered office is at 142 Holborn
Bars, London EC1N 2NH;
2. Tenant FAIR, ISAAC INTERNATIONAL UK CORPORATION
(a company registered in California under
number FC016585) whose registered office
is at 2nd Floor Concorde House Trinity
Park Birmingham West Midlands B37 7EC;

OPERATIVE PROVISIONS

1. Definitions and interpretation

- 1.1 Unless the contrary intention appears, the following definitions apply:

Common Parts the parts of the Estate comprising the Main Estate Road (to the extent that they have not been adopted as maintainable at the public expense), balancing lake, landscaped areas (including the Structural Landscaping) which are not the responsibility of an individual owner or occupier of part of the Estate and all other areas ways and amenities in the Estate (including the Service Media) provided or designated from time to time by the Landlord or

the Management Company for common use and enjoyment by the owners and occupiers of the Estate, and each and every part of them;

-1-

Conducting Media drains, sewers, conduits, flues, gutters, gullies, channels, ducts, shafts, watercourses, pipes, cables, wires and mains;

Development The land and buildings now or at any time during the Term erected thereon shown for the purposes of identification only edged blue on Plan 1 and each and every part of it, being part of the Estate;

Development Road the road and footpaths serving the Development, shown edged brown on Plan 1;

Encumbrances the restrictions, stipulations, covenants, rights, reservations, provisions and other matters contained, imposed by or referred to in the Property and Charges Registers of H M Land Registry Title Number WM719791 so far as they relate to the Premises and in the documents brief particulars of which are set out in schedule 1 part 4;

Estate Birmingham International Park, Bickenhill, Edmdon, Solihull, West Midlands shown for the purpose of identification edged blue on Plan 2 and each and every part of it;

Insured Risks

has the meaning given to it in
schedule 3;

Interest	interest at the rate of 4% over the base rate of Barclays Bank Plc from time to time (as well after as before judgment), or such other comparable rate as the Landlord may reasonably and properly designate if the base rate ceases to be published;
Landlord	includes all persons from time to time entitled to the immediate reversion to this Lease;
Lease	includes any documents supplemental to this Lease;
Main Estate Road	the road and footpaths serving the Estate and shown edged brown on Plan 2, now known as Starley Way;
Management Company	BIP Management Limited (Company Number 2923457) whose registered office is at Portland House, Stag Place, London, SW1E 5DS or other management company from time to time providing the Services;

Outgoings	(in relation to the Premises) all non-domestic rates, (including rates for unoccupied property), water rates, water charges and all existing and future rates, taxes, charges, assessments, impositions and outgoings whatsoever (whether parliamentary or local) which are now or may at any time be payable, charged or assessed on property, or the owner or occupier of property, but "taxes" in this context does not include value added tax, nor any taxes imposed on the Landlord in respect of the yearly rent reserved by this Lease, or in respect of a disposal of the interest in immediate reversion to this Lease;
Perpetuity Period	years calculated from the date of this Lease;
Plan 1	the plan marked "Plan 1" annexed to this Lease;
Plan 2	the plan marked "Plan 2" annexed to this Lease;
Planning Acts	"the consolidating Acts" as defined in the Planning (Consequential Provisions) Act 1990 and any other legislation relating to town and country planning in force from time to time;
Premises	the property described in schedule 1 part 1 and each part of the Premises;
Retained Land	the property comprised in titles WM6947, WM365919 and WM518832

Service Media	the pipes, ducts, wires, cisterns, tanks, cables, meters, sewers, drains, watercourses, mains, gutters and other media which are in on over or under the Estate or which provide or remove the Utilities from to or through the Estate at any time during the Perpetuity Period;
Structural Landscaping	the landscape mound and the other areas of landscaping within the Estate shown edged green on Plan 2 and the balancing lake shown on Plan 2 as varied in extent and location from time to time by the Landlord and/or the Management Company;
Tenant	includes the Tenant's successors in title and assigns in whom this Lease may for the time being be vested;
Term	the term of years granted by this Lease; and
Unsecured Underletting	an underletting of part of the Premises in relation to which the underlessor and the underlessee have agreed to exclude the provisions of sections 24 to 28 of the Landlord and Tenant Act 1954 and their agreement to do so has been duly authorised beforehand by the court.
Utilities	water, soil, surface water, electricity, gas, oil, telephone, power, fire alarm systems, telecommunications or other services;

1.2 Any obligation on a party to this Lease to do any act includes an obligation to procure that it is done.

- 1.3 includes the obligation on the Tenant not to permit or allow the infringement of the restriction by any person.
- 1.4 References to liability include, where the context allows, claims, demands, proceedings, damages, losses, costs and expenses.
- 1.5 The clause and paragraph headings in this Lease are for ease of reference only and are not to be taken into account in the construction or interpretation of any provision to which they refer.
- 1.6 Unless the contrary intention appears, references:
- 1.6.1 to numbered clauses and schedules are references to the relevant clause in, or schedule to, this Lease; and
- 1.6.2 to a numbered paragraph in any schedule are references to the relevant paragraph in that schedule.
- 1.7 Words in this Lease denoting the singular include the plural meaning and vice versa.
- 1.8 References in this Lease to any statutes or statutory instruments include any statute or statutory instrument amending, consolidating or replacing them respectively from time to time in force, and references to a statute include statutory instruments and regulations made pursuant to it.
- 1.9 Words in this Lease importing one gender include both other genders, and may be used interchangeably, and words denoting natural persons, where the context allows, include corporations and vice versa.
- 1.10 For the purposes of this Lease, two companies are members of the same group if one is the subsidiary of the other, or both are subsidiaries of a third company, "subsidiary" having the meaning given to it in section 736 of the Companies Act 1985.
- 1.11 At any time that the parties of the second or third parts to this Lease are two or more persons, the expression "the Tenant" or "the Guarantor" includes the plural number, and obligations in this Lease expressed or implied to be made with or by the Tenant or the Guarantor are to be treated as made with or by such individuals jointly and severally.

2. The letting terms

In consideration of the rent reserved by, and the covenants in, this Lease :

- 2.1 the Landlord lets to the Tenant:
- 2.1.1 all the Premises;

- 2.1.2 together with the rights set out in schedule 1 part 2; and
- 2.1.3 except and reserved to the Landlord and its employees agents and contractors and the owners and occupiers from time to time of the Estate and the Retained Land the rights set out in schedule 1 part 3;
- 2.2 for the term of 15 years commencing on [] (determinable as provided by this Lease) subject to the Encumbrances;
- 2.3 the Tenant paying during the Term:
 - 2.3.1 the yearly rent of (pound)[] (subject to revision under schedule 2) by equal quarterly payments in advance on the usual quarter days in every year, the first (or a proportionate part) of such payments in respect of the period commencing on [] and ending on the following quarter day to be made on [];
 - 2.3.2 as additional rent:
 - 2.3.2.1 The monies payable by the Tenant under schedules 3 and 4 commencing on [];
 - 2.3.2.2 Interest payable by the Tenant under the terms of this Lease; and
 - 2.3.2.3 such value added tax as may be chargeable on the rent and the other additional rents reserved by this Lease.
- 3. Tenant's covenants
 - The Tenant covenants with the Landlord during the Term as follows:
 - 3.1 Rent
 - 3.1.1 To pay the yearly rent reserved by this Lease, free from any deductions and rights of set-off, at the times and in the manner required in clause 2.3.1 and by means of a standing order to the Tenant's bankers.
 - 3.1.2 To pay the additional rents reserved by this Lease at the times and in the manner specified.
 - 3.2 Interest
 - To pay Interest on so much of the rents, reviewed rents, and other monies payable under this Lease as remain unpaid due from the date that they became due until the payment is made to the Landlord.
 - 3.3 Outgoings and contributions
 - 3.3.1 To pay Outgoings.

- 3.3.2 To refund to the Landlord on demand (where Outgoings relate to other property including the Premises) a fair and proper proportion attributable to the Premises, such proportion to be conclusively determined by the Landlord or the Landlord's surveyor.
- 3.3.3 To reimburse the Landlord for loss of relief from non-domestic rates for unoccupied property which would have been available to the Landlord in respect of vacancy of the Premises after the termination of this Lease but for the allowance of relief to the Tenant or any other person formerly in occupation of the Premises for vacancy commencing before the termination of this Lease.
- 3.3.4 To pay for all gas and electricity consumed on the Premises, all charges for meters, and all standing charges.
- 3.4 Repair
- To keep the Premises in good and substantial repair, maintained and in clean condition (except in respect of damage by Insured Risks as allowed in schedule 3).
- 3.5 Decorations
- 3.5.1 To decorate the inside of the Premises in the year [] and from then in every subsequent fifth year of the Term and in the last three months of the Term (however it may terminate) with two coats of good quality paint or good quality polish, and with paper for those parts normally papered, or other suitable and appropriate materials of good quality, in a workmanlike manner (the decorations in the last three months of the Term to be executed in such colours, patterns and materials as the Landlord may reasonably and properly require).
- 3.5.2 To decorate the exterior of the Premises in the year [] and from then in every subsequent fifth year of the Term and also in the last three months of the Term (however it may terminate) with three coats of good quality paint or polish, or other suitable material of good quality, in a proper and workmanlike manner.
- 3.5.3 Not without the consent of the Landlord to alter, cover up or change any part of the architectural decorations or the external colour of the Premises.
- 3.6 Landlord's right of inspection and right of repair
- 3.6.1 To permit the Landlord and its employees or agents at all reasonable and proper times upon not less than five working days written notice (except in the case of emergency) to enter the Premises and examine their condition and also to take a schedule of fixtures and fittings in the Premises.

- 3.6.2 If any breach of covenant, defects, disrepair, removal of fixtures and fittings or unauthorised alterations or additions are found on inspection for which the Tenant is liable, then, on written notice from the Landlord, to execute to the reasonable and proper satisfaction of the Landlord or its surveyor all repairs, works, replacements or removals required within two months (or sooner if necessary) after receipt of notice.
- 3.6.3 If the Tenant fails to commence the works and comply with a notice under clause 3.6.2, the Landlord may itself or by its workpeople or agents enter the Premises and execute the repairs, works, replacements or removals.
- 3.6.4 To pay to the Landlord on demand all reasonable and proper expenses incurred under clause 3.6.3 (the expenses and any Interest on them to be recoverable as rent in arrear).
- 3.7 Yield up in repair at the end of the Term
- At the termination of this Lease or at such later time as the Landlord recovers possession of the Premises from the Tenant:
- 3.7.1 quietly to yield up the Premises (with all additions and improvements to the Premises and all fixtures in the Premises, other than tenant's fixtures and fittings which the Tenant may be entitled to remove) repaired, maintained, cleaned, decorated and kept in accordance with the Tenant's covenants in this Lease (except in respect of damage by Insured Risks as allowed in schedule 3);
- 3.7.2 if so requested by the Landlord, to remove from the Premises all the Tenant's belongings, that is to say trade fixtures and fittings and all notices, notice boards and signs bearing the name of, or otherwise relating to, the Tenant (including in this context any persons deriving title to the Premises under the Tenant) or its business; and
- 3.7.3 to make good to the reasonable satisfaction of the Landlord all damage to the Premises resulting from the removal of the Tenant's belongings from the Premises.
- 3.8 Landlord's right of entry for repairs, etc
- 3.8.1 To permit the Landlord or other owners, tenants or occupiers of any adjoining or neighbouring property and their respective agents, workmen and employees to enter the Premises at reasonable and proper times, after giving to the Tenant not less than five working days written notice (except in an emergency or where a third party has a right to enter without giving such notice):
- 3.8.1.1 to alter, maintain or repair the adjoining premises or property of the Landlord on the Development or person so entering; or

- 3.8.1.2 to alter, maintain or repair anything serving such property on the Development and running through or on the Premises provided that the Landlord shall not be permitted to construct any such thing under the building erected on the Premises; or
- 3.8.1.3 to comply with an obligation to any third party having legal rights over the Premises; or
- 3.8.1.4 in exercise of a right or to comply with an obligation of repair, maintenance or renewal under this Lease; or
- 3.8.1.5 in connection with the development of any adjoining or neighbouring land or premises, owned by the Landlord;

without payment of compensation for any nuisance, annoyance, inconvenience, damage or loss caused to the Tenant, subject to the Landlord (or other person entering) exercising the right as soon as reasonably practicable in a reasonable and proper manner and making good any damage caused to the Premises without unreasonable delay Provided Always that the rights granted by this clause cannot reasonably be exercised without the need for access to the Premises.

3.9 Alterations

- 3.9.1 Not to annex the Premises to other premises nor to make any structural additions thereto of any kind whatsoever nor to build any additional structure nor to impair the support or shelter of any neighbouring property nor to alter the height of the Premises nor to cut main or remove any of the principal or load-bearing or curtain walls or the floor or ceiling slabs in such a manner as will affect the structural integrity of the Premises nor to alter any Conducting Media in common use or exclusively serving other premises nor to alter the external appearance of the Premises nor to make any external structural alterations to the Premises.
- 3.9.2 Not without the consent of the Landlord (not to be unreasonably withheld or delayed) to make any other alterations or additions to the Premises or the plant and machinery therein (but the erection, alteration or removal by the Tenant of internal demountable partitioning, and consequential adjustments of ducting, ceiling tiles, light fittings and wiring, is authorised without such consent if the plans of the partitions (or details of the alteration or removal of partitioning) are deposited with the Landlord within 7 days prior to commencement of the Works).
- 3.9.3 On the termination of this Lease, to reinstate the Premises to the condition in which they were in at the grant of this Lease, such reinstatement to be carried out under the supervision and to the reasonable satisfaction of the Landlord or the Landlord's surveyor.

3.9.4 To procure that any alterations or additions to the Premises permitted by the Landlord under clause 3.9.2 be carried out by a reputable contractor.

3.10 Alienation

3.10.1 Not to assign or charge part only of the Premises.

3.10.2.1 Not to assign or charge the whole of the Premises without the consent of the Landlord but, subject to the operation of the following provisions of this clause 3.10.2, such consent is not to be unreasonably withheld.

3.10.2.2 For the purposes of sub-section 19(1)(A) Landlord and Tenant Act 1927 (as amended) and in addition to any other condition or requirement which the Landlord may reasonably impose or any objection which the Landlord may reasonably make the Landlord may withhold its consent to an assignment of the Premises in any one or more of the following circumstances:

- (a) where the proposed assignee is a Group Company except where that Group Company is of equal or greater financial standing than the Tenant;
- (b) where in the reasonable opinion of the Landlord the proposed assignee is not of sufficient financial standing to enable it to comply with the Tenant's covenants in this Lease;
- (c) where the proposed assignee enjoys diplomatic or state immunity but this circumstance shall not apply where the proposed assignee is the Government of the United Kingdom or any department thereof;
- (d) where in the reasonable opinion of the Landlord the value of the Landlord's interest in the Premises would be diminished or otherwise adversely affected by the proposed assignment on the assumption (whether or not a fact) that the Landlord wished to sell its reversion the day following completion of the assignment of this Lease to the proposed assignee.

3.10.2.3 For the purposes of sub-section 19(1)(A) Landlord and Tenant Act 1927 (as amended) and in addition to any other condition or requirement which the Landlord may reasonably impose, the consent of the Landlord to an assignment of the Premises may be granted subject to any one or more of the following conditions:

- (a) the delivery by the Tenant to the Landlord of an authorised guarantee agreement the operative provisions of which are in the form required in Schedule 5 Part 2;
- (b) the payment to the Landlord of all rents referred to in clause 2 which have fallen due under this Lease or any other deed supplemental to or in pursuance of this Lease prior to the date of the proposed assignment;
- (c) the remedying of any subsisting material or persistent breach of any Tenant's covenant or condition in this Lease or any other deed supplemental to or in pursuance of this Lease;
- (d) where the Landlord reasonably so requires the delivery to the Landlord of a deed of guarantee entered into by one or more third party guarantors reasonably acceptable to the Landlord in the form contained in Schedule 5 Part 1 of this Lease;
- (e) where the Landlord reasonably so requires the delivery to the Landlord of a rent deposit deed entered into by the proposed assignee (in such reasonable form as the Landlord may from time to time reasonably determine) together with payment to the Landlord by way of cleared funds of such sum as the Landlord may reasonably determine provided always that this shall not exceed six months rent);

PROVIDED THAT the Landlord shall not be entitled to require both a guarantee (as referred to in paragraph (d) above) and a rent deposit (as referred to in paragraph (e) above)

3.10.3 Not to underlet the whole or any part of the Premises without the consent of the Landlord (such consent not to be unreasonably withheld or delayed).

3.10.4 On the grant of an underlease, to obtain covenants by deed from the underlessee direct with the Landlord in such form as the Landlord may reasonably require that the underlessee will:

3.10.4.1 not assign, subunderlet or charge part only of the premises underlet;

3.10.4.2 not part with or share possession or occupation of the whole or any part of the premises underlet, nor grant rights to third parties over them except by a permitted assignment or subunderletting;

- 3.10.4.3 not assign, or charge or subunderlet the whole of the premises underlet without obtaining the previous consent of the Landlord under this Lease such consent not to be unreasonably withheld or delayed;
- 3.10.4.4 provide for the inclusion in any subunderleases granted out of the underlease (whether immediate or mediate) of covenants to the same effect as those contained in this clause 3.10.4 and clause 3.10.5 and 3.10.7;
- 3.10.4.5 not subunderlet a part of the Premises (as opposed to the whole) except by way of an Unsecured Underletting.

3.10.5 On the grant of any underlease:

- 3.10.5.1 to include provisions for the revision of the rent reserved by the underlease in an upward-only direction to correspond in time and effect with the provisions for the revision of rent in this Lease;
- 3.10.5.2 not to reserve or take a premium or fine;
- 3.10.5.3 to reserve a rent which is the open market rent at the time of the grant of the underlease;
- 3.10.5.4 to include provisions in the underlease to the same effect as those in clause 3.10.2;
- 3.10.5.5 to include in such underlessee covenants as are not inconsistent with, or impair the due performance and observance of, the covenants of the Tenant in this Lease.
- 3.10.5.6 in the case of an underletting of part only of the Premises to incorporate provisions whereby there is reserved as rent a fair proportion of the cost of cleaning lighting repairing maintaining and other costs and exercises incurred in relation to any parts of the Premises the use of which is common to the part underlet and the remainder of the Premises.

3.10.6 Not to underlet or sub-underlet the Premises so as to sub-divide them into more than two units of occupation on any one floor.

3.10.7 Not to underlet part only of the Premises except by way of and Unsecured Underletting.

3.10.8 Not (except by assignment or underletting permitted under this clause 3.10) to:

- 3.10.8.1 part with or share possession or occupation of the whole or any part of the Premises; or

3.10.8.2 grant any rights over the Premises to third parties.

3.10.9 The preceding provisions of this clause 3.10 do not apply to any parting with possession or occupation or the sharing of occupation or sub-division of the Premises to or with any member of a group of companies of which the Tenant is itself a member if:

3.10.9.1 the interest in the Premises so created is and remains no more than a tenancy at will; and

3.10.9.2 the possession, occupation or subdivision are immediately terminated if the Tenant and the relevant member cease for any reason to be members of the same group of companies.

3.11 Registration of dispositions of this Lease

Within one month after a disposition of this Lease (a disposition being an assignment, charge, transfer, underlease, assignment or surrender of any underlease, or, on any transmission by death or otherwise, documentary evidence of devolution affecting the Premises):

3.11.1 to produce the document effecting the disposition (and in each case a certified copy for retention by the Landlord) to the Landlord's solicitors; and

3.11.2 to pay to the solicitors a fee of (pound)50 for the registration.

3.12 Enforcement of underleases

3.12.1 Not without the consent of the Landlord (such consent not to be unreasonably withheld or delayed) to vary the terms, or waive the benefit, of any underlessee covenants or conditions in an underlease of the Premises.

3.12.2 Not without the consent of the Landlord (such consent not to be unreasonably withheld or delayed) to accept a surrender of any underlease of the Premises.

3.12.3 Diligently to enforce the underlessee covenants and conditions in any underlease of the Premises and (if reasonably and properly required by the Landlord) to exercise by way of enforcement the powers of re-entry in the underlease.

3.12.4 Not without the consent of the Landlord to accept any sum or payment in kind by way of commutation of the rent payable by an underlessee of the Premises.

- 3.12.5 Not to accept the payment of rent from an underlessee of the Premises otherwise than by regular quarterly (or more frequent) payments in advance.
- 3.12.6 Duly and punctually to exercise all rights to revise the rent reserved by an underlease of the Premises, and not to agree a revised rent with an underlessee without the approval of the Landlord (such approval not to be unreasonably withheld or delayed).
- 3.13 User
- 3.13.1 Not without the consent of the Landlord to use the Premises otherwise than as offices falling within class B1(a) of the Town and Country (Use Classes) Order 1987 (as in force on 1 June 1987) and for purposes ancillary to those uses.
- 3.13.2 Nothing in this Lease implies or is to be treated as a warranty to the effect that the use of the Premises for those purposes is in compliance with the Planning Acts and all other statutes and regulations relating to town and country planning from time to time in force.
- 3.14 Restrictions affecting use of the Premises
- 3.14.1 Not to allow any process, activity or storage on the Premises which causes noise, fumes or vibration which can be heard, smelled or felt outside the Premises.
- 3.14.2 Not to store any petrol or other specially inflammable, explosive or combustible substance in the Premises.
- 3.14.3 Not to use the Premises for any noxious, noisy or offensive trade or business nor for any illegal or immoral act or purpose.
- 3.14.4 Not to do anything in the Premises which may be or grow to be a nuisance, annoyance, disturbance, inconvenience or damage to the Landlord or to the owners, tenants and occupiers of adjoining and neighbouring properties.
- 3.14.5 Not to load or use the floors, walls, ceilings or structure of the Premises so as to cause strain, damage or interference with the structural parts, loadbearing framework, roof, foundations, joists and external walls of the Premises.
- 3.14.6 Not to overload the lifts, electrical installation or Conducting Media in the Premises.
- 3.14.7 Not to do or omit to do anything which may interfere with or which imposes an additional loading on any ventilation, heating, air-conditioning or other plant or machinery serving the Premises.

- 3.14.8 Not to use the Premises for the sale of alcoholic liquor for consumption either on or off the Premises.
- 3.14.9 Not to allow any person to sleep in the Premises nor to use the Premises for residential purposes.
- 3.14.10 Not to store any materials or goods outside the building comprised in the Premises unless in a designated storage area approved by the Landlord and all relevant authorities.
- 3.14.11 Not to burn rubbish or waste materials, paper, wood and other combustible matter on the Premises except within boilers or incinerators provided for the purpose and approved by the Landlord or the Landlord's Surveyor.
- 3.14.12 Not to cause any land, roads or pavements abutting the Premises to be untidy or in a dirty condition and in particular (but without prejudice to the generality of the above) not to deposit on them refuse or other materials.
- 3.14.13 Not to permit to be discharged into any Conducting Media forming part of or serving the Premises:
- 3.14.13.1 any oil or grease or any deleterious, objectionable, dangerous, poisonous or explosive matter or substance and to take all measures to ensure that any effluent discharged into the Conducting Media will not be corrosive or otherwise harmful to the Conducting Media or cause obstruction or deposit in them; or
- 3.14.13.2 any fluid of a poisonous or noxious nature or of a kind likely to contaminate or pollute the water of any stream or river.
- 3.14.14 Not to carry out any process or carry on any activity which will or may lead to the Premises being placed on any register of contaminated land.
- 3.14.15 Not to use any portion of the Main Estate Road and the Development Road for the parking of vehicles nor to carry out repairs or maintenance to vehicles on the Main Estate Road or the Development Road.
- 3.14.16 Not to impede the use by any other person of the Estate Road or any other area used by the Tenant in common and in particular not to load or unload any vehicle unless the vehicle shall be in a loading area provided from time to time for that purpose.
- 3.14.17 To observe and perform such rules and regulations which Birmingham International Park (2000) Limited or the Management Company may from time to time make and which the Landlord is obliged to observe pursuant to a transfer of the Development dated 31st March 2000 and to observe and

perform the reasonable rules and regulations from time to time made by the Landlord in accordance with the principles of good estate management and which relate to the orderly and proper use of the Development.

3.15 Advertisements and signs

3.15.1 Not to place or display on the exterior or the windows of the Premises or inside the Premises so as to be visible from the exterior of the Premises any name, writing, notice, sign, illuminated sign, display of lights, placard, poster, sticker or advertisement other than:

3.15.1.1 a suitable sign of a size and kind first approved by the Landlord or the Landlord's surveyor (such approval not to be unreasonably withheld or delayed where the sign is consistent with the other tenant's signs on the Development and is consistent with the principles of good estate management) showing the Tenant's name and trade;

3.15.1.2 such other notices as the Landlord may in its discretion approve; and

3.16 Compliance with statutes, etc

3.16.1 Except where such liability may be expressly within the Landlord's covenants in this Lease to comply in all respects with the provisions of all statutes from time to time, and the requirements of any competent authority, relating to the Premises or anything done in or on them by the Tenant, and to keep the Landlord indemnified against liability in consequence of the Tenant's failure to comply.

3.16.2 In particular (but without affecting the general operation of clause 3.17.1):

3.16.2.1 to execute all works and do all things on or in respect of the Premises which are required under the Offices, Shops and Railway Premises Act 1963;

3.16.2.2 to comply with all requirements under any present or future statute, order, bylaw or regulation as to the use or occupation of, or otherwise concerning, the Premises; and

3.16.2.3 to execute with all due diligence (commencing work within two months or sooner if necessary and then proceeding continuously) all works to the Premises for which the Tenant is liable under this clause 3.16 and of which the Landlord has given notice to the Tenant;

and, if the Tenant does not comply with clause 3.16.2.3, to permit the Landlord to enter the Premises to carry out the works, and to indemnify the Landlord on demand for the expenses of so doing (including

professional fees), such expenses and any Interest on them to be recoverable as rent in arrear.

3.17 Planning permissions

3.17.1 Not without the consent of the Landlord to make any application under the Planning Acts, to any local planning authority for permission to develop, including change of use of, the Premises.

3.17.2 To indemnify the Landlord against any development charges, other charges and expenses payable in respect of planning applications submitted by or on behalf of the Tenant or any person deriving title under the Tenant or under the Tenant's control and to reimburse to the Landlord the costs it may reasonably and properly incur in connection with such consent.

3.17.3 To keep the Landlord indemnified against any reasonable and proper expense incurred in consequence of the use of the Premises reverting to the use existing before the application was made.

3.17.4 Immediately to give the Landlord full particulars in writing of the grant of planning permission submitted by or on behalf of the Tenant or any person deriving title under the Tenant or under the Tenant's control.

3.17.5 Not to implement any planning permission if the Landlord makes reasonable and proper objection to any of the conditions subject to which it has been granted.

3.18 Compliance with town planning and environmental requirements

3.18.1 To perform and observe the requirements of the Planning Acts and all other statutes and regulations relating to town and country planning and environmental protection applying to the Premises, and to obtain any development or other consent, permit or licence by reason of the development, or manner of use, of or on the Premises by the Tenant.

3.18.2 To keep the Landlord indemnified against liability by reason of the Tenant's failure to obtain any requisite development or other consent, permit or licence or in complying with the requirements of statutes and regulations.

3.18.3 To give full particulars to the Landlord of any notice or proposal for a notice, or order or proposal for an order, made, given or issued to the Tenant under the Planning Acts and all other statutes or regulations relating to town and country planning, environmental protection or otherwise within seven days after receipt by the Tenant.

3.18.4 Immediately to take all reasonable and necessary steps to comply with any such notice or order.

- 3.18.5 At the request and cost of the Landlord, to make or join with the Landlord in making such objections or representations against or in respect of any proposal for such a notice or order as the Landlord may consider expedient.
- 3.19 Claims made by third parties
 - 3.19.1 To keep the Landlord indemnified against liability in respect of any accident, loss or damage to person or property in the Premises.
 - 3.19.2 To keep the Landlord indemnified against liability to third parties by reason of breach by the Tenant of its obligations in this Lease.
- 3.20 Expenses of the Landlord
 - 3.20.1 To pay to the Landlord on demand all reasonable and proper expenses (including bailiffs and professional fees) incurred by the Landlord:
 - 3.20.2 incidental to or in proper contemplation of the preparation and service of a schedule of dilapidations during or after the termination of this Lease and/or a notice under sections 146 and 147 of the Law of Property Act 1925, even if forfeiture is avoided otherwise than by relief granted by the court;
 - 3.20.3 in the recovery or attempted recovery of arrears of rent or additional rent due from the Tenant; and
 - 3.20.4 in connection with every application for any consent or approval made under this Lease (whether or not consent or approval is given) except where a court has held that the Landlord has unreasonably withheld or delayed its consent.
 - 3.21 Obstruction of windows or lights and easements
 - 3.21.1 Not to stop up or obstruct any windows of the Premises or any other buildings belonging to the Landlord.
 - 3.21.2 Not to permit any easement or similar right to be made or acquired into, against or on the Premises.
 - 3.21.3 Where any such easement or right is or is attempted to be acquired, immediately to give notice of the circumstances to the Landlord, and at the request and cost of the Landlord to adopt such course as it may reasonably and properly require for preventing the acquisition of the easement or right.
 - 3.22 Value added tax

- 3.22.1 To pay value added tax on taxable supplies of goods and services made by the Landlord in connection with this Lease, for which the consideration is to be treated as exclusive of value added tax chargeable on the payment.
- 3.22.2 Where the Landlord is entitled under this Lease to recover from the Tenant the costs of goods and services supplied to the Landlord, but in respect of which the Landlord makes no taxable supply to the Tenant, to indemnify the Landlord against so much of the input tax on the cost for which the Landlord is not entitled to credit allowance under section 26 of the Value Added Tax Act 1994.
- 3.22.3 To indemnify and keep the Landlord indemnified against loss arising from the Landlord failing to recover, or being liable to repay or pay value added tax and interest, fines and penalties resulting from the breach of the obligations by the Tenant in the preceding two subclauses, and against taxation incurred or suffered by the Landlord on amounts under this indemnity.
- 3.23 Notices to let and for sale
- 3.23.1 To allow the Landlord or its agents to enter the Premises at any time:
- 3.23.1.1 within six months before the termination of this Lease to fix on the Premises a notice board for reletting the Premises; and
- 3.23.1.2 to fix on some part of the Premises a notice board for the sale of the interest of the Landlord.
- 3.23.2 Not to remove or obscure any such notice board.
- 3.23.3 To permit all persons authorised by the Landlord or its agents at reasonable times upon written notice to view the Premises (at reasonable and proper hours) without interruption in connection with any such letting or sale.
- 3.24 Encumbrances
- To observe and perform by way of indemnity only the obligations and restrictions comprising the Encumbrances so far as they relate to the Premises and are capable of being enforced, and to keep the Landlord indemnified against liability for the breach of the obligations and restrictions except where the obligations are those of the Landlord under the provisions of the Service Charge.
4. Provisos
- The parties agree to the following provisos.
- 4.1 Proviso for re-entry

- 4.1.1 The Landlord may terminate this Lease by re-entering the Premises (or a part of them) itself or by an authorised agent if:
- 4.1.1.1 any rent remains unpaid 21 days after becoming due for payment (whether or not formally demanded); or
 - 4.1.1.2 the Tenant fails to perform or observe any of its covenants or the conditions in this Lease or allows any distress or execution to be levied on its goods which is not satisfied within 7 days; or
 - 4.1.1.3 an event of insolvency occurs in relation to the Tenant or any guarantor of the Tenant.
- 4.1.2 Re-entry in exercise of the rights in clause 4.1.1 does not affect any other right or remedy of the Landlord for breach of covenant or condition by the Tenant occurring before the termination of this Lease.
- 4.1.3 The expression an event of insolvency in clause 4.1.1 includes:
- 4.1.3.1 (in relation to a company or other corporation which is the Tenant or a guarantor) inability of the company to pay its debts, entry into liquidation whether compulsory or voluntary (except for the purpose of amalgamation or reconstruction), the passing of a resolution for a creditors' winding-up, the making of a proposal to the company and its creditors for a composition in satisfaction of its debts or a scheme of arrangement of its affairs, the application to the court for an administration order, and the appointment of a receiver or administrative receiver; and
 - 4.1.3.2 (in relation to an individual who is the Tenant or a guarantor) inability to pay or having no reasonable prospect of being able to pay his debts, the presentation of a bankruptcy petition, the making of a proposal to his creditors for a composition in satisfaction of his debts or a scheme of an arrangement of his affairs, the application to the court for an interim order, and the appointment of a receiver or interim receiver;
- and in relation to the various events of insolvency they are, wherever appropriate, to be interpreted in accordance and conjunction with the relevant provisions of the Insolvency Act 1986.

4.2 Power for Landlord to deal with adjoining property

The Landlord may deal as it thinks fit with other property adjoining or nearby belonging to the Landlord, and may erect or permit to be erected on such property any buildings irrespective of whether they affect or diminish the light or air which may now or at any time be enjoyed by the Tenant in respect of the Premises.

4.3 Compensation for disturbance

The Tenant is not entitled to claim any compensation from the Landlord on quitting the Premises unless and to the extent that any statutory right to compensation precludes the operation of this clause.

4.4 Removal of property after determination of Term

4.4.1 If, after the Tenant has vacated the Premises following the termination of this Lease, any property of the Tenant remains in the Premises, and the Tenant fails to remove it within 28 days after being requested in writing by the Landlord to do so, the Landlord may as the agent of the Tenant sell such property and hold the proceeds of sale, after deducting the costs and expenses of removal, storage and sale reasonably and properly incurred by it, to the order of the Tenant.

4.4.2 The Tenant will indemnify the Landlord against any liability incurred by it to any third party whose property has been sold by the Landlord in the bona fide mistaken belief (which is to be presumed unless the contrary is proved) that it belonged to the Tenant and was liable to be dealt with as such under this clause 4.4.

4.5 Notices, consents and approvals

4.5.1 Any notice served under or in connection with this Lease is to be in writing and to be treated as properly served if compliance is made with either the provisions of section 196 of the Law of Property Act 1925 (as amended by the Recorded Delivery Service Act 1962) or section 23 of the Landlord and Tenant Act 1927.

4.5.2 Any consent or approval required under this Lease shall be in writing and shall be obtained before the act or event to which it applies is carried out or done and shall be effective only if it is in such form and upon such terms as the party giving it properly requires and contains the statement "this is the form of consent or approval required by the lease pursuant to which it is granted".

4.6 Services

4.6.1 It is hereby agreed between the parties with regard to the Services in respect of the Estate to be provided by the Management Company the

Tenant shall not be required through the Service Charge to make any payments or contributions at any time with regard to the following matters:

- (a) the cost charges and expenses in bringing the Main Estate Road up to adoption standard, in remedying any defects or carrying out any works required by the highway authority prior to its adoption and in relation to its adoption; and
- (b) the maintenance and repair of foul and storm water sewers referred to in the draft Section 104 Agreement submitted in 1996 and to be made between Birmingham International Park Limited (1) Barclays Bank Plc (2) and the Metropolitan Borough of Solihull (3)

4.6.2 It is hereby agreed between the parties that the Landlord will not include in the service charge or the Landlord's Services any capital costs relating to the initial construction or development of any part of the Development.

4.6.3 For the avoidance of doubt it is agreed between the parties that for the purposes of Schedule 4 the expressions "Account" "Advance Payment" "Expenditure" "Management Company" "Service Charge" and "Services" relate to the Services on the Estate and not to the Development Service Charge.

5. Landlord's covenants

The Landlord covenants with the Tenant as follows.

5.1 Quiet enjoyment

That the Tenant, paying the rents reserved by, and performing the Tenant's covenants in this Lease, may lawfully and peaceably enjoy the Premises throughout the Term without interruption by the Landlord or by any person lawfully claiming through, under or in trust for the Landlord.

5.2 To comply with all the covenants and conditions relating to the Estate in so far as the same relate to the Development and are not the responsibility of the Tenant or any other tenant or occupier of the Development.

5.3 The Landlord agrees with the Tenant that it will if required by the Tenant in writing take such action as the Tenant may reasonably require to enforce against the Management Company the covenants conditions and rights contained or referred to in the transfer of the Development dated 31st March 2000 and made between the Landlord and Birmingham International Park (2000) Limited in so far as the same relate to and affect the Estate the Premises or the Service Charge subject to the Tenant paying

the Landlord's reasonable and proper costs of enforcing such covenants conditions and rights.

6. Obligations in schedules to this Lease

The Landlord and the Tenant mutually covenant to observe and perform their respective obligations and the conditions in the schedules.

7. Expert determination

7.1 In this Lease, where any issue is required to be dealt with by, or submitted for the determination of, an independent expert, the following provisions of this clause are to apply but, in case of conflict with other provisions specifically relating to expert determination elsewhere in this Lease, those other provisions are to prevail to the extent of the conflict.

7.2 The expert is to be appointed by the parties jointly, or if they cannot or do not agree on the appointment, appointed by whichever of the following is appropriate:

7.2.1 the president from time to time of the Royal Institution of Chartered Surveyors; or

7.2.2 the president from time to time of the Institute of Chartered Accountants in England and Wales;

or in either case the duly appointed deputy of the president, or other person authorised by him to make appointments on his behalf.

7.3 The person so appointed is to act as an expert, and not as an arbitrator.

7.4 The expert so appointed must afford the parties the opportunity within such a reasonable and proper time limit as he may stipulate to make representations to him (accompanied by professional rental valuations, reports or other appropriate evidence in the relevant circumstances) and permit each party to make submissions on the representations of the other.

7.5 The fees and expenses of the expert, including the cost of his nomination, are to be borne as the expert may direct (but in the absence of such a direction, by the parties in equal shares), but (unless they otherwise agree) the parties will bear their own costs with respect to the determination of the issue by the expert.

7.6 One party may pay the costs required to be borne by another party if they remain unpaid for more than 21 days after they become due and then recover these and any incidental expenses incurred from the other party on demand.

- 7.7 If the expert refuses to act, becomes incapable of acting or dies, the Landlord or the Tenant may request the appointment of another expert in his stead under clause 7.2.
- 7.8 The determination of the independent expert, except in case of manifest error, is to be binding on the Landlord and the Tenant.
- 7.9 Where in clauses 3.3.2 and 3.9.3 and in the definitions of Development Service Charge and Service Charge Percentage in Part 1 of Schedule 4 a matter is to be determined by the Landlord or the Landlord's surveyor the Tenant shall be entitled within 20 working days of such determination to dispute such determination and in such circumstances the dispute shall be referred to an independent expert and the provisions of this clause 7 shall apply
- 7.10 If the base rate of Barclays Bank Plc ceases to be published and the Landlord designates another comparable rate, the Tenant shall be entitled within 20 working days of such comparable rate being so designated to dispute such rate and in such circumstances the comparable rate of interest shall be such rate as is determined or agreed by an independent expert in accordance with clause 7
8. Covenant status of this Lease
- This Lease is a new tenancy within the meaning of section 1 of the Landlord and Tenant (Covenants) Act 1995.
9. Contracts (Rights of Third Parties) Act 1999
- 9.1 Unless the right is expressly granted, it is not intended that a third party has a right to enforce a provision of the Lease pursuant to the Contracts (Rights of Third Parties) Act 1999.
- 9.2 The parties may rescind or vary the provisions of this Lease without the consent of a third party to whom a right of enforcement has been expressly granted.
10. Jurisdiction
- 10.1 This Lease will in all respects be governed by and construed in accordance with English law and the parties irrevocably submit to the jurisdiction of the English courts
- 10.2 The Tenant's address in England for service of all notices and proceedings is 2nd Floor Concorde House Trinity Park Birmingham West Midlands B37 7EC

Delivered as a deed on the date of this document.

SCHEDULE 1
The Premises

The land shown edged red on Plan 1 forming part of the land registered at H M Land Registry and comprised in title number WM719791 being land abutting the south side of Starley Way and to the west of Bickenhill Lane, Solihull, West Midlands and of which the Landlord is registered as proprietor with absolute title and on which the building known as Geneva House is constructed.

Part 2
Rights enjoyed with demise

1. A right of way in common with the Landlord, the Management Company and all others from time to time so entitled for the Tenant, its lessees, employees, licensees and others authorised by them to pass and repass with or without vehicles for all purposes connected with the use and enjoyment of the Premises over and along the Main Estate Road and the Development Road until (if ever) they are adopted as public highways.
2. The right in common with the Landlord, the Management Company and others from time to time so entitled to the free and uninterrupted use of and the passage of the Utilities through the Service Media which now are or may during the Perpetuity Period be in under or over the Main Estate Road, Development Road or other Common Parts, but the Landlord or the Management Company may change the routes of the Service Media unless and to the extent that it would interrupt or interfere with the exercise of the right now granted.
3. The right of lateral and subjacent support and protection from the remainder of the Estate and any adjoining or neighbouring land for the Premises.

Part 3
Exceptions and reservations

1. The right to enter upon the Premises (on giving reasonable notice) with employees, agents, contractors, plant and equipment in order to lay, make, inspect, clean, repair and renew foul and surface water sewers and drains and/or Service Media serving or to serve the Estate and/or any adjoining or neighbouring land, but the persons exercising the right are to make good all physical damage occasioned in the exercise of the right PROVIDED THAT this right shall not extend to the laying of any such

sewers and drains and/or Service Media under any buildings erected on the Premises.

2. The right to connect the sewers, drains and Service Media referred to in paragraph 1 above to any sewers, drains and Service Media on or under the Premises of suitable capacity, and the right to use any sewers, drains and Service Media on or under the Premises.
3. The right for the Landlord, in common with the Tenant and all others having the like right, to the free and uninterrupted use of and the passage of the Utilities through Service Media which now are or may at any time during the Perpetuity Period be in under or over the Premises.
4. The right of lateral and subjacent support and protection from the Premises for the remainder of the Estate and any adjoining or neighbouring land.
5. The right to erect or permit to be erected any buildings or other structures, and to alter any building or other structure erected on the Estate or the Retained Land or the Development notwithstanding obstruction or interference with the passage and access of light and air to any building now or in the future on the Premises, and so that light and air enjoyed by the Premises over any part of the Estate or the Main Estate Road, or the Development Road are to be enjoyed by the licence or consent of the Landlord and not as of right.
6. All rights of entry upon the Premises referred to in clauses 3 and 4.
7. The right (where necessary or where a third party is exercising its rights) to close the Main Estate Road and the Development Road for the purposes of effecting repairs renewals improvements and maintenance and for obtaining access to any Utilities Conducting Media or Service Media and for any other reasonable purpose including the right to erect scaffolding and all necessary ancillary rights provided that the erection of such scaffolding does not involve the whole of the Main Estate Road or the Development Road.

Part 4
Encumbrances

Date	Description of document	Parties
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26.04.1994	Deed	BDS Properties Limited (1) BDS Investments Limited (2) Metropolitan Borough of Solihull (3)
16.09.1994	Supplemental Deed	BDS Properties Limited (1) BDS Investments Limited (2) Metropolitan Borough of Solihull (3)

SCHEDULE 2
Rent reviews

1. The review dates

The yearly rent payable under this Lease is to be reviewed on the expiry of the fifth and tenth years of the Term (referred to in this schedule as the review dates and the relevant review date shall be construed accordingly) and with effect on and from the relevant review date, the reviewed rent (as agreed or determined in accordance with this schedule) is to become payable as the yearly rent reserved by this Lease.

2. Upward-only rent reviews

The reviewed rent is to be the greater of:

2.1 the yearly rent reserved under this Lease immediately preceding the relevant review date (ignoring for this purpose any deduction from suspension of or abatement of rent arising pursuant to paragraph 6 of schedule 3 or by virtue of any statutory or extra statutory provision or by agreement between the parties or in consequence of any lawful deduction from rent made by the Tenant or for any other reason whatsoever); and

2.2 the market rent of the Premises at the relevant review date.

3. The market rent

For the purposes of this Lease, the expression market rent means the yearly rent at which the Premises might reasonably and properly be expected to be let in the open market by a willing landlord to a willing tenant:

3.1 with vacant possession;

3.2 for a term of 10 years from the relevant review date having a rent review, in the same terms as this Lease, at the expiry of each period of five years throughout the term;

3.3 without the payment of a premium by the willing tenant; and

3.4 subject to the provisions of this Lease, other than the length of the term and the amount of rent, but including these provisions for rent review;

but on the assumption, if not the fact, that at the relevant review date:

3.5 the Premises have been fitted out ready for occupation and immediate use for the willing tenant's business so that the willing tenant would not

require a rent or other allowance at the relevant review date for that purpose (but this assumption does not affect the operation of paragraph 4.3);

3.6 in case the Premises or the Estate or the Development have been destroyed or damaged (or the Premises have been made unfit for use and occupation by reason of damage to the Building or the Estate or the Development) they have been fully reinstated (or rendered fit for use and occupation);

3.7 the Premises and the building are in a state of full repair required by this Lease and the covenants of the Tenant have been fully observed and performed;

3.8 there is not in operation any statute, order or instrument, regulation or direction which has the effect of regulating or restricting the amount of rent of the Premises which might otherwise be payable;

3.9 the Premises may be lawfully used throughout the Term as offices; and

4. Matters to be disregarded

In agreeing or determining the market rent, the effect upon it of the following matters are to be disregarded:

4.1 the occupation of the Premises by the Tenant;

4.2 any goodwill attached to the Premises by reason of the carrying on at the Premises of the business of the Tenant;

4.3 any improvements to the Premises made by the Tenant with the consent of the Landlord other than those:

4.3.1 made in pursuance of an obligation to the Landlord;

4.3.2 completed by the Tenant more than 21 years before the relevant review date; or

4.3.3 for which the Landlord has made a financial contribution;

4.4 any works carried out by the Tenant which have diminished the market rent; and

4.5 any works carried out by the Tenant prior to the grant of this Lease including the Works (as defined in a licence for alterations to be entered into between the Landlord and the Tenant immediately after completion of this Lease);

and in this paragraph 4, reference to "the Tenant" includes predecessors-in-title to the Tenant, and subtenants of the Tenant or of the predecessors-in-title of the Tenant.

5. Procedure for determination of market rent

5.1 The Landlord and the Tenant are to endeavour to agree the market rent at any time not being earlier than 6 months before the relevant review date, but if they have not agreed the market rent three months before the relevant review date the amount of the market rent is to be determined by reference to the arbitration of an arbitrator

5.2 The arbitrator shall be nominated by the Landlord and the Tenant jointly, but, if they cannot or do not do so, then he shall be nominated by the president for the time being of the Royal Institution of Chartered Surveyors on the application either of the Landlord or of the Tenant.

5.3 The reference to and award of the arbitrator shall be governed by the Arbitration Act 1996

5.4 The arbitrator nominated is to be a chartered surveyor having not less than ten years' experience of leasehold valuation of property being put to the same or similar use as the Premises and of property in the same region in which the Premises are situated.

5.5 If the arbitrator refuses to act, becomes incapable of acting or dies, the Landlord or the Tenant may request the appointment of another arbitrator as provided in paragraph 5.1

6. Time limits

Time is not of the essence in agreeing or determining the reviewed rent or of appointing an arbitrator

7. Rental adjustments

7.1 If the market rent has not been agreed or determined in accordance with the provisions of this schedule before the relevant review date, then, until the market rent has been so agreed or determined, the Tenant will continue to pay, on account, rent at the rate of yearly rent payable immediately before the relevant review date.

7.2 The Tenant will pay to the Landlord, within seven days after the time that the market rent has been agreed or determined, all arrears of the reviewed rent which have accrued in the meantime, with interest equal to the base rate of Barclays Bank PLC on each of the instalments of the arrears from

the time that it would have become due if the market rent had then been agreed or determined until payment becomes due from the Tenant to the Landlord under this paragraph 7.2.

8. Reviewed rent reserved in phases

The Landlord and the Tenant may, at any time before the market rent is determined by an arbitrator, settle the reviewed rent in more than one amount and agree to reserve the amounts increasing in phases until the next review date or, if none, the expiry of the Term.

9. Memorandum of rent review

The parties shall cause a memorandum of the reviewed rent duly signed by the Landlord and the Tenant to be endorsed on or securely annexed to this Lease and the counterpart of this Lease.

SCHEDULE 3
Insurance provisions

1. Insured Risks
 - 1.1 Insured Risks means the risks and other contingencies against which the Premises are required to be, or which may be, insured under this Lease, but subject to any exclusions, limitations and conditions in the policy of insurance.
 - 1.2 Insured Risks include (without limitation) fire, lightning, explosion, storm, tempest, flood, bursting and overflowing of water tanks, apparatus or pipes, earthquake, aircraft (but not hostile aircraft) and devices dropped from aircraft, riot and civil commotion, subsidence, and such other risks as the Landlord may consider it prudent to insure.
 - 1.3 If a risk or contingency itemised, or otherwise included, as an Insured Risk, can no longer be insured or can only be insured at an uneconomic rate, the risk or contingency shall cease to be treated as an Insured Risk from the time that cover is withdrawn and the Landlord has notified the Tenant of its withdrawal.
2. Tenant's liability for insurance premiums
 - 2.1 The Tenant will pay to the Landlord on demand the insurance premiums incurred by the Landlord.
 - 2.2 Insurance premiums are to include all monies expended, or required to be expended by the Landlord in effecting and maintaining cover against:
 - 2.2.1 Insured Risks;
 - 2.2.2 three years' loss of rent insurance;
 - 2.2.3 such professional fees as may be incurred in connection with rebuilding or reinstatement of the Premises;
 - 2.2.4 the costs of demolition, shoring up, and site clearance works;
 - 2.2.5 third-party and public liability risks; and
 - 2.2.6 value added tax liability on such items.
 - 2.3 The insurance cover may take into account cover for the effects of inflation and escalation of costs and fees, the Landlord's estimate of the market rent of the Premises as defined in schedule 2 in the context of ensuing rent reviews and the termination of the Lease.

3. Tenant's obligations in relation to insurance cover
 - 3.1 The Tenant will not do anything which may render void or voidable the insurance of the Landlord on the Premises or which may cause insurance premiums to be increased.
 - 3.2 The Tenant will provide efficient fire extinguishers of a type required by law and (if required) approved by the fire officer and will adopt such other precautions against Insured Risks as the Landlord's insurers require and which are normal in relation to a comprehensive insurance policy
 - 3.3 If the insurance of the Landlord is vitiated in whole or in part in consequence of an act or omission of the Tenant, persons occupying or enjoying the use of the Premises through or under the Tenant, or their respective employees, workmen, agents or visitors, the Tenant will pay to the Landlord on demand a sum equal to the amount of the insurance monies which have become irrecoverable in consequence of that act or omission.
 - 3.4 The Tenant may not insure the Premises for any of the Insured Risks in such a manner as would permit the insurer of the Landlord to average the proceeds of insurance or cancel insurance cover.
 - 3.5 The Tenant will notify the Landlord immediately of the occurrence of damage to the Premises by any of the Insured Risks.
 - 3.6 If the Premises are damaged by Insured Risks, the Tenant will pay to the Landlord on demand the amount of any uninsured excess to which the insurance cover of the Landlord is subject.
 - 3.7 The obligations of the Tenant to repair, and to yield up in repair, the Premises, are to remain operative to the extent that the insurance of the Landlord in respect of Insured Risks is vitiated or insurance monies are withheld by reason of an act or omission of the Tenant, persons occupying or enjoying the use of the Premises through or under the Tenant, or their respective employees, workmen, agents or visitors, but do not otherwise operate in respect of damage to the Premises by Insured Risks.
 - 3.8 The Tenant will pay the reasonable and proper cost of the revaluation of the Premises for insurance purposes whenever reasonably required by the Landlord provided such revaluation do not take place more than once a year.
4. Landlord's obligation to insure and reinstate
 - 4.1 The Landlord will keep the Premises insured with an insurer of repute against Insured Risks and other items referred to in paragraph 2.2 for the

full cost of reinstatement, subject to such uninsured excess as the insurer may reasonably and properly apply.

- 4.2 Following damage to or destruction of the Premises by an Insured Risk, the Landlord will diligently apply, or procure the application of, the proceeds of the insurance covering reinstatement and rebuilding costs for those purposes, and will make good any deficiency in the proceeds of the insurance out of its own resources.
- 4.3 The obligations of the Landlord in paragraph 4.2 do not apply:
- 4.3.1 if the Landlord is unable, after using its reasonable and proper endeavours to do so, to obtain any requisite planning permission or other consents for the reinstatement or rebuilding of the Premises or of a building of similar size, character and amenity;
- 4.3.2 if the Landlord's insurance is vitiated by reason of an act or omission of the Tenant, persons occupying or enjoying the use of the Premises through or under the Tenant, or their respective employees, workmen, agents or visitors unless and until the Tenant has paid all sums due from it under paragraph 3.3; or
- 4.3.3 if this Lease is, or is to be, determined under paragraph 7
- 4.4 Where the Premises are substantially damaged or destroyed, the Tenant may not object to the reinstatement or rebuilding of the Premises in a form which is not identical to the Premises immediately before the damage or destruction occurred, if the Premises as reinstated or rebuilt are of at least an equivalent or similar standard, and afford amenities which are not inferior to or deficient from those enjoyed by the Tenant before the damage or destruction.
5. Landlord's obligations in relation to insurance
- 5.1 The Landlord will use its reasonable and proper endeavours to procure that its insurers waive entitlement to rights of subrogation against the Tenant, persons occupying or enjoying the use of the Premises through or under the Landlord, and their respective employees, workmen, agents or visitors.
- 5.2 The Landlord will provide the Tenant with a copy of its insurance policies (or other evidence of the conditions of insurance) on the Premises, and (at the request of the Tenant) with a receipt for the payment of the last premium or other evidence of renewal and up-to-date details of the amount of cover.
- 5.3 The Landlord will promptly notify the Tenant of any changes in its insurance cover or of the terms on which cover has been effected.

5.4 The Landlord may retain any discount on the insurance premiums or commission offered to it by its insurer for its exclusive benefit.

6. Suspension of Rent

6.1 Paragraph 6.2 applies if the Premises are at any time during the Term so damaged by an Insured Risk as to render the Premises or any part of them unfit for occupation, use or enjoyment, except in the circumstances referred to in paragraph 4.3.2.

6.2 The rent and additional rent reserved by this Lease, or a fair proportion of them according to the nature and extent of the damage sustained, shall be suspended and cease to be payable until the Premises (excluding fitting-out works and replacement of contents) have been reinstated and made fit for occupation, use and enjoyment.

6.3 A dispute as to the amount of the abatement of the rent or the duration of the period of abatement is to be submitted to a single arbitrator, by whose decision the parties are to be bound, who is to be appointed by the parties jointly or, if they do not agree on the appointment, by the president for the time being of the Royal Institution of Chartered Surveyors (at the request of either party) and the arbitration is to be conducted under the Arbitration Act 1996.

7. Option to determine

If for any reason beyond the control of the Landlord it proves impracticable to commence rebuilding or reinstatement of the Premises within two years of the damage by an Insured Risk, the Landlord may within twelve months thereafter terminate this Lease by giving to the Tenant written notice to that effect.

8. Retention of insurance proceeds

On the termination of this Lease under paragraph 7, or if this Lease is terminated by the operation of the doctrine of frustration, the Landlord shall be entitled to retain the proceeds of insurance for its exclusive benefit.

SCHEDULE 4
Service charge provisions

Part 1
Definitions

In this Schedule, the following words and expressions have the following meanings unless the context otherwise requires:

Accountant	a suitably qualified and experienced person appointed by the Management Company to perform the function of an accountant in relation to the Expenditure (including an employee of the Management Company or of a member of the same group of companies as that term is defined in Section 42 of the Landlord and Tenant Act 1954);
Advance Payment	a quarterly payment as referred to in paragraph 1 of Part 3 of this schedule;
Computing Date	December in every year or such other date as the Management Company and/or the Landlord may from time to time designate;
Development Advance Payment	a quarterly payment as referred to in paragraph 3 of part 3 of this schedule;

Development Common Parts

the parts of the Development comprising the Development Road (to the extent that they have not been adopted as maintainable at the public expense), and landscaped areas which are not the responsibility of an individual owner or occupier of part of the Estate or the Management Company and all other areas ways and amenities in the Development provided or designated from time to time by the Landlord for common use and enjoyment by the owners and occupiers of the Development (including any Conducting Media which do not form part of the Service Media and are not demised to the Tenant or any other tenant of the Development), and each and every part of them, which are not the responsibility of the Management Company;

Development Service Charge

a fair and proper proportion attributable to the Premises (to be conclusively determined by the Landlord or the Landlord's surveyor by a comparison of the plot area of the Premises with the aggregate plot area of the buildings (including the Premises) from time to time in the Development) of the cost to the Landlord of providing the Landlord's Services, including reasonable and proper management costs, fees, salaries, charges and expenses and the expense of cleaning, lighting, repairing, renewing, decorating, maintaining and where necessary rebuilding any party walls, fences, gutters, drains, roadways, pavements, entrance ways, stairs and passages, access ways and service areas which are or may be used or enjoyed by an occupier of the Premises in common with any other person or persons;

Expenditure	<p>the aggregate of all reasonable costs fees expenses and outgoings properly incurred by the Management Company in providing the Services including bank charges, interest on borrowings from a reputable clearing bank at normal commercial rates and Value Added Tax which is not recoverable;</p> <p>such sums as the Management Company reasonably and fairly considers prudent to reserve for future and anticipated Expenditure from time to time whether or not for periodically recurring items; and</p> <p>such other sums (if any) as are required to be treated as Expenditure under this schedule;</p>
Financial Year	<p>the period from the [] to (and including) the first Computing date and thereafter between two consecutive Computing Dates (excluding the first but including the second Computing Date in the period);</p>
Landlord's Services	<p>the services which the Landlord covenants to provide in Part 5 of this schedule and as are listed in Part 6 of this schedule</p>
Services	<p>the services which the Landlord covenants in Part 2 of this schedule to procure the Management Company provides and as are listed in Part 4 of this schedule;</p>
Service Charge	<p>the Service Charge Percentage of the Expenditure subject to the agreed deductions in respect of the Premises in accordance with clause 4.6.1;</p>

Service Charge Percentage

a fair and proper proportion attributable to the Premises (to be determined by the Landlord or the Landlord's surveyor by a comparison of the plot area of the Premises with the aggregate plot area of the buildings (including the Premises) from time to time on the Development)

Part 2

Landlord's covenants in relation to the Services

1. Subject to paragraph 4 of this Part of this schedule the Landlord covenants with the Tenant to procure the Management Company provides the Services set out in Part 4 in accordance with the principles of good estate management, but:
 - 1.1 neither the Landlord nor the Management Company is to be held responsible for damage caused by any want of repair to, or defects in, the Common Parts unless and until notice in writing of the want of repair or defect has been given to the Landlord and the Management Company (whether by the Tenant or the lessee or occupier of any other part of the Estate) and the Management Company has failed to make good or remedy the want of repair or defect within a reasonable time after receipt of the notice or (in case of emergency) has failed to effect such temporary repair as may be practicable;
 - 1.2 nothing in this covenant prejudices the right of the Management Company or the Landlord to recover from the Tenant or any other person the amount or value of any loss or damage suffered by or caused to the Management Company or the Landlord or the Common Parts by the negligence or other wrongful act or default of the Tenant or other person;
 - 1.3 in supplying the Services, the Management Company may employ managing agents contractors or such other suitably qualified persons as the Management Company may from time to time reasonably think fit, whose reasonable and proper fees, salaries, charges and expenses (including any irrecoverable Value Added Tax) are to form part of the Expenditure;
2. The Management Company is not to be liable for any injury to or loss or damage suffered by the Tenant or its successors in title the owners and occupiers of the Premises or any part thereof caused by:
 - 2.1 breakdown, absence, failure or insufficiency of the Services; or
 - 2.2 defect in the Service Media or plant, machinery or apparatus used in connection with the provision of the Services; unless

- 2.3 the injury loss or damage is covered by, and the Management Company receives, payment under a policy of insurance effected by it in respect of that risk; or
- 2.4 the injury loss or damage arises out of the failure of the Management Company to comply with paragraph 2 of this Schedule; or
- 2.5 the breakdown, absence, failure, interruption, insufficiency or defect could reasonably have been prevented or its effect ameliorated by the exercise by the Management Company of reasonable care, attention, diligence and skill or those undertaking the Services on its behalf.
3. The Landlord is not to be liable for any injury to or loss or damage suffered by the Tenant or its successors in title the owners and occupiers of the Premises or any part thereof caused by:
- 3.1 breakdown, absence, failure or insufficiency of the Services; or
- 3.2 defect in the Service Media or plant, machinery or apparatus used in connection with the provision of the Services;
4. The Management Company may at its discretion withhold add to extend vary or make any alterations to any of the Services from time to time if the Management Company reasonably deems it desirable to do so for the more efficient management security and operation of the Estate or for the comfort of the owners and occupiers of the Estate generally.
5. The Landlord shall procure the Management Company uses its reasonable endeavours to remedy or make good any breakdown, absence, failure, insufficiency or defect of the Services or Service Media or other plant machinery or apparatus referred to in paragraph 2 of this Part of this schedule, for which the Management Company is responsible pursuant to an obligation to the Landlord, within a reasonable time after becoming aware of it, but neither the Landlord nor the Management Company is to be held liable under this covenant:
- 5.1 for anything which the Tenant covenants to repair or make good under this Lease; or
- 5.2 to the extent that the policy money due to the Management Company under any relevant insurance policy effected by the Management Company in respect of that matter has been wholly or partly refused or withheld in consequence of some act neglect or default of the Tenant its subtenants or its or their or employees or agents or other persons under its or their control.
6. The Landlord shall procure the Management Company prepares as soon as possible after, and in any event no later than four months after the end of, each Financial Year, accounts certified by the Accountant showing the

Expenditure for that Financial Year and containing a fair summary of the various items comprising the Expenditure and shall procure the Management Company supplies a copy of the accounts to the Tenant and makes available the vouchers supporting such summary to the Tenant (by prior appointment) for inspection, but:

- 6.1 if the receipts recovered by the Management Company in respect of any Financial Year, after making all proper provisions including provision for bad or doubtful debts, is or would be less than its expenditure and outgoings, the Management Company may include the amount of the shortfall in the Expenditure for that or a subsequent Financial Year;
- 6.2 if and to the extent that the shortfall is due to a provision for a bad or doubtful debt owed to the Management Company by an owner lessee or occupant of any of the part of the Estate or other person liable to contribute to the Expenditure, the Management Company may apportion the shortfall among the other persons liable to contribute to Expenditure but only in the proportions in which they are between themselves liable so to contribute, and any amount so apportioned to the Tenant shall be included in the Service Charge payable by the Tenant in respect of that or a subsequent Financial Year;
- 6.3 if the debt or part of it is later recovered, the Landlord is to repay to the Tenant a due proportion of the amount the Landlord receives from the Management Company by way of repayment of that debt;
7. If the total extent of property enjoying, or capable of enjoying, the benefit of any of the Services is increased or decreased on a permanent basis, or extended on a like basis to any adjoining or neighbouring property and the percentage of the Expenditure payable to the Management Company by the Landlord pursuant to an obligation to the Management Company is varied then the Service Charge Percentage shall be varied with effect from the date the percentage payable by the Landlord is varied and the percentage variation shall be determined by the Landlord or the Landlord's surveyor (acting reasonably)
8. The Landlord shall procure the Management Company uses reasonable endeavours to recover sums expended or liability incurred in the Financial Year in which it expends the sum or incurs such liability or in the next following Financial Year but the Management Company and the Landlord is nevertheless not precluded from recovering it in a subsequent Financial Year

Part 3
Tenant's Covenants

The Tenant covenants with the Landlord:

1. On each of the usual quarter days in every year, to pay to the Landlord on account of the Service Charge for that Financial Year a quarter of such sum as the Landlord has specified as a fair and reasonable estimate of the Service Charge for that Financial Year based on the Expenditure for the previous Financial Year and anticipated Expenditure in the current Financial Year
2. If the Service Charge for a Financial Year:
 - 2.1 exceeds the total Advance Payments made by the Tenant in respect of it, to pay the excess to the Landlord on demand; or
 - 2.2 is less than the total Advance Payments made by the Tenant in respect of it, the overpayment will be credited to the Tenant against the next Advance Payment and (if appropriate) subsequent Advance Payments.
3. On each of the usual quarter days in every year, to pay to the Landlord on account of the Development Service Charge for that Financial Year a quarter of such sum as the Landlord has specified as a fair and reasonable estimate of the Development Service Charge for that Financial Year.
4. If the Development Service Charge for a Financial Year:
 - 4.1 exceeds the total Development Advance Payments made by the Tenant in respect of it, to pay the excess to the Landlord on demand; or
 - 4.2 is less than the total Development Advance Payments made by the Tenant in respect of it, the overpayment will be credited to the Tenant against the next Development Advance Payment and (if appropriate) subsequent Development Advance Payments.
5. To pay Interest on demand on any sum properly payable by the Tenant pursuant to this Part of this schedule which is not paid within 14 days after it becomes due.

Part 4
The Services

1. Keeping the Structural Landscaping in a neat and tidy condition and properly cultivated and tending and renewing all plants shrubs and trees within the Structural Landscaping as reasonably necessary.
2. Maintaining repairing and when necessary renewing the Common Parts.

3. Sweeping, cleaning, de-icing and gritting the Main Estate Road and keeping the same clean and tidy.
4. Employing such workmen and/or contractors (including without prejudice to the generality of the foregoing landscape architects or contractors) as may be reasonably necessary in connection with the upkeep of the Common Parts and the provision of the Services.
5. Insuring any risks for which the Management Company may be liable as an employer of persons working on the Estate or as the owner of the Common Parts or any part thereof as it shall reasonably think fit.
6. Operating maintaining and (if necessary) renewing the lighting apparatus from time to time on the Common Parts and providing such additional lighting apparatus as the Management Company may reasonably think fit.
7. Paying all rates, taxes, duties, charges, assessments and outgoings whatsoever (whether parliamentary parochial local or of any other description) assessed charged or imposed upon or payable in respect of the Common Parts except insofar as the same are the responsibility of the individual lessee of any Unit.
8. Providing, maintaining, repairing, replacing and lighting estate signs directions and other traffic signs and an estate directory board.
9. Abating a nuisance and executing such works as may be necessary to comply with a notice served by a Local Authority in connection with the Common Parts, except insofar as it the liability of or attributable to the fault of an individual owner (including the Landlord in relation to parts of the Estate (other than the Common Parts) of which the freehold interest is for the time being vested in the Landlord).
10. Preparing and supplying to the owners and lessees of the Estate copies of any regulations made by the Management Company governing the use of the Common Parts.
11. Generally managing and administering the Common Parts and for that purpose employing a firm of managing agents and (insofar as the Management Company thinks fit) enforcing, or attempting to enforce, the observance of the covenants of an owner or lessee of a part of the Estate (the costs of such enforcement action forming part of Expenditure only to the extent that they are not recovered from the defaulting owner or lessee).
12. Employing such solicitors, auditors, accountants or other professional persons as the Management Company reasonably thinks fit in connection with the administration and management of the Management Company the Common Parts the Expenditure and the Services.

13. Complying with the requirements and directions of any competent authority and with the provisions of all statutes and all regulations orders and bye-laws made thereunder relating to the Common Parts except insofar as such compliance is the responsibility of any individual owner or lessee or any part of the Estate.
14. The purchase, hire maintenance, renewal and insurance of such equipment as the Management Company from time to time reasonably considers necessary or desirable for the carrying out of the acts and things mentioned in this Schedule.
15. (At the absolute discretion of the Management Company) providing security at the Estate including such closed circuit television or other surveillance apparatus as the Management Company thinks fit.
16. Administering the Management Company itself and arranging for all necessary meetings thereof to be held and complying with all relevant statutes and regulations and orders thereunder and (if the Management Company thinks fit) employing a suitable person or firm to deal with these matters.
17. The provision maintenance and renewal of any other equipment and the provision of any other service which in the reasonable opinion of the Management Company it is reasonable to provide in the interest of good estate management.

Part 5

Landlord's covenants in relation to the Landlord's Services

1. The Landlord covenants with the Tenant to provide the Landlord's Services set out in Part 6, but:
 - 1.1 the Landlord is not to be held responsible for damage caused by any want of repair to, or defects in the Development Common Parts unless and until notice in writing of the want of repair or defect has been given to the Landlord (whether by the Tenant or the lessee or occupier of any other part of the Development) and the Landlord has failed to make good or remedy the want of repair or defect within a reasonable time after receipt of the notice or (in case of emergency) has failed to effect such temporary repair as may be practicable;
 - 1.2 nothing in this covenant prejudices the right of the Landlord to recover from the Tenant or any other person the amount or value of any loss or damage suffered by or caused to the Landlord or the Development Common Parts by the negligence or other wrongful act or default of the Tenant or other person;
 - 1.3 in supplying the Landlord's Services, the Landlord may employ managing agents contractors or such other suitably qualified persons as the Landlord

may from time to time reasonably think fit, whose reasonable and proper fees, salaries, charges and expenses (including any irrecoverable Value Added Tax) are to form part of the Development Service Charge;

2. The Landlord is not to be liable for any injury to or loss or damage suffered by the Tenant or its successors in title the owners and occupiers of the Premises or any part thereof caused by:
 - 2.1 breakdown, absence, failure or insufficiency of the Landlord's Services; or
 - 2.2 defect in the Service Media or plant, machinery or apparatus used in connection with the provision of the Landlord's Services; unless:
 - 2.2.1 the injury loss or damage is covered by, and the Landlord receives, payment under a policy of insurance effected by it in respect of that risk; or
 - 2.2.2 the injury loss or damage arises out of the failure of the Landlord to comply with paragraph 1 of this Part of this Schedule; or
 - 2.2.3 the breakdown, absence, failure, interruption, insufficiency or defect could reasonably have been prevented or its effect ameliorated by the exercise by the Landlord of reasonable care, attention, diligence and skill or those undertaking the Landlord's Services on its behalf.
3. The Landlord's liability in respect of breach of obligations under this schedule is to cease on any transfer of the Landlord's interest in the reversion to this Lease.
4. The Landlord may at its discretion withhold add to extend vary or make any alterations to any of the Landlord's Services from time to time if the Landlord reasonably deems it desirable to do so for the more efficient management security and operation of the Development or for the comfort of the owners and occupiers of the Development generally.
5. To use its reasonable endeavours to remedy or make good any breakdown, absence, failure, insufficiency or defect of the Landlord's Services or other plant machinery or apparatus referred to in paragraph 2 of this Part of this schedule, for which the Landlord is responsible under this Lease, within a reasonable time after becoming aware of it, but the Landlord is not to be held liable under this covenant:
 - 5.1 for anything which the Tenant covenants to repair or make good under this Lease; or
 - 5.2 to the extent that the policy money due to the Landlord under any relevant insurance policy effected by the Landlord in respect of that matter has been wholly or partly refused or withheld in consequence of some act

neglect or default of the Tenant its subtenants or its or their or employees or agents or other persons under its or their control.

Part 6
Landlord's Services

1. Keeping the landscaping in the Development Common Parts in a neat and tidy condition and properly cultivated and tending and renewing all plants shrubs and trees within the landscaping as reasonably necessary.
2. Maintaining repairing and when necessary renewing the Development Common Parts including keeping the Development Road in good repair and condition and to a standard capable of adoption by the relevant authority.
3. Sweeping, cleaning, de-icing and gritting the Development Road and keeping the same clean and tidy.
4. Employing such workmen and/or contractors (including without prejudice to the generality of the foregoing landscape architects or contractors) as may be reasonably necessary in connection with the upkeep of the Development Common Parts and the provision of the Landlord's Services.
5. Insuring any risks for which the Landlord may be liable as an employer of persons working on the Development or as the owner of the Development Common Parts or any part thereof as it shall reasonably think fit.
6. Operating maintaining and (if necessary) renewing the lighting apparatus from time to time on the Development Common Parts and providing such additional lighting apparatus as the Landlord may reasonably think fit.
7. Paying all rates, taxes, duties, charges, assessments and outgoings whatsoever (whether parliamentary parochial local or of any other description) assessed charged or imposed upon or payable in respect of the Development Common Parts except insofar as the same are the responsibility of the individual lessee of any Unit, or of the Management Company.
8. Abating a nuisance and executing such works as may be necessary to comply with a notice served by a Local Authority in connection with the Development Common Parts, except insofar as it the liability of or attributable to the fault of an individual owner.
9. Preparing and supplying to the owners and lessees of the Development copies of any regulations made by the Landlord governing the use of the Development Common Parts.

10. Generally managing and administering the Development Common Parts and for that purpose, if the Landlord thinks fit, employing a firm of managing agents and (insofar as the Landlord thinks fit) enforcing, or attempting to enforce, the observance of the covenants of an owner or lessee of a part of the Development (the costs of such enforcement action forming part of the Development Service Charge only to the extent that they are not recovered from the defaulting owner or lessee).
11. Employing such solicitors, auditors, accountants or other professional persons as the Landlord reasonably thinks fit in connection with the administration and management of the Development Common Parts and the Landlord's Services.
12. Complying with the requirements and directions of any competent authority and with the provisions of all statutes and all regulations orders and bye-laws made thereunder relating to the Development Common Parts except insofar as such compliance is the responsibility of any individual owner or lessee, any part of the Estate, or the Management Company.
13. (At the absolute discretion of the Landlord but at all times in accordance with the principles of good estate management and for the benefit of the tenants on the Development) providing security at the Development including such closed circuit television or other surveillance apparatus as the Landlord thinks fit.
14. The provision maintenance and renewal of any other equipment and the provision of any other service which in the reasonable opinion of the Landlord it is reasonable to provide in the interest of good estate management.

SCHEDULE 5
Guarantee provisions

Part 1
Form of guarantee on assignment

1. Guarantee
- 1.1 The Guarantor guarantees to the Landlord that the Tenant will pay the rents reserved by, and perform and observe the Tenant's covenants in, this Lease, and the Guarantor will pay and make good to the Landlord on demand any losses, damages, costs, and expenses suffered or incurred by the Landlord if the Tenant fails to do so.
- 1.2 The guarantee in paragraph 1.1 remains in force for so long as, and to the extent that, the Tenant is not released by law from liability for the Tenant's covenants in this Lease.

- 1.3 The Guarantor also guarantees to the Landlord that the Tenant will observe and perform its obligations under any authorised guarantee agreement to be entered into by the Tenant under the terms of this Lease, and will pay and make good to the Landlord on demand any losses, damages, costs and expenses suffered or incurred by the Landlord if the Tenant fails to do so.
- 1.4 For the purposes of this guarantee, references to the "Tenant" are to the assignee of this Lease in relation to whom the guarantee to the Landlord is given, and none other.
2. No waiver or release of liability
- The Guarantor will not be released from liability under these provisions because of:
- 2.1 forbearance, the granting of time or other indulgence of the Landlord; or
- 2.2 a variation of this Lease which does not substantially alter the size of the Premises or reflects in a new material obligation being imposed on the Tenant, whether or not made with the consent of the Guarantor, and the guarantee of the Guarantor in paragraph 1.1 is to operate in relation to this Lease as it may be varied from time to time.
3. Guarantor to accept new lease upon disclaimer
- 3.1 If this Lease is terminated by re-entry by the Landlord or by disclaimer, the Guarantor will (on notice given by the Landlord within three months after the date of termination) take from the Landlord a lease of the Premises.
- 3.2 The lease to be granted to the Guarantor under paragraph 3.1 is to be on the following terms:
- 3.2.1 the term is to commence on the date of termination of this Lease and to be equal to the residue of the Term which would have remained unexpired at that date if this Lease had not then been terminated;
- 3.2.2 the yearly rent is to be the same as would have been payable under this Lease if it had not been terminated and, if a rent review operative from a review date before the grant of the lease had not been completed, the Guarantor will complete the rent review with the Landlord as if it had been the Tenant under this Lease in order to establish the commencing yearly rent under the lease;
- 3.2.3 the lease is otherwise to be on the same terms and conditions as would have applied under this Lease if it had not been terminated; and

- 3.2.4 the Guarantor is to succeed to the rights, and assume the liability, of the Tenant under this Lease as if this Lease had not been terminated.
4. Subordination of rights of the Guarantor
- 4.1 The provisions of paragraph 4.2 are to apply unless the Landlord has no subsisting claim against the Tenant for non-payment of rent or for breach of obligation under this Lease.
- 4.2 The Guarantor may not:
- 4.2.1 seek to recover from the Tenant, or any third party whether directly or by way of set-off, lien, counterclaim or otherwise or accept any money or other property or security, or exercise any rights in respect of any sum which may be or become due to the Guarantor on account of the failure by the Tenant to observe and perform the tenant covenants in this Lease;
- 4.2.2 (in competition with the Landlord) claim, prove or accept any payment in a winding-up, liquidation, bankruptcy, composition with creditors or other form of arrangement on the insolvency of the Tenant, for money owing to the Guarantor by the Tenant; nor
- 4.2.3 exercise any right or remedy in respect of any amount paid by the Guarantor under this Lease or any liability incurred by the Guarantor in observing, performing or discharging the obligations and covenants of the Tenant.
- 4.3 The Guarantor warrants that it has not taken, and undertakes with the Landlord that it will not without the consent of the Landlord take, any security from the Tenant in respect of this guarantee and, if security is nevertheless taken, it is to be held on trust for the Landlord as security for the respective liabilities of the Guarantor and the Tenant.

Part 2
Form of authorised guarantee agreement

1. Guarantee
- 1.1 The Guarantor guarantees to the Landlord that the Tenant will pay the rents reserved by, and perform and observe the Tenant's covenants in, this Lease, and the Guarantor will pay and make good to the Landlord on demand any losses, damages, costs, and expenses suffered or incurred by the Landlord if the Tenant fails to do so.
- 1.2 The guarantee in paragraph 1.1 remains in force for so long as, and to the extent that, the Tenant is not released by law from liability for the Tenant's covenants in this Lease.

- 1.3 For the purposes of this guarantee, references to the "Tenant" are to the assignee of this Lease in relation to whom the guarantee to the Landlord is given, and none other and references to the "Guarantor" are to the existing Tenant giving the guarantee to the Landlord
2. No waiver or release of liability
- The Guarantor will not be released from liability under these provisions because of:
- 2.1 forbearance, the granting of time or other indulgence of the Landlord; or
- 2.2 a variation of this Lease which does not substantially alter the size of the Premises or does not result in a material new obligation being imposed on the Tenant, whether or not made with the consent of the Guarantor, and the guarantee of the Guarantor in paragraph 1.1 is to operate in relation to this Lease as it may be varied from time to time.
3. Guarantor to accept new lease upon disclaimer
- 3.1 If this Lease is terminated by disclaimer, the Guarantor will (on notice given by the Landlord within three months after the date of termination) take from the Landlord a lease of the Premises.
- 3.2 The lease to be granted to the Guarantor under paragraph 3.1 is to be on the following terms:
- 3.2.1 the term is to commence on the date of termination of this Lease and to be equal to the residue of the Term which would have remained unexpired at that date if this Lease had not then been terminated;
- 3.2.2 the yearly rent is to be the same as would have been payable under this Lease if it had not been terminated and, if a rent review operative from a review date before the grant of the lease had not been completed, the Guarantor will complete the rent review with the Landlord as if it had been the Tenant under this Lease in order to establish the commencing yearly rent under the lease;
- 3.2.3 the lease is otherwise to be on the same terms and conditions as would have applied under this Lease if it had not been terminated; and
- 3.2.4 the Guarantor is to succeed to the rights, and assume the liability, of the Tenant under this Lease as if this Lease had not been terminated.

- 4. Subordination of rights of the Guarantor
- 4.1 The provisions of paragraph 4.2 are to apply unless the Landlord has no subsisting claim against the Tenant for non-payment of rent or for breach of obligation under this Lease.
- 4.2 The Guarantor may not:
 - 4.2.1 seek to recover from the Tenant, or any third party whether directly or by way of set-off, lien, counterclaim or otherwise or accept any money or other property or security, or exercise any rights in respect of any sum which may be or become due to the Guarantor on account of the failure by the Tenant to observe and perform the tenant covenants in this Lease;
 - 4.2.2 (in competition with the Landlord) claim, prove or accept any payment in a winding-up, liquidation, bankruptcy, composition with creditors or other form of arrangement on the insolvency of the Tenant, for money owing to the Guarantor by the Tenant; nor
 - 4.2.3 exercise any right or remedy in respect of any amount paid by the Guarantor under this Lease or any liability incurred by the Guarantor in observing, performing or discharging the obligations and covenants of the Tenant.
- 4.3 The Guarantor warrants that it has not taken, and undertakes with the Landlord that it will not without the consent of the Landlord take, any security from the Tenant in respect of this guarantee and, if security is nevertheless taken, it is to be held on trust for the Landlord as security for the respective liabilities of the Guarantor and the Tenant.

Signed as a deed by THE PRUDENTIAL)
ASSURANCE COMPANY LIMITED)
acting by RREEF (UK) LIMITED)
its duly authorised attorney under a)
Power of Attorney dated 9th November 1999)
acting by:)

Authorised Signatory

Authorised Signatory

Signed as a deed on behalf of FAIR, ISAAC)
INTERNATIONAL UK CORPORATION,)
a company incorporated in California by)
[] and [])
being persons who, in accordance with the)
laws of that territory, are acting under the)
authority of the company)

Authorised Signatory

Authorised Signatory

- (1) THE PRUDENTIAL ASSURANCE COMPANY LIMITED
- (2) FAIR, ISAAC INTERNATIONAL UK CORPORATION

LEASE

of

Geneva House, Birmingham International Park
Bickenhill Lane, Solihull, West Midlands

CMS Cameron McKenna
Mitre House
160 Aldersgate Street

London EC1A 4DD
T +44(0)20 7367 3000
F +44(0)20 7367 2000

1.01 PLAN INFORMATION

(a) Name of Plan:

This is the Fair, Isaac Supplemental Retirement and Savings Plan (the "Plan").

(b) Name of Plan Administrator, if not the Employer:

Address:

Phone Number:

The Plan Administrator is the agent for service of legal process for the Plan.

(c) Three Digit Plan Number: 004

(d) Plan Year End (month/day): 9/30

(e) Plan Status (check one):

(1) Effective Date of new Plan: 11/1/94

(2) Amendment Effective Date:

The original effective date of the Plan: 11/1/94

1.02 EMPLOYER

(a) The Employer is: Fair, Isaac and Company, Incorporated

Address: 120 North Redwood Drive
San Rafael, CA 94903

Contact's Name: John Waller

Telephone Number: (415) 491-5282

(1) Employer's Tax Identification Number: 94-1499887

(2) Business form of Employer (check one):

(A) Corporation

(B) Sole proprietor or partnership

(C) Subchapter S Corporation

(3) Employer's fiscal year end: 9/30

(b) The term "Employer" includes the following Related Employer(s):
(as defined in Section 2.10(a)(21)):

Fair, Isaac International Corporation, Fair, Isaac International Ltd, Fair, Isaac International, S.A. Corporation, Fair, Isaac International Canada Corporation, Fair, Isaac International France Corporation, Fair, Isaac International Germany Corporation, Fair, Isaac International Japan Corporation, Fair, Isaac International UK Corporation.

1.03 COVERAGE

(a) Only those Employees listed in Attachment A will be eligible to participate in the Plan.

(b) The Entry Date(s) shall be (check one):

(1) the first day of each Plan Year.

(2) the first day of each Plan Year and the date six months later.

(3) the first day of each Plan Year and the first day of the fourth, seventh, and tenth months.

(4) the first day of each month.

1.04 COMPENSATION

For purposes of determining Contributions under the Plan, Compensation shall be as defined in Section 2.01(a)(6), but excluding (check the

appropriate box(es)):

- (a) Overtime Pay.
- (b) Bonuses.
- (c) Commissions.
- (d) The value of a qualified or a non-qualified stock option granted to an Employee by the Employer to the extent such value is includable in the Employee's taxable income.
- (e) No exclusions.

1.05 CONTRIBUTIONS

- (a) Deferral Contributions. The Employer shall make a Deferral Contribution in accordance with Section 4.01 on behalf of each Participant who has an executed salary reduction agreement in effect with the Employer for the Plan Year (or portion of the Plan Year) in question, not to exceed 25% of Compensation for that Plan Year.

Section 2.01(a)(6):

"Compensation" shall mean for purposes of Article 4 (Contributions) wages as defined in Section 3401(a) of the Code and all other payments of compensation to an Employee by the Employer (in the course of the Employer's trade or business) in excess of \$150,000 in any Plan Year for which the Employer is required to furnish the Employee a written statement under Sections 6041(d) and 6051(a)(3) of the Code, excluding overtime pay, the value of a qualified or non-qualified stock option granted to an Employee by the Employer, reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation and welfare benefits, but including amounts that are not includable in the gross income of the Participant under a salary reduction agreement by reason of the application of Sections 125, 401(a)(8), 401(h), or 403(b) of the Code. Compensation must be determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Section 3401(a)(2) of the Code).

Compensation shall generally be based on the amount that would have been actually paid to the Participant during the Plan Year but for an election under Section 4.01.

In the case of any Self-Employed Individual or an Owner-Employee, Compensation shall mean the Individual's Earned Income.

- (b) Matching Contributions

(1) The Employer shall make a Matching Contribution on behalf of each Participant in an amount equal to the following percentage of a Participant's Deferral Contributions during the Plan Year (check one):

- (A) 50%
- (B) 100%
- (C) ____%
- (D) (Tiered Match) ____% of the first ____% of the Participant's Compensation contributed to

the Plan,

___% of the next ___% of the Participant's Compensation contributed to the Plan,

___% of the next ___% of the Participant's Compensation contributed to the Plan.

(E) The percentage declared for the year, if any, by a Board of Directors' resolution.

(F) Other:

(2) Matching Contribution Limits (check the appropriate box(es)):

(A) Deferral Contributions in excess of 6% of the Participant's Compensation for the period in question shall not be considered for Matching Contributions.

Note: If the Employer elects a percentage limit in (A) above and requests the Trustee to account separately for matched and unmatched Deferral Contributions, the Matching Contributions allocated to each Participant must be computed, and the percentage limit applied, based upon each period.

(B) Matching Contributions for each Participant for each Plan Year shall be limited to \$7,500.

(3) Eligibility Requirement(s) for Matching Contributions

A Participant who makes Deferral Contributions during the Plan Year under Section 1.05(a) shall be entitled to Matching Contributions for that Plan Year if the Participant satisfies the following requirement(s) (Check the appropriate box(es). Options (B) and (C) may not be elected together):

(A) Is employed by the Employer on the last day of the Plan Year.

(B) Earns at least 500 Hours of Service during the Plan Year.

(C) Earns at least 1,000 Hours of Service during the Plan Year.

(D) No requirements.

Note: If option (A), (B), or (C) above is selected then

Matching Contributions can only be made by the Employer after the Plan Year ends. Any Matching Contribution made before Plan Year end shall not be subject to the eligibility requirements of this Section 1.05(b)(3).

1.06 DISTRIBUTION DATES

A Participant may elect to receive a distribution or commence distributions from his Account pursuant to Section 8.02 upon the following date(s) (check the appropriate box(es). If Option (c) is elected, then options (a) and (b) may not be elected):

- (a) Attainment of Normal Retirement Age. Normal Retirement Age under the Plan is (check one):
- (1) age 65
 - (2) age ____ (specify from 55 through 64).
 - (3) later of the age ____ (cannot exceed 65) or the fifth anniversary of the Participant's Commencement Date.
- (b) Attainment of Early Retirement Age. Early Retirement Age is the first day of the month after the Participant attains age 55 (specify 55 or greater) and completes 10 Years of Service for Vesting.
- (c) Termination of employment with the Employer.

Section 1.05(b)(3):

Eligibility Requirement(s) for Matching Contributions

A Participant who makes Deferral Contributions during the Plan Year under Section 1.05(a) shall be entitled to Matching Contributions for that Plan Year if the Participant earns at least 1,000 Hours of Service during the Plan Year. A Participant who makes Deferral Contributions during the Plan Year shall also be entitled to Matching Contributions for that Plan Year if the Participant ceases employment after having attained age 65, or having attained age 55 with at least ten Years of Service for Vesting, or by reason of disability or death.

1.07 VESTING SCHEDULE

- (a) The Participant's vested percentage in Matching Contributions elected in Section 1.05(b) shall be based upon the schedule(s) selected below.
- (1) N/A - No Matching Contributions

- (2) 100% Vesting immediately
- (3) 3 year cliff (see C below)
- (4) 5 year cliff (see D below)
- (5) 6 year graduated (see E below)
- (6) 7 year graduated (see F below)
- (7) G below
- (8) Other (Attachment "B")

Years of Service For Vesting	Vesting Schedule				
	C	D	E	F	G
0	0%	0%	0%	0%	-----
1	0%	0%	0%	0%	-----
2	0%	0%	20%	0%	-----
3	100%	0%	40%	20%	-----
4	100%	0%	60%	40%	-----
5	100%	100%	80%	60%	-----
6	100%	100%	100%	80%	-----
7	100%	100%	100%	100%	100%

- (b) Years of Service for Vesting shall exclude (check one):
 - (1) for new plans, service prior to the Effective Date as defined in Section 1.01(e)(1).
 - (2) for existing plans converting from another plan document, service prior to the original Effective Date as defined in Section 1.01(e)(2).
- (c) A Participant will forfeit his Matching Contributions upon the occurrence of the following event(s):
- (d) A Participant will be 100% vested in his Matching Contributions upon (check the appropriate box(es), if any):
 - (1) Normal Retirement Age (as defined in Section 1.06(a)).
 - (2) Early Retirement Age (as defined in Section 1.06(b)).

(3) Death

1.08 PREDECESSOR EMPLOYER SERVICE

 Service for purposes of vesting in Section 1.07(a) shall include service with the following employer(s):

- (a)
- (b)
- (c)
- (d)

1.09 HARDSHIP WITHDRAWALS

Participant withdrawals for hardship prior to termination of employment (check one):

- (a) will be allowed in accordance with Section 7.07, subject to a \$_____ minimum amount. (Must be at least \$1,000)
- (b) will not be allowed

1.10 DISTRIBUTIONS

Subject to Articles 7 and 8, distributions under the Plan will be paid (check the Appropriate box(es)):

- (a) as a lump sum
- (b) under a systematic withdrawal plan (installments) not to exceed 10 years.

1.11 INVESTMENT DECISIONS

(a) Investment Directions

Investments in which the Accounts of Participants shall be treated as invested and reinvested shall be directed (check one):

- (1) by the Employer among the options listed in (b) below.
- (2) by each Participant among the options listed in (b) below.
- (3) by each Participant with respect to Deferral Contributions and by the Employer with respect to Employer Matching Contributions. The Employer must direct the Employer Matching Contributions among the same investment options made available for Participant directed sources listed in (b) below.

(b) Plan Investment Options

Participant Accounts will be treated as invested among the Fidelity Funds listed below pursuant to Participant and/or Employer directions.

	Fund Name	Fund Number
(1)	Fidelity Retirement Government Money Market Portfolio	0631
(2)	Fidelity Investment Grade Bond Fund	0026
(3)	Fidelity Puritan(TM)Fund	0004
(4)	Fidelity Growth & Income Portfolio	0027
(5)	Fidelity U.S. Equity Index Portfolio	0650
(6)	Fidelity Magellan(R)Fund	0021
(7)	Fidelity Contrafund	0022

Note: An additional annual record-keeping fee will be charged for each fund in excess of five funds.

Note: The method and frequency for change of investments will be determined under the rules applicable to the selected funds. Information will be provided regarding expenses, if any, for changes in investment options.

1.12 RELIANCE ON PLAN

An adopting Employer may not rely solely on this Plan to ensure that the Plan is "unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" and exempt from Parts 2 through 4 of Title I of the Employee Retirement Income Security Act of 1974 with respect to the Employer's particular situation. This Agreement must be reviewed by your attorney and/or accountant before it is executed.

This Adoption Agreement may be used only in conjunction with the CORPORATEplan for Retirement Select Basic Plan Document.

EXECUTION PAGE
(Fidelity's Copy)

IN WITNESS WHEREOF, the Employer has caused this Adoption Agreement to be executed this 6th day of October, 1994.

Employer Fair, Isaac and Company Incorporated
By /s/

 Peter L. McCorkell
Title Vice President and Secretary

Employer Fair, Isaac and Company Incorporated
By /s/

 John C. Waller
Title Vice President, Human Resources

Attachment A

Pursuant to Section 1.03(a), the following are the Employees who are eligible to participate in the Plan:

Rosenberger, Larry E.
Sanderson, Robert D.
Woldrich, John D.
Culhane, Patrick G.
Hopper, Mary A.
De Kerchove, Gerald
Kaye, Gordon
Robinson, Jeffrey F.
Nelson, O.D.
Roach, Barrett B.
Shediac, Rawy R.
Wier, Henry W.
Gerbino, John C.
McCorkell, Peter L.
Collins, Lauren
Barry, Michael C.
Sleath, Martin D.
Salvatto, Richard D.
Kreis, Joseph D.
Perlis, John H.
Morgan, Richard L.

Employer	Fair, Isaac and Company Incorporated
By	/s/ -----
Title	John C. Waller Vice President, Human Resources
Date	October 6, 1994

Note: The Employer must revise Attachment A to add employees as they become eligible or delete employees who are no longer eligible.

The CORPORATEplan for Retirement Select Plan

BASIC PLAN DOCUMENT

IMPORTANT NOTE

This document is not an IRS approved Prototype Plan. An Adopting Employer may not rely solely on this Plan to ensure that the Plan is "unfunded and maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees" and exempt from parts 2 through 4 of Title I of the Employee Retirement Income Security Act of 1974 with respect to the Employer's particular situation. Fidelity Management Trust Company, its affiliates and employees may not provide you with legal advice in connection with the execution of this document. This document should be reviewed by your attorney and/or accountant prior to execution.

CPR SELECT
BASIC PLAN DOCUMENT

ARTICLE 1
ADOPTION AGREEMENT

ARTICLE 2
DEFINITIONS
2.01 - Definitions

ARTICLE 3
PARTICIPATION
3.01 - Date of Participation
3.02 - Resumption of Participation following Re-employment

ARTICLE 4
CONTRIBUTIONS
4.01 - Deferral Contributions
4.02 - Matching Contributions
4.03 - Time of Making Employer Contributions

ARTICLE 5
PARTICIPANTS' ACCOUNTS
5.01 - individual Accounts

ARTICLE 6
INVESTMENT OF CONTRIBUTIONS
6.01 - Manner of Investment
6.02 - Investment Decisions

ARTICLE 7
RIGHT TO BENEFITS
7.01 - Normal or Early Retirement
7.02 - Death
7.03 - Other Termination of Employment
7.04 - Separate Account
7.05 - Forfeitures
7.06 - Adjustment for Investment Experience
7.07 - Hardship Withdrawals

ARTICLE 8
DISTRIBUTION OF BENEFITS PAYABLE AFTER TERMINATION OF SERVICE
8.01 - Distribution of Benefits to Participants and Beneficiaries
8.02 - Determination of Method of Distribution
8.03 - Notice to Trustee
8.04 - Time of Distribution

ARTICLE 9
AMENDMENT AND TERMINATION
9.01 - Amendment by Employer
9.02 - Retroactive Amendments

9.03 - Termination

9.04 - Distribution Upon Termination of the Plan

ARTICLE 10

MISCELLANEOUS

10.01 - Communication to Participants

10.02 - Limitation of Rights

10.03 - Nonalienability of Benefits

10.04 - Facility of Payment

10.05 - Information between Employer and Trustee

10.06 - Notices

10.07 - Governing Law

ARTICLE 11

PLAN ADMINISTRATION

11.01 - Powers and Responsibilities of the Administrator

11.02 - Nondiscriminatory Exercise of Authority

11.03 - Claims and Review Procedures

11.04 - Cost of Administration

PREAMBLE

It is the intention of the Employer to establish herein an unfounded plan maintained solely for the purpose of providing deferred compensation for a select group of management of highly compensated employees for purposes of Title I or ERISA.

Article 1. Adoption Agreement

Article 2. Definitions

2.01 - Definitions

(a) Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

(1) "Account" means an account established on the books of the Employer for the purpose of recording amounts credited on behalf of a Participant and any income, expenses, gains or losses included thereon.

(2) "Administrator" means the Employer adopting this Plan, or other person designated by the Employer in Section 1.01(b).

(3) "Adoption Agreement" means Article 1 under which the Employer establishes and adopts or amends the Plan and designates the optimal provisions selected by the Employer. The provisions of the Adoption Agreement shall be an integral part of the Plan.

(4) "Beneficiary" means the person or persons entitled under Section 7.02 to receive benefits under the Plan upon the death of a Participant.

(5) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(6) "Compensation" shall mean for purposes of Article 4 (Contributions) wages as defined in Section 3401(a) of the Code and all other payments of compensation to an Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Employee a written statement under Section 6041(d) and 6051(a) (3) of the Code, excluding any items elected by the Employer in Section 1.04, reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation and welfare benefits, but including amounts that are not includable in the gross income of the Participant under a salary reduction agreement by reason of the application of Sections 125, 402(A) (8), 402 (h), or 403(b) of the Code. Compensation must be determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed *such as the exception for agricultural labor in Section 3401(a) (2) of the Code).

Compensation shall generally be based on the amount that would have been actually paid to the Participant during the Plan Year but for an election under Section 4.01.

In the case of any Self-employed Individual or an Owner-Employee, Compensation shall mean the Individual's Earned Income.

(7) "Earned Income" means the net earnings of a Self-employed Individual derived from the trade or business with respect to which the Plan is established and for which the personal services of such individual are a material income-providing factor, excluding any items not included in gross income and the deductions allocated to such items, except that for taxable years beginning after December 31, 1989, net earnings shall be determined with regard to the deduction allowed under Section 164(f) of the Code, to the extent applicable, to the Employer. Net earnings shall be reduced by contributions of the Employer to any qualified plan, to the extent a deduction is allowed to the Employer for such contributions under Section 404 of the Code.

(8) "Employee" means any Employee of the Employer, Self-employed Individual or Owner-Employee.

(9) "Employer" means the Employer named in Section 1.02(a) and any Related Employers designated in Section 1.02(b).

(10) "Employment Compensation Date" means the date on which the Employee first performs an Hour of Service.

(11) "ERISA" means the Employee Retirement Income Security Act of 1974, as from time to time amended.

(12) "Fidelity Fund" means any Registered Investment Company which is made available to plans utilizing the CORPORATEplan for Retirement Select Plan.

(13) "Fund Share" means the share, unit, or other evidence of ownership in a Fidelity Fund.

(14) "Hour of Service" means, with respect to any Employee,

(A) Each hour for which the Employee is directly or indirectly paid, or entitled to payment, for the performance of duties for the Employer or a Related Employer, each such hour to be credited to the Employee for the computation period in which the duties were performed;

(B) Each hour for which the Employee is directly or indirectly paid, or entitled to payment, by the Employer or Related Employer (including payments made or due from a trust fund or insurer to which the Employer contributes or pays premiums) on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity, disability, layoff, jury duty, military duty, or leave of absence, each such hour to be credited to the Employer for the Eligibility

Computation Period in which such period of time occurs, subject to the following rules:

(i) No more than 501 Hours of Service shall be credited under this paragraph (B) on account of any single continuous period during which the Employee performs no duties;

(ii) Hours of Service shall not be credited under this paragraph (B) for a payment which solely reimburses the Employee for medically-related expenses, or which is made or due under a plan maintained solely for the purpose of complying with applicable workmen's compensation, unemployment compensation or disability insurance laws; and

(iii) If the period during which the Employee performs no duties falls within two or more computation periods, and if the payment made on account of such period is not calculated on the basis of units of time, the Hours of Service credited with respect to such period shall be allocated between not more than the first two such computation periods on any reasonable basis consistently applied with respect to similarly situated Employees; and

(C) Each hour not counted under paragraph (A) or (B) for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to be paid by the Employer or a Related Employer, each such hour to be credited to the Employee for the computation period to which the award or agreement pertains rather than the computation period in which the award agreement or payment is made.

For purposes of determining Hours of Service, Employees of the Employer and of all Related Employers will be treated as employed by a single employer. For purposes of paragraphs (B) and (C) above, Hours of Service will be calculated in accordance with the provisions of Section 2530.200b(b) of the Department of Labor regulations which are incorporated herein by reference.

Solely for purposes of determining whether a break in service for participation purposes has occurred in a computation period, an individual who is absent from work for maternity or paternity reasons shall receive credit for the Hours of Service which would otherwise have been credited to such individual but for such absence, or in any case in which such hours cannot be determined, 8 hours of service per day of such absence. For purposes of this paragraph, an absence from work for maternity reasons means an absence (1) by reason of the pregnancy of the individual, (2) by reason of a birth of a child of the individual, (3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement. The Hours of Service credit under this paragraph shall be credited (1) in the computation period in which the absence begins if the crediting is necessary to prevent a break in service in that period, or (2) in all other cases, in the following computation period.

(15) "Normal Retirement Age" means the normal retirement age specified in Section 1.06(a) of the Adoption Agreement.

(16) "Owner-Employee" means, if the Employer is a sole proprietorship, the individual who is the sole proprietor, or if the Employer is a partnership, a partner who owns more than 10 percent of either the capital interest or the profits interest of the partnership.

(17) "Participant" means any Employee who participates in the Plan in accordance with Article 3 hereof.

(18) "Plan" means the plan established by the Employer as set forth herein as a new plan or as an amendment to an existing plan, by executing the Adoption Agreement, together with any and all amendments hereto.

(19) "Plan Year" means the 12 consecutive month period designated by the Employer in Section 1.01(d).

(20) "Registered Investment Company" means any one or more corporations, partnership or trusts registered under the Investment Company Act of 1940 for which Fidelity Management and Research Company serves as investment advisor.

(21) "Related Employer" means any employer other than the Employer named in Section 1.02(a), if the Employer and such other employer are members of a controlled group of corporations (As defined in Section 414(B) of the Code) or an affiliated service group (as defined in Section 414(m), or are trades or businesses (whether or not incorporated) which are under common control (as defined in Section 414(c)), or such other employer is required to be aggregated with the Employer pursuant to regulations issued under Section 414(c).

(22) "Self-Employed Individual" means an individual who has Earned Income for the taxable year from the Employer or who would have had Earned Income but for the fact that the trade or business had no net profits for the taxable year.

(23) "Trust" means the trust created by the Employer.

(24) "Trust Agreement" means the agreement between the Employer and the Trustee, as set forth in a separate agreement, under which assets are held, administered, and managed subject to the claims of the Employer's creditors in the event of the Employer's insolvency, until paid to Plan Participants and their Beneficiaries as specified in the Plan.

(25) "Trust Fund" means the property held in the Trust by the Trustee.

(26) "Trustee" means the corporation or individuals appointed by the Employer to administer the Trust in accordance with the Trust Agreement.

(27) "Years of Service for Vesting" means, with respect to any Employee, the number of whole years of his periods of service with the Employer or a Related Employers (the elapsed time method to compute vesting service), subject to any exclusions elected by the Employer in Section 1.07(b). An Employee will receive credit for the aggregate of all time period(s) commencing with the Employee's Employment Commencement Date and ending on the date a break in service begins, unless any

such years are excluded by Section 1.07(b). An Employee will also receive credit for any period of severance of less than 12 consecutive months. Fractional periods of a year will be expressed in terms of days.

In the case of a Participant who has 5 consecutive 1-year breaks in service, all years of service after such breaks in service will be disregarded for the purpose of vesting the Employer-derived account balance that accrued before such breaks, but both pre-break and post-break service will count for the purposes of vesting the Employer-derived account balance that accrues after such breaks. Both accounts will share in the earnings and losses of the fund.

In the case of a Participant who does not have 5 consecutive 1-year breaks in service, both the pre-break and post-break service will count in vesting both the pre-break and post-break Employer-derived account balance.

A break in service is a period of severance of at least 12 consecutive months. Period of severance is a continuous period of time during which the Employee is not employed by the Employer. Such period begins on the date the Employee retires, quits or is discharged, or if earlier, the 12-month anniversary of the date on which the Employee was otherwise first absent from service.

In the case of an individual who is absent from work for maternity or paternity reasons, the 12 consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a break in service. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (1) by reason of the pregnancy of the individual, (2) by reason of the birth of a child of the individual, (3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement.

If the Plan maintained by the Employer is the plan of a predecessor employer, an Employee's Year of Service for Vesting shall include years of service with such predecessor employer. In any case in which the Plan maintained by the Employer is not the plan maintained by a predecessor employer, service for such predecessor shall be treated as service for the Employer to the extent provided in Section 1.08.

(b) Pronouns used in the Plan are in the masculine gender but include the feminine gender unless the context clearly indicates otherwise.

Article 3. Participation

3.01 - Date of Participation. An eligible Employee (as set forth in Section 1.03(a)) will become a Participant in the Plan on the first Entry Date after which he becomes an eligible Employee if he has filed an election pursuant to Section 4.01. If the eligible Employee does not file an election pursuant to Section 4.01 prior to his first Entry Date, then the eligible Employee will become a Participant in the Plan as of the first day of a Plan Year for which he has filed an election.

3.02 - Resumption of Participation following Re-employment. If a Participant ceases to be an Employee and thereafter returns to the employ of the Employer, he will

again become a Participant as of an Entry Date following the date on which he completes an Hour of Service for the Employer following his re-employment, if he is an eligible Employee as defined in Section 1.03(a), and has filed an election pursuant to Section 4.01.

3.03 - Cessation or Resumption of Participation following a Change in Status. If any Participant continues in the employ of the Employer or Related Employer but ceases to be an eligible Employee as defined in Section 1.03(a), the individual shall continue to be a Participant until the entire amount of his benefit is distributed; however, the individual shall not be entitled to make Deferral Contributions or receive an allocation of Matching contributions during the period that he is not an eligible Employee. Such Participant shall continue to receive credit for service completed during the period for purposes of determining his vested interest in his Accounts. In the event that the individual subsequently again becomes an eligible Employee, the individual shall resume full participation in accordance with Section 3.01.

Article 4. Contributions

4.01 - Deferral Contributions. Each Participant may elect to execute a salary reduction agreement with the Employer to reduce his Compensation by a specified percentage not exceeding the percentage set forth in Section 1.05(A) and equal to a whole number multiple of one (1) percent. Such agreement shall become effective on the first day of the period as set forth in the Participant's election. The election will be effective to defer Compensation relating to all services performed in a Plan Year subsequent to the filing of such an election. An election once made will remain in effect until a new election is made. A new election will be effective as of the first day of the following Plan Year and will apply only to Compensation payable with respect to services rendered after such date. Amounts credited to a Participant's account prior to the effective date of any new election will not be affected and will be paid in accordance with that prior election. The Employer shall credit an amount to the account maintained on behalf of the Participant corresponding to the amount of said reduction. Under no circumstances may a salary reduction agreement be adopted retroactively. A Participant may not revoke a salary reduction agreement for a Plan year during that year.

4.02 - Matching Contributions. If so provided by the Employer in Section 1.05(b), the Employer shall make a Matching Contribution to be credited to the account maintained on behalf of each Participant who had Deferral Contributions made on his behalf during the year and who meets the requirement, if any, of Section 1.05(b)(3). The amount of the Matching Contribution shall be determined in accordance with Section 1.05(b).

4.03 - Time of Making Employer Contributions. The Employer will from time to time make a transfer of assets to the Trustee for each Plan Year. The Employer shall provide the Trustee with information on the amount to be credited to the separate account of each Participant maintained under the Trust.

Article 5. Participants' Accounts

5.01. Individual Accounts. The Administrator will establish and maintain an Account for each Participant which will reflect Matching and Deferral Contributions credited to the Account on behalf of the Participant and earnings, expenses, gains and losses credited thereto, and deemed investments made with amounts in the Participant's Account. The

Administrator will establish and maintain such other accounts and records as it decides in its discretion to be reasonably required or appropriate in order to discharge its duties under the Plan. Participants will be furnished statements of their Account values at least once each Plan Year.

Article 6. Investment of Contributions

6.01 - Manner of Investment. All amounts credited to the Accounts of Participants shall be treated as though invested and reinvested only in eligible investments selected by the Employer in Section 1.11(b).

6.02 - Investment Decisions. Investments in which the Accounts of Participants shall be treated as invested and reinvested, shall be directed by the Employer or by each Participant, or both, in accordance with the Employer's election in Section 1.11 (a).

(a) All dividends, interest, gains and distributions of any nature earned in respect of Fund Shares in which the Account is treated as investing shall be credited to the Account as though reinvested in additional shares of that Fidelity Fund.

(b) Expenses attributable to the acquisition of investments shall be charged to the Account of the Participant for which such investment is made.

Article 7. Right to Benefits

7.01 - Normal or Early Retirement. If provided by the Employer in Section 1.07(d), each Participant who attains this Normal Retirement Age or Early Retirement Age will have a nonforfeitable interest in his Account in accordance with the vesting schedule elected in Section 1.07. If a Participant retires on or after attainment of Normal or Early Retirement Age, such retirement is referred to as a normal retirement. On or after his normal retirement, the balance of the Participant's Account, plus any amounts thereafter credited to his Account, subject to the provisions of Section 7.06, will be distributed to him in accordance with Article 8.

If provided by the Employer in Section 1.06, a Participant who separates from service before satisfying the age requirements for early retirement, but has satisfied the service requirement, will be entitled to the distribution of his Account, subject to the provisions of Section 7.06, in accordance with Article 8, upon satisfaction of such age requirement.

7.02 - Death. If a Participant dies before the distribution of his Account has commenced, or before such distribution has been completed, his Account shall become vested in accordance with the vesting schedule elected in Section 1.07, and his designated Beneficiary or Beneficiaries will be entitled to receive the balance or remaining balance of his Account, plus any amounts thereafter credited to his Account, subject to the provisions of Section 7.06. Distribution to the Beneficiary or Beneficiaries will be made in accordance with Article 8.

A Participant may designate a Beneficiary or Beneficiaries, or change any prior designation of Beneficiary or Beneficiaries by giving notice to the Administrator on a form designated by the Administrator. If more than one person is designated as the Beneficiary, their respective interests shall be as indicated on the designation form.

A copy of the death notice or other sufficient documentation must be filed with and approved by the Administrator. If upon the death of the Participant there is, in the opinion of the Administrator, no designated Beneficiary for party or all of the Participant's Account, such amount will be paid to his surviving spouse or, if none, to his estate (such spouse or estate shall be deemed to be the Beneficiary for purposes of the Plan). If a Beneficiary dies after benefits to such Beneficiary have commenced, but before they have been completed, and, in the opinion of the Administrator, no person has been designated to receive such remaining benefits, then such benefits shall be paid to the deceased Beneficiary's estate.

7.03 - Other Termination of Employment. If provided by the Employer in Section 1.06, if a Participant terminates his employment for any reason other than death or normal retirement, he will be entitled to a termination benefit equal to (i) the vested percentage(s) of the value of the Matching Contributions to his Account, as adjusted for income, expense, gain, or loss, such percentage(s) determined in accordance with the vesting schedule(s) selected by the Employer in Section 1.07, and (ii) the value of the Deferral Contributions to his Account as adjusted for income, expense, gain or loss. The amount payable under this Section 7.03 will be subject to the provisions of Section 7.06 and will be distributed in accordance with Article 8.

7.04 - Separate Account. If a distribution from a Participant's Account has been made to him at a time when he has a nonforfeitable right to less than 100 percent of his Account, the vesting schedule in Section 1.07 will thereafter apply only to amounts in his Account attributable to Matching Contributions allocated after such distribution. The balance of his Account immediately after such distribution will be transferred to a separate account which will be maintained for the purpose of determining his interest therein according to the following provisions.

At any relevant time prior to a forfeiture of any portion thereof under Section 7.05, a Participant's nonforfeitable interest in his Account held in a separate account described in the preceding paragraph will be equal to $P(AB + (RxD)) - (RxD)$, where P is the nonforfeitable percentage at the relevant time determined under Section 7.05; AB is the account balance of the separate account at the relevant time; D is the amount of the distribution; and R is the ratio of the account balance at the relevant time to the account balance after distribution. Following a forfeiture of any portion of such separate account under Section 7.05 below, any balance in the Participant's separate account will remain fully vested and nonforfeitable.

7.05 - Forfeitures. If a Participant terminates his employment, any portion of his Account (including any amounts credited after his termination of employment) not payable to him under Section 7.03 will be forfeited by him. For purposes of this paragraph, if the value of a Participant's bested account balance is zero, the Participant shall be deemed to have received a distribution of his vested interest immediately following termination of employment. Such forfeitures will be applied to reduce the contributions of the Employer under the Plan (or administration expenses of the Plan).

7.06 - Adjustment for Investment Experience. If any distribution under this Article 7 is not made in a single payment, the amount remaining in the Account after the distribution will be subject to adjustment until distributed to reflect the income and gain or

loss on the investments in which such amount is treated as invested and any expenses properly charged under the Plan and Trust to such amounts.

7.07 - Hardship Withdrawals. Subject to the provisions of Article 8, a Participant shall not be permitted to withdraw his Account (and earnings thereon) prior to retirement or termination of employment, except if permitted under Section 1.09, a Participant may apply to the Administrator to withdraw some or all of his Account if such withdrawal is made on account of a hardship as determined by the Employer.

Article 8. Distribution of Benefits Payable after Termination of Service.

8.01 - Distribution of Benefits to Participants and Beneficiaries.

(a) Distributions under the Plan to a Participant or to the Beneficiary of the Participant shall be made in a lump sum in cash or, if elected by the Employer in Section 1.10 and specified in the Participant's deferral election, under a systematic withdrawal plan (installment(s)) not exceeding 10 years upon retirement, death or other termination of employment.

(b) Distributions under a systematic withdrawal plan must be made in substantially equal annual, or more frequent, installments, in cash, over a period certain which does not extend 10 years. The period certain specified in a Participant's first deferral election specifying distribution under a systematic withdrawal plan shall apply to all subsequent elections of distributions under a systematic withdrawal plan made by the Participant.

8.02 - Determination of Method of Distribution. The Participant will determine the method of distribution of benefits to himself and the method of distribution to his Beneficiary. Such determination will be made at the time the Participant makes a deferral election. If the Participant does not determine the method of distribution to him or his Beneficiary, the method shall be a lump sum.

8.03 - Notice to Trustee. The Administrator will notify the Trustee in writing whenever any Participant or Beneficiary is entitled to receive benefits under the Plan. The Administrator's notice shall indicate the form, amount and frequency of benefits that such Participant or Beneficiary shall receive.

8.04 - Time of Distribution. In no event will distribution to a Participant be made later than the date specified by the Participant in his salary reduction agreement.

Article 9. Amendment and Termination.

9.01 - Amendment by Employer. The Employer reserves the authority to amend the Plan by filing with the Trustee an amended Adoption Agreement, executed by the Employer only, on which said Employer has indicated a change or changes in provisions previously elected by it. Such changes are to be effective on the effective date of such amended Adoption Agreement. Any such change notwithstanding, no Participant's Account shall be reduced by such change below the amount to which the Participant would have been entitled if he had voluntarily left the employ of the Employer immediately prior to the date of the change. The Employer may from time to time make any amendment to the Plan that may be necessary to satisfy the Code or ERISA. The

Employer's board of directors or other individual specified in the resolution adopting this Plan shall act on behalf of the Employer for purposes of this Section 9.01.

9.02 - Retroactive Amendments. An amendment made by the Employer in accordance with Section 9.01 may be made effective on a date prior to the first day of the Plan Year in which it is adopted if such amendment is necessary or appropriate to enable the Plan and Trust to satisfy the applicable requirements of the Code or ERISA or to conform the Plan to any change in federal law or to any regulations or ruling thereunder. Any retroactive amendment by the Employer shall be subject to the provisions of Section 9.01.

9.03 - Termination. The Employer has adopted the Plan with the intention and expectation that contributions will be continued indefinitely. However, said Employer has no obligation or liability whatsoever to maintain the Plan for any length of time and may discontinue contributions under the Plan or terminate the Plan at any time by written notice delivered to the Trustee without any liability hereunder for any such discontinuance or termination.

9.04 - Distribution upon Termination of the Plan. Upon termination of the Plan, no further Deferral Contributions or Matching Contributions shall be made under the Plan, but Accounts of Participants maintained under the Plan at the time of termination shall continue to be governed by the terms of the Plan until paid out in accordance with the terms of the Plan.

Article 10. Miscellaneous

10.01 - Communication to Participants. The Plan will be communicated to all Participants by the Employer promptly after the Plan is adopted.

10.02 - Limitation of Rights. Neither the establishment of the Plan and the Trust, nor any amendment thereof, nor the creation of any fund or account, nor the payment of any benefits, will be construed as giving to any Participant or other person any legal or equitable right against the Employer, Administrator or Trustee, except as provided herein; and in no event will the terms of employment or service of any Participant be modified or in any way affected hereby.

10.03 - Nonalienability of Benefits. The benefits provided hereunder will not be subject to alienation, assignment, garnishment, attachment execution or levy of any kind either voluntarily or involuntarily, and any attempt to cause such benefits to be so subjected will not be recognized, except to such extent as may be required by law.

10.04 - Facility of Payment. In the event the Administrator determines, on the basis of medical reports or other evidence satisfactory to the Administrator, that the recipient of any benefit payments under the Plan is incapable of handling his affairs by reason of minority, illness, infirmity or other incapacity, the Administrator may direct the Trustee to disburse such payments to a person or institution designated by a court which has jurisdiction over such recipient or a person or institution otherwise having the legal authority under State law for the care and control of such recipient. The receipt by such person or institution of any such payments shall be complete acquittance therefore, and any such payment to the extent thereof, shall discharge the liability of the Trust for the payment of benefits hereunder to such recipient.

10.05 - Information between Employer and Trustee. The Employer agrees to furnish the Trustee, and the Trustee agrees to furnish the Employer with such information relating to the Plan and Trust as may be required by the other in order to carry out their respective duties hereunder, including without limitation information required under the Code or ERISA and any regulations issued or forms adopted thereunder.

10.06 - Notices. Any notice or other communication in connection with this Plan shall be deemed delivered in writing if addressed as provided below and if either actually delivered at said address or, in the case of a letter, three business days shall have elapsed after the same shall have been deposited in the United States mails, first-class postage prepaid and registered or certified:

(a) If to the Employer or Administrator, to it at the address set forth in the Adoption Agreement, to the attention of the person specified to receive notice in the Adoption Agreement.

(b) If to the Trustee, to it as the address set forth in the Trust Agreement;

or, in each case at such other address as the addressee shall have specified by written notice delivered in accordance with the foregoing to the addressor's then effective notice address.

10.07 - Governing Law. The Plan and the accompanying Adoption Agreement will be construed, administered and enforced according to ERISA, and to the extent not preempted thereby, the laws of the Commonwealth of Massachusetts.

Article 11. Plan Administration.

11.01 - Powers and Responsibilities of the Administrator. The Administrator has the full power and the full responsibility to administer the Plan in all of its details, subject, however to the applicable requirements of ERISA. The Administrator's powers and responsibilities include, but are not limited to, the following:

(a) To make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;

(b) To interpret the Plan, its interpretation thereof in good faith to be final and conclusive on all persons claiming benefits under the Plan;

(c) To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;

(d) To administer the claims and review procedures specified in Section 11.03;

(e) To compute the amount of benefits which will be payable to any Participant, former Participant, or Beneficiary in accordance with the provisions of the Plan;

(f) To determine the person or persons to whom such benefits will be paid;

(g) To authorize the payment of benefits;

(h) To comply with the reporting and disclosure requirements of Part 1 of Subtitle B of Title I or ERISA;

(i) To appoint such agents, counsel, accountants, and consultants as may be required to assist in administering the Plan;

(j) By written instrument, to allocate and delegate its responsibilities, including the formation of an Administrative Committee to administer the Plan.

11.02 - Nondiscriminatory Exercise of Authority. Whenever, in the administration of the Plan, any discretionary action by the Administrator is required, the Administrator shall exercise its authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

11.03 - Claims and Review Procedures.

(a) Claims Procedure. If any person believes he is being denied any rights or benefits under the Plan, such person may file a claim in writing with the Administrator. If any such claim is wholly or partially denied, the Administrator will notify such person of its decision in writing. Such notification will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within 90 days after the claim is received by the Administrator (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90-day period). If such notification is not given within such period, the claim will be considered denied as of the last day of such period, and such person may request a review of his claim.

(b) Review Procedure. Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred), such person (or his duly authorized representative) may (i) file a written request with the Administrator for a review of his denied claim and of pertinent documents, and (ii) submit written issues and comments to the Administrator. The Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the request for review is received by the Administrator (or within 120 days, if special circumstances require an extension of time for processing the request, such as an election by the Administrator to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period). If the decision on review is not made within such period, the claim will be considered denied.

11.04 - Costs of Administration. Unless some or all costs and expenses are paid by the Employer, all reasonable costs and expenses (including legal, accounting, and Employee communication fees) incurred by the Administrator and the Trustee in administering the Plan and Trust will be paid first from the forfeitures (if any) resulting

under Section 7.05, then from the remaining Trust Fund. All such costs and expenses paid from the Trust Fund will, unless allocable to the Accounts of particular Participants, be charged against the Accounts of all Participants on a prorata basis or in such other reasonable manner as may be directed by the Employer.

TRUST AGREEMENT
Between
Fair, Isaac and Company, Incorporated

[Sponsor]

and

FIDELITY MANAGEMENT TRUST COMPANY

[Trustee]

Dated as of November 1, 1994

IMPORTANT NOTICE

This Trust Agreement may only be used in conjunction with the CORPORATE plan for Retirement Select Plan Adoption Agreement and Basic Plan Document. An Employer may not rely solely on said documents to ensure that the Plan is "unfounded and maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees" and exempt from parts 2 through 4 of Title I of the Employee Retirement Income Security Act of 1974 with respect to the Employer's particular situation. Fidelity Management Trust Company, its affiliates and employees may not provide you with legal advice in connection with the execution of this document. This document should be reviewed by your attorney and/or accountant prior to execution.

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TRUST AGREEMENT, dated as of the 1st day of November, 1994, between Fair, Isaac and Company, Incorporated a Delaware corporation, having an office 120 North Redwood Drive, San Rafael, CA, 94903 (the "Sponsor"), and FIDELITY MANAGEMENT TRUST COMPANY, a Massachusetts trust company, having an office at 82 Devonshire Street, Boston, Massachusetts, 01209 (the "Trustee").

WITNESSETH:

WHEREAS, the Sponsor is the sponsor of the Fair, Isaac Supplemental Retirement and Savings Plan (the "Plan"); and

WHEREAS, the Sponsor wishes to establish an irrevocable trust and to contribute to the trust assets that shall be held therein, subject to the claims of the Sponsor's creditors in the event of Sponsors' Insolvency, as herein defined, until paid to Plan participants and their beneficiaries in such manner and at such times as specified in the Plan; and

WHEREAS, it is the intention of the Sponsor to make contributions to the trust provide itself with a source of funds to assist it in the meeting of its liabilities under the Plan; and

WHEREAS, the trustee is willing to hold and invest the aforesaid pan assets in trust among several investment options selected by the Sponsor; and

WHEREAS, the Sponsor wishes to have the Trustee perform certain ministerial record keeping and administrative functions under the Plan; and

WHEREAS, the Employer or such other individual named in the Plan is the Administrator of the plan; and

WHEREAS, the Trustee is willing to perform record keeping and administrative services for the Plan if the services are purely ministerial in nature and are provided within a framework of plan provisions, guidelines and interpretations conveyed in writing to the Trustee by the Administrator.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements set forth below, the Sponsor and the Trustee agree as follows:

SECTION 1.

1. Trust.

(a) Establishment.

The Sponsor hereby establishes a trust (hereinafter the "Trust"), with the Trustee. The Trust shall consist of an initial contribution of money or other property acceptable to the Trustee in its sole discretion, made by the Sponsor or transferred from a previous trustee under the Plan, such additional sums of money as shall from time to time be delivered to the Trustee under the Plan, all investments made therewith and proceeds thereof, and all earnings and profits thereon, less the payments that are made by the Trustee as provided herein, without distinction between principal and income. The Trustee hereby accepts the Trust on the terms and conditions set forth in this Agreement. In accepting this Trust, the Trustee shall be accountable for the assets received by it, subject to the terms and conditions of this Agreement.

(b) Grantor Trust.

The Trust is intended to be a grantor of trust, of which the Sponsor is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

(c) Trust Assets.

The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of the Sponsor and shall be used exclusively for the uses and purposes of Plan participants and general creditors as herein set forth. Plan participants and their beneficiaries shall have no preferred claim or, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plan and this Trust Agreement shall be mere unsecured contractual rights of Plan participants and their beneficiaries against the Sponsor. Any assets held by the Trust will be subject to the claims of the Sponsor's general creditors under federal and state law in the event of Insolvency, as defined in Section 13(a).

(d) Non-Assignment.

Benefit payments to Plan participants and their beneficiaries funded under this Trust may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered, or subjected to attachment, garnishment, levy, execution, or other legal or equitable process.

SECTION 2.

2. Payments to Sponsor.

Except as provided under Section 13, the Sponsor shall have no right to retain or divert to others any of the Trust assets before all payment of benefits have been made to the participants and their beneficiaries pursuant to the terms of the Plan.

SECTION 3.

3. Disbursements.

Directions from Administrator.

The Trustee shall disburse monies to the Sponsor for benefit payments in the amounts that the Administrator directs from time to time in writing. The Trustee shall have no responsibility to ascertain any direction's compliance with the terms of the Plan or any applicable law. The Trustee shall not be responsible for making benefit payments to the participants under the Plan, nor shall the Trustee be responsible for any Social Security or Federal, State or local income tax reporting or withholding with respect to such Plan benefits.

Limitations.

The Trustee shall not be required to make any disbursement in excess of the net realizable value of the assets of the Trust at the time of the disbursement. The Trustee shall not be required to make any disbursement in cash unless the Administrator has provided a written direction as to the assets to be converted to cash for the purpose of making the disbursement.

SECTION 4.

4. Investment of Trust.

Selection of Investment Options.

The Trustee shall have no responsibility for the selection of investment options under the Trust and shall not render investment advice to any person in connection with the selection of such options.

Available Investment Options.

In accordance with Section 1.14 of the Plan, the Sponsor shall direct the Trustee as to the investment options available under the Trust provided, however, that the Trustee shall not be considered a fiduciary with investment discretion. The Sponsor may add additional investment options with the consent of the Trustee and upon amendment of the Plan.

Investment Direction.

In order to provide for an accumulation of assets comparable to the contractual liabilities accruing under the Plan, the Sponsor may direct the Trustee in writing to invest the assets held in the Trust to correspond to the hypothetical investments made for

Participants under the Plan. Such directions may be made by Plan participants by use of the telephone exchange system maintained for such purposes by the Trustee or its agent. In the event that the Trustee fails to receive a proper direction from the Sponsor or from Participants, the assets in question shall be invested in Fidelity Retirement Money market Fund, or such other fund designated by the Sponsor for this purpose, until the Trustee receives a proper direction.

Mutual Funds.

The Sponsor hereby acknowledges that it has received from the Trustee a copy of the prospectus for each Mutual Fund selected by the Sponsor as a Plan investment option. Trust investment in Mutual Funds shall be subject to the following limitations:

Execution of Purchases and Sales.

Purchase and sales of Mutual funds (other than for Exchanges) shall be made on the date on which the Trustee receives from the Sponsor in good order all information and documentation necessary to accurately effect such purchases and sales (or in case of a purchase, the subsequent date on which the Trustee has received a wire transfer of funds necessary to make such purchase). Exchanges of Mutual Funds shall be made on the same business day that the Trustee receives a proper direction of received before 4:00 p.m. eastern time; if the direction is received after 4:00 p.m. eastern time, the exchange shall be made the following day.

Voting.

At the time of mailing of notice of each annual or special stockholders' meeting of any Mutual Fund, the Trustee shall send a copy of the notice and all proxy solicitation materials to each Plan participant who has shares of the Mutual Fund credited to the participant's account, together with a voting direction form for return to the Trustee or its designee. The participant shall have the right to direct the Trustee as to the manner in which the Trustee is to vote the shares credited to the participant's accounts (both vested and unvested). The Trustee shall vote the shares as directed by the participant. The Trustee shall not vote shares for which it has received no directions from the participant. During the participant record keeping reconciliation ("transition") period, the Sponsor shall have the right to direct the Trustee as to the manner in which the Trustee is to vote the shares of the Mutual Funds in the Trust. With respect to all rights other than the right to vote, the Trustee shall follow the directions of the participant and if no such directions are received, the directions of the Sponsor. The Trustee shall have no duty to solicit directions from the participants or the Sponsor.

(c) Trustee Powers.

The Trustee shall have the following powers and authority:

(i) Subject to paragraphs (b), (c) and (d) of this Section 4, to sell, exchange, convey, transfer, or otherwise dispose of any property held in the Trust, by private contract or at public auction. No person dealing with the Trustee shall be bound to see to the application of the purchase money or other property delivered to the Trustee or to inquire into the validity, expediency, or propriety of any such sale or other disposition.

(ii) To cause any securities or other property held as part of the Trust to be registered in the Trustee's own name, in the name of one or more of its nominees, or in the Trustee's account with the Depository Trust Company of New York and to hold any investments in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Trust.

(iii) To keep that portion of the Trust in cash or cash balances as the Sponsor or Administrator may, from time to time, deem to be in the best interest of the Trust...

(iv) To make, execute, acknowledge, and deliver any and all documents of transfer or conveyance and to carry out the powers herein granted.

(v) To settle, compromise, or submit to arbitration any claims, debts, or damages due to or arising from the Trust; to commence or defend suits or legal or administrative proceedings; to represent the Trust in all suits and legal and administrative hearings; and to pay all reasonable expenses arising from any such action, from the Trust if not paid by the Sponsor.

(vi) To employ legal, accounting, clerical, and other assistance as may be required in carrying out the provisions of this Agreement and to pay their reasonable expenses and compensation from the Trust if not paid by the Sponsor.

(vii) To do all other acts although not specifically mentioned herein, as the Trustee may deem necessary to carry out any of the foregoing powers and the purposes of the Trust.

Notwithstanding any powers granted to Trustee pursuant to this Trust Agreement or to applicable law, Trustee shall not have any power that could give this trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of Section 301.7701-2 of the procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

SECTION 5.

5. Record keeping and Administrative Service to be Performed

(a) General

The Trustee shall perform those record keeping and administrative functions described in the CORPORATEplan for Retirement Select Agreement between the Trustee and the Sponsor ("Service Agreement").

(b) Accounts

The Trustee shall keep accurate accounts of all investments, receipts, disbursements, and other transactions hereunder and shall report the value of the assets held in the Trust as of the last day of each fiscal quarter of the Plan and, if not on the last day of a fiscal quarter, the date on which the Trustee resigns or is removed as provided in Section 8 of this agreement or is terminated as provided in Section 10 (the "Reporting Date"). Within thirty (30) days following reach Reporting Date or within sixty (60) days in the case of a Reporting date caused by the resignation or removal of the Trustee, or the termination of this Agreement, the Trustee shall file with the Administrator a written account setting forth all investments, receipts, disbursements, and other transactions effected by the Trustee between the Reporting Date and the prior Reporting Date, and setting forth the value of the Trust as of the Reporting date. Except as otherwise required under applicable law, upon the expiration of six (6) months from the date of filing such account with the Administrator, the Trustee shall have no liability or further accountability to anyone with respect to the propriety of its acts or transactions shown in such account, except with respect to such acts or transactions as to which the Sponsor shall within such six (6) months period file with the Trustee written objections.

(c) Inspection and Audit

All records generated by the Trustee in accordance with paragraph (a) and (b) shall be open to inspection and audit, during the Trustee's regular business hours prior to the termination of this Agreement, by the Administrator or any person designated by the Administrator. Upon the resignation or removal of the Trustee or the termination of this Agreement, the Trustee shall provide to the Administrator, at no expense to the Sponsor, in the format regularly provided to the Administrator, a statement of each participant's accounts as of the resignation, removal, or termination, and the Trustee shall provide to the Administrator or the Plan's new record keeper such further record as are reasonable, at the Sponsor's expense.

(d) Effect of Plan Amendment

The Trustee's provision of the record keeping and administrative services set forth in this Section 5 shall be conditioned on the Sponsor delivering to the Trustee a copy of any amendment to the Plan as soon as administratively feasible following the amendment's adoption, and on the Administrator providing the Trustee on a timely basis with all the information the Administrator deems necessary for the Trustee to perform the record keeping and administrative services and such other information as the Trustee may reasonably request.

(e) Return, Reports and Information

The Administrator shall be responsible for the preparation and filing of all returns, reports, and information required of the Trust or Plan by law including but not limited to any annual fiduciary tax return. The Trustee shall provide the administrator with such

information as the Administrator may reasonably request to make these filings. The Administrator shall also be responsible for making any disclosures to participants required by law.

SECTION 6.

6. Compensation and Expenses

As consideration for its services, the Trustee shall be entitled to the fees computed and billed in accordance with the Service Agreement. All expenses of the Trustee relating directly to the acquisition and disposition of investments constituting part of the Trust, and all taxes of any kind whatsoever that may be levied or assessed under existing or future laws upon or in respect of the Trust or the income thereof, shall be charge against and paid from the appropriate Plan participants' account.

SECTION 7.

7. Directions and Indemnification

(a) Identity of Administrator

The Trustee shall be fully protected in relying on the fact that the Administrator under the Plan is the individual or persons named as such above or such other individuals or persons as the Sponsor may notify the Trustee in writing.

(b) Directions from Administrator

Whenever the administrator provides a direction to the Trustee, the Trustee shall not be liable for any loss, or by reason of any breach, arising from the direction if the direction is contained in a writing (or is oral and immediately confirmed in written) signed by any individual whose name and signature have been submitted (and not withdrawn) in writing to the Trustee in the Service Agreement provided the Trustee reasonably believes the signature of the individual to be genuine. Such direction may be made via EDT in accordance with procedures agreed by the administrator and the Trustee; provided, however, that the Trustee shall be fully protected in relying on such direction as if it were a direction made in writing by the Administrator. The Trustee shall have no responsibility to ascertain any direction's (i) accuracy, (ii) compliance with the terms of the Plan or any applicable law, or (iii) effect for tax purpose or otherwise.

(c) Directions from Sponsor

The Trustee shall not be liable for any loss, which arises, from the Sponsor's exercise or non-exercise of right under Section 4 over the assets in a participant's account.

(d) Indemnification

The Sponsor shall indemnify the Trustee against, and hold the Trustee harmless from, any and all loss, damage, penalty, liability, cost, and expense, including without limitation, reasonable attorney's fees and disbursement, that may be incurred by, imposed upon, or asserted against the Trustee by reason of any claim, regulatory

proceeding or litigation arising from any act done or omitted to be done by any individual or person with respect to the Plan or Trust, excepting only any and all loss, etc, arising solely from the Trustee's negligence or bad faith.

(e) Survival

The provisions of this Section 7 shall survive the termination of this Agreement.

SECTION 8.

8. Resignation or Removal if Trustee

(a) Resignation

The Trustee may resign at any time upon sixty (60) days notice in writing to Sponsor, unless a shorter period of notice is agreed upon by Sponsor.

(b) Removal

The Sponsor may remove the Trustee at any time upon sixty (60) days' notice in writing to the Trustee, unless a shorter period of notice is agreed upon by the Trustee.

SECTION 9.

9. Successor Trustee

(a) Appointment

If the office of Trustee becomes vacant for any reason, the Sponsor may in writing appoint a successor trustee under this Agreement. The successor trustee shall have all of the rights, powers, privileges, obligations, duties, liabilities, and immunities granted to the Trustee under this Agreement. The successor trustee and predecessor trustee shall not be liable for the acts or omissions of the other with respect to the Trust.

(b) Acceptance

When the successor trustee accepts its appointment under this agreement, title to and possession of the Trust assets shall immediately vest in the successor trustee without any further action on the part of the predecessor trustee. The predecessor trustee shall execute all instruments and do all acts that reasonably may be necessary or reasonably may be requested in writing by the Sponsor or the successor trustee to vest to all Trust assets in the successor trustee or to deliver all Trust assets to the successor trustee.

(c) Corporate Action

Any successor of the Trustee or successor trustee, through sale or transfer of the business or trust department of the Trustee or successor trustee, or through reorganization, consolidation, or merger, or any similar transaction, shall, upon consummation of the transaction, become the successor trustee under the Agreement.

SECTION 10.

10. Termination

This Agreement may be terminated at any time by the Sponsor upon sixty (60) days' notice in writing to the Trustee. On the date of the termination of this Agreement, the Trustee shall forthwith transfer and deliver to such individual or entity, as the Sponsor shall designate, all cash and assets then constituting the Trust. If, by the termination date, the Sponsor has not notified the Trustee in writing as to whom the assets and cash are to be transferred and delivered, the Trustee may bring an appropriate action or proceeding for leave to deposit the assets and cash in a court of competent jurisdiction. The Trustee shall be reimbursed by the Sponsor for all costs and expenses of the action or proceeding including, without limitation, reasonable attorneys' fees and disbursements.

SECTION 11.

11. Resignation, Removal, and Termination Notices

All notices of resignation, removal, or termination under this Agreement must be in writing and mailed to the party to which the notice is being certified or registered mail, return receipt requested, to the Sponsor at the address designated in the Service Agreement, and to the Trustee at the afore-mentioned address or to such other addresses as the parties have notified each other of in the foregoing manner.

SECTION 12.

12. Duration

This Trust shall continue in effect without limit as to time, subject, however, to the provisions of this Agreement relating to amendment, modification, and termination thereof.

SECTION 13.

13. Insolvency of Sponsor

(a) Trustee shall cease disbursement of funds for payment of benefits to Plan participants and their beneficiaries if the Sponsor is Insolvent. Sponsor shall be considered "Insolvent" for purpose of this Agreement if (i) Sponsor is unable to pay its debts as they become due or (ii) Sponsor is subject to a pending proceeding as debtor under the United States Bankruptcy Code.

(b) All times during the continuance of this Trust, the principal and income of the Trust shall be subject to claims of general creditors of the Sponsor under federal and state Law as set forth below.

(i) The Board of Directors and the Chief executive Officer of the Sponsor shall have the duty to inform Trustee in writing of Sponsor's Insolvency. If a person claiming to be a creditor of the Sponsor alleges in writing to trustee that Sponsor has become Insolvent, Trustee shall determine whether Sponsor is

Insolvent and pending such determination, Trustee shall discontinue disbursements for payment of benefits to Plan participants or their beneficiaries.

(ii) Unless Trustee has actual knowledge of Sponsor's Insolvency, or has received notice from Sponsor or a person claiming to be a creditor alleging that Company is Insolvent, Trustee shall have no duty to inquire whether Sponsor is Insolvent. Trustee may in all events rely on such evidence concerning Sponsor's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning Sponsor's solvency.

(iii) If any time Trustee has determined that Sponsor is Insolvent, Trustee shall discontinue disbursement for payment to Plan participants or their beneficiaries and shall hold the assets of the Trust for the benefit of Sponsor's general creditors. Nothing in this Trust agreement shall in any way diminish any rights of Plan participants or their beneficiaries to pursue their rights as general creditors of Sponsor with respect to benefits due under the Plan or otherwise.

(iv) Trustee shall resume disbursement for the payment of benefits to Plan participants or their beneficiaries in accordance with Section 2 of this Trust Agreement only after Trustee has determined that Sponsor is not Insolvent (or is no longer Insolvent),

(c) Provided that there are sufficient assets, if Trustee discontinues the payment of benefits from the Trust pursuant to (a) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Plan participants or their beneficiaries under the terms of the Plan for the period of such discontinuance, less the aggregate amount of any payment made to Plan participants or their beneficiaries by Sponsor in lieu of the payments provided for hereunder during any such period of discontinuance.

SECTION 14.

14. Amendment of Modification

This Agreement may be amended or modified at any time and from time to time only by an instrument executed by both the Sponsor and the Trustee.

SECTION 15.

15. General

(a) Performance by Trustee, its Agents or Affiliates

The Sponsor acknowledges and authorizes that the services to be provided under this Agreement shall be provided by the Trustee, its agents or affiliates, including Fidelity Investments Institutional Operations Company or its successor, and that certain of such services may be provided pursuant to one or more other contractual agreements or relationships.

(b) Entire Agreement

This Agreement contains all of the terms agreed upon between the parties with respect to the subject matter hereof.

(c) Waiver

No waiver by either party of any failure or refusal to comply with an obligation hereunder shall be deemed a waiver of any other or subsequent failure or refusal to so comply.

(d) Successors and Assigns

The stipulations in this Agreement shall inure to the benefit of, and shall bind, the successors and assigns of the respective parties.

(e) Partial Invalidity

If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement or application of such term or provision to persons or circumstances other than as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(f) Section Heading

The heading of the various section and subsections of this Agreement have been inserted only for the purpose of convenience and are not part of this Agreement and shall not be deemed in any manner to modify, explain, expand or restrict any of the provision of this Agreement.

SECTION 16.

16. Governing Law

(a) Massachusetts Law Controls

This Agreement is being made in the Commonwealth of Massachusetts and the Trust shall be administered as a Massachusetts trust. The validity, construction, effect and administration of this Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts, except to the extent those laws are superseded under Section 514 of ERISA.

(b) Trust Agreement Controls

The Trustee is not a party to the Plan, and in the event of any conflict between the provisions of the Plan and the provisions of this Agreement, the provision of this Agreement shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

[SPONSOR]

Attest: _____
[Title] Assistant Secretary

By _____
[Title] Vice President

FIDELITY MANAGEMENT TRUST COMPANY
[TRUSTEE]

By _____
[Title]

December 16, 1998

Ms. Judith W. Isaac
 73126 Montera Circle South
 Palm Desert, CA 92260-6625
 (760) 341-6625

Dear Judy:

This letter is intended to serve as the definitive agreement between Fair, Isaac and Company, Inc. (the "Company") and you and your children with respect to possible transactions involving the Company's common stock. The term "Founding Shareholder" as used in this letter agreement refers to you.

The terms of our agreement are as follows:

- (A) The Company hereby grants the Founding Shareholder's estate the right to sell to the Company, and Company agrees to purchase, up to 250,000 shares of Fair, Isaac stock, but not exceeding \$10 million in amount, upon the Founding Shareholder's death. (This right is commonly known as a "put".) The Founding Shareholder's estate must notify the Company of the number of shares to be sold to the Company within 60 calendar days after the date of death, and the Company must pay for the shares not later than nine months after the date of death.

The purchase price of this stock shall be based on the average of the "last trade" prices quoted by the New York Stock Exchange (NYSE) during the 30 calendar days ending on the date of death.

This "put" right will expire on October 31, 2003, unless terminated earlier as set forth herein.

- (B) The Founding Shareholder and her children grants the Company a "right of first refusal" to purchase up to 500,000 shares of Fair, Isaac stock effective on the date of this agreement. Under this "right of first refusal" Founding Shareholder and her children shall not sell any shares, excepting permitted transactions by the Founding Shareholder described below, without first giving notice to the Company.

The notice of sale shall include the exact and complete terms of the proposed sale and will have attached thereto a photocopy of an executed bona fide offer and if applicable, counteroffer. For a period of ten (10) business days after receipt by

FOUNDING SHAREHOLDER STOCK AGREEMENT
 December 16, 1998
 Page 2

the Company of the notice of sale, the Company shall have the right to give the Founding Shareholder or her child, as the case may be, (a) notice of the Company's exercise of the right to purchase the shares, on the same terms, price and conditions as set forth in notice of sale, or (b) notice declining to exercise its right of first refusal to purchase the shares. In the event that Company declines to exercise its right to purchase these shares and thereafter there are changes in terms, price or conditions between the Founding Shareholder or her child (as the case may be) and the prospective purchaser, the right of first refusal shall reapply to these shares.

In the event of the Founding Shareholder's death, any shares sold by the estate under (A), above, would count against the 500,000 shares.

The Company's right of first refusal would not apply to the following types of transactions by the Founding Shareholder:

- o Gift, sale or transfer to the Founding Shareholder's children.
- o Gift, sale or transfer in the aggregate of no more than 20,000 shares to persons who are not Founding Shareholder's children during the period that this right of first refusal is in effect.
- o Sales on the NYSE under the volume limit of Rule 144 adopted under the Securities Act of 1933, as amended, or any similar successor federal statute and the rules and regulations thereunder, all as the same shall be in effect from time to time limit ("Rule 144").
- o Funding of charitable remainder and charitable lead trusts.
- o Purchase of shares by the Fair, Isaac Employee Stock Ownership Plan.

The Company's right of first refusal will expire on October 31, 2003.

(C) The Founding Shareholder and her children agree to reduce the number of Fair, Isaac shares they hold from the current level to a number below 1.4 million shares by October 31, 2001. The Founding Shareholder and her children agree to achieve this result in part by disposing of at least 150,000 shares during the period from the date of this letter to September 30, 1999, and a cumulative total of at least 300,000 shares by September 30, 2000. The types of dispositions contemplated by this section include dispositions in which the Founding Shareholder and her family retain no beneficial interest in the shares, such as gift, sale or other transfer to persons who are not Founding Shareholder's children; sales on the NYSE under Rule 144; funding of charitable remainder and charitable lead trusts; and sales of shares to the Fair, Isaac Employee Stock Ownership Plan.

If the Founding Shareholder and her family have not brought their combined holdings below the required applicable level at any of the foregoing three

milestone dates listed above, the right of the Founding Shareholder's estate to sell shares to the Company, as set forth in section (A), above, shall terminate on that date without notice by Company.

- (D) For a period of one year from the date of the agreement, if this agreement would prevent the Company from applying the pooling of interests' method of accounting to a business combination, the Company may rescind this agreement at its sole option, by written notice.
- (E) If the Company does rescind this agreement under section (D) above and if the Founding Shareholder dies on or before October 31, 2003, the Founding Shareholder's estate may require the Company to approve the registration of between 250,000 and 500,000 shares held by the estate. The term "registration" refers to a registration of securities for sale effected by preparing and filing a registration statement or similar document in compliance with the Securities Act of 1933 and the declaration or ordering of effectiveness of such registration statement or document by the Securities and Exchange Commission.
- (F) The Board of Directors of the Company has, by duly adopted resolution, authorized the execution of this agreement on behalf of the Company.
- (G) The Company and the Founding Shareholder, her children and estate will give notice under this agreement in writing and the notice will be deemed effectively given upon personal delivery to the party to be notified, or overnight courier service, or upon deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed, if to the Company, at Fair, Isaac and Company, Incorporated, 120 North Redwood Drive, San Rafael, CA 94903, Attention: General Counsel; if to Founding Shareholder or her children, at the address shown in this letter; and, if to her estate, at the address for notice specified by the estate in writing. Any party may change its address for notices by giving written notice of such change to the other party or parties.
- (H) This agreement shall inure to the benefit of, and shall be and become binding on, the heirs, executors, administrators, and assigns of the respective parties, but neither this agreement nor any of the rights, interests or obligations hereunder may be assigned, transferred or delegated by Founding Shareholder or her children to any person other than executors, administrators, legatees or heirs of Founding Shareholder upon the death of such Founding Shareholder. Each of us will pay our own fees and expenses incurred incident to the preparation and carrying out of the transactions contemplated by this agreement.

(I) This agreement contains the entire understanding of the parties with respect to the matters covered herein and supersedes all prior agreements and understandings, written or oral, between the parties relating to the subject matter hereof. Any additions or modifications to this agreement must be made in writing and must be signed on behalf of all the parties to this agreement.

(J) The laws of the State of California (irrespective of its choice of law principles) shall govern this agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

If this letter correctly sets forth our understanding, please sign both copies of this letter and have them signed by each of your children, and return one fully signed copy to me.

Very truly yours,

Peter L. McCorkell
Senior Vice President and
General Counsel

Agreed to this _____ day of December, 1998

Ms. Judith W. Isaac

Kenneth W. Isaac

Cynthia W. Isaac

Timothy E. Isaac

PURCHASE AGREEMENT

between

FAIR, ISAAC AND COMPANY, INC.

and

SAN RAFAEL CORPORATE CENTER, LLC

June 28, 2000

Lindaro Office Park
San Rafael, California

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Exhibit N Consent and Agreement
Exhibit O Certificate of Nonforeign Status

PURCHASE AGREEMENT

THIS AGREEMENT, made as of June 28, 2000, by and between FAIR, ISAAC AND COMPANY, INC., a Delaware corporation ("Seller"), and SAN RAFAEL CORPORATE CENTER, LLC, a Delaware limited liability company ("Buyer"),

W I T N E S S E T H:

In consideration of the covenants in this Agreement, Seller and Buyer agree as follows:

ARTICLE 1

Purchase and Sale

1.1 The Property. Seller agrees to sell to Buyer and Buyer agrees to purchase from Seller, in accordance with this Agreement, all of the following property (collectively, the "Property"):

(a) The real property in the City of San Rafael, Marin County, California, comprising approximately 12.9 acres, more or less, commonly known as the Lindaro Office Park site, described in Preliminary Report No. 8-208866SB Second Supplemental dated as of June 14, 2000 (the "Preliminary Report"), prepared by First American Title Insurance Company (the "Title Company"), a copy of which is attached hereto as Exhibit A, together with all improvements on such real property and all easements and rights appurtenant to such real property (all such real property, improvements, and easements and rights are collectively the "Real Property");

(b) All development approvals, entitlements and permits (the "Permits") relating to the Real Property described in Exhibit B attached hereto;

(c) Seller's interest in all agreements (the "Agreements") relating to the Real Property described in Exhibit C attached hereto;

(d) All plans and specifications (the "Plans and Specifications") relating to the Real Property described in Exhibit D attached hereto;

(e) Seller's interest in the Sublease (the "Sublease") dated June 13, 2000, between Seller, as landlord, and the City of San Rafael, a charter city (the "City"), as tenant, relating to the Real Property;

(f) Seller's interest in all soils, environmental, engineering and other reports of consultants relating to the condition or development of the Real Property but only to the extent Seller has the right to assign such soils, environmental, engineering and other reports of consultants to Buyer; and

(g) Seller's interest in the name "Lindaro Office Park" relating to the Real Property.

EXHIBIT 0

1.2 Property Approval Period.

(a) During the period from the date of this Agreement to July 28, 2000 (the "Property Approval Period"), Buyer shall, in good faith and with diligence, at Buyer's expense, review and investigate the Permits, the Agreements, the Plans and Specifications, the environmental reports (the "Environmental Assessments") relating to the Real Property described in Exhibit E attached hereto, the physical and environmental condition of the Real Property, the character, quality and general utility of the Property, the zoning, land use, environmental and building requirements and restrictions applicable to the Real Property, the state of title to the Real Property, and the Sublease. Seller shall, on or before the first day of the Property Approval Period, furnish to Buyer a current ALTA survey of the Real Property for review by Buyer during the Property Approval Period. Buyer shall determine whether or not the Property is acceptable to Buyer within the Property Approval Period. If, during the Property Approval Period, Buyer determines, in the sole discretion of Buyer, that the Property is not acceptable for any reason, Buyer shall have the right, by giving notice to Seller on or before the last day of the Property Approval Period, to terminate this Agreement. If Buyer exercises the right to terminate this Agreement in accordance with this section 1.2, this Agreement shall terminate as of the date such termination notice is given by Buyer, in which event the Initial Deposit (as hereinafter defined) and all interest thereon shall be returned to Buyer. If Buyer does not exercise the right to terminate this Agreement in accordance with this section 1.2, this Agreement shall continue in full force and effect, and Buyer shall have no further right to terminate this Agreement pursuant to this section 1.2.

(b) During the Property Approval Period, Seller shall permit Buyer and Buyer's representatives to inspect and copy the files of Seller relating to the Property, including the Permits, the Agreements, the Plans and Specifications, the Sublease, the Environmental Assessments, soils and engineering reports, and construction cost estimates, but excluding appraisal and valuation reports and similar information, and Seller shall provide Buyer and Buyer's representatives with access to the Property at reasonable times during normal business hours on business days for the purposes of carrying out the responsibilities of Buyer pursuant to this section 1.2. Buyer acknowledges that the materials relating to the Property to be furnished by Seller to Buyer contain confidential and proprietary information. Buyer agrees to keep all such information confidential and not to disclose any such information to any third party except to the extent necessary to carry out the responsibilities of Buyer pursuant to this section 1.2 or to obtain financing for the Property. If Buyer exercises the right to terminate this Agreement in accordance with this section 1.2, Buyer shall, within five (5) days after the termination date, return to Seller all copies of all materials relating to the Property theretofore furnished by Seller.

(c) Buyer shall indemnify and defend Seller against and hold Seller harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, arising from any entry on the Property by Buyer or any of Buyer's representatives. The foregoing indemnification covenant shall survive any termination of this Agreement. Buyer shall, promptly after completion thereof, provide Seller with copies of all studies, tests, reports and other documents or materials relating to the Property that are prepared, conducted or made by, for or on behalf of Buyer (excluding revisions made to the Plans and Specifications by Buyer and additional plans and specifications for improvements on the Real Property prepared by Buyer).

EXHIBIT 0

ARTICLE 2

Purchase Price

2.1 Amount and Payment. The total purchase price for the Property shall be thirty million two hundred fifty thousand dollars (\$30,250,000). At the Closing (as hereinafter defined) on the Closing Date (as hereinafter defined), Buyer shall pay the total purchase price for the Property to Seller in cash in immediately available funds.

2.2 Deposit. Within two (2) business days after the date of this Agreement, Buyer shall deposit the sum of one million dollars (\$1,000,000) (the "Initial Deposit") in cash in immediately available funds in escrow with the Title Company. If Buyer does not exercise the right to terminate this Agreement in accordance with section 1.2 hereof, Buyer shall, within two (2) business days after the last day of the Property Approval Period, deposit the sum of four million dollars (\$4,000,000) (the "Additional Deposit") in cash in immediately available funds in escrow with the Title Company. The Initial Deposit and the Additional Deposit are collectively the "Deposit." The Deposit shall be held by the Title Company in an interest-bearing account designated in writing by Buyer and approved in writing by Seller. If Seller and Buyer complete the purchase and sale of the Property in accordance with this Agreement, the Deposit and all interest thereon shall be applied to payment of the total purchase price for the Property in accordance with section 2.1 hereof. If the purchase and sale of the Property is not so completed and this Agreement terminates for any reason other than a default by Buyer under or a breach by Buyer of this Agreement, then the Deposit and all interest thereon shall be returned to Buyer upon such termination of this Agreement.

2.3 Liquidated Damages. SELLER AND BUYER AGREE THAT, IF BUYER DEFAULTS UNDER OR BREACHES THIS AGREEMENT AND FAILS TO PURCHASE THE PROPERTY IN ACCORDANCE WITH THIS AGREEMENT SOLELY BY REASON OF SUCH DEFAULT OR BREACH, SELLER SHALL HAVE THE RIGHT TO TERMINATE THIS AGREEMENT BY GIVING A NOTICE OF TERMINATION TO BUYER AND, UPON SUCH TERMINATION OF THIS AGREEMENT, THE DEPOSIT AND ALL INTEREST THEREON SHALL BE PAID TO SELLER AND RETAINED BY SELLER AS LIQUIDATED DAMAGES AND AS SELLER'S SOLE REMEDY AT LAW OR IN EQUITY. SELLER AND BUYER AGREE THAT, UNDER THE CIRCUMSTANCES EXISTING AS OF THE DATE OF THIS AGREEMENT, ACTUAL DAMAGES MAY BE DIFFICULT TO ASCERTAIN AND THE DEPOSIT AND ALL INTEREST THEREON IS A REASONABLE ESTIMATE OF THE DAMAGES THAT WILL BE INCURRED BY SELLER IF BUYER DEFAULTS UNDER OR BREACHES THIS AGREEMENT AND FAILS TO PURCHASE THE PROPERTY IN ACCORDANCE WITH THIS AGREEMENT.

SELLER'S INITIALS: _____ BUYER'S INITIALS: _____

EXHIBIT 0

ARTICLE 3

Completion of Sale

3.1 Place and Date. The purchase and sale of the Property shall be completed in accordance with Article 8 hereof (the "Closing"). The Closing shall occur through escrow No. SP-302905-KT with the Title Company at 345 California Street, Suite 2400, San Francisco, California 94104, on the date that is five (5) business days after the ordinance adopted by the City approving the Amendment to Development Agreement (as hereinafter defined) described in sections 7.1(a) and 7.2(a) hereof becomes effective in accordance with California Government Section 36937 (the "Closing Date"), or at such other place or on such other date as Seller and Buyer agree in writing. Prior to the Closing Date, Seller and Buyer each shall give appropriate written escrow instructions, consistent with this Agreement, to the Title Company for the Closing in accordance with this Agreement.

3.2 Exchange. If requested by Buyer, Seller shall cooperate in reasonable ways with Buyer to effect an exchange of the Real Property for real property owned by Buyer pursuant to section 1031 of the Internal Revenue Code and the Income Tax Regulations. Buyer shall be solely responsible for negotiating the terms of any exchange and preparing and furnishing to Seller all agreements, escrow instructions and other documents related to any exchange. Seller shall not be required to take title to any exchange property. All documents to be executed by Seller in connection with any exchange shall be subject to the prior written approval of Seller. Seller shall not be required to assume or incur any additional obligation or liability in connection with any exchange. Any exchange shall not delay or postpone the Closing Date, Seller shall have no liability to Buyer if any exchange fails to qualify for nonrecognition treatment under the income tax laws, and Buyer shall not be released from its obligations under this Agreement to purchase the Property from Seller if any exchange fails for any reason. Buyer shall reimburse Seller at the Closing on the Closing Date for all additional costs and expenses, including reasonable attorneys' fees and disbursements, incurred by Seller in connection with any exchange, whether or not any exchange is completed. Buyer shall indemnify and defend Seller against and hold Seller harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, arising from or related to any participation by Seller in any exchange, whether or not any exchange is completed.

ARTICLE 4

Title and Condition

4.1 Title to the Property. Seller shall convey to Buyer good and marketable fee title to the Real Property, by a duly executed and acknowledged Grant Deed (the "Grant Deed") in the form of Exhibit F attached hereto, free and clear of liens, encumbrances, leases, easements, restrictions, rights, covenants and conditions, except the following (the "Permitted Exceptions"): (a) the matters shown as exceptions 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 14, 15, 16, 17, 25, 26, 27 and 28 in the Preliminary Report, (b) the Sublease, (c) matters shown by the current ALTA survey of the Real Property or a physical inspection of the Real Property, and (d) any other matters created, permitted or approved by Buyer. Seller shall transfer to Buyer good title to the

EXHIBIT 0

Agreements to which Pacific Gas and Electric Company, a California corporation ("PG&E"), is a party, by a duly executed and acknowledged Assignment (the "PG&E Assignment") in the form of Exhibit G attached hereto, free and clear of liens, security interests and adverse claims. Seller shall transfer to Buyer good title to the Permits, the Agreements other than the PG&E Agreements, the Plans and Specifications and the Sublease, by a duly executed Assignment (the "General Assignment") in the form of Exhibit H attached hereto, free and clear of liens, security interests and adverse claims.

4.2 Acceptance of Title. Buyer's acceptance of the Grant Deed from Seller for the Real Property at the Closing on the Closing Date and the issuance of the title insurance policy described in section 7.2 hereof to Buyer by the Title Company on the Closing Date shall conclusively establish that Seller conveyed the Real Property to Buyer as required by this Agreement and shall discharge in full Seller's obligations under section 4.1 hereof with respect to title to the Real Property.

4.3 Condition of the Property. Except for the express representations and warranties of Seller set forth in section 5.1 hereof and in Seller's Closing Certificate (as hereinafter defined), Buyer is acquiring the Property "AS IS, WHERE IS, AND WITH ALL FAULTS," without any covenant, representation or warranty of any kind or nature whatsoever, express or implied, and Buyer is relying solely on Buyer's own investigation of the Property. Except for such express representations and warranties, Seller makes no covenants, representations or warranties, express or implied, of any kind or nature whatsoever with respect to the Property. Buyer acknowledges that defects, deficiencies or flaws may exist in the quality, legal compliance, physical condition or general utility of the Property and Buyer acknowledges that Buyer has been given the opportunity to investigate and evaluate any such defects, deficiencies and flaws. Buyer expressly assumes all risks of any such defects, deficiencies and flaws and Buyer agrees that Seller shall have no liability whatsoever for any such defects, deficiencies or flaws, except only for such express representations and warranties made by Seller in section 5.1 hereof and in Seller's Closing Certificate. Without limiting the foregoing, in connection with Buyer's investigation of the Real Property during the Property Approval Period, Buyer shall investigate the presence of hazardous substances (as hereinafter defined) in, on or under the Real Property and the violation of environmental laws (as hereinafter defined) at the Real Property. As used in this Agreement, "hazardous substance" means any substance or material that is described as a toxic or hazardous substance, waste or material or a pollutant or contaminant, or words of similar import, in any environmental law and "environmental law" means all federal, state and local laws, ordinances, rules and regulations now or hereafter in force, as amended from time to time, in any way relating to or regulating human health or safety, or industrial hygiene or environmental conditions, or protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater. Except only for the express representations and warranties relating to the Environmental Assessments made by Seller in section 5.1 hereof and in Seller's Closing Certificate, Buyer hereby expressly, fully, forever and irrevocably waives and releases all claims, demands, liabilities, losses and causes of action against Seller that in any way (directly or indirectly) arise out of, result from or relate to the presence of any hazardous substance in, on or under the Real Property or the violation of any environmental law at the Real Property. Buyer intends this Agreement to be a general release that covers all such claims, demands, liabilities, losses and causes of action, whether known or

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unknown or suspected or unsuspected. Buyer hereby waives all rights under California Civil Code Section 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Buyer agrees that this Agreement is a full and final general release of all such claims, demands, liabilities, losses and causes of action against Seller.

ARTICLE 5

Representations and Warranties

5.1 Seller. The representations and warranties of Seller in this section 5.1 and in Seller's Closing Certificate are a material inducement for Buyer to enter into this Agreement. Buyer would not purchase the Property from Seller without such representations and warranties of Seller. Such representations and warranties shall survive the Closing for only one (1) year after the Closing Date, at which time such representations and warranties shall terminate. No claim for a breach of any such representations and warranties shall be actionable or payable, and Seller shall have no liability, if the breach in question results from or is based on any fact or circumstance that was known to Buyer prior to Closing or if Buyer fails to commence a legal action in a proper court against Seller for breach of the specific representation and warranty in question before the expiration of such period of one (1) year. As used in this section 5.1, "current actual knowledge of Seller" means the actual knowledge (not imputed knowledge or constructive knowledge) of the fact or circumstance in question by Michael C. Gordon, Vice President of Seller, with no duty, express or implied, to undertake independent inquiry or investigation to ascertain any fact or circumstance or the absence thereof. Seller represents and warrants to Buyer as of the date of this Agreement as follows:

(a) Seller is a corporation duly incorporated and organized and validly existing and in good standing under the laws of the State of Delaware. Seller is duly qualified to do business and is in good standing in the State of California. Seller has full corporate power and authority to enter into this Agreement and to perform this Agreement. The execution, delivery and performance of this Agreement by Seller have been duly and validly authorized by all necessary action on the part of Seller and all required consents and approvals have been duly obtained. This Agreement is a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws affecting the rights of creditors generally.

(b) Seller has delivered an accurate and complete copy of the Sublease to Buyer. The Sublease has not been amended or modified. No security deposit is held by Seller under the Sublease. To the current actual knowledge of Seller, neither Seller nor the tenant under the Sublease is materially in default in the performance of any material covenant to be performed by

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the landlord or the tenant, respectively, under the Sublease and the tenant under the Sublease has no material claims or offsets against Seller pursuant to the Sublease.

(c) Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder.

(d) Except for Colliers International, Seller has not dealt with any real estate broker or finder in connection with the sale of the Property to Buyer or this Agreement.

(e) There is no litigation, arbitration or other legal proceeding pending (as to which Seller has been served with process as required by law) or, to the current actual knowledge of Seller, threatened against Seller that would, if determined adversely to Seller, materially adversely affect the Property or the sale of the Property pursuant to this Agreement.

(f) Seller is not a debtor in any bankruptcy case or insolvency proceeding.

(g) The documents listed in Exhibits B, C and D are all of the material Permits, Agreements, and Plans and Specifications, respectively, relating to the Real Property.

(h) Seller has paid for all improvement work performed on behalf of Seller on the Real Property and no mechanics' liens presently exist based on such improvement work.

(i) To the current actual knowledge of Seller, the documents listed in Exhibit E are all of the material Environmental Assessments relating to the presence of hazardous substances on the Real Property.

(j) To the current actual knowledge of Seller, Seller has not received any written notification from any governmental authority that the Real Property is in violation of any applicable law, where such violation remains outstanding and, if not corrected, would have a material adverse effect on the Real Property.

5.2 Buyer. The representations and warranties of Buyer in this section 5.2 and in Buyer's Closing Certificate (as hereinafter defined) are a material inducement for Seller to enter into this Agreement. Seller would not sell the Property to Buyer without such representations and warranties of Buyer. Such representations and warranties shall survive the Closing for only one (1) year after the Closing Date, at which time such representations and warranties shall terminate. Buyer represents and warrants to Seller as of the date of this Agreement as follows:

(a) Buyer is a limited liability company duly organized and validly existing under the laws of the State of Delaware. Buyer has a duly issued and presently effective certificate of registration for a foreign limited liability company to transact intrastate business in California from the Secretary of State of California. Buyer has full power and authority to enter into this Agreement and to perform this Agreement. The execution, delivery and performance of this Agreement by Buyer have been duly and validly authorized by all necessary action on the part of Buyer and all required consents and approvals have been duly obtained. This Agreement is a legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws affecting the rights of creditors generally.

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(b) Except for Colliers International, Buyer has not dealt with any real estate broker or finder in connection with the purchase of the Property from Seller or this Agreement.

ARTICLE 6

Covenants

6.1 Seller. Seller covenants and agrees with Buyer as follows:

(a) Seller shall use reasonable efforts, in good faith and with diligence, to cause all of the representations and warranties made by Seller in section 5.1 hereof to be true and correct on and as of the Closing Date. At the Closing on the Closing Date, Seller shall execute and deliver to Buyer a Seller's Closing Certificate ("Seller's Closing Certificate") in the form of Exhibit I attached hereto, certifying to Buyer that all such representations and warranties are true and correct on and as of the Closing Date, with only such exceptions therein as are necessary to reflect facts or circumstances arising between the date of this Agreement and the Closing Date which would make any such representation or warranty untrue or incorrect on and as of the Closing Date.

(b) Seller shall indemnify and defend Buyer against and hold Buyer harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, that may be suffered or incurred by Buyer if any representation or warranty made by Seller in section 5.1 hereof or in Seller's Closing Certificate was untrue or incorrect in any material respect when made or that may be caused by any material breach by Seller of any such representation or warranty. The foregoing indemnification covenant shall survive the Closing for as long as Seller is liable for a breach of any such representation or warranty.

(c) Seller shall use reasonable efforts, in good faith and with diligence, to obtain an Estoppel Certificate (the "Sublease Estoppel Certificate") substantially in the form of Exhibit J attached hereto executed by the City and to deliver the Sublease Estoppel Certificate to Buyer before the Closing Date.

(d) If the purchase and sale of the Property is completed in accordance with this Agreement, Seller shall pay the commission due Colliers International in accordance with the separate written agreement between Seller and such real estate broker.

(e) From the date of this Agreement through the Closing Date, (i) Seller shall not market the Property to others or enter into any other agreement to sell the Property and (ii) Seller shall not execute any agreements (except the agreements described in sections 7.1 and 7.2 hereof) that will affect the Property after the Closing Date.

(f) From the date of this Agreement until the Closing Date, Seller shall (i) maintain in force insurance policies with coverages and amounts substantially the same in all material respects as the insurance policies carried by Seller on the date of this Agreement, (ii) cooperate with Buyer in reasonable ways, without incurring any significant expense, to obtain land use approvals for the development of the Real Property by Buyer, (iii) comply in all material respects

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with laws or governmental regulations applicable to Seller relating to the use of the Real Property in substantially the same manner as Seller complied with such laws or governmental regulations prior to the date of this Agreement and maintain the Real Property in substantially the same manner as Seller maintained the Real Property prior to the date of this Agreement, (iv) not transfer or assign the Permits, the Agreements, the Plans and Specifications or the Sublease, or any interest therein, or further encumber the Property in any way, (v) perform all material obligations of Seller, and comply in material respects with all requirements of Seller, under the Permits, the Agreements and the Sublease, and (vi) give notice to Buyer reasonably promptly after Seller discovers any fact or circumstance that would make any representation and warranty made by Seller in section 5.1 hereof untrue or incorrect in any material respect or that would cause Seller to materially default in the performance of any material covenant to be performed by Seller under this Agreement.

(g) Seller shall use reasonable efforts, in good faith and with diligence, to obtain an Estoppel Certificate (the "Development Agreement Estoppel Certificate") substantially in the form of Exhibit K attached hereto executed by the City and to deliver the Development Agreement Estoppel Certificate to Buyer on or before the Closing Date.

(h) On the Closing Date, Seller shall pay to the City the amount of two million dollars (\$2,000,000) (the "\$2,000,000 Payment") in accordance with Section 1.3 of the Amendment to Development Agreement.

(i) On the Closing Date, Seller shall donate to the City the amount of one million three hundred thousand dollars (\$1,300,000) (the "\$1,300,000 Donation") in accordance with Section 1.4 of the Amendment to Development Agreement.

6.2 Buyer. Buyer covenants and agrees with Seller as follows:

(a) Buyer shall use reasonable efforts, in good faith and with diligence, to cause all of the representations and warranties made by Buyer in section 5.2 hereof to be true and correct on and as of the Closing Date. At the Closing on the Closing Date, Buyer shall execute and deliver to Seller a Buyer's Closing Certificate ("Buyer's Closing Certificate") in the form of Exhibit L attached hereto, certifying to Seller that all such representations and warranties are true and correct on and as of the Closing Date, with only such exceptions therein as are necessary to reflect facts or circumstances arising between the date of this Agreement and the Closing Date which would make any such representation or warranty untrue or incorrect on and as of the Closing Date.

(b) Buyer shall use reasonable efforts, in good faith and with diligence, to obtain the approvals from the City and the Redevelopment Agency (as hereinafter defined) described in sections 7.1(a), 7.1(b), 7.2(a) and 7.2(b) hereof as soon as reasonably practicable but in any event by the date set forth in sections 7.1(a), 7.1(b), 7.2(a) and 7.2(b) hereof.

(c) If the City requires payment to the City of the sum of two hundred fifty thousand dollars (\$250,000) (the "Mahon Creek Contribution") prior to the Closing Date pursuant to the Development Agreement (as hereinafter defined) and Seller pays the Mahon Creek Contribution to the City and furnishes reasonable written evidence confirming such payment to Buyer before

EXHIBIT 0

the Closing Date, then, on the Closing Date, Buyer shall reimburse Seller for the Mahon Creek Contribution.

(d) If the Closing Date does not occur on or before October 31, 2000, then Buyer shall pay to Seller on the Closing Date or the date on which this Agreement terminates, whichever occurs first, the costs (the "Carrying Costs") incurred by Seller for property taxes levied against the Real Property and interest, rent and other charges (excluding principal) payable to Lease Plan North America, Inc. or ABN AMRO Bank, N.V. in accordance with the "synthetic lease" financing of the Real Property disclosed in the Preliminary Report during the period from and including November 1, 2000, to but excluding the Closing Date or the date on which this Agreement terminates, whichever occurs first. Seller shall furnish a reasonable written accounting showing in reasonable detail the calculation of the Carrying Costs to Buyer.

(e) Buyer shall indemnify and defend Seller against and hold Seller harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, that may be suffered or incurred by Seller if any representation or warranty made by Buyer in section 5.2 hereof or in Buyer's Closing Certificate was untrue or incorrect in any material respect when made or that may be caused by any material breach by Buyer of any such representation or warranty.

6.3 Eminent Domain. If, before the Closing Date, proceedings are commenced for the taking by exercise of the power of eminent domain of all or a material part of the Property which, as reasonably determined by Buyer, would render the Property unsuitable for Buyer's intended use, Buyer shall have the right, by giving notice to Seller within thirty (30) days after Seller gives notice of the commencement of such proceedings to Buyer, to terminate this Agreement, in which event this Agreement shall terminate. For the purposes of this Agreement, a taking is "material" if it would prevent construction of one or more of the buildings planned for the Real Property. If, before the Closing Date, proceedings are commenced for the taking by exercise of the power of eminent domain of less than such a material part of the Property, or if Buyer has the right to terminate this Agreement pursuant to the preceding sentence but Buyer does not exercise such right, then this Agreement shall remain in full force and effect and, on the Closing Date, the condemnation award (or, if not theretofore received, the right to receive such award) payable on account of the taking shall be transferred to Buyer. Seller shall give notice to Buyer reasonably promptly after Seller's receiving notice of the commencement of any proceedings for the taking by exercise of the power of eminent domain of all or any part of the Property. If necessary, the Closing Date shall be postponed until Seller has given any notice to Buyer required by this section 6.3 and the period of thirty (30) days described in this section 6.3 has expired.

ARTICLE 7

Conditions Precedent

7.1 Seller. The obligations of Seller under this Agreement are subject to satisfaction of all of the conditions set forth in this section 7.1. Seller may waive any or all of such conditions in whole or in part but any such waiver shall be effective only if made in writing.

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After the Closing, any such condition that has not been satisfied shall be treated as having been waived in writing. No such waiver shall constitute a waiver by Seller of any of its rights or remedies if Buyer defaults in the performance of any covenant or agreement to be performed by Buyer under this Agreement or if Buyer breaches any representation or warranty made by Buyer in section 5.2 hereof or in Buyer's Closing Certificate. If any condition set forth in this section 7.1 is not fully satisfied or waived in writing by Seller, this Agreement shall terminate, but without releasing Buyer from liability if Buyer defaults in the performance of any such covenant or agreement to be performed by Buyer or if Buyer breaches any such representation or warranty made by Buyer before such termination.

(a) On or before November 20, 2000, the City shall have finally adopted an ordinance approving the Amendment to Development Agreement (the "Amendment to Development Agreement"), in all material respects substantially in the form of Exhibit M attached hereto, which amends the Development Agreement (the "Development Agreement") dated February 17, 1998, among Village Builders, L.P., a California limited partnership, the City and Seller, and recorded April 9, 1998, as Document No. 1998-023245 the Official Records of Marin County, California.

(b) On or before November 20, 2000, the San Rafael Redevelopment Agency, a public body, corporate and politic (the "Redevelopment Agency"), shall have finally adopted a resolution approving the Consent and Agreement (the "Consent and Agreement"), in all material respects substantially in the form of Exhibit N attached hereto, which amends the Owner Participation, Disposition and Development Agreement dated May 18, 1998, between the Redevelopment Agency and Seller, as amended by the First Amendment to Owner Participation, Disposition and Development Agreement dated September 7, 1999, between the Redevelopment Agency and Seller.

(c) On or before December 21, 2000, the ordinance adopted by the City approving the Amendment to Development Agreement shall have become effective in accordance with California Government Code Section 36937.

(d) On or before the last day of the Property Approval Period, Seller shall have received written consents or approvals from PG&E for the assignment by Seller and the assumption by Buyer (or a permitted assignee as described in section 9.9 hereof) of the Permits and the Agreements to which PG&E is a party, but only to the extent that such Permits or such Agreements expressly require such consent or approval.

(e) On the Closing Date, Buyer shall not be materially in default in the performance of any material covenant to be performed by Buyer under this Agreement.

(f) On the Closing Date, all representations and warranties made by Buyer in section 5.2 hereof shall be true and correct in all material respects as if made on and as of the Closing Date and Seller shall have received Buyer's Closing Certificate, executed by Buyer, in which Buyer certifies to Seller that all representations and warranties made by Buyer in section 5.2 hereof are true and correct on and as of the Closing Date, without material adverse exceptions.

EXHIBIT O

7.2 Buyer. The obligations of Buyer under this Agreement are subject to satisfaction of all of the conditions set forth in this section 7.2. Buyer may waive any or all of such conditions in whole or in part but any such waiver shall be effective only if made in writing. After the Closing, any such condition that has not been satisfied shall be treated as having been waived in writing. No such waiver shall constitute a waiver by Buyer of any of its rights or remedies if Seller defaults in the performance of any covenant or agreement to be performed by Seller under this Agreement or if Seller breaches any representation or warranty made by Seller in section 5.1 hereof or in Seller's Closing Certificate. If any condition set forth in this section 7.2 is not fully satisfied or waived in writing by Buyer, this Agreement shall terminate, but without releasing Seller from liability if Seller defaults in the performance of any such covenant or agreement to be performed by Seller or if Seller breaches any such representation or warranty made by Seller before such termination.

(a) On or before November 20, 2000, the City shall have finally adopted an ordinance approving the Amendment to Development Agreement.

(b) On or before November 20, 2000, the Redevelopment Agency shall have finally adopted a resolution approving the Consent and Agreement.

(c) On or before December 21, 2000, the ordinance adopted by the City approving the Amendment to Development Agreement shall have become effective in accordance with California Government Code Section 36937.

(d) On or before the last day of the Property Approval Period, Buyer shall have received written consents or approvals from PG&E for the assignment by Seller and the assumption by Buyer (or a permitted assignee as described in section 9.9 hereof) of the Permits and the Agreements to which PG&E is a party, but only to the extent that such Permits or such Agreements expressly require such consent or approval.

(e) On the Closing Date, Seller shall not be materially in default in the performance of any material covenant to be performed by Seller under this Agreement.

(f) On the Closing Date, all representations and warranties made by Seller in section 5.1 hereof shall be true and correct in all material respects as if made on and as of the Closing Date and Buyer shall have received Seller's Closing Certificate, executed by Seller, in which Seller certifies to Buyer that all representations and warranties made by Seller in section 5.1 hereof are true and correct on and as of the Closing Date, without material adverse exceptions.

(g) On the Closing Date, the Title Company shall be prepared to issue to Buyer an American Land Title Association Owner's Policy of title insurance, with liability equal to the total purchase price for the Property, insuring Buyer that fee title to the Real Property is vested in Buyer subject only to the Permitted Exceptions.

(h) On the Closing Date, Buyer shall have received the Sublease Estoppel Certificate substantially in the form of Exhibit J attached hereto, without material adverse exceptions, executed by the City.

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(i) On the Closing Date, Buyer shall have received the Development Agreement Estoppel Certificate substantially in the form of Exhibit K attached hereto, without material adverse exceptions, executed by the City.

(j) On the Closing Date, Seller shall have delivered the \$2,000,000 Payment to the City.

(k) On the Closing Date, Seller shall have delivered the \$1,300,000 Donation to the City.

ARTICLE 8

Closing

8.1 Procedure. Seller and Buyer shall cause the following to occur at the Closing on the Closing Date:

(a) The Grant Deed for the Real Property, duly executed and acknowledged by Seller, and the PG&E Assignment, duly executed and acknowledged by Seller and Buyer, shall be recorded in the Official Records of Marin County, California.

(b) Seller shall date as of the Closing Date, execute and deliver to Buyer (i) the PG&E Assignment, (ii) the General Assignment, (iii) Seller's Closing Certificate, (iv) a Certificate of Nonforeign Status in the form of Exhibit O attached hereto, and (v) a California Form 590-RE Withholding Exemption Certificate for Real Estate Sales.

(c) Buyer shall date as of the Closing Date, execute and deliver to Seller (i) the PG&E Assignment, (ii) the General Assignment, and (iii) Buyer's Closing Certificate.

(d) Seller and Buyer each shall execute the Amendment to Development Agreement and deliver the Amendment to Development Agreement to the City.

(e) Seller and Buyer each shall execute the Consent and Agreement and deliver the Consent and Agreement to the Redevelopment Agency.

(f) Buyer shall pay to Seller in cash in immediately available funds (i) the purchase price for the Property in accordance with section 2.1 hereof, (ii) if applicable, the Mahon Creek Contribution, and (iii) if applicable, the Carrying Costs.

(g) The Title Company shall issue to Buyer the title insurance policy described in section 7.2 hereof.

(h) Seller shall deliver to the City (i) the \$2,000,000 Payment and (ii) the \$1,300,000 Donation.

8.2 Possession. Subject to the Sublease, Seller shall transfer possession of the Real Property to Buyer on the Closing Date. Seller shall, on the Closing Date, deliver to Buyer originals (or copies if Seller does not have originals) the Sublease, the Permits, the Agreements and the Plans and Specifications in the possession of Seller and copies of any other documents

EXHIBIT O

relating to the Real Property in the possession of Seller requested by Buyer. On the Closing Date, Seller shall send a letter to the City, as the tenant under the Sublease, notifying the City that the Real Property has been sold to Buyer and directing the City to pay future rent and other charges under the Sublease to Buyer at the address to be furnished by Buyer.

8.3 Closing Costs. Seller shall pay the Marin County documentary transfer tax in respect of the Grant Deed and one-half of the City of San Rafael conveyance tax in respect of the Grant Deed. Buyer shall pay one-half of the City of San Rafael conveyance tax in respect of the Grant Deed, the premium for the title insurance policy described in section 7.2 hereof, the escrow fee charged by the Title Company, and the recording fee for the Grant Deed. When the Grant Deed is submitted to the Recorder for recordation, Seller shall, in accordance with California Revenue and Taxation Code Section 11932, request that the amount of the documentary transfer tax due be shown on a separate paper which shall be affixed to the Grant Deed by the Recorder after the permanent record is made and before the Grant Deed is returned to Buyer. On the Closing Date, Buyer shall reimburse Seller for the cost of the current ALTA survey of the Real Property furnished by Seller to Buyer pursuant to section 1.2 hereof.

8.4 Prorations. At the Closing on the Closing Date, the current rent under the Sublease and other revenues, the current installment of real property taxes and assessments levied against the Real Property, current utilities, and other current operating and maintenance expenses of the Real Property shall be prorated between Seller and Buyer as of the Closing Date on the basis of the actual number of days in the month.

ARTICLE 9

General

9.1 Notices. All notices and other communications under this Agreement shall be properly given only if made in writing and mailed by certified mail, return receipt requested, postage prepaid, or delivered by hand (including messenger or recognized delivery, courier or air express service), or transmitted by facsimile (provided the facsimile is sent during normal business hours on business days and confirmation of good and complete delivery is produced by the sending facsimile machine) to the party at the address set forth in this section 9.1 or such other address as such party may designate by notice to the other party. Such notices and other communications shall be effective on the date of receipt (evidenced by the certified mail receipt) if mailed, or on the date of such hand delivery if hand delivered, or on the date of delivery (confirmed by the sending facsimile machine) if transmitted by facsimile. If any such notice or other communication is not received or cannot be delivered because the receiving party changed its address and failed to give notice of such change to the sending party or due to a refusal to accept by the receiving party, such notice or other communication shall be effective on the date delivery is attempted. Any notice or other communication under this Agreement may be given on behalf of a party by the attorney for such party.

(a) The address of Seller is Fair, Isaac and Company, Inc., 200 Smith Ranch Road, San Rafael, California 94903-1996, attention: Peter L. McCorkell, Esq., Executive Vice President and General Counsel, facsimile (415) 492-5688, with a copy given simultaneously to

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Pillsbury Madison & Sutro LLP, 50 Fremont Street, San Francisco, California 94105, attention: Frederick D. Minnes, Esq., facsimile (415) 983-1200.

(b) The address of Buyer is San Rafael Corporate Center, LLC, c/o Equity Office Properties Management Corp., Two North Riverside Plaza, Chicago, Illinois 60606, attention: Stanley M. Stevens, Vice President, facsimile (312) 559-5021, with a copy given simultaneously to The Wilson Group, Inc., 120 Howard Street, San Francisco, California 94105, attention: Thomas P. Sullivan, President, facsimile (415) 543-9437, with a further copy given simultaneously to DR Young Associates, 57 Inverness Drive, San Rafael, California 94901, attention: Donald R. Young, facsimile (415) 456-5753, and with a further copy given simultaneously to Farella Braun & Martel, 235 Montgomery Street, 30th Floor, San Francisco, California 94104, attention: Craig P. Wood, Esq., facsimile (415) 954-4480.

9.2 Attorneys' Fees. If there is any legal action or proceeding between Seller and Buyer arising from or based on this Agreement, the unsuccessful party to such action or proceeding shall pay to the prevailing party all costs and expenses, including reasonable attorneys' fees, incurred by such prevailing party in such action or proceeding and in any appeal in connection therewith. If such prevailing party recovers a judgment in any such action, proceeding or appeal, such costs, expenses and attorneys' fees shall be included in and as a part of such judgment.

9.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

9.4 Construction. Seller and Buyer acknowledge that each party and its counsel have reviewed and revised this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any document executed and delivered by either party in connection with the transactions contemplated by this Agreement. The captions in this Agreement are for convenience of reference only and shall not be used to interpret this Agreement.

9.5 Terms Generally. The defined terms in this Agreement shall apply equally to both the singular and the plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The term "person" includes individuals, corporations, partnerships, trusts, other legal entities, organizations and associations, and any government or governmental agency or authority. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The words "approval," "consent" and "notice" shall be deemed to be preceded by the word "written." As used in this Agreement, "business day" shall mean a day on which banks and government offices in California are open for business.

EXHIBIT 0

9.6 Further Assurances. From and after the date of this Agreement, Seller and Buyer agree to do such things, perform such acts, and make, execute, acknowledge and deliver such documents as may be reasonably necessary or proper and usual to complete the transactions contemplated by this Agreement and to carry out the purpose of this Agreement in accordance with this Agreement.

9.7 Partial Invalidity and Waiver. If any provision of this Agreement is determined by a proper court to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement and this Agreement shall remain in full force and effect without such invalid, illegal or unenforceable provision. No waiver of any provision of this Agreement or any breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving party and any such waiver shall not be deemed a waiver of any other provision of this Agreement or any other or subsequent breach of this Agreement.

9.8 Waiver of Jury Trial. Seller and Buyer each hereby expressly, irrevocably, fully and forever releases, waives and relinquishes any and all right to trial by jury in any claim, demand, action, suit, proceeding or cause of action in which Seller and Buyer are parties, which in any way (directly or indirectly) arises out of, results from or relates to any of the following, in each case whether now existing or hereafter arising and whether based on contract or tort or any other legal basis: This Agreement; any document executed or delivered pursuant to this Agreement; any past, present or future act, omission, conduct or activity with respect to this Agreement; any transaction, event or occurrence contemplated by this Agreement; the performance of any obligation or the exercise of any right under this Agreement; or the enforcement of this Agreement. Seller and Buyer each agrees that this Agreement constitutes written consent that trial by jury shall be waived in any such claim, demand, action, suit, proceeding or other cause of action pursuant to California Code of Civil Procedure Section 631 and agrees that Seller and Buyer each shall have the right at any time to file this Agreement with the clerk or judge of any court in which any such claim, demand, action, suit, proceeding or other cause of action may be pending as statutory written consent to waiver of trial by jury in accordance with California Code of Civil Procedure Section 631.

9.9 Miscellaneous. The Exhibits attached to this Agreement are made a part of this Agreement. Neither Seller nor Buyer shall make any public announcement of this Agreement or the transactions contemplated by this Agreement without the prior consent of the other, unless any such announcement is reasonably necessary to comply with applicable law. Buyer shall not assign or transfer this Agreement, or any interest in or part of this Agreement, without the prior consent of Seller. Notwithstanding the foregoing, Buyer may assign this Agreement, without Seller's consent, to any affiliate of Buyer. An "affiliate" shall mean any entity controlling, controlled by, or under common control with the applicable party or person. Furthermore, Seller hereby consents to the following assignments of this Agreement: (a) assignment by Buyer to EOP Operating Limited Partnership, a Delaware limited partnership ("EOP"); (b) assignment by Buyer or EOP to an entity ("Devco") that is entirely owned by an affiliate of EOP and an entity more than fifty percent (50%) of which is owned by William Wilson III and other individuals who were formerly officers and employees of Cornerstone Properties Inc. or any of its affiliates or subsidiaries; and (c) assignment by Devco to an entity entirely owned by Devco alone or by Devco and one of its members or affiliates of such members or by just one member of Devco and that member's affiliates. The foregoing approval of certain assignments shall include transfer of the interests in the identified entities. Buyer shall give notice of any such assignment, with a full description of the assignee and a copy of the assignment executed by Buyer and the assignee, to Seller at least ten (10) business days before the Closing Date. No such assignment or transfer shall release Buyer from any obligation or liability under this Agreement. Notwithstanding the foregoing, if the assignee executes an assumption agreement in favor of Seller, in form and

EXHIBIT 0

substance reasonably satisfactory in all respects to Seller, in which the assignee assumes all obligations of Buyer under this Agreement, then the assignor shall be released from liability for performance of the obligations assumed by the assignee. Subject to the foregoing, this Agreement shall benefit and bind Seller and Buyer and their respective successors and assigns. Time is of the essence of this Agreement. This Agreement may be executed in counterparts, each of which shall be an original, but all of which shall constitute one and the same Agreement. This Agreement may not be amended or modified except by a written agreement signed by Seller and Buyer. This Agreement constitutes the entire and integrated agreement between Seller and Buyer relating to the purchase and sale of the Property and supersedes all prior agreements, understandings, offers and negotiations, oral or written, with respect to the sale of the Property.

IN WITNESS WHEREOF, Seller and Buyer have executed this Agreement as of the date first hereinabove written.

FAIR, ISAAC AND COMPANY, INC., a Delaware corporation

By _____
Henk J. Evenhuis
Chief Financial Officer

SAN RAFAEL CORPORATE CENTER, LLC, a Delaware limited liability company

By EOP OPERATING LIMITED PARTNERSHIP,
a Delaware limited partnership,
its sole Member

By EQUITY OFFICE PROPERTIES TRUST,
a Maryland real estate investment
trust, its sole General Partner

By _____
Title _____

EXHIBIT 0

ASSIGNMENT OF CONTRACT

THIS ASSIGNMENT OF CONTRACT ("Assignment") is made and entered into as of July 28, 2000 by and between EOP - San Rafael Corporate Center Investor, L.L.C., a Delaware limited liability company ("Assignor") and, San Rafael Corporate Center, LLC, a Delaware limited liability company ("Assignee").

WHEREAS, Assignor f/k/a San Rafael Corporate Center, L.L.C. entered into that certain Purchase Agreement with Fair, Isaac and Company, Inc. dated June 28, 2000 (the "Contract") for approximately 12.9 acres of land, known as the Lindaro Office Park site located in the City of San Rafael, Marin County, California (the "Property"); and

WHEREAS, Assignor wishes to assign, and Assignee wishes to accept assignment of, all of Assignor's rights and obligations under the Contract.

NOW THEREFORE, for and in consideration of the payment by Assignee to Assignor of the sum of Ten (\$10.00) Dollars, the mutual promises contained herein, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Assignment. Subject to the terms and conditions of this Assignment, Assignor hereby assigns, transfers and conveys, without recourse, representation or warranty all of its right, title and interest in and to the Contract, including all right, title and interest it may have in and to the Initial Deposit (as defined in the Contract) deposited by Assignor as Buyer under the Contract, and Assignee hereby assumes all obligations of Assignor under the Contract.

2. Indemnity. Assignee shall indemnify, defend and hold Assignor, its affiliates, and all of their officers, directors, managers, partners and agents, harmless from and against any and all claims, liabilities, damages, judgments, costs and expenses (including reasonable attorneys' fees) which arise under, in connection with or with respect to the Property and the Contract, regardless of whether any such claims, liabilities, damages, judgments, costs and expenses relate to the period prior to or subsequent to the date of this Assignment.

3. Representations and Warranties. Assignee acknowledges that Assignor makes no representations or warranties with respect to the Property, and Assignee waives all claims against Assignor, its affiliates, and all of their officers, directors, managers, partners and agents, in connection with or with respect to the Property and the Contract. Notwithstanding anything to the contrary in this Assignment, Assignor represents and warrants to Assignee that it has not assigned its interest in the Contract or the Initial Deposit to any person or entity other than Assignee.

4. Counterparts. This Assignment may be executed in one or more counterparts and all such counterparts shall be treated as one Assignment.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment on the date first written above.

ASSIGNOR:

EOP - SAN RAFAEL CORPORATE CENTER INVESTOR, L.L.C., a Delaware limited liability company

By: EOP Operating Limited Partnership, a Delaware limited partnership

By: Equity Office Properties Trust, a Maryland real estate investment trust, its sole general partner

By: _____
Name: _____
Title: _____

ASSIGNEE:

SAN RAFAEL CORPORATE CENTER, LLC, a Delaware limited liability company

By: WILSON/EQUITY OFFICE, LLC, a Delaware limited liability company

By: Wilson Investors, LLC, a Delaware limited liability company, a Member

By: _____
Name: William Wilson
Title: Manager

By: EOPMC Investor, L.L.C., a Delaware limited liability company, a Member

By: Equity Office Properties Management Corp., a Delaware corporation, its Member Manager

By: _____
Name: _____
Title: _____

By: EOP - SAN RAFAEL CORPORATE CENTER INVESTOR, L.L.C., a Delaware limited liability company

By: EOP Operating Limited Partnership,

a Delaware limited partnership

By: Equity Office Properties Trust,
a Maryland real estate investment trust,
its sole general partner

By: _____
Name: _____
Title: _____

FIRST AMENDMENT TO PURCHASE AGREEMENT

THIS AMENDMENT, made as of July 28, 2000, by and between FAIR, ISAAC AND COMPANY, INC., a Delaware corporation ("Seller"), and SAN RAFAEL CORPORATE CENTER, LLC, a Delaware limited liability company ("Buyer"),

W I T N E S S E T H:

Recital of Facts:

Seller and EOP-San Rafael Corporate Center Investor, L.L.C., a Delaware limited liability company, formerly known as San Rafael Corporate Center, LLC ("EOP-SR"), entered into the Purchase Agreement (the "Purchase Agreement") dated June 28, 2000. On July 28, 2000, EOP-SR assigned all of EOP-SR's rights under the Purchase Agreement to Buyer and Buyer assumed all of EOP-SR's obligations under the Purchase Agreement. EOP-SR has no further interest in the Purchase Agreement. Seller and Buyer will amend the Purchase Agreement as set forth in this Amendment.

NOW, THEREFORE, in consideration of the covenants in this Amendment, Seller and Buyer agree as follows:

1. Amendment. Effective as of the date of this Amendment, the Purchase Agreement shall be amended as follows:

(a) Section 7.1(d) of the Purchase Agreement is amended in its entirety to read as follows:

(d) On or before August 28, 2000, Seller shall have received the written approval from PG&E of the form of the PG&E Assignment required by paragraph 9 of the Amended and Restated Environmental Agreement (the "PG&E Environmental Indemnity") dated May 15, 1998, between Lease Plan North America, Inc., an Illinois corporation, and PG&E recorded May 20, 1998, as Document No. 1998-0033515 in the Official Records of Marin County.

(b) The following sentence is added to the end of section 7.2 of the Purchase Agreement:

If Buyer terminates this Agreement pursuant to this section 7.2, then the Deposit and all interest thereon shall be returned to Buyer upon such termination of this Agreement.

(c) Section 7.2(d) of the Purchase Agreement is amended in its entirety to read as follows:

-1-

(d) On or before August 28, 2000, Buyer shall have received the written approval from PG&E of the form of the PG&E Assignment required by paragraph 9 of the PG&E Environmental Indemnity.

2. Legal Effect. Except as amended by this Amendment, the Purchase Agreement is unchanged and, as so amended, the Purchase Agreement shall remain in full force and effect.

3. Counterparts. This Amendment may be executed in counterparts, each of which shall be an original, but all of which shall constitute one and the same Amendment.

IN WITNESS WHEREOF, Seller and Buyer have executed this Amendment as of the date first hereinabove written.

FAIR, ISAAC AND COMPANY, INC., a Delaware corporation

By _____

Title _____

[Signature of Buyer on next page.]

SAN RAFAEL CORPORATE CENTER, LLC,
a Delaware limited liability company

By WILSON/EQUITY OFFICE, LLC, a Delaware
limited liability company, Member

By WILSON INVESTORS, LLC, a Delaware
limited liability company, Member

By _____
Title _____

By EOPMC INVESTOR, L.L.C., a Delaware
limited liability company, Member

By EQUITY OFFICE PROPERTIES
MANAGEMENT CORP., a Delaware
corporation, Manager

By _____
Title _____

By EOP-SAN RAFAEL CORPORATE CENTER
INVESTOR, L.L.C., a Delaware limited
liability company, Member

By EOP OPERATING LIMITED
PARTNERSHIP, a Delaware limited
partnership, Member

By EQUITY OFFICE PROPERTIES
TRUST, a Maryland real estate
investment trust, its sole General
Partner

By _____
Title _____

AMENDMENT TO DEVELOPMENT AGREEMENT

This Amendment to Development Agreement ("Amendment") is entered into as of _____, 2000 by and among the City of San Rafael (the "City"), a charter city; Fair, Isaac and Company, Inc. ("Fair, Isaac"), a Delaware corporation, and San Rafael Corporate Center, LLC, a Delaware limited liability company, an entity related to Wilson/Equity Office, Inc., a California corporation, ("Wilson"), or a permitted transferee of Wilson, as permitted and defined in Section 3.7 herein, with reference to the following:

A. The City, Fair, Isaac and Village Builders, LP ("Village"), a California limited partnership, entered into a Development Agreement dated February 17, 1998 (the "DA") pursuant to the authority of Government Code Sections 65864 et seq. The DA was recorded on April 9, 1998, as Document No. 98-023245 in the Official Records of Marin County. The DA sets forth certain agreements between the City and Fair, Isaac regarding the Property (as defined in the DA). Pursuant to Section 12.2 of the DA, Village no longer has any rights or obligations under the DA.

B. On May 18, 1998, the San Rafael Redevelopment Agency ("Agency") and Fair, Isaac entered into an Owner Participation, Disposition and Development Agreement, which agreement was amended by the First Amendment to Owner Participation, Disposition and Development Agreement dated September 7, 1999. The Owner Participation, Disposition and Development Agreement and First Amendment thereto are referred to collectively herein as the "OPDDA". The OPDDA provides for Fair, Isaac to develop the Property (as defined in the OPDDA) in accordance with the provisions of the OPDDA. (The "Property" as defined in the DA and the OPDDA consists of the same real property.)

C. As permitted by Section 5.01 of the OPDDA (which permits a transfer to a synthetic lease lessor in accordance with the terms of Section 12.1 of the DA), Lease Plan North America, Inc. ("LP"), an Illinois corporation, has acquired the Developer Parcel (as defined in the OPDDA) and leased it to Fair, Isaac. Pursuant to the OPDDA, the Agency has also conveyed the City Parcel (as defined in the OPDDA) to LP, which has leased it to Fair, Isaac.

D. Fair, Isaac desires to cause the sale and Wilson desires to purchase the Property. To that end Fair, Isaac and Wilson have entered into an agreement dated June 28, 2000 (the "Purchase Agreement") providing for the conveyance of the Property to Wilson and assignment to Wilson of the rights and obligations under the OPDDA and DA.

E. Pursuant to the DA, the consent of the City is required for the conveyance of the Property to Wilson and assignment to Wilson of the rights and obligations under the DA.

F. The City, Fair, Isaac and Wilson desire to set forth the terms and conditions related to the City's consent to conveyance of the Property to Wilson and assignment to Wilson of the rights and obligations under the DA.

G. Wilson and the City desire to provide for certain amendments to the DA with regard to Wilson's future development of the Property and to acknowledge that Wilson may assign this Agreement as provided for in Section 3.7.

H. On July 25, 2000, the Planning Commission approved the Revisions (as defined below) and, recommended that the City Council approve those aspects of the Revisions requiring City Council approval.

I. On August 7, 2000, the City Council approved those aspects of the Revisions requiring City Council approval.

J. On July 25, 2000, the Planning Commission of the City held a hearing concerning the provisions of this Amendment and adopted Resolution No. 00-16 recommending amendment of the DA in the manner contemplated herein and finding that such amendment of the DA provides benefits as anticipated in conformity with the City's General Plan and is otherwise consistent with the City's General Plan and all applicable City ordinances, rules and regulations.

K. On August 7, 2000, the City held a public hearing on this Amendment. On August 21, 2000, the City Council adopted Ordinance No. 1755 (attached hereto as Exhibit B) approving this Amendment and amendment of Ordinance No. 1722, which ordinance initially approved the DA. Ordinance No. 1755 also authorizes the Mayor or Vice Mayor of the City to execute this Amendment on behalf of the City. Ordinance No.1755 also adopts the findings of the Planning Commission set forth in Planning Commission Resolution No. 00-16 regarding consistency of this Amendment with the General Plan and all applicable City ordinances, rules and regulations.

L. In approving this Amendment, the City has considered the environmental impact report ("EIR") prepared in conjunction with the Agency's approval of the OPDDA, the City's approval of the DA, and the City's approval of the Vested Approvals (as defined in the DA) and any amendments thereto, for the "project" on the Property contemplated by the DA and OPDDA, has considered the addendum to the EIR ("Addendum"), which analyzes the minor changes to the "project" that may be implemented pursuant to this Amendment and, based on the Addendum and other evidence presented at the hearing on this Amendment, has

found that the minor changes in the "project" that may be implemented pursuant to this Amendment will not result in substantial changes in the potential environmental effects of the "project," as analyzed in the EIR, no further environmental evaluation is required, and no supplemental or subsequent EIR is required pursuant to CEQA Guidelines Sections 15162, 15163, and 15164 or Public Resources Code Section 21166.

THEREFORE, the parties agree as follows:

ARTICLE 1.
CONSENT TO TRANSFER AND CONDITIONS THERETO

Section 1.1 Consent to Assignment of DA. Subject to the satisfaction of the conditions in Section 1.2 below, the City hereby consents to and approves (i) the conveyance of the Property and (ii), Fair Isaac's assignment of all its rights and obligations under the DA, to Wilson or an Affiliate, as defined in Section 3.1 of this Amendment. The City's consent and approval is given notwithstanding the fact that Wilson and Fair, Isaac have not and do not contemplate that Fair, Isaac and Wilson will enter into a lease agreement providing for Fair, Isaac to initially occupy Phase I (as defined in the DA).

Section 1.2 Conditions to Consent and Approval. The following are conditions precedent to the City's consent and approval of the conveyance of the Property to Wilson and Fair, Isaac's assignment to Wilson of its rights and obligations under the DA, which conditions may be waived in the sole discretion of the City:

- (a) By December 31, 2000 the Property shall be conveyed to Wilson or an Affiliate.
- (b) By December 31, 2000 Fair, Isaac shall have assigned all its rights and obligations under the DA to Wilson or an Affiliate.
- (c) By December 31, 2000 Fair, Isaac shall have assigned all its rights and obligations under the OPDDA to Wilson or an Affiliate.
- (d) Concurrently with the closing of the conveyance of the Property to Wilson, Fair, Isaac shall have made the payment to the City contemplated by Section 1.3 below.
- (e) Concurrently with the closing of the conveyance of the Property to Wilson, Fair, Isaac has completed the donation contemplated by Section 1.4 below.

Wilson may request that the date by which the foregoing conditions must be satisfied be extended and the City shall not unreasonably withhold its approval of such request if it is satisfied that Purchase Agreement remains in full force and effect, the need for the extension arises from events beyond Wilson's control and the period of extension is only for the time reasonably necessary to satisfy the condition but in no event more than one hundred eighty (180) days.

Section 1.3 Payment by Fair, Isaac. In consideration for the City's consent and approval as set forth in Section 1.1 above and the consent and approval of the Agency as set forth in the Consent and Agreement dated August 7, 2000 by and among the Agency, Fair, Isaac and Wilson (the "Consent"), Fair, Isaac shall pay to the City the sum of Two Million Dollars (\$2,000,000). Said amount shall be paid concurrently with the closing of the conveyance of the Property to Wilson. Fair, Isaac and Wilson shall take such steps and provide such instructions to the escrow holder for the conveyance of the Property to Wilson to assure that the amount to be paid to the City is paid directly to the City at the closing for the conveyance from funds that are held by the escrow holder.

Section 1.4 Donation. Fair, Isaac hereby offers to donate to the City the sum of One Million Three Hundred Thousand Dollars (\$1,300,000) to be used by the City for a capital project or

projects in the downtown San Rafael area determined pursuant to this Section 1.4 that will benefit the citizens of San Rafael. The City hereby accepts said donation. Said donation shall be made on or before the date the Property is conveyed to Wilson. Promptly following the City's adoption of its budget for fiscal year 2000-2001, the City and Fair, Isaac shall jointly determine to which capital project or projects Fair, Isaac's donation will be devoted, which project or projects shall be aligned with Fair, Isaac's philanthropic goals, as described by Fair, Isaac. If City and Fair, Isaac cannot agree to the capital project or projects to which the donation will be devoted, the City will reasonably determine, taking into account the philanthropic goals of Fair, Isaac, the capital project or projects to which the donation will be devoted. At Fair, Isaac's request, Fair, Isaac will be identified as the donor in press releases and publicity furnished by the City and the City will memorialize Fair, Isaac's donation at the location of the project or projects undertaken with Fair, Isaac's donation. Such memorization shall be by appropriate means reasonably determined by the City (such as a plaque or engraved stone).

Section 1.5 Release of Fair, Isaac and LP. Upon the City's consent and approval pursuant to Section 1.1 taking effect, Fair, Isaac shall be released from all obligations and liabilities under the DA, provided, however, such release shall not extend to any indemnity obligation under the DA that arose from an event occurring prior to the City's consent and approval taking effect.

ARTICLE 2.
ADDITIONAL OBLIGATIONS

Section 2.1 Application for Permits and Approvals. On June 16, 2000, Wilson submitted to the City applications to revise the Vested Approvals (as defined in the DA). As set forth in Recitals H and I above, the City has approved said revisions (the "Revisions"). The Revisions are described in the attached Exhibit A. The Revisions include the following:

- (a) Amendment to PD District Ordinance 1721 (ZC-97-2b).
- (b) Amendment to Conditional Use Permit (UP-97-10b).
- (c) Addendum to Environmental Impact Report (State Clearinghouse No. 97042041).

If the conditions to the consent and approval set forth in Section 1.2 are not satisfied and, as a result, this Amendment is terminated pursuant to Section 4.1 below, the Revisions shall have no further force and effect.

Section 2.2 Incorporation of OPDDA Amendments. Any references in the DA to the OPDDA or various provisions of the OPDDA shall refer to the OPDDA as amended by the Consent.

Section 2.3 Sublease. Upon conveyance of the Property to Wilson, the Sublease (as defined in the OPDDA) of the City Parcel between Fair, Isaac and the City shall be deemed to be a lease of the City Parcel between Wilson and City on the terms and conditions set forth in the Sublease.

Section 2.4 Tenant Selection. The Improvements (as defined in the OPDDA) shall be occupied by at least one high quality tenant occupying at least 80,000 square feet in those Improvements. If, upon completion of the Improvements, those Improvements are not occupied by at least one high quality tenant occupying at least 80,000 square feet, then Wilson shall promptly pay to the City the sum of Two Hundred Fifty Thousand Dollars (\$250,000). The determination as to whether or not Wilson has satisfied the requirements of this section will be made by the Agency

pursuant to Section 3.1 of the Consent and Agreement of even date herewith by and among the Agency, Wilson and Fair, Isaac.

Section 2.5 TSM Program. Wilson, in cooperation with the City, shall develop and implement for the Project (as defined in the DA), a comprehensive traffic systems management program with the objective of achieving the optimal trip reduction. Prior to issuance of a building permit for the Improvements in the First Phase, Wilson shall prepare, submit to the City and obtain approval of the City's Director of Community Development for a detailed TSM program in accordance with condition number 4 of the use permit conditions that are part of the Vested Approvals (as defined in the DA). In addition, if the City establishes a shuttle service for the downtown San Rafael area, Wilson shall contribute its fair share to the capital and operating costs of that shuttle service, as reasonably agreed upon by Wilson and the City.

Section 2.6 Temporary Parking. At the request of the City, Wilson shall cooperate with the City to provide temporary parking for the general public on the Property in accordance with the provisions of this Section 2.6. It is anticipated that the request will be made to accommodate temporary public parking that will be needed when the City demolishes the existing public parking structure on Lootens Place and constructs new parking as part of the redevelopment of that Lootens Place property and surrounding properties. Such parking shall be provided at no cost to the City or the Agency, but the City shall operate such parking at its cost or pay Wilson the costs of operating and providing the parking. If the City requests that the temporary parking be provided, Wilson shall first make reasonable efforts to accommodate the parking with surface parking in the area shown on Exhibit C-1. If temporary surface parking is not available in that area either because environmental site conditions make it impractical to locate surface parking in that area or because the planned parking structure in that area is under construction or completed, then Wilson shall make reasonable efforts to accommodate the temporary parking by providing approximately 100 spaces in the structure to be built in the area shown on Exhibit C-2, assuming that structure has been completed and has excess capacity not needed for completed office buildings on the Property. If parking in the parking structure is not available, Wilson shall make reasonable efforts to accommodate the temporary parking through use of a valet parking system or similar arrangement on the surface lot shown on Exhibit C-3, provided under all circumstances that Wilson may first accommodate office users on the Property. For purposes of this Amendment, the location of such temporary parking, as agreed upon pursuant to this section 2.6, shall be referred to herein as the "Temporary Parking Parcel." The City shall pay Wilson for any additional costs associated with accommodating the public parking. Wilson may temporarily close or limit portions of the parking on the Temporary Parking Parcel to the extent reasonably necessary to accommodate a staging area for construction of the Improvements or to meet other construction considerations related to construction of the Improvements, including but not limited to safety and insurance considerations in Wilson's reasonable discretion. The temporary parking to be provided pursuant to this Section 2.6 shall be provided pursuant to a license agreement, right of entry or other agreement reasonably acceptable to the City and Wilson and consistent with the provisions of this Section 2.6.

Section 2.7 Night and Evening Parking. On a portion of the Property shown on attached Exhibit D (the "Public Parking Parcel"), Wilson shall make available the parking improvements for public parking on nights and weekends. The Public Parking Parcel shall be made available from midnight to 6 a.m. and from 6 p.m. to midnight on Monday through Friday and all hours on Saturdays and Sundays. Such parking shall be provided at no cost to the City or the Agency. Wilson shall not charge for the public parking without the approval of the City, which approval shall not be unreasonably withheld, provided the proposed charges are not substantially and materially higher than the amounts the City charges in the City-owned parking facilities in downtown San Rafael for night and weekend parking after taking into consideration additional and

excess costs to Wilson of security and other related matters. The Public Parking Parcel shall be made available for parking beginning with the completion of the First Phase Improvements.

Section 2.8 License Agreement. At the same time as the conveyance of the Property to Wilson, the City and Wilson shall execute and record an irrevocable license agreement ("License Agreement"), which shall be in a form reasonably acceptable to the City and Wilson and substantially consistent with the provisions of this Amendment. The License Agreement shall provide for the grant of a license to the City for public parking as set forth in Section 2.7 of this Amendment.

Section 2.9 Payment for Plaza. Wilson shall pay to the City the sum of One Hundred Fifty Thousand Dollars (\$150,000). Said amount shall be paid within thirty (30) days following the date the Revisions are final, unappealable and binding. The City agrees to use the amounts paid pursuant to this Section 2.9 for costs of construction of the water features and appurtenances the City is planning to construct as part of the public plaza to be developed on Court Street between Fourth Street and Fifth Avenue.

ARTICLE 3.
AMENDMENT OF SPECIFIC DEVELOPMENT AGREEMENT
PROVISIONS; CONFIRMATION OF COMPLIANCE

Section 3.1 Amendment of DA Section 1.2. Section 1.2 of the DA shall be amended to read as follows:

"1.2 Affiliate. (i) a person which directly or indirectly controls, is controlled by or is under common control with Wilson; (ii) a Person at least a majority of whose economic interest is owned by Wilson; (iii) EOP Operating Limited Partnership ("EOP"), a Delaware limited partnership; (iv) an entity ("Devco") that is entirely owned by an affiliate of EOP and an entity more than fifty percent (50%) of which is owned by William Wilson III and other individuals who were formerly officers and employees of Cornerstone Properties Inc., a Nevada corporation, or any of its affiliates or subsidiaries; or (v) provided there has first been an assignment to Devco, an entity entirely owned by Devco alone or by Devco and one of its members or affiliates of such members or by just one member of Devco and that member's affiliates."

Section 3.2 Amendment of DA Section 1.6. Section 1.6 of the DA shall be amended to read as follows:

"1.6 Enacting Ordinance and Resolution. Ordinance No. 1722, enacted by the City Council of the City of San Rafael on February 17, 1998, approving this Development Agreement (attached as Exhibit F to the Development Agreement); Ordinance No. 1755 enacted by the City Council of San Rafael on August 21, 2000, approving the Amendment to Development Agreement dated as of July 1, 2000, by and among the City, Fair, Isaac, and Wilson, which ordinance is attached to the Amendment to Development Agreement as Exhibit B; Resolution No. 10026, adopted by the City Council of San Rafael on September 17, 1998, authorizing execution of this Development Agreement by the Vice-Mayor (attached as Exhibit G to Development Agreement); and Ordinance No. 1755, adopted by the City Council of San Rafael on August 21, 2000 (attached to the Amendment to Development Agreement as Exhibit B), authorizing execution of the Amendment to Development Agreement".

Section 3.3 Deletion of DA Sections 1.15. The DA shall be amended by deleting Section 1.15 thereof.

Section 3.4 Amendment of DA Section 1.20. Upon the City's approval of the Revisions, the Vested Approvals (as defined in the DA) shall refer to:

(a) the Approvals set forth in Section 1.20 of the DA as those Approvals may be revised by the Revisions and

(b) any other Approvals that are part of the Revisions.

Section 3.5 Addition of DA Section 1.21. The following Section 1.21 shall be added to the DA:

"Wilson: San Rafael Corporate Center, LLC, a Delaware limited liability company, or its successors and assigns as permitted under this Development Agreement, as it may be amended."

Section 3.6 Amendment of DA Section 3.2. To the extent the Revisions revise the descriptions of aspects of the Project listed in Sections 3.2.1, 3.2.3, and 3.2.4 of the DA, said descriptions shall be deemed amended so that they are consistent with the Revisions.

Section 3.7 Amendment of DA Section 12.1. Section 12.1 of the DA shall be amended to read as follows:

"12.1 Transfer By Developer

12.1.1. Prior to the issuance of a certificate of completion of construction, which for purposes of this Agreement shall be defined as substantial completion of the core and shell of the buildings, for both Building A and Building B, Developer shall not engage in any Transfer, except for a Transfer expressly permitted pursuant to Section 12.1.3 below, without the prior approval of the City, which approval may be granted or withheld in the City's sole discretion. Once a certificate of completion of construction has been issued for both Building A and Building B, Developer may engage in any Transfer with regard to Building A or Building B or the Property-Lot or Parcel for either without the consent of the City.

12.1.2. After a certificate of completion has been issued for both Building A and Building B, Developer shall not engage in any Transfer, except for a Transfer expressly permitted pursuant to Section 12.1.3 below, with regard to Building C, Building D or Building E or the Property-Lot or Parcel for those buildings without the prior approval of the City, which approval may be granted or withheld in the City's sole discretion, prior to issuance of a certificate of completion of construction for Building C, Building D or Building E. Once a certificate of completion has been issued for Building C, Building D, or Building E, the Developer may engage in any Transfer with regard to the building or buildings for which the certificate of completion of construction has been issued and the Property-Lot or Parcel for the building or buildings without the consent of the City.

12.1.3. Notwithstanding anything to the contrary in this Development Agreement, including, without limitation, the limitations in this Article 12, Wilson may assign this Development Agreement or transfer fee title to the Property, without the City's consent, to any Affiliate. Wilson shall give notice of any such assignment of this Development Agreement or transfer of fee title to the Property to an Affiliate, with a full description of the assignee or transferee and a copy of the assignment or grant deed executed by Wilson and the assignee or transferee, to the City within ten (10) business days after such assignment or transfer. Notwithstanding the provisions of Section 12.2

of this Development Agreement, no such assignment or transfer to an Affiliate shall release Wilson from any obligation or liability under this Development Agreement.

Section 3.8 Amendment of DA Section 5.2.1. Section 5.2.1 of the DA shall be amended by replacing the third sentence of that section with the following:

"Payment by Wilson to City shall be made in response to a request by City, but no sooner than sixty (60) days before anticipated commencement of construction of said improvements."

Section 3.9 Amendment of DA Section 15.3. Section 15.3 of the DA shall be amended so that notices need not be sent to Village or Fair, Isaac but are instead sent to Wilson as follows:

San Rafael Corporate Center, Inc.

c/o Wilson/Equity Office, Inc.

120 Howard Street
San Francisco, CA 94105
Attn.: Thomas P. Sullivan
Phone: (415) 495-2743
Fax: (415) 543-9437

cc: Mary G. Murphy, Esq.
Farella Braun & Martel, LLP
Russ Building, 30th Floor
235 Montgomery Street
San Francisco, CA 94104
Phone: (415) 954-4400
Fax: (415) 954-4480

Section 3.10 Compliance with DA. Fair Isaac and the City each hereby acknowledge, represent, and warrant to Wilson that, as of the date of this Amendment, neither Fair, Isaac nor the City is in default under the DA and that both Fair, Isaac and the City have satisfied all conditions and complied with all obligations, including, without limitation, payment obligations or public improvement obligations, required to be satisfied, fulfilled, complied with, or paid by Fair, Isaac or the City under the DA as of the date of this Amendment. Without limitation of the foregoing, the City confirms that it has been paid all amounts required of Fair, Isaac under Article 5 of the DA except for the payment required pursuant to Section 5.2.1 of the DA.

ARTICLE 4.
MISCELLANEOUS

Section 4.1 Termination. If the conditions set forth in Section 1.2 above to the City's consent and approval have not been satisfied or waived by December 31, 2001, or such later date approved by the City pursuant to Section 1.2 above, then this Amendment shall terminate and the parties shall have no further rights, obligations or liabilities under this Amendment. Upon such termination, the amendments to the DA set forth in this Amendment shall have no force or effect and the DA shall be given full force and effect as if never amended by this Amendment. This Amendment shall become effective as an amendment to the DA upon the later of (i) the effective

date of Ordinance No.1755 or (ii) the date on which the conditions set forth in Section 1.2 to the consent and approval of the City have all been satisfied or waived.

Section 4.2 No Other Amendment. Except as set forth in this Amendment, the DA shall remain in full force and effect and unamended.

Section 4.3 Capitalized Terms. Capitalized terms set forth in this Amendment shall have the same meanings set forth in the DA and OPDDA unless specified otherwise herein.

Section 4.4 Recordation. Pursuant to the Development Agreement Legislation (as defined in the DA), within ten (10) days following the date that Ordinance No. 1755 becomes effective, the parties shall record this Amendment. For purposes of recording, a legal description of the Property is attached hereto as Exhibit E. The cost of recording shall be borne by Wilson. If this Amendment is terminated pursuant to Section 4.1 above after this Amendment has been recorded, the parties shall promptly execute and record a memorandum indicating that this Amendment has no force and effect.

Section 4.5 Counterparts. This Amendment may be executed and acknowledged in counterparts.

IN WITNESS WHEREOF, the parties have executed this Consent and Agreement as of the date set forth in the opening paragraph above.

APPROVED AS TO FORM

CITY OF SAN RAFAEL

By: _____
City Attorney

By: _____
[Mayor][Vice-Mayor]

ATTEST:

By: _____
City Clerk

FAIR, ISAAC, AND COMPANY, INC., a
Delaware corporation

By: _____
Henk J. Evenhuis,
Chief Financial Officer

SAN RAFAEL CORPORATE CENTER, LLC,
a Delaware limited liability company

a Delaware limited liability company,
a Manager and Member

By: Wilson Investors-California, LLC,
a Delaware limited liability company,
a Manager and Member

By: _____
Name: Thomas P. Sullivan
a Manager and Member

By: EOPMC Investor, L.L.C.,
a Delaware limited liability company,
a Manager and Member

By: Equity Office Properties Management Corp.,

a Delaware corporation,
a Manager and Member

By: _____
Name: _____
Title: _____

By: EOP - San Rafael Corporate Center, L.L.C.,
a Delaware limited liability company

By: EOP Operating Limited Partnership,
a Delaware limited partnership

By: Equity Office Properties Trust,
a Maryland real estate investment trust,
its sole general partner

By: _____
Name: _____
Title: _____

TERMINATION AGREEMENT

THIS TERMINATION AGREEMENT, dated as of September 27, 2000 ("Termination Agreement"), is executed by and between LEASE PLAN NORTH AMERICA, INC., an Illinois corporation ("Lease Plan"), as landlord (in such capacity, "Lessor") and FAIR, ISAAC AND COMPANY, INC., a Delaware corporation, as lessee (in such capacity, "Lessee"). Unless otherwise defined herein, all other capitalized terms used herein shall have the respective meanings given to those terms in Schedule 1.01 of the Participation Agreement (as defined below).

RECITALS

A. Lessor, Lessee, certain financial institutions (the "Participants"), and ABN AMRO Bank N.V., acting through its San Francisco International Branch, as agent for the Participants (in such capacity, "Agent"), are parties to that certain Participation Agreement dated as of May 15, 1998 (the "Participation Agreement").

B. Lessor and Lessee are parties to that certain Lease Agreement, Construction Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing dated as of May 15, 1998, recorded on May 20, 1998, in the Official Records of Marin County, California, as Recorder's Serial No. 1998-0033519, as amended by that certain First Amendment to Lease Agreement, Construction Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing dated as of June 13, 2000, and recorded on June 13, 2000, in the Official Records of Marin County, California, as Recorder's Serial No. 2000-0030318 (as amended, the "Lease"), pursuant to which, inter alia, Lessor leased to Lessee, and Lessee leased from Lessor, certain Property upon the terms and subject to the conditions set forth therein.

C. In connection with the Participation Agreement and the lease by Lessor to Lessee of the Property, Lessor and Lessee entered into, among other agreements, (i) that certain Purchase Agreement dated as of May 15, 1998 ("Purchase Agreement"), (ii) that certain Memorandum of Purchase Agreement dated as of May 15, 1998 (the "Memorandum of Purchase Agreement") recorded on May 20, 1998, in the Official Records of Marin County, California as Recorder's Serial No. 1998-0033520, (iii) that certain Construction Agency Agreement dated as of May 15, 1998 (the "Construction Agency Agreement"), and (iv) along with the Agent, that certain Cash Collateral Agreement dated as of May 15, 1998 (the "Cash Collateral Agreement").

D. In order to secure the obligations of Lessor to Agent arising under the Participation Agreement, Lessor executed and delivered, among other agreements, (i) that certain Lessor Deed of Trust and Security Agreement dated as of May 15, 1998, to First American Title Insurance Company, as trustee, for the benefit of Agent, as beneficiary, recorded on May 20, 1998, in the Official Records of Marin County, California, as Recorder's Serial No. 1998-0033522, as amended by that certain First Amendment to Lessor Deed of Trust and Security Agreement dated as of June 13, 2000, and recorded on June 13, 2000, in the Official Records of Marin County, California, as Recorder's Serial No. 2000-0030321 (as amended, the "Lessor

C-1

Deed of Trust"), and (ii) that certain Assignment of Lease Agreement and Purchase Agreement dated as of May 15, 1998, recorded on May 20, 1998, in the Official Records of Marin County, California, as Recorder's Serial No. 1998-0033523, as amended by that certain First Amendment to Assignment of Lease Agreement and Purchase Agreement dated as of June 13, 2000, and recorded on June 13, 2000, in the Official Records of Marin County, California, as Recorder's Serial No. 2000-0030322 (as amended, the "Assignment of Lease Agreement and Purchase Agreement").

E. Lessee now desires to pay all outstanding amounts owed to Lessor and Agent by Lessee pursuant to the Participation Agreement, the Lease and the other Terminated Documents (as defined below) and, in connection therewith, Lessor and Lessee desire to terminate the Participation Agreement, the Lease, the Purchase Agreement, the Memorandum of Purchase Agreement, the Construction Agency Agreement, the Cash Collateral Agreement, the Lessor Deed of Trust, the Assignment of Lease Agreement and Purchase Agreement and all other documents, instruments and agreements related to any of the foregoing (collectively, the "Terminated Documents") upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the above Recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lessee and Lessor hereby agree as follows:

1. Payment and Termination of the Terminated Documents. Lessor, in its capacity as lessor, and Agent, in its capacity as agent for the Participants, hereby acknowledge receipt of \$26,314,051.34 as consideration in full of the outstanding Rent and all other amounts owing under the Lease and any other Terminated Document, and the termination of the Lease and all other Terminated Documents as follows:

A. Principal	\$ 26,141,172.18
B. Interest through September 27, 2000 (plus per diem of \$5,397.04 for each day after September 27, 2000)	140,323.08
C. Commitment Fees (plus per diem of \$240.49 for each day after September 27, 2000)	20,887.98
D. Breakage Costs	168.10
E. Accrued Expenses of Lessor and ABN Attorneys' Fees (estimated as of 9/26/00)	11,500.00
Total	\$ 26,314,051.34

provided, however, that nothing contained herein shall have any effect on Lessee's obligation to reimburse the Lessor Parties with respect to indemnification and similar obligations of Lessee set forth in the Participation Agreement, the Lease or the other Terminated Documents, which by their terms expressly provide that they survive the termination of such agreement.

2. Termination of the Terminated Documents; Release of Liens.

(a) Each of the Terminated Documents executed by Lessee pursuant to which, inter alia, Lessee granted to Lessor a security interest with respect to the obligations

of Lessee arising under the Participation Agreement and the Lease is hereby terminated and Lessee is hereby released therefrom, and Lessor hereby releases, assigns, transfers and delivers to Lessee without recourse and without representation or warranty, all of its rights, title and interests contained therein. In connection with the foregoing, Lessor shall execute and deliver to Lessee for recordation (i) that certain Mutual Cancellation, Termination and Reconveyance of Lease Agreement, Construction Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing in the form of Attachment A hereto (the "Termination of Lease"), (ii) Mutual Cancellation and Termination of Purchase Agreement in the form of Attachment B hereto (the "Termination of Purchase Agreement"), and (iii) Mutual Cancellation and Termination of Construction Agency Agreement, Assignment of Construction Agreements, and Cash Collateral Agreement in the form of Attachment C hereto (the "Termination of Construction Agency and Other Agreements").

(b) From time to time, upon request by either party, Lessor or Lessee shall, without further consideration other than reimbursement for any reasonable costs and expenses, execute, deliver and acknowledge all such further documents, agreements, certificates and instruments and do such further acts as the other party may reasonably require to more effectively evidence or effectuate the transactions contemplated by this Termination Agreement, including, but not limited to, the release and termination of the Terminated Documents and the release and discharge of all security interests and all other rights and interests that Lessor has or may have had in connection therewith.

3. Effectiveness. This Termination Agreement shall become effective on September 27, 2000 (the "Effective Date"), subject to the receipt by Lessor and Lessee on or prior to the Effective Date of the following, each in form and substance satisfactory to Lessor, Agent, Lessee and their respective counsel:

(a) This Termination Agreement duly executed by Lessee and Lessor;

(b) Lessor and Agent shall have received the payment of the amount referred to in Section 1 hereof;

(c) The Termination of Lease, duly executed by Lessee and Lessor and appropriately notarized;

(d) The Termination of Purchase Agreement, duly executed by Lessee and Lessor and appropriately notarized;

(e) The Termination of Construction Agency and Other Agreements, duly executed by Lessee and Lessor and appropriately notarized;

(f) The release and reconveyance of the Lessor Deed of Trust;

(g) The termination of the Assignment of Lease Agreement and Purchase Agreement; and

(h) Such other documents, instruments and agreements as either Lessor or

Lessee may reasonably request in order to evidence the termination of the Lease Agreement and all other Terminated Documents as provided for herein.

4. Miscellaneous. This Termination Agreement may not be amended, modified or waived except in writing signed by the party against whom enforcement of such amendment, modification or waiver is sought. This Termination Agreement shall be construed and interpreted in accordance with the laws of the State of California. This Termination Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one and the same instrument.

[The Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have entered into this Termination Agreement as of the day and year first above written.

LESSEE: FAIR ISAAC AND COMPANY, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

LESSOR: LEASE PLAN NORTH AMERICA, INC.,
an Illinois corporation

By: _____
Name: _____
Title: _____

Name of Company and Name under which it Does Business =====	Jurisdiction of Incorporation or Organization =====
Fair, Isaac International Corporation(1)	California
Data Research Technologies(1)	Minnesota
Risk Management Technologies(1)	California
Lindaro Office Park, Inc. (1)	California
Fair, Isaac International Germany Corporation(2)	California
Fair, Isaac International Canada Corporation(2)	California
Fair, Isaac International UK Corporation(2)	California
Fair, Isaac International Japan Corporation(2)	California
Fair, Isaac International Ltd(2)	England
Fair, Isaac International France Corporation(2)	California
Fair, Isaac International Mexico Corporation(2)	California
Fair, Isaac International Spain Corporation(2)	California
Fair, Isaac Brazil, LLC(2)	Delaware
Radar International, Inc. (3)	Virgin Islands
Fair, Isaac Do Brasil Ltda. (4)	Brazil

Footnotes:

- (1) 100% owned by Fair, Isaac and Company, Incorporated.
- (2) 100% owned by Fair, Isaac International Corporation.
- (3) 100% owned by Risk Management Technologies

- (4) 99% owned by Fair, Isaac International Corporation and 1% owned by Fair, Isaac Brazil, LLC

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS IN THE COMPANY'S 2000 ANNUAL REPORT ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

		1,000
12-MOS	SEP-30-2000	
	OCT-01-1999	
	SEP-30-2000	39,506
		19,109
		42,755
		1,130
		0
	137,212	112,663
	64,098	
	241,288	
	36,518	0
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		0
		148
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241,288		0
	297,985	0
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	128,316	
	125,055	
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	75	
	47,070	
	19,439	
	27,631	0
		0
		0
	27,631	0
	1.94	
	1.89	