FAIR ISAAC & COMPANY INC
Form S-4/A
June 14, 2002

QuickLinks -- Click here to rapidly navigate through this document

As filed with the Securities and Exchange Commission on June 14, 2002

Registration No. 333-89268

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

AMENDMENT NO. 1
TO

FORM S-4

REGISTRATION STATEMENT
under
THE SECURITIES ACT OF 1933

FAIR, ISAAC AND COMPANY, INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**7389**	**94-1499887**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

200 Smith Ranch Road
San Rafael, California 94903
(415) 472-2211
(Address, Including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

Andrea Fike, Esq.
Vice President, General Counsel and Secretary
Fair, Isaac and Company, Incorporated
4295 Lexington Avenue North
St. Paul, Minnesota 55126
(651) 483-8593
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Blair W. White, Esq.	**John Mutch**	**Kenneth Linhares, Esq.**
Pillsbury Winthrop LLP	Chief Executive Officer	Fenwick & West LLP
50 Fremont Street	HNC Software Inc.	Two Palo Alto Square
San Francisco, California 94105	5935 Cornerstone Court West	Palo Alto, California 94306
(415) 983-1000	San Diego, California 92121	(650) 494-0600
	(858) 799-8000	

Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after the effectiveness of this registration statement and the effective time of the merger of a wholly-owned subsidiary of the registrant with and into HNC Software Inc. as described in the Agreement and Plan of Merger dated as of April 28, 2002.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to said section 8(a) may determine.

The information in this joint proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Dear Fair, Isaac and HNC stockholders:

The boards of directors of Fair, Isaac and Company, Incorporated and HNC Software Inc. have approved a merger agreement that provides for the combination of our two companies. Under the proposed merger, HNC will become a wholly-owned subsidiary of Fair, Isaac. We believe that this merger will create a leading provider of business and analytic solutions for a broad range of industries and will create greater value for stockholders than either Fair, Isaac or HNC could have achieved separately.

If the merger is completed, holders of HNC common stock will receive 0.519 of a share of Fair, Isaac common stock for each share of HNC common stock they hold. Fair, Isaac stockholders will continue to own their existing shares after the merger. Fair, Isaac will issue approximately 18.7 million shares of Fair, Isaac common stock to HNC stockholders in the merger, based on the outstanding shares of HNC on June 13, 2002. These shares will represent approximately 36.4% of the outstanding Fair, Isaac common stock after the merger. The Fair, Isaac common stock is listed for trading on the New York Stock Exchange under the symbol "FIC."

The board of directors of HNC recommends that its stockholders approve and adopt the merger agreement and approve the merger. Therefore, we are asking the HNC stockholders to vote **FOR** this proposal.

The board of directors of Fair, Isaac recommends that its stockholders approve the issuance of Fair, Isaac common stock to HNC stockholders in connection with the merger. Therefore, we are asking the Fair, Isaac stockholders to vote **FOR** this proposal.

We cannot complete the merger unless HNC stockholders approve the merger agreement and the merger and Fair, Isaac stockholders approve the issuance of Fair, Isaac common stock in connection with the merger. **THEREFORE, YOUR VOTE IS VERY IMPORTANT**.

We encourage you to carefully read this entire document, including the discussion of risks associated with the merger beginning on page 17, before voting.

The dates, times and places of the meetings are:

For Fair, Isaac stockholders:

July 23, 2002 at 10:00 a.m.
200 Smith Ranch Road
San Rafael, California

For HNC stockholders:

July 23, 2002 at 10:00 a.m.
5935 Cornerstone Court West
San Diego, California

Thomas Grudnowski
Chief Executive Officer
Fair, Isaac and Company, Incorporated

John Mutch
Chief Executive Officer and President
HNC Software Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Fair, Isaac stock to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated June 17, 2002, and was first mailed to stockholders on or about June 19, 2002.

ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about Fair, Isaac and HNC from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in this joint proxy statement/prospectus through the Securities and Exchange Commission website at *www.sec.gov* or by requesting them in writing or by telephone from the appropriate company at one of the following addresses:

Fair, Isaac and Company, Incorporated	HNC Software Inc.
200 Smith Ranch Road	5935 Cornerstone Court West
San Rafael, California 94903	San Diego, California 92121
Attention: Investor Relations	Attention: Corporate Secretary
(415) 492-7122	(858) 799-8000

If you would like to request any documents, please do so by July 16, 2002 in order to receive them before the special meetings.

See "Where You Can Find More Information" on page 93.

[Note: Page for Fair, Isaac Booklet only.]

Notice of Special Meeting of Stockholders of Fair, Isaac and Company, Incorporated

Meeting Date: July 23, 2002

Meeting Time: 10:00 a.m.

Meeting Location: 200 Smith Ranch Road, San Rafael, California

Purpose of the Meeting:

Vote on the proposed issuance of shares of common stock to stockholders of HNC Software Inc. in connection with the merger between HNC and a wholly-owned subsidiary of Fair, Isaac.

Admission:

All stockholders and representatives whom stockholders have authorized in writing are cordially invited to attend the special meeting.

Voting:

Only stockholders of record on June 13, 2002, or their duly authorized proxies, may vote at the special meeting or any adjournment or postponement of the special meeting.

Your vote is important. Please complete, sign, date and return your proxy card in the enclosed envelope promptly. Your proxy may be revoked at any time prior to the special meeting by written request to the Secretary of Fair, Isaac, by voting in person at the special meeting, or by submitting a later-dated proxy.

Andrea Fike
Vice President, General Counsel
and Secretary

June 17, 2002

[Note: Page for HNC Booklet only.]

Notice of Special Meeting of Stockholders of HNC Software Inc.

This letter is the written notice to the stockholders of HNC Software Inc. of the special meeting of HNC stockholders to be held at the date, time and location, and for the purpose, specified below.

Meeting Date: July 23, 2002

Meeting Time: 10:00 a.m.

Meeting Location: 5935 Cornerstone Court West, San Diego, California

Purpose of the Meeting:

Vote on the approval and adoption of the Agreement and Plan of Merger, dated as of April 28, 2002, by and among HNC, Fair, Isaac and Company, Incorporated and a wholly-owned subsidiary of Fair, Isaac, and the approval of the proposed merger of HNC with a wholly-owned subsidiary of Fair, Isaac.

Admission:

All stockholders and representatives whom stockholders have authorized in writing are cordially invited to attend the special meeting.

Voting:

Only stockholders of record on June 13, 2002, or their duly authorized proxies, may vote at the special meeting or any adjournment or postponement of the special meeting.

Your vote is important. Please complete, sign, date and return your proxy card in the enclosed envelope promptly. Your proxy may be revoked at any time prior to the special meeting by written request to the Secretary of HNC, by voting in person at the special meeting, or by submitting a later-dated proxy.

John Mutch
Chief Executive Officer and President

June 17, 2002

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE MERGER	1
SUMMARY	3
Who We Are	3
Why We Recommend the Merger	3
Opinions of Fair, Isaac's Financial Advisors	3
Opinion of HNC's Financial Advisor	4
What HNC Stockholders Will Receive in the Merger	4
The Merger Qualifies as a Tax-Free Reorganization	4
Ownership of Fair, Isaac After the Merger	4
Stockholder Vote Required to Approve the Merger	4
Appraisal Rights Are Not Available	5
Board of Directors of Fair, Isaac After the Merger	5
The Interests of Certain HNC Officers and Directors in the Merger May Differ from HNC Stockholders' Interests	5
Accounting Treatment	5
Completion of the Merger is Subject to Certain Conditions	5
We Have Not Yet Obtained Regulatory Approvals	5
HNC is Prohibited from Soliciting Other Offers	6
The Merger Agreement May Be Terminated	6
Fees May Be Payable on Termination	6
Comparison of Stockholders' Rights	7
SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA	8
How We Prepared the Financial Statements	8
Anticipated Accounting Treatment	8
Merger-Related Expenses	8
Integration-Related Expenses	8
Periods Covered	8

SELECTED HISTORICAL FINANCIAL DATA	9
Selected Historical Financial Data of Fair, Isaac	9
Selected Historical Financial Data of HNC	10
Selected Unaudited Pro Forma Condensed Combined Consolidated Financial Data	12
Comparative Per Share Data	14
Historical and Pro Forma Per Share Market Price Information	16
RISK FACTORS	17
Risk Factors Related to the Merger	17
Risk Factors Related to Fair, Isaac and the Combined Company	22
CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS	31
THE MERGER	32
General	32
Background of the Merger	32
Our Reasons for the Merger	40
Recommendation of, and Factors Considered by, the Fair, Isaac Board	41
Opinions of Fair, Isaac's Financial Advisors	43
Stephens Inc. Opinion	43
Salomon Smith Barney Opinion	44
Joint Presentation of Stephens Inc. and Salomon Smith Barney to the Fair, Isaac Board	46
Recommendation of, and Factors Considered by, the HNC Board	50
Opinion of HNC's Financial Advisor	53
Directors of Fair, Isaac Following the Merger	60
Accounting Treatment	60
Material Federal Income Tax Consequences of the Merger	60
Regulatory Matters	62
Appraisal Rights	62
Federal Securities Laws Consequences	62
Effect of the Merger on Outstanding HNC Convertible Notes	63
Stock Exchange Listing; Delisting and Deregistration of HNC Common Stock	63
Stockholder Lawsuit Challenging the Merger	63
INTERESTS OF CERTAIN PERSONS IN THE MERGER	64
Board of Directors	64
Indemnification; Directors' and Officers' Insurance	64
Employment Agreements	64
Acceleration of Options Granted to Non-Employee Directors	65

Retention Plan	65
HNC Stock Options	66
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS	67
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED BALANCE SHEET AT MARCH 31, 2002	68
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED MARCH 31, 2002	69
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS OF HNC SOFTWARE INC. FOR THE YEAR ENDED DECEMBER 31, 2001	70
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 2001	71
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS	72
Pro Forma Adjustments	72
THE MERGER AGREEMENT	75

Structure of the Merger	75
Timing of Closing	75
Merger Consideration	75
Treatment of HNC Stock Options	75
Exchange of Shares	75
Fair, Isaac Board	76
Covenants	76
Representations and Warranties	80
Conditions to the Completion of the Merger	81
Termination of the Merger Agreement	83
Expenses	84
Amendments; Waivers	85
INFORMATION ABOUT THE MEETINGS AND VOTING	86
Matters Relating to the Meetings	86
Vote Necessary to Approve the Fair, Isaac and HNC Proposals	87
Voting	87
Proxy Solicitation	87
Other Business; Adjournments	88
COMPARISON OF STOCKHOLDER RIGHTS	89
LEGAL MATTERS	91
EXPERTS	91
STOCKHOLDER PROPOSALS	92
WHERE YOU CAN FIND MORE INFORMATION	93
Fair, Isaac SEC Filings	93
HNC SEC Filings	93
ANNEXES	
Annex A Agreement and Plan of Merger	
Annex B Opinion of Stephens Inc.	
Annex C Opinion of Salomon Smith Barney Inc.	
Annex D Opinion of Credit Suisse First Boston Corporation	

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: When and where are the stockholder meetings?

A: Each company's meeting will take place on July 23, 2002 at 10:00 a.m. Fair, Isaac's meeting will be held at 200 Smith Ranch Road, San Rafael, California. HNC's meeting will be held at 5935 Cornerstone Court West, San Diego, California.

Q: What do I need to do now?

A: Mail your signed proxy card in the enclosed return envelope as soon as possible, so your shares will be represented at your meeting. In order to be sure that your vote is counted, please submit your proxy as instructed on your proxy card even if you plan to attend a meeting in person.

Q: As an HNC stockholder, what will I receive in the merger?

A: You will receive 0.519 of a share of Fair, Isaac common stock for each share of HNC common stock that you own. For example, if you own 1,000 shares of HNC common stock, you will receive 519 shares of Fair, Isaac common stock. However, you will receive only whole shares. You will receive cash for any fractional share.

Q: As a Fair, Isaac stockholder, will I receive additional shares of Fair, Isaac common stock in the merger?

A: No. You will continue to hold the same number of shares of Fair, Isaac common stock after the merger. Shares of Fair, Isaac common stock will be issued only to HNC stockholders in the merger. The merger will result in Fair, Isaac stockholders holding a smaller percentage of Fair, Isaac stock than the percentage of Fair, Isaac stock they currently hold.

Q: What does my board of directors recommend?

A: The board of directors of HNC recommends that its stockholders vote in favor of the merger and merger agreement. The board of directors of Fair, Isaac recommends that its stockholders vote in favor of the issuance of Fair, Isaac common stock in connection with the merger.

Q: What do I do if I want to change my vote?

A: You should send in a later-dated, signed proxy card to your company's Secretary before your meeting. Or you can attend your meeting in person and vote. You may also revoke your proxy by sending a notice of revocation to your company's Secretary at the address under "Who We Are" on page 3.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: If you do not provide your broker with instructions on how to vote your "street name" shares, your broker will not be permitted to vote them on the merger. Therefore, you should be sure to provide your broker with instructions on how to vote your shares. Please check the voting form used by your broker to see if it offers telephone or internet voting.

Q: Why is it important for me to vote?

A: We cannot complete the merger without HNC stockholders voting in favor of the merger and merger agreement and Fair, Isaac stockholders voting in favor of the issuance of Fair, Isaac common stock in connection with the merger.

Q: What if I don't vote?

A: If you are a Fair, Isaac stockholder and you do not give voting instructions to your broker or you do not vote, you will, in effect, be losing your opportunity to vote on the issuance of common stock in connection with the merger.

If you are an HNC stockholder and do not give voting instructions to your broker or you do not vote, you will, in effect, be voting against the merger and merger agreement.

Q: Should I send in my stock certificates now?

A: No. If the merger is completed, we will send HNC stockholders written instructions for exchanging their HNC share certificates for Fair, Isaac share certificates. Fair, Isaac stockholders will keep their existing certificates.

Q: When do you expect the merger to occur?

A: We are working to complete the merger as soon as possible. Assuming we receive the required stockholder and regulatory approvals, we expect to complete the merger in the third calendar quarter of 2002.

Q: What are the tax consequences of the merger?

A: Fair, Isaac and HNC are not obligated to close the merger unless they receive an opinion from outside tax counsel that says that the merger will qualify as a tax-free reorganization for U.S. federal income tax purposes. If the merger qualifies as a tax-free reorganization, then generally the companies and their stockholders will not recognize gain or loss as a result of the merger for U.S. federal income tax purposes and HNC stockholders will not recognize gain or loss on the exchange of their stock, other than on account of cash received for a fractional share.

Q: Are there risks I should consider in deciding whether to vote for the merger?

A: Yes. For example, the number of shares of Fair, Isaac common stock that HNC stockholders will receive will not change even if the market price of Fair, Isaac common stock increases or decreases before completion of the merger. We urge you to obtain current market quotations of Fair, Isaac common stock and HNC common stock. In evaluating the merger, you should carefully consider these and other factors discussed in the section entitled "Risk Factors" beginning on page 17.

Q: Who do I call if I have questions about the meetings or the merger?

A: Fair, Isaac stockholders may call 1-888-414-5566. HNC stockholders may call 1-800-462-3977.

SUMMARY

This summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should carefully read this document and the documents we have referred you to, including the merger agreement attached as Annex A to this joint proxy statement/prospectus. See "Where You Can Find More Information" on page 93.

Who We Are

Fair, Isaac and Company, Incorporated
200 Smith Ranch Road
San Rafael, California 94903
(415) 472-2211

Fair, Isaac provides creative analytics that unlock value for people, businesses and industries. Fair, Isaac's predictive modeling, decision analysis, intelligence management and decision engine systems power more than 14 billion decisions a year. Founded in 1956, Fair, Isaac helps thousands of companies in over 60 countries acquire customers more efficiently, increase customer value, reduce risk and credit losses, lower operating expenses and enter new markets more profitably. Leading banks and credit card issuers rely on Fair, Isaac's analytic solutions, as do many insurers, retailers, telecommunications providers and other customer-oriented companies. Through the www.myFICO.com website, consumers use Fair, Isaac's FICO® scores, the standard measure of credit risk, to understand and manage their credit risk profile.

HNC Software Inc.
5935 Cornerstone Court West
San Diego, California 92121
(858) 799-8000

HNC provides high-end analytic and decision management software applications and tools that enable customers to manage their customer interactions and make other important business choices. HNC's products analyze large bodies of data, such as transaction histories, and convert this information into real-time business recommendations. HNC's products empower its customers to make millions of mission-critical customer-related decisions and respond to business issues in real time, which can improve their financial performance, reduce their costs and decrease their risk. HNC's customers include both global and domestic companies in the financial services, insurance, telecommunications, healthcare and other industries, as well as government clients.

Why We Recommend the Merger

We believe the combined company will be positioned for stronger financial returns than could be achieved by either company separately, partly through significant cost reductions, but also because the combined company will have a broader mix of quality products, skills and technology. Fair, Isaac and HNC are natural partners, with many complementary products and operations. Of course, these benefits depend on our ability to obtain the necessary approvals for the merger, and on other uncertainties described beginning on page 17.

To review our reasons for the merger in greater detail, see pages 40 through 41.

To Fair, Isaac stockholders: The Fair, Isaac board believes that the merger and the issuance of common stock in connection with the merger are fair to and in the best interests of its stockholders and recommends that Fair, Isaac stockholders vote FOR the issuance of Fair, Isaac common stock in connection with the merger.

To HNC stockholders: The HNC board believes that the merger is fair to and in the best interests of its stockholders and recommends that HNC stockholders vote FOR the approval and adoption of the merger agreement and approval of the merger.

Opinions of Fair, Isaac's Financial Advisors
(see page 43)

In deciding to approve the merger, Fair, Isaac's board of directors received an opinion from each of Stephens Inc. and Salomon Smith Barney Inc. dated April 28, 2002, that, as of that date, the exchange ratio was fair, from a financial point of view, to Fair, Isaac. These opinions are attached as Annex B and Annex C, respectively. You are urged to read these opinions carefully for a discussion of the assumptions made, matters considered and limitations on the review by the financial advisors in rendering their opinions.

Opinion of HNC's Financial Advisor
(see page 53)

In connection with the proposed merger, HNC's financial advisor, Credit Suisse First Boston Corporation, delivered a written opinion to the HNC board of directors as to the fairness, from a financial point of view, of the exchange ratio provided for in the merger. The full text of Credit Suisse First Boston's written opinion, dated April 28, 2002, is attached to this joint proxy statement/prospectus as Annex D. We encourage you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. Credit Suisse First Boston's opinion is addressed to the HNC board of directors and does not constitute a recommendation to any stockholder as to any matters relating to the merger.

What HNC Stockholders Will Receive in the Merger (see page 75)

As a result of the merger, HNC stockholders will receive 0.519 of a share of Fair, Isaac common stock for each share of HNC common stock. This exchange ratio reflects Fair, Isaac's 3-for-2 stock split on June 5, 2002.

Fair, Isaac will not issue any fractional shares in the merger. Instead, HNC stockholders will receive a cash payment in the amount of the proceeds from the sale of their fractional Fair, Isaac shares in the market by the exchange agent shortly after the closing of the merger.

Example:

> If you own 10 shares of HNC common stock, then after the merger you will receive 5 shares of Fair, Isaac common stock and the sale proceeds for 0.19 of one share of Fair, Isaac common stock, rounded to the nearest one cent.

On June 13, 2002, the last per-share sales price of Fair, Isaac common stock on the New York Stock Exchange Consolidated Tape was $35.00. Applying the exchange ratio to this Fair, Isaac price, holders of HNC common stock would be entitled to receive Fair, Isaac common stock with a market value of approximately $18.17 for each share of HNC common stock. However, the market price for Fair, Isaac common stock is likely to change before the merger. You are urged to obtain current price quotes for Fair, Isaac common stock and HNC common stock. See "Risk Factors" beginning on page 17.

The shares of Fair, Isaac common stock are listed on the New York Stock Exchange under the ticker symbol "FIC."

The Merger Qualifies as a Tax-Free Reorganization (see page 60)

It is a condition to the obligations of HNC and Fair, Isaac to complete the merger that each receive a legal opinion from outside counsel that the merger will qualify as a tax-free reorganization for U.S. federal income tax purposes. Accordingly, the transaction has been structured so that the companies themselves, as well as holders of Fair, Isaac stock, will not recognize gain or loss as a result of the merger. Holders of HNC common stock generally will not recognize any gain or loss for U.S. federal income tax purposes on the exchange of their HNC stock for Fair, Isaac stock in the merger, except for any gain or loss recognized in connection with the receipt of cash instead of a fractional share of Fair, Isaac common stock. You should consult your tax advisor regarding the tax consequences of the merger to you.

Ownership of Fair, Isaac After the Merger

Fair, Isaac will issue approximately 18.7 million shares of common stock to HNC stockholders in the merger. The shares of Fair, Isaac common stock to be issued to HNC stockholders in the merger will represent approximately 36.4% of the outstanding Fair, Isaac common stock immediately after the merger. This information is based on the number of Fair, Isaac and HNC shares outstanding on June 13, 2002 and does not take into account stock options or other equity-based awards or any other shares which may be issued before the merger as allowed by the

merger agreement.

Stockholder Vote Required to Approve the Merger

For Fair, Isaac stockholders: Approval of the issuance of Fair, Isaac common stock in connection with the merger requires the affirmative vote of a majority of the votes cast for or against the common stock issuance, provided that the total number of votes cast for or against the common stock issuance represents at least a majority of Fair, Isaac's outstanding shares. As of the record date, Fair, Isaac's directors, executive officers and their affiliates beneficially owned in the aggregate approximately 1.7% of Fair, Isaac's outstanding

---

common stock entitled to vote at the Fair, Isaac stockholders meeting.

For HNC stockholders: Approval of the merger requires the affirmative vote of a majority of the outstanding shares of HNC common stock. As of the record date, HNC's directors, executive officers and their affiliates beneficially owned approximately 0.4% of HNC's outstanding common stock entitled to vote at the HNC stockholders meeting.

Appraisal Rights Are Not Available
(see page 62)

The holders of Fair, Isaac and HNC common stock do not have any right to an appraisal of the value of their shares in connection with the merger.

Board of Directors of Fair, Isaac After the Merger

Following the merger, the board of directors of Fair, Isaac will consist of the current directors of Fair, Isaac plus two new directors who are selected by Fair, Isaac and are either directors of HNC or other individuals reasonably acceptable to HNC.

The Interests of Certain HNC Officers and Directors in the Merger May Differ from HNC Stockholders' Interests (see page 64)

When you consider the HNC board's recommendation that HNC stockholders vote in favor of the merger agreement and the merger, you should be aware that a number of HNC officers and directors may have interests in the merger that may be different from, or in addition to, HNC stockholders' interests.

Accounting Treatment (see page 60)

Fair, Isaac will account for this merger under the purchase method of accounting for business combinations.

Completion of the Merger is Subject to Certain Conditions (see page 81)

The completion of the merger depends upon meeting a number of conditions, including the following:

- approval of the merger and the merger agreement by the HNC stockholders;
- approval of the issuance of Fair, Isaac common stock in connection with the merger by the Fair, Isaac stockholders;
- expiration or termination of the relevant waiting period under the Hart-Scott-Rodino Act;
- absence of any legal prohibition on completion of the merger;
- Fair, Isaac's registration statement relating to the Fair, Isaac common stock to be issued in the merger remaining effective;

- the NYSE's authorization of the listing of the Fair, Isaac common stock to be issued in connection with the merger;
- receipt of opinions of Fair, Isaac's or HNC's counsel that the merger will qualify as a tax-free reorganization;
- absence of a material adverse effect on Fair, Isaac or HNC during the period from April 28, 2002 until the closing of the merger;
- accuracy as of closing of the representations and warranties made by Fair, Isaac and HNC, respectively, except for inaccuracies that would not have a material adverse effect on the other party or its ability to complete the merger;
- material performance of all material obligations of Fair, Isaac and HNC, respectively, under the merger agreement;
- receipt by Fair, Isaac of an opinion of either Fair, Isaac's or HNC's counsel relating to the tax treatment of the spin-off of a former subsidiary of HNC in September 2000;
- receipt by Fair, Isaac of comfort letters from HNC's auditors; and
- receipt by Fair, Isaac of resignations of the directors and designated officers of HNC and its subsidiaries.

We Have Not Yet Obtained Regulatory Approvals
(see page 62)

Under the Hart-Scott-Rodino Act, the merger cannot be completed until after a required waiting period, including any extension of the waiting period, has expired or been terminated. The U.S. Federal Trade Commission or the U.S. Department of Justice has the authority to request additional information from proposed merging parties. The FTC or the DOJ also has the authority to challenge the merger on antitrust grounds by seeking a federal court order enjoining the transaction pending an

administrative hearing. The DOJ is reviewing the merger, and has asked Fair, Isaac and HNC for additional information. We are in the process of gathering the information that the DOJ has requested. The completion of the merger is not subject to the approval of the European Commission. We are in the process of determining in which other foreign jurisdictions regulatory filings or approvals may be required or desirable.

Fair, Isaac and HNC are working to obtain the required regulatory approvals and consents. However, we can give no assurance as to when or whether any of these approvals and consents will be obtained or the terms and conditions that may be imposed.

As described beginning on page 62, Fair, Isaac and HNC are not required to close the merger unless the regulatory conditions to completion of the merger are satisfied.

HNC is Prohibited From Soliciting Other Offers
(see page 76)

The merger agreement contains detailed provisions that prohibit HNC and its subsidiaries, and their officers, directors, employees, agents and representatives, from taking any action to solicit or engage in discussions or negotiations with any person with respect to an acquisition proposal as defined in the merger agreement.

However, in the event that HNC receives a bona fide unsolicited written acquisition proposal, HNC may engage in discussions or negotiations and take certain other actions if HNC's board of directors determines, in the manner provided for in the merger agreement, that the proposal is, or is reasonably likely to result in, a superior offer, as defined in the merger agreement.

The Merger Agreement May Be Terminated
(see page 83)

Either Fair, Isaac or HNC can terminate the merger agreement if any of the following occurs:

- we do not complete the merger by October 31, 2002; however, that date may be extended by Fair, Isaac or HNC to as late as December 31, 2002 if the reason for not closing by October 31, 2002 is that the regulatory conditions specified in the merger agreement have not been satisfied;
- Fair, Isaac or HNC stockholders do not give their required approvals;
- a law or court order permanently prohibits the merger;
- there is a material breach by the other party of its representations and warranties or covenants and obligations in the merger agreement which is not cured, except for breaches which do not have a material adverse effect on the other party or its ability to complete the merger; or
- neither Fair, Isaac's nor HNC's counsel is able to deliver the opinion that consummation of the merger will not have certain adverse effects on the tax-treatment of the spin-off of a former subsidiary of HNC from HNC in September 2000.

In addition, HNC can terminate the merger agreement if the Fair, Isaac board withdraws or amends or modifies in a manner adverse to HNC its recommendation of the Fair, Isaac common stock issuance to its stockholders in connection with the merger, and Fair, Isaac can terminate the merger agreement if the HNC board withdraws or amends or modifies in a manner adverse to Fair, Isaac its recommendation of the merger agreement and the merger to its stockholders.

Fair, Isaac can also terminate the merger agreement if HNC breaches its obligations not to solicit acquisition proposals or to call and hold an HNC stockholders meeting to consider and vote on the merger, if HNC approves or recommends an acquisition proposal made to HNC by a third party or if HNC's board fails to recommend rejection of a tender offer by a third party.

Finally, the boards of Fair, Isaac and HNC can mutually agree to terminate the merger agreement even if the merger has been approved by their stockholders.

Fees May Be Payable On Termination
(see page 84)

HNC must pay Fair, Isaac a termination fee of $25 million in cash if the merger agreement is terminated in any of the following circumstances:

- a third party publicly proposes an alternative acquisition transaction, either party terminates the merger agreement based on the failure of HNC stockholders to approve the merger, and HNC enters into and completes an alternative

acquisition transaction within specified time periods;

- a third party publicly proposes an alternative acquisition transaction, HNC willfully and materially breaches the merger agreement, Fair, Isaac terminates the merger agreement due to the material breach, and HNC enters into and completes an alternative acquisition transaction within specified time periods;
- HNC's board withdraws or amends or modifies in a manner adverse to Fair, Isaac its recommendation of the merger, fails to include its recommendation of the merger in this joint proxy statement/prospectus, fails to reaffirm its recommendation upon

Fair, Isaac's request, approves or recommends an alternative acquisition transaction, or fails to recommend rejection of any third party tender or exchange offer, and Fair, Isaac terminates the merger agreement; or

HNC materially breaches the merger agreement by soliciting alternative acquisition proposals or failing to call a stockholders meeting, and Fair, Isaac terminates the merger agreement as a result.

Comparison of Stockholders' Rights
(see page 89)

The rights of HNC stockholders currently are governed by Delaware law, the HNC certificate of incorporation and the HNC bylaws. HNC stockholders will receive Fair, Isaac common stock in the merger, so that after the merger their rights as Fair, Isaac stockholders will be governed by Delaware law, the Fair, Isaac certificate of incorporation and the Fair, Isaac bylaws, which differ in some respects from HNC's certificate of incorporation and bylaws.

SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

How We Prepared the Financial Statements

We derived the following information from the audited financial statements of Fair, Isaac and HNC for the fiscal years 1997 through 2001, the unaudited financial statements of Fair, Isaac for the six months ended March 31, 2002 and 2001, and the unaudited financial statements of HNC for the three months ended March 31, 2002 and 2001. The information is only a summary, and you should read it together with our historical financial statements and related notes contained in the annual reports and other information that we have filed with the SEC and incorporated by reference. See "Where You Can Find More Information" on page 93.

Anticipated Accounting Treatment

The Fair, Isaac unaudited pro forma condensed combined consolidated financial statements give effect to the proposed merger using the purchase method of accounting and have been prepared on the basis of assumptions described in the notes, including assumptions relating to the allocation of the consideration paid. The actual allocation of such consideration may differ materially from the assumptions reflected in the Fair, Isaac unaudited pro forma condensed combined consolidated financial statements after valuations and other procedures to be performed after the closing of the merger are completed.

Merger-Related Expenses

We estimate that merger-related fees and expenses, consisting primarily of SEC and regulatory filing fees, fees and expenses of investment bankers, attorneys and accountants, and financial printing and other related charges, will be approximately $18.6 million. See note (A) on page 72.

Integration-Related Expenses

Though not yet fully quantified, significant costs will be incurred for employee severance and other integration-related expenses, including the elimination of duplicate facilities, operational realignment and workforce reductions. These expenditures are necessary to reduce the costs of ongoing operations and to operate more effectively. These amounts will be charged to operations in the appropriate periods and, therefore, are not reflected in the unaudited pro forma condensed combined consolidated financial statements. See note (A) on page 72.

Periods Covered

The unaudited pro forma condensed combined consolidated statement of operations for the six months ended March 31, 2002 combines Fair, Isaac's and HNC's unaudited results for the six month period ended March 31, 2002. The unaudited pro forma condensed combined consolidated statement of operations for the year ended September 30, 2001 combines Fair, Isaac's audited consolidated statement of operations for the fiscal year ended September 30, 2001 with HNC's unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2001.

The HNC unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2001 reflects the pro forma results as if HNC acquired the Blaze business unit from Brokat Technologies, Inc. on January 1, 2001. Blaze was acquired by HNC on August 15, 2001. These results represent revenue and expenses recognized by the predecessor owner of Blaze from January 1, 2001 through August 14, 2001 and are not reflective of actual results subsequent to HNC's acquisition of Blaze.

The unaudited pro forma condensed combined consolidated statement of operations for the six months ended March 31, 2002 includes actual results for Blaze subsequent to the acquisition. These amounts reflect the effects of integrating Blaze, including associated cost-cutting measures.

The unaudited pro forma condensed combined consolidated balance sheet combines the unaudited balance sheets of Fair, Isaac and HNC as of March 31, 2002.

SELECTED HISTORICAL FINANCIAL DATA

Selected Historical Financial Data of Fair, Isaac

The following selected historical consolidated financial data as of March 31, 2002 and 2001, and for the six month periods ended March 31, 2002 and 2001, have been derived from Fair, Isaac's unaudited consolidated financial statements. The unaudited consolidated results of operations data for the six months ended March 31, 2002 and 2001 are not necessarily indicative of the results to be expected for any other interim period or for fiscal year 2002 as a whole. However, in the opinion of Fair, Isaac's management, the interim financial data presented reflect all adjustments, consisting of normal recurring adjustments, necessary for the fair presentation of the financial condition at such dates and the results of operations for such periods. The selected historical consolidated financial data as of September 30, 2001 and 2000, and for each of the years in the three-year period ended September 30, 2001 have been derived from Fair, Isaac's audited consolidated financial statements incorporated by reference in this joint proxy statement/prospectus. The selected historical consolidated financial data as of September 30, 1999, 1998 and 1997 and for the years ended September 30, 1998 and 1997 are derived from Fair, Isaac's audited financial statements that are not incorporated by reference in this joint proxy statement/prospectus. The selected historical per share data reflect Fair, Isaac's 3-for-2 stock split on June 5, 2002. This information is only a summary and you should read it together with Fair, Isaac's historical financial statements and related notes contained in the annual reports and other information that Fair, Isaac has filed with the SEC and incorporated by reference. See "Where You Can Find More Information" on page 93.

	Six Months Ended March 31,		Years Ended September 30,				
	2002	2001	2001	2000	1999	1998	1997
	(thousands of dollars, except per-share amounts)						
Consolidated Statement of Operations Data:							
Revenues	$ 172,111	$ 158,454	$ 329,148	$ 298,630	$ 277,041	$ 245,545	$ 199,009
Income from operations	41,826	30,944	72,107	44,614	46,375	40,432	37,756
Income before income taxes	45,649	33,180	76,853	47,070	50,600	42,105	35,546
Net income	27,732	19,476	46,112	27,631	29,980	24,327	20,686
Earnings per share							
Diluted	$ 0.77	$ 0.58	$ 1.33	$ 0.84	$ 0.93	$ 0.75	$ 0.65
Basic	$ 0.81	$ 0.60	$ 1.40	$ 0.86	$ 0.95	$ 0.79	$ 0.69
Dividends per share	$ 0.03	$ 0.03	$ 0.05	$ 0.05	$ 0.05	$ 0.05	$ 0.05

	At March 31,		At September 30,				
	2002	2001	2001	2000	1999	1998	1997
	(thousands of dollars)						
Consolidated Balance Sheet Data:							
Working capital	$ 173,893	$ 107,497	$ 94,624	$ 100,694	$ 55,885	$ 54,852	$ 47,727

	At March 31,		At September 30,				
Total assets	354,447	257,086	317,013	241,288	210,353	189,614	145,228
Long-term capital lease obligations					364	789	1,183
Stockholders' equity	305,614	216,998	271,772	199,001	156,499	133,451	103,189

Selected Historical Financial Data of HNC

The following selected historical consolidated financial data as of March 31, 2002 and 2001, and for the three month periods ended March 31, 2002 and 2001, have been derived from HNC's unaudited consolidated financial statements that are incorporated by reference in this joint proxy statement/prospectus. The unaudited consolidated results of operations data for the three months ended March 31, 2002 and 2001 are not necessarily indicative of the results to be expected for any other interim period or for fiscal year 2002 as a whole. However, in the opinion of HNC's management, the interim financial data presented reflect all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial condition at such dates and the results of operations for such periods. Except as described in footnote (1) below, the selected historical consolidated financial data as of December 31, 2001 and 2000, and for each of the years in the three-year period ended December 31, 2001 have been derived from HNC's audited consolidated financial statements incorporated by reference in this joint proxy statement/prospectus. Except as described in footnote (1) below, the selected historical consolidated financial data as of December 31, 1999, 1998 and 1997 and for the years ended December 31, 1998 and 1997 are derived from HNC's audited financial statements that are not incorporated by reference in this joint proxy statement/prospectus. During September 2000, HNC completed the spin-off of its former Retek subsidiary. Subsequent to the spin-off, Retek's results of operations and financial condition were not included in HNC's results of operations and financial condition, and consequently the comparability of the data presented below is impacted. The selected historical consolidated financial data give retroactive effect to the acquisitions of Risk Data, Retek and CompReview for all periods presented, as HNC accounted for these acquisitions as poolings of interests. This information is only a summary and you should read it together with HNC's historical consolidated financial statements and related notes contained in the annual reports and other information that HNC has filed with the SEC and incorporated by reference. See "Where You Can Find More Information" on page 93.

	Three Months Ended March 31,		Years Ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
	(in thousands, except per-share amounts)						
Consolidated Statement of Operations Data:							
Total revenues	$ 55,297	$ 53,970	$ 226,670	$ 254,884	$ 216,889	$ 178,608	$ 113,735
Operating income (loss)	(4,969)	(10,186)	(42,523)	(149,741)	(6,784)	21,026	23,040
Net income (loss)	(4,111)	(15,938)	(36,452)	(116,418)	(6,272)	10,452	17,565
Basic net income (loss) per share	$ (0.12)	$ (0.48)	$ (1.06)	$ (4.08)	$ (0.25)	$ 0.41	$ 0.72
Diluted net income (loss) per share	$ (0.12)	$ (0.48)	$ (1.06)	$ (4.08)	$ (0.25)	$ 0.39	$ 0.68
As adjusted net income (loss)(1)	N/A	$ 1,642	$ 3,578	$ (87,120)	$ (1,992)	$ 12,368	N/A
As adjusted basic net income (loss) per share(1)	N/A	$ 0.05	$ 0.10	$ (3.05)	$ (0.08)	$ 0.49	N/A
As adjusted diluted net income (loss) per share(1)	N/A	$ 0.05	$ 0.10	$ (3.05)	$ (0.08)	$ 0.46	N/A
Pro forma net income(2)	N/A	N/A	N/A	N/A	N/A	N/A	15,417
Pro forma basic net income per share(2)	N/A	N/A	N/A	N/A	N/A	N/A	$ 0.64
Pro forma diluted net income per share(2)	N/A	N/A	N/A	N/A	N/A	N/A	$ 0.60
Shares used in computing basic net income (loss) per share, basic as adjusted net income (loss) per share and basic pro forma net income per share	35,549	33,084	34,509	28,529	24,969	25,362	24,275

	Three Months Ended March 31,		Years Ended December 31,				
Shares used in computing diluted net income (loss) per share, diluted as adjusted net income (loss) per share and diluted pro forma net income per share	35,549	33,084	34,509	28,529	24,969	26,650	25,681

	At March 31,		At December 31,				
	2002	2001	2001	2000	1999	1998	1997
			(thousands of dollars)				
Consolidated Balance Sheet Data:							
Cash, cash equivalents and marketable securities available for sale	$ 308,347	$ 162,810	$ 313,725	$ 162,753	$ 234,081	$ 153,340	$ 42,946
Total assets	577,239	426,409	578,026	447,741	416,421	283,914	119,877
Long-term obligations, less current portion	152,298	294	151,684	16,616	104,111	101,039	239
Total stockholders' equity	386,300	397,594	387,819	382,574	249,573	153,021	103,860

(1) As adjusted net income (loss) and net income (loss) per share amounts reflect the exclusion of amortization of goodwill and certain intangible assets, presented to comply with FAS 142 as if this standard had been adopted at the beginning of the respective periods. As adjusted net income (loss) and net income (loss) per share amounts are unaudited for the year ended December 31, 1998 and are not applicable for the year ended December 31, 1997 as there was no amortization of goodwill or intangible assets during that year.

(2) Pro forma net income and net income per share reflect a provision for taxes on the income of CompReview, which prior to HNC's acquisition was a subchapter S corporation, as if CompReview had been liable for corporate income taxes as a C corporation for all periods presented.

11

Selected Unaudited Pro Forma Condensed Combined Consolidated Financial Data

The following selected unaudited pro forma condensed combined consolidated financial data gives effect to the proposed merger between Fair, Isaac and HNC using the purchase method of accounting for business combinations. This information is not necessarily indicative of the historical results that would have occurred had the merger been consummated at the beginning of the earliest period presented or the future results that the combined company will experience after the merger. This data should be read in conjunction with Fair, Isaac's unaudited pro forma condensed combined consolidated financial statements and related notes, which you can find beginning on page 67 of this joint proxy statement/prospectus.

The unaudited pro forma condensed combined consolidated statements of operations data of Fair, Isaac gives effect to the proposed merger as if it had been consummated on October 1, 2000. The unaudited pro forma condensed combined consolidated statement of operations data of Fair, Isaac for the six month period ended March 31, 2002 combines the unaudited consolidated statements of operations of Fair, Isaac and HNC for the six month period ended March 31, 2002. The unaudited pro forma condensed combined consolidated statement of operations data of Fair, Isaac for the fiscal year ended September 30, 2001 combines the audited historical consolidated statement of operations of Fair, Isaac for the fiscal year ended September 30, 2001 with the unaudited pro forma condensed consolidated statement of operations of HNC for the year ended December 31, 2001.

The HNC unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2001 reflects the pro forma results as if HNC acquired Blaze on January 1, 2001. Blaze was acquired by HNC on August 15, 2001. These results represent revenue and expenses recognized by the predecessor owner of Blaze from January 1, 2001 through August 14, 2001 and are not reflective of actual results subsequent to HNC's acquisition of Blaze.

The unaudited pro forma condensed combined consolidated statement of operations for the six months ended March 31, 2002 includes actual results for Blaze subsequent to the acquisition. These amounts reflect the effects of integrating Blaze including associated cost-cutting measures.

The unaudited pro forma condensed combined consolidated balance sheet data of Fair, Isaac gives effect to the proposed merger as if it had occurred on March 31, 2002, and combines the unaudited historical consolidated balance sheets of Fair, Isaac and HNC as of March 31, 2002.

The pro forma data is based on an exchange ratio for the merger of 0.519 of a share of Fair, Isaac common stock for each share of HNC common stock. The pro forma and per share data reflect Fair, Isaac's 3-for-2 stock split on June 5, 2002.

There can be no assurance that Fair, Isaac and HNC will not incur charges in excess of those included in the pro forma total consideration related to the merger or that Fair, Isaac management will be successful in its effort to integrate the operations of the companies. See "Risk Factors" beginning on page 17.

The assumptions used in the following pro forma statements were determined as of June 13, 2002.

	Six Months Ended March 31, 2002	Year Ended September 30, 2001
	(thousands of dollars, except per-share amounts)	
Pro Forma Condensed Combined Consolidated Statement of Operations Data:		
Revenue	$ 281,959	$ 573,175
Income before income taxes	38,690	47,457
Provision for income taxes	15,863	19,457
Net income	22,827	28,000
Earnings per share		
Diluted	$ 0.39	$ 0.52
Basic	$ 0.43	$ 0.55
Dividends per share	$ 0.03	$ 0.05

	At March 31, 2002
	(thousands of dollars)
Pro Forma Condensed Combined Consolidated Balance Sheet Data:	
Working capital	$ 447,367
Total assets	1,378,406
Long-term obligations, less current portion	157,070
Stockholders' equity	1,122,630

Comparative Per Share Data

Set forth below are the net income (loss), cash dividends and book value per common share data separately for Fair, Isaac and HNC on a historical basis, for Fair, Isaac and HNC on a pro forma combined basis per Fair, Isaac common share and on a pro forma combined basis per HNC equivalent share. The following selected unaudited pro forma data gives effect to the proposed merger between Fair, Isaac and HNC using the purchase method of accounting for the business combination as described under "Unaudited Pro Forma Condensed Combined Consolidated Financial Statements" beginning on page 67. You should not rely on the selected unaudited pro forma condensed combined consolidated financial data being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience after the merger.

The pro forma data is based on an exchange ratio for the merger of 0.519 of a share of Fair, Isaac common stock for each share of HNC common stock. The Fair, Isaac historical and pro forma per share data reflect Fair, Isaac's 3-for-2 stock split on June 5, 2002.

The historical book value per share information presented is computed by dividing total stockholders' equity for each of Fair, Isaac or HNC by the number of shares of Fair, Isaac or HNC common stock, respectively, outstanding as of the respective balance sheet date.

The pro forma combined net income per share information is computed by dividing the pro forma combined net income by the sum of Fair, Isaac's weighted average common shares outstanding during each period and the number of shares of Fair, Isaac common stock to be issued in connection with the proposed merger, assuming Fair, Isaac had merged with HNC on October 1, 2000. The pro forma combined net income per equivalent HNC common share information is computed by multiplying Fair, Isaac's combined pro forma net income per share amounts by the exchange ratio of 0.519.

The pro forma combined book value per Fair, Isaac share is computed by dividing total pro forma stockholders' equity by the pro forma number of shares of Fair, Isaac common stock outstanding at March 31, 2002, assuming the merger had occurred on that date. Pro forma combined book value per equivalent HNC common share is computed by multiplying Fair, Isaac's pro forma combined book value per share by the exchange ratio of 0.519.

You should read the information below together with our historical financial statements and related notes contained in the annual reports and other information that we have filed with the SEC and incorporated by reference. See "Where You Can Find More Information" on page 93.

	Six Months Ended March 31, 2002	Fiscal Year Ended September 30, 2001
Fair, Isaac historical per common share data:		
Net income diluted	$ 0.77	$ 1.33
Net income basic	0.81	1.40
Cash dividends	0.03	0.05
Book value at end of period	8.84	8.00
Fair, Isaac pro forma combined per Fair, Isaac common share data(1):		
Net income diluted	$ 0.39	$ 0.52
Net income basic	0.43	0.55
Cash dividends	0.03	0.05
Book value at end of period	21.15	N/A
Fair, Isaac pro forma combined per HNC equivalent common share data(1):		
Net income diluted	$ 0.20	$ 0.27
Net income basic	0.22	0.29
Cash dividends	0.01	0.03
Book value at end of period	10.97	N/A

	Three Months Ended March 31, 2002	Fiscal Year Ended December 31, 2001
HNC historical per common share data:		
Net loss diluted	$ (0.12)	$ (1.06)
Net loss basic	(0.12)	(1.06)
Cash dividends		
Book value at end of period	10.83	10.95

(1)
Due to different fiscal year-ends, financial information for Fair, Isaac for the year ended September 30, 2001 has been combined with financial information relating to HNC for the year ended December 31, 2001.

Historical and Pro Forma Per Share Market Price Information

Fair, Isaac common stock is traded on the New York Stock Exchange under the symbol "FIC." HNC common stock is traded on the Nasdaq National Market under the symbol "HNCS."

We present below the per share closing market price as reported on the Nasdaq National Market and the New York Stock Exchange for shares of HNC common stock and Fair, Isaac common stock, respectively. We present this information as of April 26, 2002, the last trading day before the public announcement of the signing of the merger agreement, and as of June 13, 2002, the latest practicable date prior to the printing of this joint proxy statement/prospectus.

We also present the implied equivalent per share value for shares of HNC common stock, which is the Fair, Isaac common stock price multiplied by the merger exchange ratio based upon the closing price of Fair, Isaac's common stock on April 26, 2002 and June 13, 2002, respectively.

We urge you to obtain current market quotations for HNC common stock and Fair, Isaac common stock before voting on the proposal described in this document.

	Fair, Isaac	HNC	Exchange Ratio(1)	HNC Equivalent Value
April 26, 2002	$ 64.09	$ 17.44	0.346	$ 22.18
June 13, 2002	$ 35.00	$ 17.86	0.519	$ 18.17

(1)
Prior to Fair, Isaac's 3-for-2 stock split on June 5, 2002, the exchange ratio was 0.346. Following the stock split, the exchange ratio has been adjusted to 0.519.

RISK FACTORS

The proposed merger involves risk. By voting in favor of the merger, current HNC stockholders will be choosing to invest in Fair, Isaac common stock. By voting in favor of the issuance of Fair, Isaac common stock in connection with the merger, current Fair, Isaac stockholders will face dilution of their ownership interest in Fair, Isaac and Fair, Isaac's assumption of risks associated with HNC's liabilities, including its contingent liabilities. An investment in Fair, Isaac common stock involves risk. You should consider all of the information that we have included in this joint proxy statement/prospectus and its annexes, and all of the information in the documents we have incorporated by reference, including the other risks described in HNC's report on Form 10-Q filed with the SEC on May 9, 2002 (pp. 19-29), and in Fair, Isaac's report on Form 10-Q filed with the SEC on May 15, 2002 (pp. 20-25). See "Where you can find more information" on page 93. In addition, you should carefully read and consider the following factors. Additional risks and uncertainties not presently known to Fair, Isaac and HNC or that are not currently believed to be important to you also may adversely affect the merger and Fair, Isaac and HNC as a combined company.

Risk Factors Related to the Merger

The value of the merger consideration that HNC stockholders will receive will depend on the market value of Fair, Isaac common stock at the effective time of the merger.

In the merger, HNC stockholders will receive 0.519 of a share of Fair, Isaac common stock in exchange for each of their shares of HNC common stock. The market value of Fair, Isaac common stock has varied since Fair, Isaac and HNC entered into the merger agreement, and is

likely to continue to vary between the date of this joint proxy statement/prospectus and the effective time of the merger. After the merger, the market value of Fair, Isaac common stock will also change over time. As a result, the value of Fair, Isaac common stock that HNC stockholders will receive in the merger cannot now be determined. This market value may be less than or greater than $18.17 per share of HNC common stock, which is the value of the merger consideration based upon the closing sales price of Fair, Isaac common stock on the NYSE of $35.00 on June 13, 2002, the latest practicable date prior to the printing of this joint proxy statement/prospectus. The market value may be less than the value per share based on the market price of Fair, Isaac common stock on the day before the signing of the merger agreement or the day of the stockholder meetings. If the market value of Fair, Isaac common stock declines prior to the effective time of the merger (including as a result of the pendency of the merger), then the dollar value of the merger consideration to be received by the holders of HNC common stock in the merger will correspondingly decline. There will be no adjustment to the exchange ratio as a result of changes in the market value of either Fair, Isaac or HNC common stock, and the parties do not have a right to terminate the merger agreement based upon changes in the market price of either Fair, Isaac common stock or HNC common stock.

Although Fair, Isaac and HNC expect that the merger will result in benefits to the combined company, the combined company may not realize those benefits because of integration and other challenges.

The failure of the combined company to meet the challenges involved in successfully integrating the operations of Fair, Isaac and HNC or otherwise to realize any of the anticipated benefits of the merger, including anticipated cost savings described in this joint proxy statement/prospectus, could seriously harm the results of operations of the combined company. Realizing the benefits of the merger will depend in part on the integration of the two companies' different products, technologies, operations, and personnel. The integration of the companies is a complex, time-consuming and expensive process that, even with proper planning and implementation, could significantly disrupt the businesses of Fair, Isaac and HNC. In many recent mergers, especially mergers involving technology companies, merger partners have experienced difficulties integrating the combined businesses, and Fair,

---

Isaac has not previously faced an integration challenge as substantial as the one presented by the merger. The challenges involved in this integration include the following:

- persuading employees that the business cultures of Fair, Isaac and HNC are compatible, maintaining employee morale and retaining key employees;
- managing a workforce over expanded geographic locations;
- demonstrating to the customers of Fair, Isaac and to the customers of HNC that the merger will not lower client service standards, interfere with business focus, adversely affect product quality or alter current product development plans;
- consolidating and rationalizing corporate IT and administrative infrastructures;
- combining product offerings;
- coordinating sales and marketing efforts to effectively communicate the capabilities of the combined company to current and prospective customers;
- coordinating and rationalizing research and development activities to enhance introduction of well designed new products and technologies;
- preserving marketing or other important relationships of both Fair, Isaac and HNC and resolving potential conflicts that may arise;
- minimizing the diversion of management attention from other ongoing business concerns; and
- coordinating and combining overseas operations, relationships and facilities, which may be subject to additional constraints imposed by local laws and regulations.

The combined company may not successfully integrate the operations of Fair, Isaac and HNC in a timely manner, or at all. Moreover, the combined company may not realize the anticipated benefits or synergies of the merger to the extent, or in the time frame, anticipated. The anticipated benefits and synergies relate to cost savings associated with anticipated restructurings and other operational efficiencies, greater economies of scale and revenue growth opportunities through expanded markets and cross-sell opportunities. However, these anticipated

benefits and synergies are based on projections and assumptions, not actual experience, and assume a successful integration.

In order to be successful, the combined company must retain and motivate key employees, which will be more difficult in light of uncertainty regarding the merger, and failure to do so could seriously harm the combined company.

The market for highly skilled employees is limited, and the loss of key employees could have a significant negative impact on the combined company's operations. Employee retention may be a particularly challenging issue in connection with the merger. Although the HNC board of directors has designed and adopted a retention program to provide key HNC employees with financial incentives to remain with the company for relatively short time periods after the closing of the merger, there will still be significant risk that the combined company will not be able to retain these HNC employees in the short or long term. Employees of Fair, Isaac or HNC may experience uncertainty about their future role with the combined company, even after strategies with regard to the combined company are announced or executed. This circumstance may hurt the combined company's ability to attract and retain key management, marketing and technical personnel. The combined company also must continue to motivate employees and keep them focused on the strategies and goals of the combined company. This task may be particularly difficult due to the potential distractions of the merger and morale challenges posed by workforce reductions of the combined company anticipated in connection with the merger.

The stock prices and businesses of Fair, Isaac and HNC may be adversely affected if the merger is not completed.

If the merger is not completed, the prices of Fair, Isaac common stock and HNC common stock may decline to the extent that the current market prices of Fair, Isaac common stock and HNC common stock reflect a market assumption that the merger will be completed. In addition, Fair, Isaac's business and HNC's operations may be harmed to the extent that customers, suppliers and others believe that the companies cannot effectively compete in the marketplace without the merger, or otherwise remain uncertain about the companies. Fair, Isaac and HNC also will be required to pay significant costs incurred in connection with the merger, whether or not the merger is completed. Moreover, under specified circumstances, HNC may be required to pay Fair, Isaac a termination fee of $25 million in connection with the termination of the merger agreement.

Charges to earnings resulting from the application of the purchase method of accounting may cause the market value of Fair, Isaac's common stock to decline following the merger.

In accordance with United States generally accepted accounting principles, the combined company will account for the merger using the purchase method of accounting. This method will result in charges to earnings that could cause the market value of the common stock of Fair, Isaac to decline following completion of the merger. Under the purchase method of accounting, the combined company will allocate the total estimated purchase price to HNC's net tangible assets, amortizable intangible assets, intangible assets with indefinite lives and in-process research and development, based on their fair values as of the date of completion of the merger. The combined company will record the excess of the purchase price over those fair values as goodwill. The portion of the estimated purchase price allocated to in-process research and development will be expensed by the combined company in the quarter in which the merger is completed. The preliminary estimate of the amount to be expensed in the quarter in which the merger is completed related to in-process research and development is $39.3 million. The combined company will incur additional depreciation and amortization expense over the useful lives of certain of the net tangible and intangible assets acquired in connection with the merger. Annual amortization of intangible assets, currently estimated at $12.9 million, will result in an estimated increase in amortization expense of $10.8 million on an annual basis, as compared to Fair, Isaac's amortization expense for such items during its most recent fiscal year of $2.1 million. In addition, to the extent the value of goodwill or intangible assets with indefinite lives becomes impaired in the future, the combined company may be required to incur material charges relating to the impairment of those assets. These depreciation, amortization, in-process research and development and potential impairment charges could have a material adverse impact on the combined company's results of operations.

The combined company may incur significant liabilities and restructuring charges resulting from integration of the two companies.

The unaudited pro forma condensed combined consolidated financial statements included in this joint proxy statement/prospectus do not include any adjustments for liabilities resulting from integration planning. Management of Fair, Isaac is in the process of assessing the costs associated with integration and estimates are not yet known. However, liabilities ultimately will be recorded for severance, retention or relocation costs related to HNC employees, costs of vacating some facilities, or other costs associated with ceasing certain activities of HNC. In addition, Fair, Isaac may incur restructuring charges upon completion of the merger or in subsequent quarters for severance or relocation costs related to Fair, Isaac employees, costs of vacating some facilities, or other costs associated with ceasing certain activities of Fair, Isaac. These liabilities and charges may be significant and could seriously harm the combined company's operating results in future periods.

Customer uncertainties related to the merger could adversely affect the businesses and results of operations of Fair, Isaac, HNC and the combined company.

In response to the announcement of the merger or due to ongoing uncertainty about the merger, customers of Fair, Isaac or HNC may delay or defer purchasing decisions or elect to switch to other suppliers. In particular, prospective customers could be reluctant to purchase the combined company's products due to uncertainty about the direction of the combined company's product offerings and the combined company's willingness to support and service existing products. Prospective and current clients may worry about how integration of the two companies' technologies may affect current and future products. To the extent that the merger creates uncertainty among those persons and organizations contemplating product purchases such that one large customer, or a significant group of smaller customers, delays, defers or changes purchases, the results of operations of Fair, Isaac, HNC or the combined company would be seriously harmed. Further, Fair, Isaac and HNC may have to make additional customer assurances and assume additional obligations to address their customers' uncertainty about the direction of the combined company's products and related support offerings. Accordingly, quarterly results of operations of Fair, Isaac, HNC or the combined company could be substantially below expectations of market analysts, decreasing the companies' respective stock prices.

The completion of the merger depends on regulatory approval which, even if granted, may result in unfavorable restrictions or conditions.

The merger is subject to review by the United States Department of Justice or the Federal Trade Commission under the Hart-Scott-Rodino Act. Fair, Isaac and HNC have made their required pre-merger notification filings and are awaiting the expiration or termination of the applicable waiting period, which is a condition to completion of the merger. On June 10, 2002, the staff of the DOJ issued a formal second request for information as part of its review of the merger. We are in the process of responding to this request. The waiting period will be extended until 30 days after Fair, Isaac and HNC comply with the request. Compliance with the DOJ's request could take a significant amount of time and could delay the closing of the merger. In addition, Fair, Isaac and HNC could make other filings with or notifications to, and receive authorizations and approvals of, governmental agencies in certain foreign countries relating to antitrust issues in connection with the merger. Satisfying these regulatory requirements also could delay consummation of the merger. Any such delay could diminish the anticipated benefits of the merger, result in additional transaction costs or loss of revenue, or exacerbate other effects associated with uncertainty about the transaction, including a decline in Fair, Isaac's common stock price.

The reviewing authorities may not permit the merger at all or may impose restrictions or conditions on the merger that may seriously harm the combined company if the merger is completed. These conditions could include a complete or partial license, divestiture, spin-off or the holding separate of assets or businesses. Fair, Isaac or HNC may refuse to complete the merger if restrictions or conditions are required by governmental authorities that would be reasonably likely to have a material adverse effect on the benefits reasonably expected by the combined company as a result of the merger.

Some of the directors and executive officers of HNC have interests and arrangements that could have affected their decision to support or approve the merger.

The interests of some of the directors and executive officers of HNC in the merger and their participation in arrangements that are different from, or are in addition to, those of Fair, Isaac and HNC stockholders generally could have affected their decision to support or approve the merger. These interests include severance arrangements, retention bonuses contingent upon the completion of the merger, and the acceleration of vesting of stock options in connection with the merger. As a result, these directors and officers may be more likely to recommend the proposals relating to the merger

than if they did not have these interests. Please see the section entitled "Interests of Certain Persons in the Merger" beginning on page 64 of this joint proxy statement/prospectus.

The pending merger may prevent Fair, Isaac and HNC from pursuing other potentially beneficial opportunities.

In the merger agreement, both companies agreed to restrict some of their actions while the merger is pending. HNC agreed not to solicit alternative transactions, and agreed in some instances to pay a termination fee of $25 million to Fair, Isaac. HNC also agreed not to, and not to permit any subsidiary to, enter into any merger or restructuring agreements, issue securities other than subject to specified restrictions, or acquire any equity interest or assets of any company or division of a company. Moreover, HNC agreed not to, and not to permit any subsidiary to, liquidate or reorganize, declare a dividend, redeem or repurchase its stock, make capital expenditures beyond budgeted amounts, sell or encumber its material assets or property, incur or guarantee any debt other than in immaterial amounts under existing arrangements, license its

intellectual property other than subject to specified restrictions, enter into related-party transactions or amend any customer contracts. Fair, Isaac agreed generally not to enter into any mergers or related transactions that would require stockholder approval unless the record date for required stockholder approval would be after the completion of the merger with HNC. Additionally, Fair, Isaac agreed that the aggregate number of shares issued in mergers or related transactions would not exceed 19.9% of Fair, Isaac's common stock. These commitments may preclude Fair, Isaac or HNC from pursuing attractive business opportunities, should any arise prior to the completion of the merger or termination of the merger agreement. Please see the section entitled "The Merger Agreement Covenants" beginning on page 76 of this joint proxy statement/prospectus.

The effective tax rate of the combined company is uncertain, and any increase in tax liability would harm the combined company's results.

The impact of the merger on the overall effective tax rate of the combined company is uncertain. Although the combined company will attempt to optimize its overall effective tax rate, it is difficult to predict the effective tax rate of the combined company. The combination of the operations of Fair, Isaac and HNC may result in an overall effective tax rate for the combined company that is higher than Fair, Isaac's currently reported tax rate, and it is possible that the combined effective tax rate of Fair, Isaac and HNC as a combined company may exceed the average of the pre-merger tax rates of Fair, Isaac and HNC.

Some anti-takeover provisions contained in the combined company's certificate of incorporation, bylaws and stockholder rights plan, as well as provisions of Delaware law, could impair a takeover attempt.

After the merger, HNC stockholders will become stockholders of Fair, Isaac. Fair, Isaac, like HNC, has provisions in its certificate of incorporation and bylaws, each of which could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by the company's board of directors. These include provisions:

- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to its common stock;
- limiting the liability of, and providing indemnification to, directors and officers;
- limiting the ability of Fair, Isaac stockholders to call special meetings; and
- requiring advance notice of stockholder proposals for business to be conducted at annual meetings of Fair, Isaac stockholders and for nominations of candidates for election to the Fair, Isaac board of directors.

These provisions, alone or together, could deter or delay hostile takeovers, proxy contests and changes in control or management of Fair, Isaac.

In addition, Fair, Isaac, like HNC, has adopted a stockholder rights plan. The rights are not intended to prevent a takeover of Fair, Isaac. However, the rights may have the effect of rendering more difficult or discouraging an acquisition of Fair, Isaac deemed undesirable by the Fair, Isaac board of directors. The rights will cause substantial dilution to a person or group that attempts to acquire Fair, Isaac on terms or in a manner not approved by the Fair, Isaac board of directors, except pursuant to an offer conditioned upon redemption of the rights.

As a Delaware corporation, Fair, Isaac is also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents some stockholders from engaging in certain business combinations without approval of either Fair, Isaac's board of directors or the holders of two-thirds of Fair, Isaac's outstanding common stock not owned by the stockholders who are engaged in such business combination.

Any provision of Fair, Isaac's certificate of incorporation or bylaws, Fair, Isaac's stockholder rights plan or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for Fair, Isaac stockholders, including former HNC stockholders, to receive a premium for their shares of Fair, Isaac common stock, and could also affect the price that some investors are willing to pay for Fair, Isaac common stock.

Risk Factors Related to Fair, Isaac and the Combined Company

Since the revenues of the combined company will depend, to a great extent, upon general economic conditions and, more particularly, upon conditions in the consumer credit, financial services and insurance industries, a downturn in any of those industries will harm our results of operations.

During fiscal 2001, approximately 87% of the combined company's pro forma revenues were derived from sales of products and services to the consumer credit, financial services and insurance industries. A downturn in the consumer credit, the financial services or the insurance industry, including a downturn caused by increases in interest rates or a tightening of credit, among other factors, could harm the combined company's results of operations. Since 1990, while the rate of account growth in the U.S. bankcard industry has been slowing and many of Fair, Isaac's and HNC's large institutional clients have merged and consolidated, Fair, Isaac has generated most of its revenue growth from its bankcard-related scoring and account management businesses by cross-selling its products and services to large banks and other credit issuers. As this industry continues to consolidate, the combined company may have fewer opportunities for revenue growth due to changing demand for the combined company's products and services that support clients' customer acquisitions programs. In addition, industry consolidation could affect the base of recurring revenues derived from contracts in which the combined company is paid on a per-transaction basis if consolidated customers combine their operations under one contract. We cannot assure you that the combined company will be able to effectively promote future revenue growth in our businesses.

In addition, a softening of demand for the combined company's decisioning solutions caused by a weakening of the economy generally may result in decreased revenues or lower growth rates. Due to the current slowdown in the economy generally, we believe that many of the combined company's existing and potential customers are reassessing or reducing their planned technology investments and deferring purchasing decisions. As a result, there is increased uncertainty with respect to the combined company's expected revenues. Further delays or reductions in business spending for business analytics could seriously harm the combined company's revenues and operating results.

Quarterly revenues and operating results have varied significantly in the past and this unpredictability will likely continue in the future and could lead to substantial declines in the market price for the combined company's common stock.

Both of Fair, Isaac's and HNC's revenues and operating results have varied significantly in the past and in some quarters have resulted in net losses. We expect fluctuations in the combined company's

operating results to continue for the foreseeable future. Consequently, we believe that you should not rely on period-to-period comparisons of financial results 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 the combined company's common stock would likely fall. In addition, with the exception of the cost of ScoreNet® service data purchased by Fair, Isaac, most of the combined company's operating expenses will not be affected by short-term fluctuations in revenues; thus, short-term fluctuations in revenues may significantly impact operating results. Moreover, to the extent that some HNC customers have recently changed from paying license fees on a recurring transactional basis to paying one-time license fees, the combined company's recurring revenues and gross margins for future quarters will decrease. Factors that will affect the combined company's revenues and operating results include the following:

- variability in demand from the combined company's existing customers;
- the lengthy and variable sales cycle of many products;
- consumer dissatisfaction with, or problems caused by, the performance of the combined company's products;
- the relatively large size of orders for the combined company's products and our inability to compensate for unanticipated revenue shortfalls;
- the timing of new product announcements and introductions in comparison with the combined company's competitors;
- the level of the combined company's operating expenses;
- changes in competitive conditions in the consumer credit, financial services and insurance industries;
- fluctuations in domestic and international economic conditions;
- the combined company's ability to complete large installations on schedule and within budget;

acquisition-related expenses and charges; and

timing of orders for and deliveries of software systems.

The combined company will derive a substantial portion of our revenues from a small number of products and services, and our revenue will decline if the market does not continue to accept these products and services.

HNC's Falcon Fraud Manager, Decision Manager for Medical Bill Review and Outsourced Bill Review products and services, and Fair, Isaac's revenues generated from agreements with TransUnion, Equifax and Experian, in the aggregate accounted for approximately 35% of the combined company's pro forma revenues in fiscal year 2001. We expect that some or all of these products and services will continue to account for a substantial portion of the combined company's total revenues for the foreseeable future. Our revenue will decline if the market does not continue to accept these products and services. Factors that might affect the market acceptance of these products and services include the following:

changes in the business analytics industry;

technological change;

our inability to obtain or use state fee schedule or claims data in our insurance products;

saturation of market demand;

loss of key customers;

industry consolidation;

factors that reduce the effectiveness of or need for fraud detection capabilities; and

reduction of the use of credit and other payment cards as payment methods.

The combined company will continue to depend upon major contracts with credit bureaus, and our future revenue could decline if the terms of these relationships change.

The combined company will continue to derive a substantial portion of our revenues from contracts with the three major credit bureaus. These contracts, which normally have a term of five years or less, accounted for approximately 22% of the combined company's pro forma revenues in fiscal 2001. If the combined company is unable to renew any of these contracts on the same or similar terms, our revenues and results of operations would be harmed.

The combined company's revenue growth could decline if any major customer cancels, reduces or delays a purchase of our products.

Most of the combined company's customers are relatively large enterprises, such as banks, insurance companies and telecommunications carriers. The combined company's future success will depend upon the timing and size of future licenses, if any, from these customers and new customers. Many of the combined company's customers and potential customers are significantly larger than we are and may have sufficient bargaining power to demand reduced prices and favorable nonstandard terms. The loss of any major customer, or the delay of significant revenue from these customers, could reduce or delay our recognition of revenue.

The combined company's ability to increase our revenues will depend to some extent upon introducing new products and services, and if the marketplace does not accept these new products and services, the combined company's revenues may decline.

The combined company will have a significant share of the available market in Fair, Isaac's Scoring segment and for certain services in the Strategy Machine segment (specifically, account management services at credit card processors), and in the market for credit card fraud detection software through HNC's Falcon products. To increase the combined company's 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 the combined company's future growth

prospects will rest on our ability to continue to expand into newer markets for our products and services, such as direct marketing, insurance, small business lending, retail, telecommunications, personal credit management, the design of business strategies using Strategy Science technology and internet services. These areas are relatively new to our product development and sales and marketing personnel, and completely new to some personnel integrated as a result of the merger. Products that the combined company plans to market in the future, including products using HNC's Critical Action Platform, are in various stages of development. We cannot assure you that the marketplace will accept these products. If the combined company's current or potential customers are not willing to switch to or adopt our new products and services, our revenues will decrease.

Defects, failures and delays associated with the combined company's introduction of new products could seriously harm our business.

Significant undetected errors or delays in new products or new versions of a product, especially in the area of customer relationship management, may affect market acceptance of the combined company's products and could harm our business, results of operations or financial position. If the combined company were to experience delays in commercializing and introducing new or enhanced products, if customers were to experience significant problems with implementing and installing products, or if customers were dissatisfied with product functionality or performance, our business, results of operations or financial position could be harmed. In the past, HNC has experienced delays while developing and introducing new products and product enhancements, primarily due to difficulties

developing models, acquiring data and adapting to particular operating environments. Errors or defects in the combined company's products that are significant, or are perceived to be significant, could result in the rejection of our products, damage to our reputation, lost revenues, diverted development resources, potential product liability claims and increased service and support costs and warranty claims.

If the combined company fails to keep up with rapidly changing technologies, our products could become less competitive or obsolete.

In our markets, technology changes rapidly, and there are continuous improvements in computer hardware, network operating systems, programming tools, programming languages, operating systems, database technology and the use of the internet. If the combined company fails to enhance our current products and develop new products in response to changes in technology or industry standards, our products could rapidly become less competitive or obsolete. For example, the rapid growth of the internet environment creates new opportunities, risks and uncertainties for businesses, such as ours, which develop software that must also be designed to operate in internet, intranet and other online environments. Our future success will depend, in part, upon our ability to:

- internally develop new and competitive technologies;
- use leading third-party technologies effectively;
- continue to develop our technical expertise;
- anticipate and effectively respond to changing customer needs;
- initiate new product introductions in a way that minimizes the impact of customers delaying purchases of existing products in anticipation of new product releases; and
- influence and respond to emerging industry standards and other technological changes.

New product introductions and pricing strategies by the combined company's competitors could decrease our product sales and market share, or could result in pressure to reduce our product prices in a manner that reduces the combined company's margins.

The combined company may not be able to compete successfully against our competitors and this could impair our ability to sell our products. The market for business analytics is new, rapidly evolving and highly competitive, and the combined company expects competition in this market to persist and intensify. Our competitors vary in size and in the scope of the products and services they offer, and include:

- credit bureaus;
- computer service providers;

regional risk management, marketing, systems integration and data warehousing competitors;

application software companies, including enterprise software vendors;

management information system departments of customers and potential customers, including financial institutions, insurance companies and telecommunications carriers;

third-party professional services and consulting organizations;

internet companies;

hardware suppliers that bundle or develop complementary software;

network and telecommunications switch manufacturers, and service providers that seek to enhance their value-added services;

neural network tool suppliers; and

managed care organizations.

The combined company expects to experience additional competition from other established and emerging companies, as well as from other technologies. For example, HNC's Falcon Fraud Manager and Falcon Fraud Manager for Merchants products compete against other methods of preventing credit card fraud, such as credit card activation programs, credit cards that contain the cardholder's photograph, smart cards and other card authorization techniques. Many of the combined company's anticipated competitors have greater financial, technical, marketing, professional services and other resources than will the combined company. As a result, they may be able to respond more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources than the combined company to develop, promote and sell their products. Many of these companies have extensive customer relationships, including relationships with many of HNC's and Fair, Isaac's current and the combined company's potential customers. Furthermore, new competitors or alliances among competitors may emerge and rapidly gain significant market share. If the combined company is unable to respond as quickly or effectively to changes in customer requirements as our competition, our ability to grow our business and sell our products will be negatively affected.

Our competitors may sell products competitive to ours at lower prices individually or as part of integrated suites of several related products. This may cause our customers to purchase products of our competitors that directly compete with our products in order to acquire other products of the competitor. Price reductions could negatively impact the combined company's margins and results of operations, and could also harm our ability to obtain new long-term contracts and renewals of existing long-term contracts on favorable terms.

Any failure by the combined company to recruit and retain additional qualified personnel could hinder our ability to successfully manage our business.

The combined company's future success will likely depend in large part on our ability to attract and retain experienced sales, research and development, marketing, technical support and management personnel. The complexity of our products requires highly trained customer service and technical support personnel to assist customers with installation and deployment of our products. The labor market for these persons is very competitive due to the limited number of people available with the necessary technical skills and understanding. HNC and Fair, Isaac have each experienced difficulty in recruiting qualified personnel, especially technical and sales personnel and the combined company may need additional staff to support new customers and/or increased customer needs. The combined company may also recruit and employ skilled technical professionals from other countries to work in the United States. Limitations imposed by federal immigration laws and the availability of visas could hinder the combined company's ability to attract necessary qualified personnel and harm the combined company's business and future operating results. There is a risk that even if the combined company invests significant resources in attempting to attract, train and retain qualified personnel, we will not succeed in our efforts, and our business could be harmed.

The combined company will continue to rely upon proprietary technology rights, and if we are unable to protect them, our business could be harmed.

The success of the combined company will depend, in part, upon our proprietary technology and other intellectual property rights. To date, Fair, Isaac and HNC 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. Because the protection of our proprietary technology is

limited, it could be used by others without our consent. In addition, patents may not be issued with respect to the combined company's pending or future patent applications, and our patents may not be upheld as valid or may not prevent the development of competitive products. Any disclosure, loss, invalidity of, or failure to protect, our intellectual property could negatively impact our competitive position, and ultimately, our business. We cannot assure you that the combined company's 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 the combined company's 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.

In addition, HNC has developed technologies under research projects conducted under agreements with various United States government agencies or subcontractors. Although HNC acquired commercial rights to these technologies, the United States government typically retains ownership of intellectual property rights and licenses in the technologies developed by HNC under these contracts, and in some cases can terminate our rights in these technologies if the combined company fails to commercialize them on a timely basis. Under these contracts with the United States government, the results of research may be made public by the government, which could limit the combined company's competitive advantage with respect to future products based on our research.

The combined company may be subject to possible infringement claims that could harm our business.

With recent developments in the law that permit patenting of business methods, we expect that products in the industry segments in which the combined company will compete, including software products, will increasingly be subject to claims of patent infringement as the number of products and competitors in our industry segments grow and the functionality of products overlaps. The combined company will have to defend claims made against either Fair, Isaac's or HNC's products, and such claims may require us to:

- incur significant defense costs or substantial damages;
- cease the use or sale of infringing products;
- expend significant resources to develop or license a substitute non-infringing technology;
- discontinue the use of some technology; or
- obtain a license under the intellectual property rights of the third party claiming infringement, which license may not be available on reasonable terms, or at all. A license, if obtained, might require that we pay substantial royalties or license fees that would reduce our margins.

Security is important to the combined company's 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. Several of the combined company's products are accessed through the internet, including our new consumer services accessible through the *www.myfico.com* website. Consumers using the internet to access their personal information will demand the secure transmission of such data. Security breaches in connection with the delivery of the combined company's products and services, including our netsourced products and consumer services, or well-publicized security breaches affecting the internet in general, could significantly harm the combined company's 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 compromise or breach the technology the combined company will use to protect content and transactions on the networks on which the netsourced products, consumer services and the proprietary information in our databases are accessed or made available.

The combined company may incur risks related to acquisitions or significant investment in businesses.

Both of Fair, Isaac and HNC have made in the past, and the combined company may make in the future, acquisitions of, or significant investments in, businesses that offer complementary products, services and technologies. Fair, Isaac made one acquisition in 2001 and HNC acquired four businesses and product lines in 2001 and three to date in 2002. Any acquisitions or investments will be accompanied by the risks commonly encountered in acquisitions of businesses. Such risks include:

- the possibility that the combined company will pay more than the acquired companies 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 companies' products;
- the potential disruption of our ongoing business;
- the potential dilution of the combined company's existing stockholders and earnings per share;
- unanticipated liabilities, legal risks and costs;
- the distraction of management from our ongoing business; and
- the impairment of relationships with employees and clients as a result of any integration of new management personnel.

These factors could harm the combined company's business, results of operations or financial position, particularly in the event of a significant acquisition.

The combined company may not be able to sustain the revenue growth rates previously experienced by HNC and Fair, Isaac individually.

We cannot assure you that the combined company will experience the same rate of revenue growth as HNC and Fair, Isaac have experienced individually because of the difficulty of maintaining high percentage increases as the base of revenue increases. If the combined company's revenue does not increase at or above the rate analysts expect, the trading price for the combined company's common stock may decline.

If the combined company's products do not comply with government regulations that apply to the combined company or to our customers, we could be exposed to liability or our products could become obsolete.

Legislation and governmental regulation inform how our business is conducted. Both our core businesses and Fair, Isaac's newer consumer initiatives are affected by regulation. Significant regulatory areas include:

- federal and state regulation of consumer report data and consumer reporting agencies, such as the Fair Credit Reporting Act, or FCRA;
- regulation designed to insure that lending practices are fair and non-discriminatory, such as the Equal Credit Opportunity Act;
- privacy law, such as provisions of the Financial Services Modernization Act of 1999;
- regulations governing the extension of credit to consumers and by Regulation E under the Electronic Fund Transfers Act, as well as non-governmental VISA and MasterCard electronic payment standards;

Fannie Mae and Freddie Mac regulations, among others, for conforming loans, for our mortgage services products;

insurance regulations related to our insurance products; and

consumer protection laws, such as federal and state statutes governing the use of the internet and telemarketing.

In connection with the combined company's core activities, these statutes will continue, to some degree, to directly govern our operations. For example, the Financial Services Modernization Act of 1999 restricts our use and transmittal of nonpublic personal information, grants consumers opt out rights, requires us to make disclosures to consumers about our collection and use of personal information and governs when and how we may deliver credit score explanation services to consumers. Many foreign jurisdictions relevant to the combined company's business will also regulate our operations. For example, the European Union's Privacy Directive creates minimum standards for the protection of personal data. In addition, some EU member states have enacted protections which go beyond the requirements of the Privacy Directive. The combined company will be subject to the risk of possible regulatory enforcement actions if it fails to comply with any of the statutes governing its operations.

Additionally, governmental regulation influences our current and prospective clients' activities, as well as their expectations and needs in relation to our products and services. For example, the combined company's clients include credit bureaus, credit card processors, telecommunications companies, state and federally chartered banks, savings and loan associations, credit unions, consumer finance companies, insurance companies and other consumer lenders, all of which are subject to extensive and complex federal and state regulations, and often international regulations. Moreover, industries of the combined company's future clients may also be subject to extensive regulations. The combined company must appropriately design products and services to function in regulated industries or risk liability to our customers for our products' non-compliance.

Finally, existing regulation and legislation is subject to change or more restrictive interpretation by enforcement agencies, and new restrictive legislation might pass. For example, new legislation might restrict the sharing of information by affiliated entities, mandate providing credit scores to consumers, or narrow the permitted uses of consumer report data. Currently, the permitted uses of consumer report data in connection with customer acquisition efforts are governed primarily by the FCRA, whose federal preemption provisions effectively expire in 2004. Unless extended, this expiration could lead to greater state regulation, increasing the cost of customer acquisition activity. State regulation could cause financial institutions to pursue new strategies, reducing the demand for the combined company's products. In addition, in many states, including California, there have been periodic legislative efforts to reform workers' compensation laws in order to reduce workers' compensation insurance costs and to curb abuses of the workers' compensation system. Simplifying state workers' compensation laws, regulations or fee schedules could diminish the need for, and the benefits provided by, Decision Manager for Medical Bill Review products and Outsourced Bill Review services now offered by HNC. Any changes to existing regulation or legislation, new regulation or legislation, or more restrictive interpretation of existing regulation could harm the combined company's business, results of operations and financial condition.

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

To develop, install and support the combined company's products, including consumer credit, financial services, predictive modeling, decision analysis, intelligence management, credit card fraud control and profitability management, loan underwriting and insurance products, we will require periodic updates of our statistical models. The combined company must develop or obtain a reliable

source of sufficient amounts of current and statistically relevant data to analyze transactions and update our models. In most cases, these data must be periodically updated and refreshed to enable the combined company's products to continue to work effectively in a changing environment. We do not own or control much of the data that we require, most of which are collected privately and maintained in proprietary databases. Generally, our customers agree to provide us the data we require to analyze transactions, report results and build new predictive models. If we fail to maintain good relationships with our customers, or if they decline to provide such data due to legal privacy concerns or a lack of permission from their own customers, we could lose access to required data and our products might become less effective. In addition, HNC's Decision Manager for Medical Bill Review products use data from state workers' compensation fee schedules adopted by state regulatory agencies. Third parties have previously asserted copyright interests in this data. These assertions, if successful, could prevent the combined

company from using the data. Any interruption of our supply of data could seriously harm the combined company's business, financial condition or results of operations.

The combined company's 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 fiscal 2001, approximately 18% of the combined company's pro forma revenues were derived from business outside the United States. As part of the combined company's 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 arising out of international commerce, some of which are beyond our control. These factors include:

- the general economic and political conditions in countries where the combined company will sell our products and services;
- incongruent tax structures;
- difficulty in staffing the combined company's operations in various countries;
- the effects of a variety of foreign laws and regulations;
- import and export licensing requirements;
- longer payment cycles;
- potentially reduced protection for intellectual property rights;
- currency fluctuations;
- changes in tariffs and other trade barriers; and
- difficulties and delays in translating products and related documentation into foreign languages.

We cannot assure you that the combined company will be able to successfully address each of these challenges in the near term.

Additionally, some of the combined company's business will be conducted in currencies other than the U.S. dollar. Foreign currency transaction gains and losses are not currently material to the combined company's financial position, results of operations or cash flows. An increase in the combined company's foreign revenues could subject us to increased foreign currency transaction risks in the future.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Statements contained in this joint proxy statement/prospectus that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. In addition, certain statements in Fair, Isaac's and HNC's future filings with the Securities and Exchange Commission, in press releases, and in oral and written statements made by Fair, Isaac or HNC or with our approval that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenue, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of our plans and objectives by our respective managements or boards of directors, including those relating to the proposed merger, products or services; (iii) statements of future

economic performance of both HNC and Fair, Isaac, either separately or combined; and (iv) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "expects," "intends," "targeted," and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- the possibility that the anticipated benefits from the merger cannot be fully realized;
- the possibility that costs or difficulties related to the integration of our businesses will be greater than expected;
- the impact of competition on revenues and margins;
- the introduction of new technologies and trends in the markets for business analytics;
- the ability of the combined company to develop and successfully market new products;
- the factors discussed in the section entitled "Risk Factors" beginning on page 17; and
- other risk factors as may be detailed from time to time in Fair, Isaac's and HNC's public announcements and filings with the Securities and Exchange Commission.

Forward-looking statements speak only as of the date on which statements are made, and neither Fair, Isaac nor HNC undertakes any obligation to update any forward-looking statement to reflect events or circumstances occurring after the date on which such statement is made.

THE MERGER

General

Fair, Isaac's board of directors is using this joint proxy statement/prospectus to solicit proxies from the holders of Fair, Isaac common stock for use at the Fair, Isaac meeting. HNC's board of directors is also using this joint proxy statement/prospectus to solicit proxies from the holders of HNC common stock for use at the HNC meeting.

Fair, Isaac Proposal

At the Fair, Isaac meeting, holders of Fair, Isaac common stock will be asked to vote upon approval of the proposed issuance of Fair, Isaac common stock in connection with the merger.

HNC Proposal

At the HNC meeting, holders of HNC common stock will be asked to vote upon approval and adoption of the merger agreement and approval of the merger.

Background of the Merger

Fair, Isaac and HNC have been familiar with each other's businesses for many years, as they have provided customers in the financial services sector with solutions that assist these companies in different decision-making processes. In the fall of 1997, executive officers of HNC and Fair, Isaac briefly discussed the possibility of a business combination between the companies, but Fair, Isaac determined that it was not

interested in pursuing such a transaction at that time and the discussions terminated with no further action being taken.

In October 2001, John Mutch, HNC's Chief Executive Officer and President, and Thomas Grudnowski, Fair, Isaac's Chief Executive Officer, met under social circumstances at the invitation of Stephens Inc., an investment banking firm. Messrs. Grudnowski and Mutch discussed aspects of Fair, Isaac's and HNC's businesses, including similarities in the companies' strategic visions, but had no discussions regarding a potential business combination between the companies at that time. Following this meeting, Mr. Grudnowski and representatives of Stephens, on behalf of Fair, Isaac, attempted several times in late 2001 and in January 2002 to arrange a second meeting between Messrs. Grudnowski and Mutch for the purpose of exploring a strategic transaction between the two companies, but no meeting was held at that time.

At a regular meeting of Fair, Isaac's board held on November 16, 2001, Mr. Grudnowski described to the board his meeting with Mr. Mutch. Fair, Isaac's board briefly discussed the strategic benefits of a potential transaction between Fair, Isaac and HNC.

In November 2001, Alex Hart, a member of HNC's board of directors, received a telephone call from the Chief Executive Officer of Company A, a New York Stock Exchange-listed company. Company A's Chief Executive Officer was a prior acquaintance of Mr. Hart's and expressed interest in meeting with Mr. Mutch to discuss strategic business opportunities between Company A and HNC, potentially including a business combination. Mr. Hart mentioned this conversation to Mr. Mutch, who later called the Chief Executive Officer of Company A and engaged in a general discussion of potential strategic business opportunities for Company A and HNC and the possibility of a later meeting.

At a regular meeting of HNC's board held on December 6, 2001, the board briefly discussed Mr. Mutch's meeting with Mr. Grudnowski and Messrs. Hart's and Mutch's calls with the Chief Executive Officer of Company A and agreed that these communications should be considered further at a previously scheduled regular HNC board meeting to be held on February 1 and 2, 2002.

On January 15, 2002, representatives of Stephens, as part of a meeting to discuss a variety of topics with Summit Partners, an investment firm, met with Thomas Farb, an HNC director associated with Summit Partners. Mr. Farb and the Stephens representatives briefly discussed Stephens' introduction of Messrs. Grudnowski and Mutch, the relative strengths of Fair, Isaac and HNC, the industries served by the two companies and Stephens' views on the merits of a potential business combination between the two companies.

At a regularly scheduled HNC board meeting on February 1 and 2, 2002, HNC's board met with members of HNC's senior management team, including Mr. Mutch, Kenneth J. Saunders, HNC's Chief Financial Officer, and Mary Burnside, HNC's Chief Operating Officer. The members of HNC's management reported on management's analysis of HNC's 2001 performance and management's expectations for fiscal 2002, and discussed with the board current business conditions in HNC's markets. At this meeting, HNC's board and management also discussed the status of HNC's current operating strategy and potential alternative future strategic directions for HNC, which included continuing HNC's past business model of operating independently and making selective strategic acquisitions, consummating a large, transformational acquisition of another business, adjusting the company's strategy or pursuing a potential business combination.

Following these discussions, HNC's board determined that, although HNC's independent growth strategy continued to be viable, the current economic environment increased the risks associated with this strategy. Accordingly, the board concluded that HNC should explore the possibility of a strategic business combination with a company possessing complementary strengths and products. The board appointed directors Hart and David Chen to a new Finance Committee of the board to work with Mr. Mutch to investigate the viability of a potential business combination. The board also authorized the Finance Committee to take steps to engage an appropriate investment banking firm to serve as HNC's financial advisor in these efforts, subject to board approval. To avoid potential disruption of HNC's management team that might arise from exploration of a possible business combination, the board also directed the members of its Compensation Committee to propose appropriate employment terms designed to create incentives for certain key executive officers of HNC to continue their employment with HNC during the pendency of business combination discussions and for certain time periods following completion of a business combination.

At this same meeting, HNC's board also continued its prior consideration of adoption of a stockholder rights plan. HNC had previously engaged Goldman, Sachs & Co. to assist the board in evaluating the advisability of a stockholder rights plan and, at its October 19, 2001 meeting, the board had reviewed a proposed stockholder rights agreement with advice from Goldman, Sachs and HNC's legal counsel, Fenwick & West LLP. At its February 1 and 2 meeting, the board directed HNC's management to continue to work with Fenwick & West and Goldman Sachs as necessary to enable the board to be in a position to consider adoption of a stockholder rights plan in the near future. Following this meeting, members of HNC's board of directors held discussions with Fenwick & West LLP about the role of the board of directors in considering a potential business combination, and the process and potential legal considerations that would likely be involved.

On February 5, 2002, Messrs. Mutch and Hart met with representatives of Credit Suisse First Boston to discuss Credit Suisse First Boston's qualifications to act as HNC's financial advisor in connection with its exploration of a potential business combination. At the meeting, Credit

Suisse First Boston's representatives also discussed potential business combination partners, including Fair, Isaac and Company A, and a process for evaluating them. Credit Suisse First Boston was, with the approval of HNC's board, subsequently engaged as HNC's financial advisor in connection with a potential business combination.

At a regularly scheduled Fair, Isaac board meeting held on February 5, 2002, Mr. Grudnowski reported on Fair, Isaac management's interest in exploring the possibility of a business combination

with HNC, noting in particular that the two companies had a large number of common customers and complementary product offerings. The Fair, Isaac board authorized management to investigate a possible transaction with HNC. Subsequently, Fair, Isaac engaged both Stephens Inc. and Salomon Smith Barney Inc. to act as Fair, Isaac's financial advisors in connection with its discussions with HNC.

During the remainder of February 2002, HNC's Finance Committee members held periodic discussions among themselves and with Credit Suisse First Boston to coordinate their discussions with Fair, Isaac, Company A and other parties, and their efforts to identify and contact potentially synergistic business combination partners. In addition, the Compensation Committee of HNC's board began work on establishing the framework of an incentive plan for HNC's key executive officers as previously directed by the board, and in connection with this effort Messrs. Hart and Chen spoke in general terms with HNC's financial advisor regarding compensation and retention arrangements for executives in certain business combination transactions.

On February 20, 2002, Mr. Grudnowski contacted Mr. Mutch and indicated Fair, Isaac's interest in discussing a business combination with HNC. Messrs. Grudnowski and Mutch agreed to meet to review their respective businesses and analyze potential business synergies that might be realized in a combination.

On February 22, 2002, HNC's directors met informally to discuss the status of the efforts of the Finance Committee and the Compensation Committee and the possibility of future contacts and discussions with Fair, Isaac, Company A and other parties.

On February 26, 2002, HNC's board held a special meeting to continue its consideration of the adoption of a stockholder rights plan and received presentations on this subject from representatives of Fenwick & West and Goldman, Sachs. At this meeting, HNC's board adopted a stockholder rights plan and on March 6, 2002 HNC executed a rights agreement to implement its stockholder rights plan and issued a press release announcing HNC's adoption of the rights plan.

On February 27, 2002, HNC's Compensation Committee, consisting of directors Hart, Ed Chandler and Louis Simpson, met to consider HNC's annual compensation review for its executive officers, and to approve compensation changes and new stock option grants to those officers in connection with this review. At that meeting, the Compensation Committee also discussed the retention and incentive arrangements it was developing at the direction of HNC's board.

On March 3, 2002, Mr. Mutch, together with representatives of HNC's financial advisor, met with Mr. Grudnowski of Fair, Isaac and a representative of Stephens to discuss the possibility of a business combination involving the two companies. At the conclusion of the meeting, it was agreed that it would be appropriate for HNC and Fair, Isaac to meet further to discuss their businesses in greater detail. Prior to this meeting, Fair, Isaac and HNC executed a mutual nondisclosure agreement.

Mr. Grudnowski reported on these discussions at a Fair, Isaac board meeting held on March 5, 2002. Representatives of Pillsbury Winthrop and Stephens, Fair, Isaac's respective legal and financial advisors, also attended the meeting. At the meeting, Fair, Isaac's management and representatives of Stephens reviewed HNC's operations, products, financial results, customers and business strategy. Mr. Grudnowski provided an overview of the types of synergies Fair, Isaac's management believed the potential transaction might yield, and outlined the additional information that would be required to evaluate such synergies. The Fair, Isaac board authorized Mr. Grudnowski to continue discussions with HNC, proceed with due diligence and assess the terms under which HNC might merge with Fair, Isaac.

On March 5, 2002, HNC's board of directors met to discuss the status of HNC's efforts to explore business combination opportunities and Mr. Mutch reported on his March 3 meeting with Mr. Grudnowski. At the meeting, the board directed the Finance Committee to request HNC's financial advisor to explore business combination opportunities with selected parties in addition to Fair, Isaac to enable the board to better assess HNC's alternatives. The outside directors (with Mr. Mutch

not in attendance) also separately further discussed the advisability of providing new employment terms for Mr. Mutch and other selected key officers in light of HNC's pending evaluation of a possible business combination.

On March 7, 2002, Messrs. Hart, Chen and Simpson had discussions with representatives of HNC's financial advisor regarding several possible acquisition partners, including not only Fair, Isaac and Company A, but also Company B, a New York Stock Exchange-listed company, and several other companies. Members of the Finance Committee and HNC's financial advisor were instructed to contact these other companies to determine, at a preliminary level, their interest in a potential business combination transaction with HNC. However, other than Company B, none of these other parties indicated interest in pursuing discussions with HNC.

Following its March 3, 2002 meeting with Fair, Isaac, HNC indicated to Fair, Isaac that it was unwilling to proceed with detailed due diligence without a general understanding concerning the terms under which Fair, Isaac would be willing to merge with HNC. The financial advisors to Fair, Isaac and HNC and Messrs. Grudnowski and Mutch then engaged in a series of discussions through March 29, 2002, primarily focused on potential cost synergies associated with the business combination, the valuation of HNC and HNC's representation on the board of the combined company.

On March 15, 2002, the Fair, Isaac board convened a meeting to further consider a possible business combination with HNC. Mr. Grudnowski and a representative of Stephens updated the board concerning the status of discussions with HNC. There was also discussion concerning the potential benefits and risks of a potential business combination with HNC. Stephens presented a preliminary financial analysis of the transaction, including potential cost savings, and management described its plans for its due diligence investigation of HNC. A representative of Pillsbury Winthrop LLP, legal counsel to Fair, Isaac, described future board processes in connection with the board of directors' consideration of the business combination and various legal and regulatory issues that would arise in the course of a transaction with HNC. The Fair, Isaac board authorized Mr. Grudnowski and the other members of Fair, Isaac's management to continue their discussions with HNC regarding the business combination.

On March 15, 2002, Mr. Mutch telephoned an officer of Company B to assess Company B's interest in a prospective business combination with HNC. Company B's representative indicated interest and requested an opportunity to meet with HNC to obtain due diligence information. In addition, between March 15 and March 21, 2002, the Chief Executive Officer of Company A spoke several times with Messrs. Mutch and Hart to express Company A's interest in pursuing acquisition discussions with HNC and to discuss further steps needed to accomplish such a transaction. Following these conversations, HNC executed a mutual nondisclosure agreement with Company A.

An informal telephone meeting of certain HNC board members took place on March 19, 2002, to discuss HNC's first quarter results, the progress of business combination discussions with Fair, Isaac, Company A and Company B and the status of efforts to contact other potential acquisition partners. After Mr. Mutch left the meeting, the participants in this conference also engaged in a discussion regarding the Compensation Committee's efforts to develop new employment terms for certain key officers and a cash retention plan for other selected key HNC employees.

On March 21, 2002, Mr. Grudnowski, Larry Rosenberger, Vice President, Analytics, Research and Development of Fair, Isaac, Mark Pautsch, Vice President and Chief Information Officer of Fair, Isaac and Greg Thompson, Vice President, Strategic Investments of Fair, Isaac, together with a representative of Stephens, met with Mr. Mutch, Mr. Saunders, HNC's Chief Financial Officer, Michael Chiappetta, HNC's Executive Vice President, Analytics, and Joseph Sirosh, HNC's Vice President, Advanced Technology Solutions, to discuss the potential strategic synergies of a business combination of Fair, Isaac and HNC and the business integration of the combined company.

On March 27, 2002, the board of Fair, Isaac convened a meeting to further consider the business combination with HNC. Representatives of Pillsbury Winthrop and Stephens, Fair, Isaac's respective legal and financial advisors, also attended the meeting. Mr. Grudnowski described the March 21 meeting with HNC's management and, on the basis of information provided by HNC at that meeting, Fair, Isaac's management's analysis of potential revenue and cost synergies that could result from a combination with HNC and the challenges of integrating the products and operations of the two companies. Mr. Grudnowski and a representative of Stephens then described the status of discussions concerning the financial and other business terms of a transaction. Management and the directors also discussed the potential risks and benefits of a transaction and the status of Fair, Isaac's due diligence investigation of HNC. The Fair, Isaac board authorized management to continue discussions with HNC.

HNC's board of directors held a regular m