

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended April 30, 1996

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 1-10308

CUC International Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

06-0918165

(I.R.S. Employer Identification No.)

707 Summer Street

Stamford, Connecticut

(Address of principal executive offices)

06901

(Zip Code)

(203) 324-9261

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report.)

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

APPLICABLE ONLY TO ISSUERS INVOLVED
IN BANKRUPTCY PROCEEDINGS DURING
THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
Common Stock, \$.01 par value - 191,537,342 shares as of May 31, 1996

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PART I. FINANCIAL INFORMATION
CUC INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	April 30, 1996	January 31, 1996
Assets	(Unaudited)	
Current Assets		
Cash and cash equivalents	\$286,344	\$269,987
Receivables	305,380	297,842
Prepaid membership materials	42,302	39,061
Prepaid expenses, deferred taxes and other	105,702	100,104
Total Current Assets	739,728	706,994
Membership solicitations in process	61,663	60,713
Deferred membership acquisition costs	278,001	273,102
Contract renewal rights and intangible assets - net of accumulated amortization of \$97,448 and \$92,415	281,545	276,047
Properties, at cost, less accumulated depreciation of \$77,698 and \$73,575	65,491	61,441
Deferred income taxes and other	40,243	36,111
	\$1,466,671	\$1,414,408
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$101,107	\$124,902
Federal and state income taxes payable	12,887	24,943
Total Current Liabilities	113,994	149,845
Deferred membership income, net	523,233	513,219
Zero coupon convertible notes - net of unamortized original issue discount of \$178 and \$588	14,709	14,410
Other	9,164	9,722
Shareholders' Equity		
Common stock-par value \$.01 per share; authorized 400 million shares; issued 194,381,429 shares and 191,820,896 shares	1,944	1,918
Additional paid-in capital	370,389	323,704
Retained earnings	482,657	434,407
Treasury stock, at cost, 3,868,011 shares and 3,410,631 shares	(48,161)	(30,998)
Foreign currency translation	(1,258)	(1,819)
Total Shareholders' Equity	805,571	727,212
	\$1,466,671	\$1,414,408

See notes to condensed consolidated financial statements.

	Three Months Ended April 30,	
	1996	1995
REVENUES		
Membership and service fees and other	\$390,026	\$325,114
Total Revenues	390,026	325,114
EXPENSES		
Operating	105,801	89,186
Marketing	151,962	128,520
General and administrative	54,408	48,709
Interest income, net	(805)	(348)
Total Expenses	311,366	266,067
INCOME BEFORE INCOME TAXES	78,660	59,047
Provision for income taxes	30,410	23,001
NET INCOME	\$48,250	\$36,046
Net Income Per Common Share	\$0.25	\$0.19
Weighted Average Number of Common and Dilutive Common Equivalent Shares Outstanding	196,736	192,371

See notes to condensed consolidated financial statements.

CUC INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	APRIL 30,	
THREE MONTHS ENDED	1996	1995
OPERATING ACTIVITIES:		
Net income	\$48,250	\$36,046
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Membership acquisition costs	(122,372)	(83,874)
Amortization of membership acquisition costs	117,473	97,205
Deferred membership income	9,776	(10,762)
Membership solicitations in process	(950)	(4,659)
Amortization of contract renewal rights and excess cost	5,033	4,503
Deferred income taxes	(2,007)	3,784
Amortization of original issue discount on convertible notes	406	426
Depreciation	4,287	3,765
Changes in working capital items, net of acquisitions:		
Increase in receivables	(7,538)	(13,725)
(Increase) decrease in prepaid membership materials	(3,241)	2,130
Increase in prepaid expenses	(5,598)	(11,323)
Net decrease in accounts payable & accrued expenses and federal & state income taxes payable	(13,235)	(20,746)
Other, net	(1,987)	(2,852)
Net cash provided by (used in) operating activities	28,297	(82)
INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(10,668)	(51,172)
Acquisitions of properties	(7,962)	(7,617)
Net cash used in investing activities	(18,630)	(58,789)
FINANCING ACTIVITIES:		
Issuance of Common Stock	5,463	10,017
Repayments of long-term obligations	1,227	378
Net cash provided by financing activities	6,690	10,395

Net increase (decrease) in cash and cash equivalents	16,357	(48,476)
Cash and cash equivalents at beginning of period	269,987	209,054
Cash and cash equivalents at end of period	\$286,344	\$160,578

See notes to condensed consolidated financial statements.

CUC INTERNATIONAL INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended April 30, 1996 are not necessarily indicative of the results that may be expected for the year ending January 31, 1997. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10-K filing for the year ended January 31, 1996. The condensed consolidated financial statements at April 30, 1996 and for the three months ended April 30, 1996 and 1995 are unaudited, but have been reviewed by independent accountants and their report is included herein. Certain balance sheet amounts were reclassified to conform with the April 30, 1996 presentation.

NOTE 2 -- MERGERS AND ACQUISITIONS

During February 1996, the Company entered into two separate Agreements and Plans of Merger to acquire Davidson & Associates, Inc. ("Davidson") and Sierra On-Line, Inc. ("Sierra") (collectively, the "Software Mergers"). Under the terms of the respective agreements, the Company plans to issue .85 of one share of its common stock, par value \$.01 per share ("Common Stock") for each share of Davidson common stock issued and outstanding and 1.225 shares of its Common Stock for each share of Sierra common stock issued and outstanding, immediately prior to the respective effective dates of the Software Mergers. The consummations of the Software Mergers are subject to certain customary closing conditions, including the approval of the holders of Davidson and Sierra common stock, respectively. Additionally, the Boards of Directors of Davidson and Sierra have the right (but are not required) to terminate the respective merger agreements if the average price per share of the Company's Common Stock in specified periods prior to their respective stockholders' meetings is below \$29. Neither transaction is contingent upon the consummation of the other transaction. The transactions will be accounted for under the pooling-of-interests method of accounting and are expected to be completed during the second quarter of fiscal 1997.

During April 1996, the Company entered into an Agreement and Plan of Merger to acquire Ideon Group, Inc. (the "Ideon Merger"). In the Ideon Merger, each share of Ideon Group, Inc. ("Ideon") common stock outstanding on the effective date of the Ideon Merger will be converted into Common Stock at a value of \$13.50 per share, subject to certain adjustments if the average stock price of a share of Common Stock falls outside of a specified range. The consummation of the Ideon Merger is subject to certain customary closing conditions, including the approval of the holders of Ideon common stock. The Company expects upon closing of the Ideon Merger to reserve for costs to be incurred related to the Ideon Merger, which will include integration and transaction costs as well as costs relating to certain outstanding litigation matters previously discussed in Ideon's public filings. This transaction will be accounted for under the pooling-of-interests method of accounting and is expected to be completed during the second or third quarter of fiscal 1997.

CUC INTERNATIONAL INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

NOTE 3 -- SHAREHOLDERS' EQUITY

Net income per share, assuming the conversions of the zero coupon convertible notes during the three months ended April 30, 1996 occurred at the beginning of such period, would not differ significantly from the Company's actual earnings per share for such period.

NOTE 4 -- INCOME TAXES

The Company's effective tax rate differs from the Federal statutory rate principally because of state income taxes and non-deductible amortization of the excess of cost over net assets acquired.

Independent Accountants' Review Report

Shareholders and Board of Directors
CUC International Inc.

We have reviewed the accompanying condensed consolidated balance sheet of CUC International Inc. as of April 30, 1996, and the related condensed consolidated statements of income and cash flows for the three-month periods ended April 30, 1996 and 1995. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of CUC International Inc. as of January 31, 1996, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, not presented herein, and in our report dated March 19, 1996, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 31, 1996, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

Stamford, Connecticut
May 22, 1996

ITEM 2. CUC INTERNATIONAL INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Three Months Ended April 30, 1996 vs.
Three Months Ended April 30, 1995

The Company's overall membership base continues to grow at a rapid rate (from 36.9 million members at April 30, 1995 to 48 million members at April 30, 1996), which is the largest contributing factor to the 20% increase in revenues (from \$325.1 million for the quarter ended April 30, 1995 to \$390 million for the quarter ended April 30, 1996). While the overall membership base increased by approximately 1.5 million members during the quarter, the average annual fee collected for the Company's membership services increased by 1%. The Company divides its memberships into three categories: individual, wholesale and discount program memberships. Individual memberships consist of members that pay directly for the services and the Company pays for the marketing costs to solicit the member primarily using direct marketing techniques. Wholesale memberships include members that pay directly for the services to their sponsor and the Company does not pay for the marketing costs to solicit the members. Discount program memberships are generally marketed through a direct sales force, participating merchant or general advertising and the related fees are either paid directly by the member or the local retailer. All of these categories share various aspects of the Company's marketing and operating resources.

Compared to the previous year's first quarter, individual, wholesale and discount program memberships grew by 16%, 20% and 61%, respectively, including members which came from acquisitions completed during fiscal 1996 (members resulting from acquisitions being "Acquired Members"). Discount program memberships have incurred the largest increase from Acquired Members, principally from Advance Ross Corporation, acquired in fiscal 1996, which provides local discounts to consumers. For the quarter ended April 30, 1996, individual, wholesale and discount coupon program memberships represented 63%, 14% and 23% of revenues, respectively. The Company maintains a flexible marketing plan so that it is not dependent on any one service for the future growth of the total membership base.

As the Company's services continue to mature, a greater percentage of the total individual membership base is in its renewal years. This results in increased profit margins for the Company due to the significant decrease in certain marketing costs incurred on renewing members. Improved response rates for new members also favorably impact profit margins. As a result, operating income before interest and taxes ("EBIT") increased from \$58.7 million to \$77.9 million, and EBIT margins improved from 18.1% to 20%.

Individual membership usage continues to increase, which contributes to additional service fees and indirectly contributes to the Company's strong renewal rate. Historically, an increase in overall membership usage has had a favorable impact on renewal rates. The Company records its deferred revenue net of estimated cancellations which are anticipated in the Company's marketing programs.

CUC INTERNATIONAL INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (continued)

Three Months Ended April 30, 1996 vs.
Three Months Ended April 30, 1995

Operating costs increased 19% (from \$89.2 million to \$105.8 million). The major components of the Company's operating costs continue to be personnel, telephone, computer processing, participant insurance premiums (the cost of obtaining insurance coverage for members) and travel cash awards. Travel members are entitled to receive cash awards based on travel booked with the Company. For the quarter ended April 30, 1996, these awards represent less than 5% of total operating costs. The increase in overall operating costs is due principally to the variable nature of many of these costs and, therefore, the additional costs incurred to support the growth in the membership base. Historically, the Company has seen a direct correlation between providing a high level of service to its members and improved retention.

Marketing costs decreased as a percentage of revenue (from 40% to 39%). This decrease is primarily due to improved per member acquisition costs and an increase in renewing members. Membership acquisition costs incurred increased 46% (from \$83.9 million to \$122.4 million) as a result of the increased marketing effort which resulted in an increased number of new members acquired. Marketing costs include the amortization of membership acquisition costs and other marketing costs, which primarily consist of membership communications and sales expenses. Amortization of membership acquisition costs increased by 21% (from \$97.2 million to \$117.5 million). Other marketing costs increased by 10% (from \$31.3 million to \$34.5 million). These increases resulted primarily from the costs of servicing a larger membership base. The marketing functions for the Company's consumer services are combined for its various services and, accordingly, there are no significant changes in marketing costs by service.

The Company routinely reviews all renewal rates and has not seen any material change over the last year in the average renewal rate. Renewal rates are calculated by dividing the total number of renewing members not requesting a refund during their renewal year by the total members up for renewal.

General and administrative costs decreased as a percentage of revenue (from 15% to 14%). This is principally the result of the Company's ongoing ability to control overhead. Interest income, net, increased from \$.3 million to \$.8 million primarily due to the reduced level of amortization associated with the Company's zero coupon convertible notes and the net interest income from the increased level of cash generated by the Company for investment.

CUC INTERNATIONAL INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (continued)

Membership Information

The following chart sets forth the approximate number of members and net additions for the respective periods.

Period	Number of Members	Net New Member Additions for the Period
Quarter Ended April 30, 1996	48,015,000	1,535,000
Year Ended January 31, 1996	46,480,000	12,630,000*
Quarter Ended April 30, 1995	36,850,000	3,000,000**
Year Ended January 31, 1995	33,850,000	3,000,000

*Includes approximately 8 million Acquired Members.

**Includes approximately 1.7 million Acquired Members.

The membership acquisition costs incurred applicable to obtaining a new member, for memberships other than coupon book memberships, generally approximate the initial membership fee. Initial membership fees for coupon book memberships generally exceed the membership acquisition costs incurred applicable to obtaining a new member.

Membership cancellations processed by certain of the Company's clients report membership information only on a net basis. Accordingly, the Company does not receive actual numbers of gross additions and gross cancellations for certain types of memberships. In calculating the number of members, the Company has deducted its best estimate of cancellations which may occur during the trial membership periods offered in its marketing programs. Typically these periods range from one to three months.

Liquidity And Capital Resources; Inflation; Seasonality

Funds for the Company's operations and acquisitions have been provided through cash flow from operations. The Company also has a credit agreement, dated March 26, 1996, with certain banks signatory thereto; The Chase Manhattan Bank, N.A., Bank of Montreal, Morgan Guaranty Trust Company of New York and The Sakura Bank, Limited, as Co-Agents; and The Chase Manhattan Bank, N.A., as Administrative Agent (the "Credit Agreement"). The

Credit Agreement provides for a \$500 million revolving credit facility with a variety of different types of loans available thereunder. The Credit Agreement contains certain customary restrictive covenants including, without limitation, financial covenants and restrictions on certain corporate transactions, and also contains various event of default provisions including, without limitation, defaults arising from certain changes in control of the Company. The amount of borrowings available to the Company under the Credit Agreement was \$500 million at April 30, 1996, as there were no borrowings under the Credit Agreement at that date. The Credit Agreement is scheduled to expired March 26, 2001.

CUC INTERNATIONAL INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (continued)

Liquidity And Capital Resources; Inflation; Seasonality
(continued)

The Company invested approximately \$10.7 million in acquisitions, net of cash acquired, during the three months ended April 30, 1996. These acquisitions have been fully integrated into the Company's operations. The Company is not aware of any trends, demands or uncertainties that will have a material effect on the Company's liquidity. The Company anticipates that cash flow from operations and the Credit Agreement will be sufficient to achieve its current long-term objectives.

The Company does not anticipate any material capital expenditures for the next year. Total capital expenditures were \$8 million for the three months ended April 30, 1996.

The Company intends to continue to review potential acquisitions that it believes would enhance the Company's growth and profitability. Any acquisitions paid for in cash will initially be financed through excess cash flow from operations and the Credit Agreement. However, depending on the financing necessary to complete an acquisition, additional funding may be required.

To date, the overall impact of inflation on the Company has not been material. Except for the cash receipts from the sale of coupon book memberships, the Company's business is generally not seasonal. Most cash receipts from these coupon book memberships are received in the fourth quarter and, to a lesser extent, in the first and the third quarters of each fiscal year.

For the three months ended April 30, 1996, the Company's international businesses represented less than 5% of EBIT. Operating in international markets involves dealing with sometimes volatile movements in currency exchange rates. The economic impact of currency exchange rate movements on the Company is complex because it is linked to variability in real growth, inflation, interest rates and other factors. Because the Company operates in a mix of membership services and numerous countries, management believes currency exposures are fairly well diversified. To date, currency exposure has not been a significant competitive factor at the local market operating level. As international operations continue to expand and the number of cross-border transactions increases, the Company intends to continue monitoring its currency exposures closely and take prudent actions as appropriate.

PART II. OTHER INFORMATION

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

Matters as specified in the Company's Proxy Statement dated May 3, 1996, a copy of which has previously been filed with the Securities and Exchange Commission, were considered and approved by the Company's shareholders at the annual shareholders' meeting held on June 5, 1996. The results of such matters are as follows:

Proposal 1: To elect Messrs. T. Barnes Donnelley, Christopher

K. McLeod and Stanley M. Rumbough, Jr. to the Board of Directors of the Company, each for a term to expire at the 1999 Annual Meeting.

Results:	Total Vote For	Total Vote Withheld
T. Barnes Donnelley	161,779,934	487,560
Christopher K. McLeod	161,780,685	486,809
Stanley M. Rumbough, Jr.	161,696,624	570,870

The terms of office as a director of each of Bartlett Burnap, Walter A. Forbes, Stephen A. Greyser, Burton C. Perfit, Robert P. Rittereiser and E. Kirk Shelton continued after the meeting.

Proposal 2: To amend the Company's Restated Certificate of Incorporation to increase the number of shares of Common Stock authorized for issuance.

Results:	For	Against	Abstain
	156,774,873	4,560,166	932,455

Proposal 3: To amend the Company's 1992 Directors Stock Option Plan.

Results:	For	Against	Abstain
	139,888,891	21,179,183	1,199,420

Proposal 4: To amend the Company's 1994 Directors Stock Option Plan.

Results:	For	Against	Abstain
	139,317,819	21,728,586	1,221,089

Proposal 5: To ratify the appointment of Ernst & Young LLP as the Company's Independent Auditors for the fiscal year ending January 31, 1997.

Results:	For	Against	Abstain
	161,874,573	102,457	290,464

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit No.

Description

3.1 Amended and Restated Certificate of Incorporation of the Company, as filed June 5, 1996.

10.1-10.16 Management Contracts, Compensatory Plans and Arrangements

10.1 Form of Employment Contract with E. Kirk Shelton and Christopher K. McLeod, dated February 1, 1987, as amended November 1, 1991 (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1994).*

10.2 Amendment to Employment Contract with E. Kirk Shelton, dated February 1, 1996 (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*

10.3 Amendment to Employment Contract with Christopher K. McLeod, dated February 1, 1996 (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*

10.4 Employment Contract with Walter A. Forbes, dated January 1, 1987, as amended January 1, 1991, January 1, 1993 and October 1, 1993 (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1994) (the "Forbes Employment Agreement").*

10.5 Fourth Amendment to Forbes Employment Agreement, dated as of June 1, 1994 (filed as Exhibit 10.3 to the

Company's Form 10-Q for the period ended July 31, 1994).*

10.6 Agreement with Cosmo Corigliano, dated February 1, 1994 (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995).*

10.7 Amendment to Agreement with Cosmo Corigliano, dated February 21, 1996 (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*

10.8 Agreement with Amy N. Lipton, dated February 1, 1996 (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*

10.9 Form of Employee Stock Option under the 1987 Stock Option Plan (filed as Exhibit 10.6 to the Company's Form 10-Q for the period ended April 30, 1995).*

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (continued)

10.10 Form of Director Stock Option for 1990 and 1992 Directors Stock Options Plans (filed as Exhibit 10.4 to the Company's Annual Report for the fiscal year ended January 31, 1991, as amended December 12, 1991 and December 19, 1991).*

10.11 Form of Director Stock Option for 1994 Directors Stock Option Plan, as amended.

10.12 1987 Stock Option Plan, as amended (filed as Exhibit 10.9 to the Company's Form 10-Q for the period ended April 30, 1995).*

10.13 1990 Directors Stock Option Plan, as amended (filed as Exhibit 10.10 to the Company's Form 10-Q for the period ended April 30, 1995).*

10.14 1992 Directors Stock Option Plan, as amended.

10.15 1994 Directors Stock Option Plan, as amended.

10.16 Restricted Stock Plan and Form of Restricted Stock Plan Agreement (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1991, as amended December 12, 1991 and December 19, 1991).*

10.17 Credit Agreement, dated as of March 26, 1996, among: CUC International Inc.; the Banks signatory thereto; The Chase Manhattan Bank, N.A., Bank of Montreal, Morgan Guaranty Trust Company of New York, and The Sakura Bank, Limited as Co-Agents; and The Chase Manhattan Bank, N.A., as Administrative Agent (filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*

10.18 Agreement and Plan of Merger, dated October 17, 1995, among CUC International Inc., Retreat Acquisition Corporation and Advance Ross Corporation (filed as Exhibit 2 to the Company's Registration Statement on Form S-4, Registration No. 33-64801, filed on December 7, 1995).*

10.19 Agreement and Plan of Merger, dated as of February 19, 1996, by and among Davidson & Associates, Inc., CUC International Inc. and Stealth Acquisition I Corp. (filed as Exhibit 2(a) to the Company's Report on Form 8-K filed March 12, 1996).*

10.20 Agreement and Plan of Merger, dated as of February 19, 1996, by and among Sierra On-Line, Inc., CUC International Inc. and Larry Acquisition Corp.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (continued)

10.21 Agreement and Plan of Merger, dated as of April 19, 1996, by and among Ideon Group, Inc., CUC International Inc. and IG Acquisition Corp. (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*

11. Statement re: Computation of Per Share Earnings (Unaudited)

15. Letter re: Unaudited Interim Financial Information

(b) During the quarter ended April 30, 1996, the Company filed the following Current Reports on Form 8-K:

- (1) Current Report on Form 8-K, filed on February 21, 1996, reporting an Item 5 ("Other Events") event.
- (2) Current Report on Form 8-K, filed on February 22, 1996, reporting an Item 5 ("Other Events") event.
- (3) Current Report on Form 8-K, filed on March 12, 1996, reporting an Item 5 ("Other Events") event.
- (4) Current Report on Form 8-K, filed on April 22, 1996, reporting an Item 5 ("Other Events") event.

*Incorporated by reference

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CUC INTERNATIONAL INC.
(Registrant)

Date: June 14, 1996

By: WALTER A. FORBES
Walter A. Forbes -
Chief Executive Officer
and Chairman of the Board
(Principal Executive Officer)

Date: June 14, 1996

By: COSMO CORIGLIANO
Cosmo Corigliano - Senior Vice
President and Chief Financial
Officer (Principal Financial
and Accounting Officer)

INDEX TO EXHIBITS

Exhibit No.	Description	Page
3.1	Amended and Restated Certificate of Incorporation of the Company, as filed June 5, 1996.	
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10.2	Amendment to Employment Contract with E. Kirk Shelton, dated February 1, 1996 (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*	
10.3	Amendment to Employment Contract with Christopher K. McLeod, dated February 1, 1996 (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*	
10.4	Employment Contract with Walter A. Forbes, dated January 1, 1987, as amended January 1, 1991, January 1, 1993 and October 1, 1993 (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1994) (the "Forbes Employment Agreement").*	
10.5	Fourth Amendment to Forbes Employment Agreement, dated as of June 1, 1994 (filed as Exhibit 10.3 to the Company's Form 10-Q for the period ended July 31, 1994).*	
10.6	Agreement with Cosmo Corigliano, dated February 1, 1994 (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995).*	
10.7	Amendment to Agreement with Cosmo Corigliano, dated February 21, 1996 (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*	
10.8	Agreement with Amy N. Lipton, dated February 1, 1996 (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*	
10.9	Form of Employee Stock Option under the 1987 Stock Option Plan (filed as Exhibit 10.6 to the Company's Form 10-Q for the period ended April 30, 1995).*	

INDEX TO EXHIBITS (continued)

Exhibit No.	Description	Page
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- 10.10 Form of Director Stock Option for 1990 and 1992 Directors Stock Options Plans (filed as Exhibit 10.4 to the Company's Annual Report for the fiscal year ended January 31, 1991, as amended December 12, 1991 and December 19, 1991).*
- 10.11 Form of Director Stock Option for 1994 Directors Stock Option Plan, as amended.
- 10.12 1987 Stock Option Plan, as amended (filed as Exhibit 10.9 to the Company's Form 10-Q for the period ended April 30, 1995).*
- 10.13 1990 Directors Stock Option Plan, as amended (filed as Exhibit 10.10. to the Company's Form 10-Q for the period ended April 30, 1995).*
- 10.14 1992 Directors Stock Option Plan, as amended.
- 10.15 1994 Directors Stock Option Plan, as amended.
- 10.16 Restricted Stock Plan and Form of Restricted Stock Plan Agreement (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1991, as amended December 12, 1991 and December 19, 1991).*
- 10.17 Credit Agreement, dated as of March 26, 1996, among: CUC International Inc.; the Banks signatory thereto; The Chase Manhattan Bank, N.A., Bank of Montreal, Morgan Guaranty Trust Company of New York, and the Sakura Bank, Limited as Co-Agents; and The Chase Manhattan Bank, N.A., as Administrative Agent (filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996).*
- 10.18 Agreement and Plan of Merger, dated October 17, 1995, among CUC International Inc., Retreat Acquisition Corporation and Advance Ross Corporation (filed as Exhibit 2 to the Company's Registration Statement on Form S-4, Registration No. 33-64801, filed on December 7, 1995).*
- 10.19 Agreement and Plan of Merger, dated as of February 19, 1996, by and among Davidson & Associates, Inc., CUC International Inc. and Stealth Acquisition I Corp. (filed as Exhibit 2(a) to the Company's Report on Form 8-K filed March 12, 1996).*
- 10.20 Agreement and Plan of Merger, dated as of February 19, 1996, by and among Sierra On-Line, Inc., CUC International Inc. and Larry Acquisition Corp. (filed as Exhibit 2(b) to the Company's Report on Form 8-K filed March 12, 1996).*

INDEX TO EXHIBITS (continued)

Exhibit No.	Description	Page
10.21	Agreement and Plan of Merger, dated as of April 19, 1996, by and among Ideon Group, Inc., CUC International Inc. and IG Acquisition Corp. (filed as Exhibit 10.21 to the Company's Annual Report on	

Form 10-K for the fiscal year ended
January 31, 1996).*

11. Statement re: Computation of Per Share
Earnings (Unaudited)
15. Letter re: Unaudited Interim Financial
Information

*Incorporated by reference

CUC INTERNATIONAL INC. AND SUBSIDIARIES

EXHIBIT 11 - COMPUTATION OF PER SHARE EARNINGS (UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended April 30,	
	1996	1995
PRIMARY		
Average shares outstanding	185,337	179,431
Net effect of dilutive stock options - based on the treasury stock method using average market price	11,399	12,940
Total	196,736	192,371
Net Income	\$48,250	\$36,046
Net income per common share	\$0.245	\$0.187
FULLY DILUTED		
Average shares outstanding	185,337	179,431
Net effect of dilutive stock options - based on the treasury stock method using the period - end market price, if higher than the average market price	11,722	13,744
Net effect of zero coupon convertible notes - based on the if converted method	2,268	2,660
Total	199,327	195,835
Net Income	\$48,250	\$36,046
Zero Coupon Convertible Notes	249	263
	\$48,499	\$36,309
Net income per common share	\$0.243	\$0.185

CUC INTERNATIONAL INC. AND SUBSIDIARIES

EXHIBIT 15-LETTER RE: UNAUDITED INTERIM FINANCIAL INFORMATION

June 12, 1996

Shareholders and Board of Directors
CUC International Inc.

We are aware of the incorporation by reference in the Registration Statements (Form S-8s: Numbers 33-17247, 33-17248, 33-17249, 33-26875, 33-75682, 33-93322, 33-41823, 33-48175, 33-58896, 33-91656, 333-03241, 33-74068, 33-74066, 33-91658, 333-00475, 333-03237, 33-75684, 33-80834 and 33-93372) of the CUC International Inc. 1985 Non-Qualified Stock Option Plan, the CUC International Inc. 1985 Incentive Stock Option Plan, the CUC International Inc. 1987 Performance Share Stock Option Plan, the CUC International Inc. 1987 Stock Option Plan, the CUC International Inc. 1987 Stock Option Plan as amended, the CUC International Inc. 1987 Stock Option Plan as amended, the CUC International Inc. 1990 Directors' Stock Option Plan, the Entertainment Publications Inc. 1988 Non-Qualified Stock Option Plan, the CUC International Inc. 1992 Bonus and Salary Replacement Stock Option Plan, the CUC International Inc. 1992 Bonus and Salary Replacement Stock Option Plan as amended, the CUC International Inc. 1992 Bonus and Salary Replacement Stock Option Plan as amended, the CUC International Inc. 1992 Directors Stock Option Plan, the CUC International Inc. 1992 Employee Stock Option Plan, the CUC International Inc. 1992 Employee Stock Option Plan as amended, the CUC International Inc. Employee Stock Option Plan as amended, the CUC International Inc. 1994 Employee Stock Purchase Plan, the CUC International Inc. 1994 Employee Stock Option Plan as amended, the CUC International Inc. Savings Incentive Plan, and the CUC International Inc. 1994 Directors Stock Option Plan, respectively and in the Registration Statements (Form S-3s: Numbers 33-30306, 33-47271, 33-58598, 33-63237 and 33-95126) and in the Registration Statement (Form S-4: Number 33-64801) of our report dated May 22, 1996 relating to the unaudited condensed consolidated interim financial statements of CUC International Inc. which are included in its Form 10-Q for the quarter ended April 30, 1996.

Pursuant to Rule 436(c) of the Securities Act of 1933, our report is not a part of the registration statements prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

ERNST & YOUNG LLP

Stamford, Connecticut

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0000723612
CUC INTERNATIONAL INC.
1,000

3-MOS
JAN-31-1997
APR-30-1996
286,344
0
305,380
0
0
739,728
143,189
77,698
1,466,671
113,994
14,709
0
0
1,944
803,627
1,466,671
390,026
390,026
0
312,171
0
0
(805)
78,660
30,410
48,250
0
0
0
48,250
.245
.243

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

CUC INTERNATIONAL INC.

* * * *

The undersigned, E. Kirk Shelton, President, and Robert T. Tucker, Secretary, of CUC International Inc. (the "Corporation"), do hereby certify under seal of the Corporation as follows:

FIRST: The name of the Corporation is CUC INTERNATIONAL INC.

SECOND: The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on August 1, 1974 under the name COMP-U-CARD OF AMERICA, INC.

THIRD: This Amended and Restated Certificate of Incorporation has been duly adopted in accordance with Section 245 of the General Corporation Law of the State of Delaware, by a unanimous written consent of the Board of Directors of the Corporation, and adopted by the stockholders in the manner and by the vote prescribed by Section 242 of the General Corporation Law of the State of Delaware. It restates and integrates the provisions of the Corporation's Certificate of Incorporation as heretofore amended or restated, and further amends paragraph 4 only to provide for the increase in the number of shares which the Corporation shall have authority to issue.

FOURTH: Upon the filing of this Amended and Restated Certificate of Incorporation with the Secretary of State, the Corporation's Certificate of Incorporation, as heretofore amended or restated, shall be amended and restated so as to read in its entirety as follows:

1. The name of the Corporation is CUC INTERNATIONAL INC.

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

3. The nature of the business or purposes to be conducted or promoted is:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of all classes of stock which the Corporation shall have authority to issue is 601,000,000 shares, of which 1,000,000 shall be Preferred Stock, par value \$.01 per share, and 600,000,000 shall be Common Stock, par value \$.01 per share. No stockholder shall have any preemptive right to subscribe to or purchase any additional shares of stock of the Corporation or any securities convertible into any such shares or representing a right or option to purchase any such shares.

The Board of Directors is expressly authorized to adopt, from time to time, a resolution or resolutions providing for the issuance of Preferred Stock in one or more series, to fix the number of shares in each such series (subject to the aggregate limitations thereon in this Article) and to fix the designations and the powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions, of each such series. The authority of the Board of Directors with respect to each such series shall include determination of the following (which may vary as between the different series of Preferred Stock):

(a) The number of shares constituting the shares and the distinctive designation of the series;

(b) The dividend rate on the shares of the series and the extent, if any, to which dividends thereon shall be cumulative;

(c) Whether shares of the series shall be redeemable and, if redeemable, the redemption price payable on redemption thereof, which price may, but need not, vary according to the time or circumstances of such redemption;

(d) The amount or amounts payable upon the shares of the series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation prior to any payment or distribution of the assets of the Corporation to any class or classes of stock of the Corporation ranking junior to the Preferred Stock;

(e) Whether the shares of the series shall be entitled to the benefit of a sinking or retirement fund to be applied to the purchase or redemption of shares of the series and, if so entitled, the amount of such fund and the manner of its application, including the price or prices at which the shares may be redeemed or purchased through the application of such fund;

(f) Whether the shares of the series shall be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation, and, if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

(g) The extent, if any, to which the holders of shares of the series shall be entitled to vote on any question or in any proceedings or to be represented at or to receive notice of any meeting of stockholders of the Corporation;

(h) Whether, and the extent to which, any of the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of any such series may be made dependent upon facts ascertainable outside of the Certificate of Incorporation or of any amendment thereto, or outside the resolution or resolutions providing for the issuance of such series adopted by the Board of Directors, provided that the manner in which such facts shall operate upon the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of such series is clearly and expressly set forth in the resolution or resolutions providing for the issuance of such series adopted by the Board of Directors; and

(i) Any other preferences, privileges and powers and relative, participating, optional or other special rights and qualifications, limitations or restrictions of such series, as the Board of Directors may deem advisable, which shall not affect adversely any other class or series of Preferred Stock at the time outstanding and which shall not be inconsistent with the provisions of this Certificate of Incorporation.

Shares of Common Stock and of Preferred Stock may be issued from time to time as the Board of Directors shall determine and on such terms and for such consideration, not less than par value, as shall be fixed by the Board of Directors. No consent by any series of Preferred Stock shall be required for the issuance of any other series of Preferred Stock unless the Board of Directors in the resolution providing for the issuance of any series of Preferred Stock expressly provides that such consent shall be required.

Subject to the rights, if any, of holders of shares of Preferred Stock from time to time outstanding, dividends may be paid upon the Common Stock as and when declared by the Board of Directors out of any funds legally available therefor.

Except as otherwise provided by law or as otherwise expressly provided in the resolution or resolutions providing for the

issuance of shares of any series of the Preferred Stock, the holders of shares of the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes. Each holder of shares of Common Stock of the Corporation entitled at any time to vote shall have one vote for each share thereof held. Except as otherwise provided with respect to shares of Preferred Stock authorized from time to time by the Board of Directors, the exclusive voting power for all purposes shall be vested in the holders of shares of Common Stock.

5. The Corporation is to have perpetual existence.

6. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

(a) To make, alter, or repeal the By-Laws of the Corporation.

(b) To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation.

(c) To set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

(d) By a majority of the whole Board of Directors, to designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The By-Laws may provide that in the absence or disqualification of a member of a committee, the member at any meeting or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, or in the By-Laws of the Corporation, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the By-Laws of the Corporation; and, unless the resolution or By-Laws expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

(e) When and as authorized by the stockholders in accordance with statute, to sell, lease or exchange all or substantially all of the property and assets of the Corporation, including its goodwill and its corporate franchises, upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property, including shares of stock in, and/or other securities of, any other corporation or corporations, as its Board of Directors shall deem expedient and for the best interests of the Corporation.

7. Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in

value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders of this Corporation, as the case may be, and also on this Corporation.

8. Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation. Elections of directors need not be written ballot unless the By-Laws of the Corporation shall so provide.

9. For the management of the business and for the conduct of the affairs of the Corporation, and in further creation, definition, limitation and regulation of the power of the Corporation and of its directors and of its stockholders, it is further provided:

(a) Election of Directors. Elections of Directors need not be by written ballot unless the By-Laws of the Corporation shall so provide.

(b) Number, Election and Terms of Directors. The number of Directors of the Corporation shall be fixed from time to time by or pursuant to the By-Laws. The Directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the manner specified in the By-Laws, one class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1986, another class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1987, and another class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1988, with the members of each class to hold office until their successors are elected and qualified. At each annual meeting of the stockholders of the Corporation, the successors to the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

(c) Stockholder Nomination of Director Candidates. Advance notice of nominations for the election of Directors, other than by the Board of Directors or a Committee thereof, shall be given in the manner provided in the By-Laws.

(d) Newly Created Directorships and Vacancies. Newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled solely by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors for which the new directorship was created or the vacancy occurred and until such Director's successor shall have become elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

(e) Removal of Directors. Any Director may be removed from office without cause only by the affirmative vote of the holders of 80% of the combined voting power of the then outstanding shares of stock entitled to vote generally in the election of Directors voting together as a single class.

(f) Stockholder Action. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law, special meetings of stockholders of the Corporation may be called only by the

Chairman of the Board, the President or the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors.

(g) By-Law Amendments. The Board of Directors shall have power to make, alter, amend and repeal the By-Laws (except so far as the By-Laws adopted by the stockholders shall otherwise provide). Any By-Laws made by the Directors under the powers conferred hereby may be altered, amended or repealed by the Directors or by the stockholders. Notwithstanding the foregoing and anything contained in this Certificate of Incorporation to the contrary, Sections 1, 2 and 3 of Article II, and Sections 1, 2 and 3 of Article III of the By-Laws shall not be altered, amended or repealed and no provision inconsistent therewith shall be adopted without the affirmative vote of the holders of at least 80% of the voting power of all the shares of the Corporation entitled to vote generally in the election of Directors, voting together as a single class.

(h) Amendment, Repeal. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of all shares of the Corporation entitled to vote generally in the election of Directors, voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with, or repeal, this Article 9 or any provision hereof.

10. (a) Vote Required for Certain Business Combinations.

A. Higher Vote for Certain Business Combinations. In addition to any affirmative vote required by law or this Certificate of Incorporation, and except as otherwise expressly provided herein in:

- (i) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Stockholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or
- (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of \$10 million or more; or
- (iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or series of transactions) of any securities of the Corporation or any subsidiary to any Interested Stockholder or to any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$10 million or more; or
- (iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of any Interested Stockholder or any Affiliate of any Interested Stockholder; or
- (v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of Equity Security (as hereinafter defined) of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class (it being understood that for the purposes of Article 10, each share of the Voting Stock shall have one vote). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. Definition of "Business Combination". The term "Business Combination" used in this Article 10 shall mean any transaction which is referred to in any one or more of clauses (i) through (v) of Paragraph A hereof.

(b) When Higher Vote is Not Required. The provisions of Article 10(a) shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Certificate of Incorporation, if all of the conditions specified in either of the following Paragraphs A and B are met:

A. Approval by Disinterested Directors. The Business Combination shall have been approved by majority of the Disinterested Directors (as hereinafter defined).

B. Price and Procedure Requirements. All of the following conditions shall have been met:

(i) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the higher of the following:

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Common Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the terms of the proposed Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher; and

(b) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (such latter date is referred to in this Paragraph 10 as the "Determination Date"), whichever is higher.

(ii) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any other class of outstanding Voting Stock shall be at least equal to the higher of the following:

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Common Stock acquired by it (1) within the two year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is

higher; and

(b) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher.

(iii) The consideration to be received by holders of Voting Stock shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class of Voting Stock. If the Interested Stockholder has paid for any Voting Stock with varying forms of consideration, the form of consideration for such Voting Stock shall be either cash or the form used to acquire the largest number of shares of such Voting Stock previously acquired by it. The price determined in accordance with paragraphs B(i) and B(ii) of this Article 10(b) shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event.

(iv) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (a) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Disinterested Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors; and (b) such Interested Stockholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(c) Certain Definitions. For the purpose of this

Article 10:

A. A "person" shall mean any individual, firm, corporation or other entity.

B. "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of 5% or more of the voting power of the outstanding Voting Stock; or

(ii) is an Affiliate of the Corporation and at any time within the two year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 5% or more of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

C. A person shall be a "beneficial owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially

owns directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

D. For the purpose of determining whether a person is an Interested Stockholder pursuant to paragraph B of this Article 10(c), the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph C of the Article 10(c) but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

E. "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1985.

F. "Subsidiary" means any corporation of which a majority of any class of Equity Security is owned directly or indirectly, by the Corporation, provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph B of this Article 10(c), the term "Subsidiary" shall mean only a corporation of which a majority of each class of Equity Security is owned, directly or indirectly, by the Corporation.

G. "Disinterested Director" means any member of the Board of Directors who is unaffiliated with the Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

H. "Fair Market Value" means: (i) in the case of stock, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or, if such stock is then listed on an exchange, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composition Tape for the New York Stock Exchange -- Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange or quoted as aforesaid, the fair market value on the date in question of a share of such stock as determined by the Board of Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board of Directors, in good faith.

I. In the event of any Business Combination in which the Corporation survives, the phrase "consideration other than cash to be received" as used in paragraphs B(i) and (ii) of Article 10(b) shall include the shares of Common Stock retained by the holders of such shares.

J. "Equity Security" shall have the meaning ascribed to such term in Section 3(a)(11) of the Securities Exchange Act of 1934, as in effect on January 1, 1985.

(d) Powers of the Board of Directors. A majority of the Directors shall have the power and duty to determine for the purposes of this Article 10 on the basis of information known to them after reasonable inquiry, (A) whether a person is an Interested Stockholder, (B) the number of shares of Common Stock beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another, (D) whether the assets which are the subject of any Business Combination have, or the consideration to be received for an issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, or an issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$10 million or more. A majority of the Directors shall have the further power to interpret all of the terms and provisions of this Article 10.

(e) No Effect on Fiduciary Obligations of Interested Shareholders. Nothing contained in this Article 10 shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

(f) Amendment, Repeal, etc. Notwithstanding any other provisions of this Certificate of Incorporation or the By-Laws (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the By-Laws) the affirmative vote of the holders of 80% or more of the outstanding Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with this Article 10.

11. No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty by such director as a director; provided, however, that this Article 11 shall not eliminate or limit the liability of a director to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article 11 shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

IN WITNESS WHEREOF, we have signed this certificate and caused the corporate seal of the corporation to be hereunto affixed this 5th day of June 1996.

/s/E. Kirk Shelton
E. Kirk Shelton, President

ATTEST:

/s/Robert T. Tucker
Robert T. Tucker, Secretary

Dear (name):

I am pleased to advise you that the Committee (the "Committee") of the Board of Directors of CUC International Inc. (the "Corporation") which administers the Corporation's 1994 Directors Stock Option Plan (the "Plan") on November __, 199_ authorized the granting to you under the Plan of a non-statutory option to purchase 7,500 shares of common stock, \$.01 par value, of the Corporation (the "Common Stock") at a price of \$_____ per share (the "Exercise Price"), which the Committee believes to be the fair market value of the Common Stock on that date.

Terms not defined herein shall have the meaning set forth in the Plan.

1. Your option may be exercised under the following terms:

(a) This option shall not be transferable except by will or the laws of descent and distribution, unless such transfer is permitted by Rule 16b-3 under the Securities Exchange Act of 1934 and the Committee has approved such transferability.

(b) Subject to the provisions of paragraphs (e) through (i) hereof, this option may be exercisable by you as follows:

You may purchase some or all of the Common Stock for which options are herein granted on or after the date hereof.

Your right to exercise this option shall be cumulative.

This option shall expire on the tenth anniversary of the date hereof.

(c) If required by the Corporation, prior to the delivery to you of a certificate or certificates representing the shares of Common Stock purchased by you upon the exercise of the option, you shall have deposited with the Corporation a non-disposition letter (restricting disposition by you of the shares of Common Stock) in form satisfactory to counsel for the Corporation. In no case may you sell the Common Stock purchased by you upon the exercise of this option until at least six months after the date hereof. You acknowledge that, unless the shares of Common Stock received upon exercise of this option shall have been registered under an effective registration statement under the Securities Act of 1933, as amended, such shares will be acquired for investment and not with a view to distribution thereof, and that such shares may not be sold except in compliance with the applicable provisions of such Act.

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(d) In the event of a stock split, stock dividend, recapitalization, reorganization, merger, consolidation, extraordinary dividend, split-up, spin-off, combination, stock repurchase, exchange of shares, warrants or rights offering to purchase stock at a price substantially below fair market value or other similar corporate event affecting the Common Stock, the number and kind of shares subject to this option and the Exercise Price shall be equitably adjusted (including by payment of cash to you) in the discretion of the Committee, as defined in the Plan, in order to preserve the benefits or potential benefits intended to be made available to you under this option. The determination of the Committee as to what adjustments shall be made, and the extent thereof, shall be final. Unless otherwise determined by the Committee, such adjustments shall be subject to the same vesting schedule and restrictions to which this option is subject. No fractional shares of Common

Stock shall be reserved or authorized or made subject to this option by any such adjustment.

(e) In the event that the term of your membership on the Board of Directors expires because you (i) lose an election for a position on the Board of Directors, (ii) resign from the Board of Directors prior to attaining age 65 or (iii) fail to seek election to the Board of Directors for a term commencing prior to your attaining age 62 (in any case, other than on account of death or physical or mental disability), this option shall remain exercisable until the earlier to occur of the expiration of one month after the expiration of your term or the stated expiration date of this option, at which time this option shall expire.

(f) In the event that the term of your membership on the Board of Directors expires because you (i) resign after age 65 or (ii) fail to seek election to the Board of Directors for a term commencing after you attain age 62, this option shall remain exercisable until the earlier to occur of the expiration of five years after the expiration of your term or the stated expiration date of this option, at which time this option shall expire.

(g) In the event that the term of your membership on the Board of Directors expires because you become physically or mentally disabled (unless such expiration is described in paragraph (f) above) or you die, the options granted to you under this letter shall remain exercisable until the earlier to occur of the expiration of one year after the expiration of your term or the stated expiration date of such option, at which time such options shall expire.

(h) In the event that you are removed from the Board of Directors by the shareholders of the Corporation or by the Board of Directors, options granted to you shall expire immediately upon such removal or disqualification.

(3)

(i) In the event you are appointed a "director emeritus" by the Board of Directors, and you cease to be a director emeritus because of physical or mental disability or death, the provisions of paragraph 1(g) shall apply; if you cease to be a director emeritus because of removal by the Board of Directors, the provisions of paragraph 1(h) shall apply; and if you cease to be a director emeritus for any other reason, the provisions of paragraph 1(f) shall apply.

2. You may pay for shares purchased pursuant hereto as follows:

(a) You may pay the Exercise Price per share in cash or by certified check at the time of exercise;

(b) Provided that at the time of exercise Common Stock is publicly traded and quoted regularly in the Wall Street Journal, you may pay for the shares by delivery of already-owned shares of Common Stock owned by you free and clear of any liens, claims, encumbrances or security interests, which Common Stock shall be valued (a) if listed on a national securities exchange, at the average closing price for the ten (10) trading days immediately preceding the date of exercise or (b) otherwise at the average of the closing bid and ask quotations published in the Wall Street Journal for the ten (10) trading days immediately preceding the date of exercise; or

(c) You may pay for the shares by any combination of the methods set forth in (a) and (b) above.

When you wish to exercise your stock option in whole or in part, please refer to the provisions of this letter and correspond in writing with the Secretary of the Corporation. This is not an

incentive stock option under Section 422A of the Internal Revenue Code of 1986, as amended.

Very truly yours,

E. Kirk Shelton
President and Chief Operating Officer

AMENDED THROUGH JUNE 5, 1996

1992 DIRECTORS STOCK OPTION PLAN

OF

CUC INTERNATIONAL INC.

1. PURPOSES OF THE PLAN. This stock option plan (the "Plan") is designed to provide an incentive to directors of CUC International Inc., a Delaware corporation (the "Company").
2. STOCK SUBJECT TO THE PLAN. Options may be granted as provided herein to purchase in the aggregate not more than Four Hundred Fifty Thousand (450,000) shares of Common Stock, \$.01 par value per share, of the Company ("Common Stock"). Each individual who on August 28, 1992 was a director (but not an employee) of the Company was granted on such date options with respect to twenty thousand (20,000) shares of Common Stock (which have been adjusted to forty-five thousand (45,000) to reflect three-for-two stock splits which occurred on April 30, 1993 and June 30, 1995). Each individual who after August 28, 1992 becomes a director (but not an employee) of the Company, on the date of his election to the Board of Directors, shall be granted an option to purchase forty-five thousand (45,000) shares of Common Stock. Such shares may, in the discretion of the Committee, consist either in whole or in part of authorized but unissued shares of Common Stock or shares of Common Stock held in the treasury of the Company. The Company shall at all times during the term of the Plan reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of the Plan. Such options shall be considered "non-qualified stock options," within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"). No director to whom any options are granted hereunder shall be eligible to receive any additional options under the Plan. Subject to the provision of Paragraph 11, any shares subject to an option which for any reason expires, is cancelled or is terminated unexercised as to such shares shall again become available for option under the Plan.
3. ADMINISTRATION OF THE PLAN. The Plan shall be administered by a Committee (the "Committee") consisting of not less than three members of the Board of Directors who are not employees of the Company and who are "disinterested persons" as defined in Rule 16b-3(d) under the Securities Exchange Act of 1934 (the "34 Act"). A majority of the members shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, and any acts approved in writing by all members without a meeting, shall be the acts of the Committee.

Subject to the express provisions of the Plan, the Committee shall have the authority, in its sole discretion, to make all determinations necessary or advisable for administering the Plan; and, with the consent of the optionee, to modify an option, provided such option as modified does not violate the terms of the Plan. The determinations of the Committee on the matters referred to in this Paragraph 3 shall be conclusive.

No member of the Committee shall be liable for anything whatsoever in connection with the administration of the Plan except such member's own willful misconduct. Under no circumstances shall any member of the Committee be liable for any act or omission of any other member of the Committee. In their performance of its functions with respect to the Plan, the Committee shall be entitled to rely upon information and advice furnished by the Company's officers, the Company's accountants, the Company's counsel and any other party the Committee deems necessary and no member of the Committee shall be liable for any action taken or not taken in reliance upon any such advice.

4. EXERCISE PRICE. The exercise price of the shares of Common Stock under each option shall be 100% of the fair market value of the Common Stock on the date of grant. The determination of the Committee shall be conclusive in determining the fair market value of the stock.
5. TERM OF OPTION. The term of each option granted pursuant to the Plan shall be such term as is established by the Committee, in its sole discretion, at the time such option is granted. Options shall be subject to earlier termination as hereinafter provided.
6. EXERCISE OF OPTION. An option or any part or installment thereof shall be exercised by giving written notice to the Company at its principal office (at present 707 Summer Street, Stamford, Connecticut 06901), specifying the number of shares as to which such option is being exercised and accompanied by payment in full of the aggregate exercise price therefor (or the amount due on exercise if the Stock Option Contract permits installment payments) (i) in cash or by certified check, (ii) with previously acquired shares of Common Stock having an aggregate exercise price of all options being exercised, or (iii) any combination thereof.

The Company shall have the right to deduct and withhold from any cash otherwise payable to an optionee, or require that an optionee make arrangements satisfactory to the Company for payment of, such amounts as the Company shall determine for the purpose of satisfying its liability to withhold Federal, state or local income or FICA taxes incurred by reason of the grant or exercise of an option.

Certificates representing the shares purchased shall be issued as promptly as practicable, provided that the Company may postpone issuing certificates for such shares for such time as the Company, in its sole discretion, may deem necessary or desirable in order to enable it to comply with any requirements of the Securities Act of 1933, as amended ("Securities Act"), the 34 Act, any Rules or Regulations of the Securities and Exchange Commission promulgated under either the foregoing acts, the listing requirements of any securities exchange on which the Company's Common Stock may now or hereafter be listed, or any applicable laws of any jurisdiction relating the authorization, issuance or sale of securities. The holder of an option shall not have the rights of a stockholder with respect to the shares covered by his option until the date of issuance of a stock certificate to him for such shares; provided, however, that until such stock certificate is issued, any option holder using previously acquired shares in payment of an option exercise price shall have the rights of a shareholder with respect to such previously acquired shares. In no case may a fraction of a share be purchased or issued under the Plan.

7. TERMINATION OF DIRECTOR'S TERM.

(a) In the event that the term of an optionee's membership on the Board of Directors expires because the optionee (i) loses an election for a position on the Board of Directors, (ii) resigns from the Board of Directors prior to attaining age 65 or (iii) fails to seek election to the Board of Directors for a term commencing prior to his attainment of age 62 (in any case, other than on account of death or physical or mental disability), options granted to such optionee shall remain exercisable until expiration of one month after the expiration of such optionee's term, at which time such options shall expire.

(b) In the event that the term of an optionee's membership on the Board of Directors expires because of the optionee's resignation after age 65 or failure to seek election to the Board of Directors for a term commencing after his attainment of age 62, options granted to such optionee shall remain exercisable until the expiration of five years after the expiration of such optionee's term, at which time such options shall expire.

(c) In the event that the term of an optionee's membership on the Board of Directors expires because of

the optionee's physical or mental disability (unless such expiration is described in subsection (b) hereof) or death, options granted to such optionee shall become immediately exercisable by his executor, administrator or other person at the time entitled by law to his rights under the option and shall remain exercisable until the expiration of one year after the expiration of such optionee's term, at which time such options shall expire.

(d) In the event that an optionee is removed from the Board of Directors by the shareholders of the Company or by the Board of Directors, options granted to such optionee shall expire immediately upon such removal or disqualification.

(e) For the purposes of this Section 7 only, in the case of an optionee who is appointed by the Board of Directors as a "director emeritus" of the Company, the "term" of such optionee's "membership on the Board of Directors" shall not be deemed to terminate or expire until such time as such optionee ceases for any reason to be a director emeritus of the Company. If such optionee ceases to be a director emeritus because of physical or mental disability or death, the provisions of Section 7(c) shall apply; if such optionee ceases to be a director emeritus because of removal by the Board of Directors, the provisions of Section 7(d) shall apply; if such optionee ceases to be a director emeritus for any other reason, the provisions of Section 7(b) shall apply.

8. CHANGE IN CONTROL. In the event of a change in control, as hereinafter defined, options granted under this Plan shall become immediately exercisable, provided that such change in control occurs after the initial vesting of an option grant. A "change in control" shall be deemed to have occurred if (i) a tender offer shall be made and consummated for the ownership of 51% or more of the outstanding voting securities of the Company, (ii) the Company shall be merged or consolidated with another corporation and as a result of such merger or consolidation less than 75% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of the Company, other than affiliates (within the meaning of the 1934 Act) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation, (iii) the Company shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary, or (iv) a person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the 34 Act, shall acquire 25% or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record). For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) (as in effect on the date hereof) pursuant to the 34 Act.

9. STOCK OPTION CONTRACTS. Each option shall be evidenced by an appropriate Stock Option Contract, and shall contain such terms and conditions not inconsistent herewith as may be determined by the Committee, and which shall provide, among other things that in the event of the exercise of such option, unless the shares of Common Stock received upon such exercise shall have been registered under an effective registration statement under the Securities Act, such shares will be acquired for investment and not with a view to distribution thereof, and that such shares may not be sold except in compliance with the applicable provisions of the Securities Act.

10. ADJUSTMENTS UPON CHANGES IN COMMON STOCK. The number and kind of shares reserved for issuance hereunder may be equitably adjusted, in the discretion of the Committee, in the event of a stock split, stock dividend, recapitalization, reorganization, merger, consolidation, extraordinary dividend, split-up, spin-off, combination, stock repurchase, exchange of shares, warrants or rights offering to purchase stock at a price substantially below

fair market value or other similar corporate event affecting the stock, in order to preserve the benefits intended to be made available under the Plan. In the event of any of the foregoing, the number and kind of shares subject to any outstanding option granted pursuant to the Plan and the exercise price of any such option shall be equitably adjusted (including by payment of cash to the holder of such option) in the discretion of the Committee in order to preserve the benefits or potential benefits intended to be made available to the holder of an option granted pursuant to the Plan. The determination of the Committee as to what adjustments shall be made, and the extent thereof, shall be final. Unless otherwise determined by the Committee, such adjustments shall be subject to the same vesting schedule and restrictions to which the underlying option is subject. No fractional shares of Company stock shall be reserved or authorized or made subject to any outstanding option by any such adjustment.

11. AMENDMENTS AND TERMINATION OF THE PLAN. The Plan was adopted by the Board of Directors on August 28, 1992. No options may be granted under the Plan after the tenth anniversary of that date. The Board of Directors, without further approval of the Company's stockholders, may at any time suspend or terminate the Plan, in whole or in part, or amend it from time to time in such respects as it may deem advisable; provided, however, that no amendment shall be effective without the prior or subsequent approval of a majority of the Company's outstanding stock entitled to vote thereon which would (a) except as specified in Paragraph 10, increase the maximum number of shares for which options may be granted under the Plan, (b) otherwise materially increase the benefits to participants under the Plan or (c) materially change the eligibility requirements for individuals entitled to receive options hereunder. No termination, suspension or amendment of the Plan shall, without the consent of the holder of an existing option affected thereby, adversely affect his rights under such option.
12. NON-TRANSFERABILITY OF OPTIONS. No option granted under the Plan shall be transferable otherwise than by will or the laws of descent and distribution, unless such transfer is permitted by Rule 16b-3 under the 34 Act and the Committee approves such transferability, and options may be exercised, during the lifetime of the holder thereof, only by him. Except to the extent provided in Paragraph 7(c), options may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.
13. STOCKHOLDERS' APPROVAL. The Plan shall be subject to approval by a majority of the Company's outstanding stock entitled to vote thereon at the next annual or special meeting of its stockholders to be held to consider such approval and no options granted hereunder may be exercised prior to such approval, provided that the date of grant of any options granted hereunder shall be determined as if the Plan had not been subject to such approval.
14. GOVERNING LAW. The Plan and all rights hereunder shall be construed in accordance with and governed by the internal laws of the State of Delaware.
15. COMPLIANCE WITH RULE 16b-3. All transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the 34 Act, regardless of whether such conditions are set forth in the Plan. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

AMENDED THROUGH JUNE 5, 1996

1994 DIRECTORS STOCK OPTION PLAN

OF

CUC INTERNATIONAL INC.

1. **PURPOSES OF THE PLAN.** The 1994 Directors Stock Option Plan (the "Plan") is designed to attract, retain and provide an incentive to directors of CUC International Inc., a Delaware corporation (the "Company"), who are not employees of the Company, by providing them with an ownership interest in the Company.
2. **STOCK SUBJECT TO THE PLAN.** Options may be granted as provided herein to purchase in the aggregate not more than Two Hundred Twenty-Five Thousand (225,000) shares of Common Stock, \$.01 par value per share, of the Company ("Common Stock"). Options to purchase seven thousand five hundred (7,500) shares of Common Stock (as adjusted to reflect a three-for-two stock split which occurred June 30, 1995 and as it may be adjusted pursuant to Section 10 hereof) shall be automatically granted on November 23 (or the first succeeding business day thereafter on which the Common Stock is traded on the principal securities exchange on which it is listed) of each of 1994, 1995, 1996 and 1997 to each individual who is a director (but not an employee) of the Company on such date. In the event of the expiration of the term of the membership on the Board of Directors of the Company ("Board of Directors") of any individual who is a director (but not an employee) of the Company, because of such individual's physical or mental disability or death, such individual (or his executor, administrator or other person at the time entitled by law thereto) shall automatically be granted, as of the date of the expiration of such individual's term on the Board of Directors all of the options under this Plan which such individual would have been entitled to receive during the remainder of his then current term on the Board of Directors with the exercise thereof subject to the provisions of Paragraph 7(c) hereof. The Common Stock that may be purchased pursuant to options under this Plan by any one individual shall not exceed thirty thousand (30,000) shares of Common Stock (as adjusted to reflect a three-for-two stock split which occurred June 30, 1995 and as it may be adjusted pursuant to Section 10 hereof).

Such shares may, in the discretion of the Committee, consist either in whole or in part of authorized but unissued shares of Common Stock or shares of Common Stock held in the treasury of the Company. The Company shall at all times during the term of the Plan reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of the Plan. Such options shall be considered "non-qualified stock options," within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"). Subject to the provision of Paragraph 11 hereof, any shares subject to an option which for any reason expires, is cancelled or is terminated unexercised as to such shares shall again become available for option under the Plan.

3. **ADMINISTRATION OF THE PLAN.** The Plan shall be administered by a Committee (the "Committee") appointed by the Board of Directors consisting of not less than three (3) members of the Board of Directors who are not employees of the Company and who are "disinterested persons" as defined in Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act"). A majority of the members of the Committee shall constitute a quorum, and the acts of a majority of the members of the Committee present at any meeting at which a quorum is present, and any acts approved in writing by all members of the Committee without a meeting, shall be the acts of the Committee.

Subject to the express provisions of the Plan, the Committee shall have the authority, in its sole

discretion, to make all determinations necessary or advisable for administering the Plan; and, with the consent of the optionee, to modify an option, provided such option as modified does not violate the terms of the Plan. The determinations of the Committee on the matters referred to in this Paragraph 3 shall be conclusive. The Chief Executive Officer and the President of the Company shall be authorized to implement the Plan in accordance with its terms.

No member of the Committee shall be liable for anything whatsoever in connection with the administration of the Plan except such member's own willful misconduct. Under no circumstances shall any member of the Committee be liable for any act or omission of any other member of the Committee. In the performance of its functions with respect to the Plan, the Committee shall be entitled to rely upon information and advice furnished by the Company's officers, the Company's accountants, the Company's counsel and any other party the Committee deems necessary and no member of the Committee shall be liable for any action taken or not taken in reliance upon any such advice.

4. EXERCISE PRICE. The exercise price of the shares of Common Stock under each option shall be 100% of the fair market value of the Common Stock on the date of grant. The determination of the Committee shall be conclusive in determining the fair market value of the Common Stock.
5. TERM OF OPTION. The term of each option granted pursuant to the Plan shall be such term as is established by the Committee, in its sole discretion, at the time such option is granted. Options shall be subject to earlier termination as hereinafter provided.
6. EXERCISE OF OPTION. An option or any part or installment thereof shall be exercised by giving written notice to the Company at its principal office (at present, 707 Summer Street, Stamford, Connecticut 06901), specifying the number of shares of Common Stock as to which such option is being exercised and accompanied by payment in full of the aggregate exercise price therefor (or the amount due on exercise if the Stock Option Contract (as described in Paragraph 9 hereof) permits installment payments) (i) in cash or by certified check, (ii) with previously acquired shares of Common Stock having an aggregate exercise price of all options being exercised, or (iii) any combination thereof.

The Company shall have the right to deduct and withhold from any cash otherwise payable to an optionee, or require that an optionee make arrangements satisfactory to the Company for payment of, such amounts as the Company shall determine for the purpose of satisfying its liability to withhold Federal, state or local income or FICA taxes incurred by reason of the grant or exercise of an option. Certificates representing the shares of Common Stock purchased shall be issued as promptly as practicable, provided that the Company may postpone issuing certificates for such shares for such time as the Company, in its sole discretion, may deem necessary or desirable in order to enable it to comply with any requirements of the Securities Act of 1933, as amended ("Securities Act"), the Exchange Act, any Rules or Regulations of the Securities and Exchange Commission promulgated under either of the foregoing acts, the listing requirements of any securities exchange on which the Company's Common Stock may now or hereafter be listed, or any applicable laws of any jurisdiction relating to the authorization, issuance or sale of securities. The holder of an option shall not have the rights of a stockholder with respect to the shares of Common Stock covered by his option until the date of issuance of a stock certificate to him for such shares; provided, however, that until such stock certificate is issued, any option holder using previously acquired shares of Common Stock in payment of an option exercise price shall have the rights of a shareholder with respect to such previously acquired shares. In no case may a fraction of a share of Common Stock be purchased or issued under the Plan. An optionee receiving options to

purchase Common Stock under the Plan shall not be able to sell the Common Stock underlying such options until at least six (6) months have elapsed from the date such options were granted to such optionee.

7. **TERMINATION OF DIRECTOR'S TERM.** Unless otherwise determined by the Committee, options shall be exercisable following termination of an optionee's term as a director or director emeritus only as indicated below:

(a) In the event that the term of an optionee's membership on the Board of Directors expires because the optionee (i) loses an election for a position on the Board of Directors, (ii) resigns from the Board of Directors prior to attaining age 65, or (iii) fails to seek election to the Board of Directors for a term commencing prior to his attainment of age 62 (in any case, other than on account of death or physical or mental disability), options granted to such optionee shall remain exercisable until the earlier to occur of the expiration of one month after the expiration of such optionee's term or the stated expiration date of such options, at which time such options shall expire.

(b) In the event that the term of an optionee's membership on the Board of Directors expires because of the optionee's resignation after age 65 or failure to seek election to the Board of Directors for a term commencing after his attainment of age 62, options granted to such optionee shall remain exercisable until the earlier to occur of the expiration of five years after the expiration of such optionee's term or the stated expiration date of such options, at which time such options shall expire.

(c) In the event that the term of an optionee's membership on the Board of Directors expires because of the optionee's physical or mental disability (unless such expiration is described in subsection (b) hereof) or death, options granted to such optionee shall remain exercisable by his executor, administrator or other person at the time entitled by law to his rights under the option until the earlier to occur of the expiration of one year after the expiration of such optionee's term or the stated expiration date of such options, at which time such options shall expire.

(d) In the event that an optionee is removed from the Board of Directors by the shareholders of the Company or by the Board of Directors, options granted to such optionee shall expire immediately upon such removal or disqualification.

(e) For the purposes of this Section 7 only, in the case of an optionee who is appointed by the Board of Directors as a director emeritus of the Company, the "term" of such optionee's "membership on the Board of Directors" shall not be deemed to terminate or expire until such time as such optionee ceases for any reason to be a director emeritus of the Company. If such optionee ceases to be a director emeritus because of physical or mental disability or death, the provisions of Section 7(c) shall apply; if such optionee ceases to be a director emeritus because of removal by the Board of Directors, the provisions of Section 7(d) shall apply; if such optionee ceases to be a director emeritus for any other reason, the provisions of Section 7(b) shall apply.

8. **CHANGE IN CONTROL.** In the event of a change in control, as hereinafter defined, each individual who is a director (but not an employee) of the Company on the effective date of such change of control shall automatically be granted, as of such date, all of the options under the Plan which such individual would have been entitled to receive if such individual were a non-employee director on November 23 of each remaining year in which the Plan provides that grants are to be made. A "change in control" shall be deemed to have occurred if (i) a tender offer shall be

made and consummated for the ownership of 51% or more of the outstanding voting securities of the Company, (ii) the Company shall be merged or consolidated with another corporation and as a result of such merger or consolidation less than 75% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former shareholders of the Company, other than affiliates (within the meaning of the Exchange Act) of any party to such merger or consolidation, as the same shall have existed immediately prior to such merger or consolidation, (iii) the Company shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary, or (iv) a person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Exchange Act, shall acquire 25% or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record). For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) (as in effect on the date hereof) pursuant to the Exchange Act.

9. STOCK OPTION CONTRACTS. Each option shall be evidenced by an appropriate Stock Option Contract, and shall contain such terms and conditions not inconsistent herewith as may be determined by the Committee, and which shall provide, among other things, that in the event of the exercise of such option, unless the shares of Common Stock received upon such exercise shall have been registered under an effective registration statement under the Securities Act, such shares will be acquired for investment and not with a view to distribution thereof, and that such shares may not be sold except in compliance with the applicable provisions of the Securities Act.

10. ADJUSTMENTS UPON CHANGES IN COMMON STOCK. The number and kind of shares reserved for issuance hereunder may be equitably adjusted, in the discretion of the Committee, in the event of a stock split, stock dividend, recapitalization, reorganization, merger, consolidation, extraordinary dividend, split-up, spin-off, combination, stock repurchase, exchange of shares, warrants or rights offering to purchase stock at a price substantially below fair market value or other similar corporate event affecting the Common Stock, in order to preserve the benefits intended to be made available under the Plan. In the event of any of the foregoing, the number and kind of shares subject to any outstanding option granted pursuant to the Plan and the exercise price of any such option shall be equitably adjusted (including by payment of cash to the holder of such option) in the discretion of the Committee in order to preserve the benefits or potential benefits intended to be made available to the holder of an option granted pursuant to the Plan. The determination of the Committee as to what adjustments shall be made, and the extent thereof, shall be final. Unless otherwise determined by the Committee, such adjustments shall be subject to the same vesting schedule and restrictions to which the underlying option is subject. No fractional shares of Company stock shall be reserved or authorized or made subject to any outstanding option by any such adjustment.

11. AMENDMENTS AND TERMINATION OF THE PLAN. The Plan was adopted by the Board of Directors on November 23, 1994. No options may be granted under the Plan after the third anniversary of that date. The Board of Directors, without further approval of the Company's stockholders, may at any time suspend or terminate the Plan, in whole or in part, or amend it from time to time in such respects as it may deem advisable; provided, however, that no amendment shall be effective without the prior or subsequent approval of a majority of the Company's outstanding stock entitled to vote thereon which would (a) except as specified in Paragraph 10, increase the maximum number of shares for which options may be granted under the Plan, (b) otherwise materially increase the benefits to participants under the Plan, (c) materially change the eligibility requirements for individuals entitled to receive options hereunder, or (d) materially change the method for determination of the

purchase price to be paid for shares of Common Stock upon the exercise of options granted hereunder; and, provided, further, that the Plan may not be amended more than once every six (6) months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules promulgated thereunder. No termination, suspension or amendment of the Plan shall, without the consent of the holder of an existing option affected thereby, adversely affect his rights under such option.

12. **NON-TRANSFERABILITY OF OPTIONS.** No option granted under the Plan shall be transferable otherwise than by will or the laws of descent and distribution, unless such transfer is permitted by Rule 16b-3 under the Exchange Act and the Committee approves such transferability, and options may be exercised, during the lifetime of the holder thereof, only by him. Except to the extent provided in Paragraph 7(c), options may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.
13. **STOCKHOLDERS' APPROVAL.** The Plan shall be subject to approval by a majority of the Company's outstanding stock entitled to vote thereon at the next annual or special meeting of its stockholders to be held to consider such approval and no options granted hereunder may be exercised prior to such approval, provided that the date of grant of any options granted hereunder shall be determined as if the Plan had not been subject to such approval. In the event such approval is not obtained, any options granted hereunder shall be null and void.
14. **GOVERNING LAW.** The Plan and all rights hereunder shall be construed in accordance with and governed by the internal laws of the State of Delaware.
15. **COMPLIANCE WITH RULE 16b-3.** All transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act, regardless of whether such conditions are set forth in the Plan. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.