

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

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark one)

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

FOR THE FISCAL YEAR ENDED JANUARY 31, 1997

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
 EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 1-10308

CUC International Inc.
 (Exact name of registrant as specified in its charter)

Delaware 06-0918165

(State or other jurisdiction of incorporation or
 organization)

(I.R.S. employer
 identification no.)

707 Summer Street, Stamford, Connecticut

06901

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (203) 324-9261

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, \$.01 Par Value	New York Stock Exchange

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the
 registrant as of March 31, 1997, was \$8,877,880,125. All officers and directors
 of the registrant have been deemed, solely for the purpose of the foregoing
 calculation, to be "affiliates" of the registrant. The number of shares of the
 registrant's Common Stock outstanding, \$.01 par value, as of March 31, 1997 was
 408,461,280 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be mailed to
 stockholders in connection with the registrant's annual shareholders' meeting to
 be held June 11, 1997 ("Proxy Statement") are incorporated by reference into
 Part III hereof.

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PART I

ITEM 1. BUSINESS

THE COMPANY - GENERAL

CUC International Inc. (the "Company") is a leading technology-driven, membership-based consumer services company, providing approximately 66.3 million members with access to a variety of goods and services. The Company provides these services as individual, wholesale or discount program memberships ("memberships") (see "-Types of Memberships"). These memberships include such components as shopping, travel, auto, dining, home improvement, lifestyle, vacation exchange, credit card and checking account enhancement packages, financial products and discount programs. The Company also administers insurance package programs which are generally combined with discount shopping and travel for credit union members, distributes welcoming packages which provide new homeowners with discounts for local merchants, and provides travelers with value-added tax refunds (see "-Membership Services"). The Company believes it is the leading provider of membership-based consumer services of these types in the United States (see "-Competition"). The Company's membership activities are conducted principally through its Comp-U-Card division ("Comp-U-Card") and the Company's wholly-owned subsidiaries, FISIMadison Financial Corporation ("FISI"), Benefit Consultants, Inc. ("BCI"), Interval International Inc. ("Interval"), Entertainment Publications, Inc. ("Entertainment") and SafeCard Services, Inc. ("SafeCard") acquired as part of the Ideon Group, Inc. ("Ideon") acquisitions.

The Company also offers consumer software in various multimedia forms through its recent acquisitions. During fiscal 1997, the Company acquired Davidson & Associates, Inc. ("Davidson"), Sierra On-Line, Inc. ("Sierra") and Knowledge Adventure, Inc. ("KA"). Davidson, Sierra and KA develop, publish, manufacture and distribute high-quality educational, entertainment and personal productivity interactive multimedia products for home and school use. These products incorporate characters, themes, sound, graphics, music and speech in ways that are engaging to the user for multimedia PC's, including CD-ROM-based PC systems, and selected emerging platforms. (see Item 8: "Financial Statements - Note L - Business Segments").

The Company derives its revenues principally from membership fees. Membership fees vary depending upon the particular membership program, and annual fees to consumers generally range from \$6 to \$250 per year. Most of the Company's memberships are for one-year renewable terms, and members are generally entitled to unlimited use during the membership period of the service for which the members have subscribed. Members generally may cancel their memberships and obtain a full refund at any point during the membership term.

The Company arranges with clients, such as financial institutions, retailers, oil companies, credit unions, on-line networks, fundraisers and others, to market certain membership services to such clients' individual account holders and customers. Participating institutions generally receive commissions on initial and renewal memberships, averaging twenty percent of the net membership fees. The Company's contracts with these clients generally grant the Company the right to continue providing membership services directly to such clients' individual account holders even if the client terminates the contract, provided that the client continues to receive its commission.

The Company solicits members for many of its programs by direct marketing and by using a direct sales force calling on financial institutions, fund raising charitable institutions and associations. Some of the Company's individual memberships are available on-line to interactive computer users via major on-line services and the Internet's World Wide Web (see "-Distribution Channels"). For the fiscal year ended January 31, 1997, approximately 536 million solicitation pieces were mailed, followed-up by approximately 70 million telephone calls.

Individual memberships represented 68%, 68% and 70% of membership revenues for the fiscal years ended January 31, 1997, 1996 and 1995, respectively. Wholesale memberships represented 13%, 12% and 11% of membership revenues for the fiscal years ended January 31, 1997, 1996 and 1995, respectively. Discount program memberships represented 19%, 20% and 19% of membership revenues for the fiscal years ended January 31, 1997, 1996 and 1995, respectively. Membership revenue is recorded net of anticipated cancellations (see Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations - Membership Information").

Types of Memberships

The Company offers Shoppers Advantage(R), Travelers Advantage(R), AutoVantage(R), Dinner on Us Club(R), PrivacyGuard(R), Buyers Advantage(R), Credit Card Guardian(R) and other membership services. These benefits are offered as individual memberships, as components of wholesale membership enhancement packages and insurance products, and as components of discount program memberships. A brief description of the different types of memberships are as follows:

Individual Memberships. The Company classifies memberships as individual memberships if 1) the member pays directly for the services; 2) the Company pays for the marketing costs to solicit the member and primarily markets these services using direct marketing techniques; 3) the membership is sold at full price; and 4) the initial fulfillment kit consists of a variety of membership materials such as a membership card, information describing the service and discount coupons applicable to the service. Examples of these memberships include Shoppers Advantage(R), Travelers Advantage(R) and AutoVantage(R) and insurance products, which are sold at prices generally between \$10 and \$250 per year.

Wholesale Memberships. The Company classifies memberships as wholesale memberships if 1) the Company does not pay for the marketing costs to solicit the member; 2) the initial fulfillment kit consists of a variety of membership materials such as a membership card and information describing the service; 3) the memberships may be sold at full or discounted group prices; and 4) the member or the sponsor pays for the membership. Examples of these memberships include enhancement packages sold through banks and credit unions and insurance products sold to credit unions, for which the Company acts as a third party administrator. Fees for these memberships are generally between \$6 and \$50 per year.

Discount Program Memberships. The Company classifies memberships as discount program memberships if 1) the initial fulfillment materials consist of various offers of local or national discounts; 2) the primary marketing method is through either a direct sales force contacting primarily fundraising institutions, a participating merchant or general advertising; and 3) the member or a local merchant generally pays for the membership. Examples of these memberships include the Entertainment(R) and Gold C(R) coupon book programs. Fees to consumers for these memberships generally range from \$10 to \$50 per year.

Membership Services

The various memberships may contain all or some of the features of the following services:

Shopping. Shoppers Advantage(R) is a discount shopping program whereby the Company, through Compu-U-Card Services, Inc., provides product price information and home shopping services to its members. The Company's merchandise database contains information on approximately 250,000 brand name products, including a written description of the product, the manufacturer's suggested retail price, the vendor's price, features and availability. All of these products may be purchased through the Company's independent vendor network. Vendors include manufacturers, distributors and retailers nationwide. Individual members are entitled to an unlimited number of toll-free calls seven days a week to the Company's shopping consultants, who access the merchandise database to obtain the lowest available fully delivered cost from participating vendors for the product requested and accept any orders that the member may place. The Company informs the vendor providing the lowest price of the member's order and that vendor then delivers the requested product directly to the member. The

Company acts as a conduit between its members and the vendors; accordingly, it does not maintain an inventory of products.

As part of its individual member Shoppers Advantage(R) program, the Company distributes catalogs eight to twelve times per year to certain members. In addition, the Company automatically extends the manufacturer's warranty on all products purchased through the Shoppers Advantage(R) program and offers a low price guarantee.

Travel. Travelers Advantage(R) is a discount travel service program whereby the Company, through CUC Travel Services, Inc. ("CUC Travel") (a full-service travel agency), obtains information on schedules and rates for major scheduled airlines, hotel chains and car rental agencies from the American Airlines Sabre(R) Reservation System. In addition, the Company maintains its own database containing information on tours, cruises, travel packages and short-notice travel arrangements. Members book their reservations through CUC Travel, which earns commissions (ranging from 5%-25%) on all travel sales from the providers of the travel services. Certain Travelers Advantage(R) members can earn cash awards from the Company equal to a specified percentage (generally 5%) of the price of travel arrangements purchased by the member through CUC Travel. Travel members may book their reservations by making toll-free telephone calls seven days a week, twenty-four hours a day to agents at CUC Travel. CUC Travel's agents reserve the lowest air, hotel and car rental fares available for the members' travel requests.

Auto. The Company's auto service, AutoVantage(R), offers members comprehensive new car summaries and preferred prices on new domestic and foreign cars purchased through the Company's independent dealer network (which includes approximately 3,000 dealer franchises); discounts on maintenance, tires and parts at more than 30 chains and more than 23,000 locations, including well known chains such as Goodyear and Firestone; discounts on parts and labor at participating AutoVantage(R) new car dealers across the country; and used car valuations. AutoVantage Gold(R) offers members additional services including road and tow emergency assistance 24 hours a day in the United States.

Dining. Dinner on Us Club(R) features two-for-one dining offers at more than 19,000 restaurants in major metropolitan areas across the United States. The Company also manages other dining programs which allow members to earn additional benefits for each dollar spent for dining at participating restaurants in the United States.

Credit Card Registration. The Company's Credit Card Guardian(R) service enables consumers to register their credit and debit cards with the Company so that the account numbers of these cards may be kept securely in one place. If the member notifies the Company that any of these credit or debit cards are lost or stolen, the Company will notify the issuers of these cards, arrange for them to be replaced and reimburse the member for any amount for which the card issuer may hold the member liable. During fiscal 1997, the Company acquired Ideon, which through its principal subsidiary, SafeCard, offers a credit card registration service, "Hot-Line". If a member notifies SafeCard of a loss or theft of his/her credit cards, SafeCard retrieves (or, if cards have not been previously registered, obtains) the necessary card registration information, and then promptly notifies the credit card issuers of the loss, simultaneously requesting replacement.

Buyers Advantage. The Buyers Advantage(R) service extends the manufacturer's warranty on products purchased by the member. This service also rebates 20% of repair costs and offers members price protection by refunding any difference between the price the member paid for an item and its reduced price, should the item be sold at a lower price within sixty days after purchase.

CompleteHome. The CompleteHome(R) service is designed to save members time and money in maintaining and improving their homes. Members can order do-it-yourself "How-To Guides" or call the service for a tradesperson referral. Over 10,000 tradespersons are available nationally through a toll-free phone line. Members also receive discounts on a full range of home-related products and services.

Health Services. The HealthSaver membership provides discounts ranging from 10% to 60% off retail prices on prescription drugs, eyewear, eyecare, selected health-related services and fitness equipment, including sporting goods. Members may also purchase prescription and over-the-counter drugs through the mail.

PrivacyGuard Service. The PrivacyGuard(R) service provides members with a comprehensive and understandable means of monitoring key personal information. The service offers a member access to information in four key areas: credit history, driving records maintained by state motor vehicle authorities, Social Security records and medical files maintained by third parties. This information is designed to assist members in updating and correcting information concerning themselves and in obtaining mortgages or loans, applying for insurance and planning for retirement.

Vacation Exchange Service. The Company, primarily through Interval, provides its members with the ability to exchange their timeshare vacation weeks with those of other members. Members receive an annual catalog detailing all properties available for exchange, as well as periodic communications and may use the Company's travel services.

Lifestyle Clubs. The Company's North American Outdoor Group, Inc. subsidiary ("NAOG") owns and operates the North American Hunting Club(R), the North American Fishing Club(R) and the Handyman Club of America(R), among others. Members of these clubs receive fulfillment kits, discounts on related goods and services, magazines and other benefits.

Enhancement Package Service. The Company, primarily through FISFI, sells enhancement package memberships for checking account holders. FISFI's financial institution clients, with whom FISFI has entered into written contracts, select a customized package of the Company's products and services. Each client then usually adds its own services (such as unlimited check writing privileges, personalized checks, cashiers' or travelers' checks without issue charge, or discounts on safe deposit box charges or installment loan interest rates). With the Company's marketing and promotional assistance, the financial institution then offers the complete package of account enhancements to its checking account holders as a special program for a monthly fee.

Most of the Company's financial institution clients choose a standard enhancement package, which generally includes \$10,000 of accidental death insurance, travel discounts and a nationwide check cashing service. Others may choose the Company's shopping and credit card registration services, a financial newsletter or pharmacy, eyewear or entertainment discounts as enhancements. The accidental death coverage is underwritten under group insurance policies with independent insurers. These insurers, including Hartford Life Insurance Company, AMEX Life Assurance Company and Continental Casualty Company, a CNA insurance company, have agreed to return to the Company, as a commission, the excess, if any, of the total premiums paid during each year over the sum of the claims paid or reserved plus a specified percentage of the total premiums. The Company continuously seeks to develop new enhancement features which may be added to any package at an additional cost to the financial institution.

The Company generally charges a financial institution client an initial fee to implement this program and monthly fees thereafter based on the number of member accounts participating in that financial institution's program. The Company's enhancement packages are designed to enable a financial institution to generate additional fee income, because the institution should be able to charge participating accounts more than the combined costs of the services it provides and the payments it makes to the Company.

The Company, primarily through National Card Control Inc. ("NCCI"), a wholly-owned subsidiary, also sells enhancement package services to credit card issuers who make these services available to their credit card holders. NCCI's credit card issuer clients also select a customized package of the Company's products and services. These enhancements include many of those offered by FISFI to the checking

account customers of its financial institution clients, such as the Company's shopping, travel and credit card registration services.

Like FISFI, NCCI generally charges its credit card issuer clients an initial fee to implement the program and monthly fees thereafter, based on the number of member accounts participating in that institution's program.

Financial Products. Essex Corporation ("Essex"), a subsidiary of the Company, is a third-party marketer of financial product memberships for banks, primarily marketing annuities through financial institutions. Essex generally markets annuities issued primarily by insurance companies or their affiliates, mutual funds issued by mutual fund companies or their affiliates, and proprietary mutual funds of banks. Essex's contracts with the insurance companies whose financial product memberships it distributes generally entitle Essex to a commission of slightly less than 1% on the premiums generated through Essex's sale of annuities for these insurance companies.

Wright Express Corporation ("WEX"), a wholly-owned subsidiary of the Company acquired as part of the Ideon acquisition, is a provider of information processing, management and financial services to petroleum companies and transportation fleets in the United States. The Wright Express Universal Fleet Card is the nation's most widely accepted electronic fleet fueling credit card and is accepted at over 100,000 fueling locations.

Discount Program Memberships. The Company, primarily through its wholly-owned subsidiary, Entertainment, offers discount program memberships in specific markets throughout North America and certain international markets and enhances other of the Company's individual and wholesale memberships. The Company believes it is the largest marketer of discount program memberships of this type in the United States.

The Company solicits restaurants, hotels, motels, theaters, retailers and other businesses which agree to offer services and/or merchandise at discount prices (primarily on a two-entrees-for-the-price-of-one or 50% discount basis). The Company sells discount coupon memberships, under its Entertainment(R), Gold C(R) and other trademarks, typically containing coupons for hundreds of discount offers from participating establishments. Targeting middle to upper income consumers, Entertainment(R) coupon books also contain selected discount travel offers, including offers for hotels, restaurants and tourist attractions. More than 100,000 merchants participate in these programs. Entertainment has used this national base of merchants to develop other products, most notably, customized memberships. Membership books customized for major corporations typically contain portions of Entertainment(R) books, along with other discount offers.

Entertainment(R) coupon book memberships are distributed annually by geographic area. Members are solicited through nonprofit organizations, corporations and, to a lesser extent, through retailers and directly from the public. Customized books are distributed primarily by major corporations as premiums and incentives for their employees. The coupon books are generally provided to nonprofit organizations and corporations on a consignment basis.

While prices of local coupon memberships vary, the customary price for Entertainment(R) and Gold C(R) coupon book memberships ranges between \$10 and \$50. Customized book memberships are generally sold at significantly lower prices. In fiscal 1997, 160 Entertainment(R) editions (1997 Edition) were published in North America.

Sally Foster, Inc., a subsidiary of the Company, provides fundraising institutions with seasonal products, primarily through public and private elementary schools. The Company uses its Gold C(R) sales force to sell these products, often combining the sale of gift wrap with other membership services.

Welcome Wagon International, Inc. ("Welcome Wagon"), a wholly-owned subsidiary of the Company, has over 2,500 field representatives who visit households and campuses each year to provide consumers with discounts for local merchants. The Getko Group Inc. ("Getko"), a wholly-owned subsidiary of the Company, distributes complimentary welcoming packages which provide new homeowners throughout

the United States and Canada with discounts for local merchants. The Company plans to expand Welcome Wagon's and Getko's market penetration and the number of their membership offerings to include some of the Company's programs.

Through a subsidiary, Europe Tax-Free Shopping ("ETS"), valued-added tax ("VAT") refunds are facilitated to travelers in over 20 European countries. ETS has affiliations with over 100,000 retailers as well as a presence in most European airports. The Company plans to expand the services ETS provides to travelers to include Entertainment(R) coupon book memberships and Travelers Advantage(R).

Insurance Products. The Company, through BCI, serves as a third party administrator for marketing accidental death insurance throughout the country to the customers of BCI's financial institution clients. This accidental death insurance is often combined with other Company membership services to enhance their value. These products are generally marketed through direct mail solicitations, which generally offer \$1,000 of accidental death insurance at no cost to the member and the opportunity to choose additional coverage of up to \$250,000. The annual membership fee generally ranges from \$10 to \$250.

BCI's insurance products and other services are offered through credit unions to their account holders and to the account holders of FISI's and Comp-U-Card's financial institution clients. BCI also markets the Company's shopping, travel, automobile and discount coupon program membership services to its clients.

Distribution Channels

MEMBERSHIPS:

The Company markets its individual, wholesale, and discount program memberships through a variety of distribution channels. The consumer is ultimately reached in the following ways: 1) at financial institutions or other associations through direct marketing; 2) at financial institutions or other associations through a direct sales force, participating merchant or general advertising; and 3) through fundraisers such as schools and charitable institutions. Some of the Company's individual memberships, such as shopping, travel and auto services, are available on-line to interactive computer users via on-line services and the Internet's World Wide Web. These users are solicited primarily through direct mail, inserts in newly-purchased computer equipment containers and interactive communications networks, such as the CompuServe Information Service, America Online and Prodigy. The Company believes that its interactive users account for less than 1% of its total members. The Company is currently working with a range of industry leaders developing interactive technologies. Strategic alliances have been formed with major phone companies and on-line services.

SOFTWARE:

The Company's recent acquisitions of Davidson and Sierra have broadened the scope of offerings to include consumer software and CD's, which have demonstrated appeal to Internet shoppers. These products are offered through a variety of distribution channels, including specialty retailers, mass merchandisers, discounters and schools.

REGULATION

The Company markets its products and services through a number of distribution channels including telemarketing, direct mail and on-line. These channels are regulated on the state and federal level and the Company believes that these activities will increasingly be subject to such regulation. Such regulation may limit the Company's ability to solicit new members or to offer one or more products and services to existing members and may materially affect the Company's business and revenues.

Certain of the Company's products and services (such as Buyers Advantage(R), certain insurance products and the Company's vacation exchange services) are also subject to state and local regulations. The Company believes that such regulations do not have a material impact on its business or revenues.

INTERNATIONAL

The Company has exclusive licensing agreements covering the use of its merchandising systems in Japan, Canada and Australia, under which licensees paid initial license fees and agree to pay royalties to the Company on membership fees, access fees and merchandise service fees paid to them. Royalties to the Company from these licenses were less than 1% of the Company's revenues and profits in each of the fiscal years ended January 31, 1997, 1996 and 1995.

The Company's subsidiary, Credit Card Sentinel (U.K.) Limited ("CCS"), is a leading provider of credit card enhancement services generally marketed through European financial institutions, with members throughout the United Kingdom and Sweden.

In fiscal 1997, in addition to Canadian coupon book memberships, Entertainment(R) coupon book memberships were distributed in six European markets and Australia. The Canadian coupon book memberships are published independently by a Canadian subsidiary of Entertainment and the European memberships are published by the Company's European subsidiaries. The Australian coupon book memberships are published by an Australian joint venture in which Entertainment has a controlling interest. United States and Canadian memberships are also made available to foreign travelers. With publication of these overseas memberships, the Company has created additional custom-designed programs for international use.

Interval's primary international operating facility is located in London. Interval's overseas operations also include field offices and affiliations with resorts in many countries.

ETS currently provides VAT refunds in over 20 European countries at refund points at most international airports, ferry terminals and border crossings in those countries. ETS' primary international operating facility is located in Sweden.

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 (see Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources; Inflation; Seasonality").

SEASONAL NATURE OF BUSINESS

Except principally for the sale of discount coupon program memberships, the Company's membership business is not seasonal. Publication of Entertainment(R) and Gold C Savings Spree(R) books is generally completed in October of each year with significant member solicitations beginning soon thereafter. Most cash receipts from these coupon book memberships are received in the fourth quarter and, to a lesser extent, in the first and third quarters of each fiscal year. For financial statement purposes, the Company recognizes these membership fees over the service period. The Company's software segment has seasonal elements. Revenues are typically highest during the third and fourth quarters and lowest during the first and second quarters. This seasonal pattern is due primarily to the increased demand for the Company's products during the holiday season (see Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources; Inflation; Seasonality").

COMPETITION

Individual Memberships. The Company believes that there are competitors which offer membership programs similar to the Company's and some of these entities, which include large retailers, travel agencies, insurance companies and financial service institutions, have financial resources, product availability, technological capabilities or customer bases substantially greater than those of the Company. To date, the Company has been able to compete effectively with such competitors. However, there can be no assurances that it will continue to be able to do so. In addition, the Company competes with traditional methods of merchandising that enjoy widespread consumer acceptance, such as catalog and in-store retail shopping and shopping clubs (with respect to its discount shopping service), and travel agents (with respect to its discount travel service). The Company's systems are not protected by patent. In its vacation exchange business, the Company believes there are various travel providers and exchange companies with greater financial resources than itself.

Wholesale Memberships. Each of the Company's account enhancement membership services competes with similar services offered by other companies, including insurance companies. Many of the competitors are large and more established, with far greater resources and financial capabilities than those of the Company. Finally, in attempting to attract any relatively large financial institution as a client, the Company also competes with that institution's in-house marketing staff and the institution's possible perception that it could establish programs with comparable features and customer appeal without paying for the services of an outside provider.

Discount Program Memberships. The Company believes that there are a number of competitors in most markets throughout North America which offer similar discount program memberships. The majority of these competitors are relatively small, with coupon books in only a few markets. To date, the Company has been able to compete effectively in markets that include these competitors, primarily on the basis of price and product performance. The Company does not anticipate that these competitors will significantly affect the Company's ability to expand.

Software. The entertainment and education software industry is competitive. The Company competes primarily with other developers of multimedia PC entertainment and home productivity software. Products in the market compete primarily on the basis of subjective factors such as entertainment value and objective factors such as price, graphics and sound quality. Large diversified entertainment, cable and telecommunications companies, in addition to large software companies, are increasing their focus on the interactive entertainment and education software market, which will result in greater competition for the Company.

EMPLOYEES

As of March 31, 1997, the Company had approximately 15,000 employees. None of the Company's employees are represented by a labor union. The Company has never experienced a strike or work stoppage, and believes its relations with its employees are good.

ITEM 2.

PROPERTIES

The Company's principal executive offices are located in Stamford, Connecticut. The Company also owns or leases office space in Brentwood, Tennessee; San Carlos, California; Troy, Michigan; Cheyenne, Wyoming; Torrance, California; Seattle, Washington; Miami, Florida; and Trumbull, Connecticut, as well as several smaller locations throughout the world. In addition, the Company owns and leases operation centers in several other states.

Management expects that, in the normal course of business, most leases will be renewed or replaced by other leases upon expiration. The Company believes that its properties and those of its subsidiaries and divisions are suitable to their respective businesses and have productive capacities adequate to the needs of such businesses.

ITEM 3.

LEGAL PROCEEDINGS

Ideon and certain of its subsidiaries are defending or prosecuting fifteen complex lawsuits, twelve of which involve the former Chairman of the Board and Executive Management Consultant to SafeCard (see Item 8: "Financial Statements-Note B-Mergers and Acquisitions and Note I-Commitments and Contingencies").

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended January 31, 1997.

PART II

ITEM 5.

MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock, par value \$.01 per share ("Common Stock"), is traded on the New York Stock Exchange ("NYSE") under the symbol CU. The following table sets forth for the periods indicated the high and low closing sale prices per share as reported on the NYSE.

	High	Low

Fiscal Year Ended January 31, 1997		
First Quarter	26 1/8	18 5/8
Second Quarter	26 1/4	21 1/4
Third Quarter	27 3/8	21 7/8
Fourth Quarter	26 7/8	22 1/2
Fiscal Year Ended January 31, 1996		
First Quarter	18 1/8	15 3/8
Second Quarter	20 3/4	16 3/8
Third Quarter	24 1/4	19 7/8
Fourth Quarter	25 3/8	20

The stock prices have been adjusted to give retroactive effect to the three-for-two stock split effective October 21, 1996 for shareholders of record on October 7, 1996. The closing sale price for the Common Stock on March 31, 1997 was \$22 1/2, with approximately 8,981 shareholders of record as of that date.

The Company has not paid any dividends with respect to the Common Stock since inception, other than a special dividend of cash and convertible subordinated debentures paid in connection with a recapitalization of the Company effected in fiscal 1990 (the "Recapitalization").

CHANGES IN SECURITIES

During the fiscal quarter ended January 31, 1997, the Company issued the following equity securities that were not registered under the Securities Act of 1933 (the "Securities Act"):

On January 6, 1997, the Company issued 2,176,476 shares of Common Stock to Pierre Durand, Michael Low and Martin Stoller in connection with the acquisition by the Company of all of the outstanding capital stock of Plextel Telecommunications, Inc. ("Plextel"). This issuance was made pursuant to the exemption from registration provided by Section 4(2) of the Securities Act, as this issuance of Common Stock did not involve a "public offering" pursuant to the Securities Act given the limited number and scope of persons to whom the securities were issued. The Company has filed a Registration Statement with the Commission, which has been declared effective by the Commission, with respect to the resale of the Common Stock received from the Company in connection with this acquisition.

ITEM 6.

SELECTED FINANCIAL DATA

(In thousands, except for per common share data)

	Year Ended January 31,				
	1997	1996	1995	1994	1993
Income Statement Data (a)					
Total revenues	\$2,347,655	\$1,935,232	\$1,554,611	\$1,278,664	\$1,043,311
Income from continuing operations before income taxes	276,241(b)	235,312(c)	256,931(e)	198,319	117,434
Income from continuing operations	164,099(b)	144,975(c)	162,057(e)	124,705	80,239
Income per common share from continuing operations (d)	\$.41(b)	\$.37(c)	\$.43(e)	\$.34	\$.24
Cash dividends per common share (d,h)	\$.01	\$.01	\$.01	\$.01	\$.01
Weighted average number of common and dilutive common equivalent shares outstanding (d)	405,073	392,208	379,263	365,915	340,712
Balance Sheet Data (a)					
Total assets (f)	\$2,473,372	\$2,068,196	\$1,772,122	\$1,199,805	\$1,032,269
Long-term obligations (g)	7,018	6,481	22,872	24,235	30,091
Zero coupon convertible notes	--	14,410	15,046	22,176	37,295
Convertible debt	23,487	23,389	34,634	--	--
Shareholders' equity	1,255,090	1,002,523(i)	826,083	558,181	389,461
Working capital (f)	948,699	759,271	523,996	298,230	147,475

(a) Includes acquisitions accounted for in accordance with the pooling-of-interests method of accounting and the purchase method of accounting (see Note B to the Consolidated Financial Statements).

(b) Includes provisions for costs incurred principally in connection with the acquisitions of Davidson, Sierra and Ideon. The charges aggregated \$179.9 million (\$118.7 million or \$.29 per common share after-tax effect). Such costs in connection with the Company's acquisitions of Davidson and Sierra are non-recurring and are comprised primarily of transaction costs, other professional fees and integration costs. Such costs associated with the Company's acquisition of Ideon (the "Ideon Merger") are non-recurring and include integration and transaction costs as well as a provision relating to certain litigation matters (see Notes B and I to the Consolidated Financial Statements).

(c) Includes provision for costs related to the abandonment of certain Ideon development efforts and the restructuring of its SafeCard division and its corporate infrastructure. The charges aggregated \$97.0 million (\$62.1 million or \$.16 per common share after-tax effect).

(d) Adjusted to give retroactive effect to the three-for-two stock split effective October 21, 1996 for shareholders of record on October 7, 1996.

(e) Includes net gain of \$9.8 million (\$6.2 million or \$.02 per common share after-tax effect) related to the sale of The ImagiNation Network, Inc. offset by costs related to Ideon products abandoned and restructuring.

- (f) All periods presented reflect the Company's reclassifications of deferred membership acquisition costs (previously classified as an offset to deferred membership income) and membership solicitations in process (previously classified as a current asset) to non-current assets.
- (g) Includes current portion of long-term debt of \$2.0 million, \$1.4 million, \$9.0 million, \$6.3 million, and \$3.4 million at January 31, 1997, 1996, 1995, 1994 and 1993, respectively. Excludes \$31.4 million, \$15.4 million, \$11.8 million, \$5.5 million and \$23.2 million of amounts due under revolving credit facilities at January 31, 1997, 1996, 1995, 1994 and 1993, respectively, and \$6.0 million due at January 31, 1993 under a note payable issued in connection with the acquisition of Sally Foster Gift Wrap, LP.
- (h) Represents cash dividends paid to Ideon common shareholders. No Common Stock cash dividends have been paid or declared during the five years ended January 31, 1997. However, an insignificant amount of cash dividends was paid in respect of NAOG common stock for the fiscal years ended January 31, 1994 and 1993.
- (i) Effective January 1, 1995, Ideon changed its fiscal year end from October 31 to December 31 (the "Ideon Transition Period"). The Ideon Transition Period has been excluded from the accompanying consolidated statements of income. Ideon's revenues and net loss for the Ideon Transition Period were \$34.7 million and \$(49.9) million, respectively. The net loss for the Ideon Transition Period was principally the result of a \$65.5 million one-time, non-cash, pre-tax charge recorded in connection with a change in amortization periods for deferred membership acquisition costs.

ITEM 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Year Ended January 31, 1997 vs. Year Ended January 31, 1996

The Company's overall membership base continues to grow at a rapid rate (from 59.7 million members at January 31, 1996 to 66.3 million members at January 31, 1997), which is the largest contributing factor to the 20% increase in membership revenues (from \$1,643.2 million in fiscal 1996 to \$1,972.4 million in fiscal 1997). While the overall membership base increased by 15% (before giving effect to Ideon acquired members) during the year, the average annual fee charged for the Company's membership services increased by approximately 4%. 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 members 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 merchants 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.

In the 1997 fiscal year, individual (before giving effect to Ideon acquired members), wholesale and discount program memberships grew by 14%, 23% and 12%, respectively. Wholesale memberships have grown in part due to the success of the Company's international business in Europe. For the year ended January 31, 1997, individual, wholesale and discount program memberships represented 68%, 13% and 19% of membership 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. The Company completed a number of acquisitions accounted for under the purchase method of accounting during fiscal 1997. The total revenues contributed by these acquisitions are not material to the Company's total reported revenues (see Note B to the Consolidated Financial Statements).

Software revenues increased 28% to \$375.2 million in fiscal 1997 from \$292.0 million in fiscal 1996. Distribution revenue, which consists principally of third-party software and typically has low operating margins, was down from \$64.8 million in fiscal 1996 to \$46.9 million in fiscal 1997. The Company's software operations continue to grow by focusing on selling titles through retailers. Excluding distribution revenue, core software revenue grew by 44%. Contributing to the software revenue growth in fiscal 1997 is the availability of a larger number of titles as well as the significant increase in the installed base of CD-ROM personal computers.

As the Company's membership 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, merger, integration, restructuring and litigation charges associated with business combinations, costs related to products abandoned and restructuring, gain on sale of and equity in loss from The ImagiNation Network, Inc. and income taxes ("EBIT") increased from \$322.7 million to \$446.6 million and EBIT margins improved from 16.7% to 19.0%.

Individual membership usage continues to increase, which contributes to additional service fees and indirectly contributes to the Company's strong renewal rates. Historically, an increase in overall membership usage has had a favorable impact on renewal rates. Actual membership cancellations were \$401 million, \$376 million and \$354 million for the fiscal years ended January 31, 1997, 1996 and 1995, respectively. This represents 17%, 19% and 21%, respectively, of the gross membership revenues accrued for all services. The Company records its deferred revenue net of estimated cancellations which are anticipated in the Company's marketing programs. The number of cancellations has increased due to the increased level of marketing efforts, but has decreased as a percentage of the total number of members.

Operating costs increased 18% (from \$593.5 million to \$701.3 million). The major components of the Company's membership operating costs continue to be personnel, telephone, computer processing and participant insurance premiums (the cost of obtaining insurance coverage for members). Historically, the Company has seen a direct correlation between providing a high level of service to its members and improved retention. The major components of the Company's software operating costs are material costs, manufacturing labor and overhead, royalties paid to developers and affiliated label publishers and research and development costs related to designing, developing and testing new software products. 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 and software sales.

Marketing costs remained constant as a percentage of revenues at 38%. This is primarily due to maintained per member acquisition costs and an increase in renewing members. Membership acquisition costs incurred increased 5% (from \$605.1 million to \$638.2 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 15% (from \$556.5 million to \$641.3 million). Other marketing costs increased by 36% (from \$180.9 million to \$246.6 million). This increase resulted primarily from the costs of servicing a larger membership base and expenses incurred when selling and marketing a larger number of software titles. The marketing functions for the Company's membership services are combined for its various services and, accordingly, there are no significant changes in marketing costs by membership service.

The Company routinely reviews all membership 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 revenues, from 15% to 13%. This is a result of the Company's ongoing focus on controlling overhead. Interest income, net, decreased from \$9.7 million to \$9.5 million due to cash being used to fund acquisitions.

Merger costs for the year ended January 31, 1997 are non-recurring and are comprised primarily of transaction and integration costs principally associated with the mergers of the Company with Davidson, Sierra and Ideon as well as a provision relating to certain outstanding Ideon litigation matters (see Notes B and I to the Consolidated Financial Statements).

Year Ended January 31, 1996 vs. Year Ended January 31, 1995

The Company's overall membership base continues to grow at a rapid rate (from 46.9 million members at January 31, 1995 to 59.7 million members at January 31, 1996), which is the largest contributing factor to the 21% increase in membership revenues (from \$1,363.6 million in fiscal 1995 to \$1,643.2 million in fiscal 1996). While the overall membership base increased by 12.8 million members, or 27%, during the year (of which approximately 8 million members came from acquisitions completed during the year (members resulting from acquisitions being "Acquired Members")), the average annual fee charged for the Company's membership services increased by 3%. 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 members 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 merchants 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.

In the 1996 fiscal year, individual (before giving effect to Ideon acquired members), wholesale and discount program memberships grew by 14%, 19% and 11%, respectively, in addition to the increase due to Acquired Members. For the year ended January 31, 1996, individual, wholesale and discount program memberships represented 68%, 12% and 20% of membership revenues, respectively. Discount program memberships have incurred the largest increase from Acquired Members. Welcome Wagon International, Inc., Getko Group Inc. and Advance Ross Corporation, all acquired in fiscal 1996, are classified in this membership category as their businesses provide local discounts to consumers. 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. The Company completed a number of acquisitions accounted for under the purchase method of accounting during fiscal 1996. The total revenues contributed by these acquisitions are not material to the Company's total reported revenues (see Note B to the Consolidated Financial Statements).

Software revenues increased 53% to \$292.0 million in fiscal 1996 from \$191.1 million in fiscal 1995. Contributing to the strong software growth in fiscal 1996 was the release of 63 new titles and an additional 18 titles which were acquired, as compared to 34 new products released in fiscal 1995. Also contributing to the software revenue growth is the significant increase in the installed base of CD-ROM personal computers as well as increases in affiliated label and distribution revenues.

As the Company's membership 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, EBIT increased from \$239.1 million to \$322.7 million and EBIT margins improved from 15.4% to 16.7%.

Individual membership usage continues to increase, which contributes to additional service fees and indirectly contributes to the Company's strong renewal rates. Historically, an increase in overall membership usage has had a favorable impact on renewal rates. Actual membership cancellations were \$376 million, \$354 million and \$319 million for the fiscal years ended January 31, 1996, 1995 and 1994, respectively. This represents 19%, 21% and 22%, respectively, of the gross membership revenues accrued for all services. The Company records its deferred revenue net of estimated cancellations which are anticipated in the Company's marketing programs. The number of cancellations has increased due to the increased level of marketing efforts, but has decreased as a percentage of the total number of members.

Operating costs increased 25% (from \$474.1 million to \$593.5 million). The major components of the Company's membership operating costs continue to be personnel, telephone, computer processing and participant insurance premiums (the cost of obtaining insurance coverage for members). Historically, the Company has seen a direct correlation between providing a high level of service to its members and improved retention. The major components of the Company's software operating costs are material costs, manufacturing labor and overhead, royalties paid to developers and affiliated label publishers and research and development costs related to designing, developing and testing new software products. 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 and software sales.

Marketing costs decreased as a percentage of revenues, from 40% to 38%. This decrease is primarily due to improved per member acquisition costs and an increase in renewing members. Membership acquisition costs incurred increased 19% (from \$508.8 million to \$605.1 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 19% (from \$467.0 million to \$556.5 million). Other marketing costs increased by 20% (from \$151.3 million to \$180.9 million). This increase resulted primarily from the costs of servicing a larger membership base and expenses incurred when selling and marketing a larger number of software titles. The marketing functions for the Company's membership services are combined for its various services and, accordingly, there are no significant changes in marketing costs by membership service.

The Company routinely reviews all membership 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 increased as a percentage of revenues, from 14% to 15%. This is principally due to acquisitions completed during fiscal 1996. Interest income, net, increased from \$7.9 million to \$9.7 million due to the reduced level of amortization associated with the Company's restricted stock and zero coupon convertible notes and the net interest income from the increased level of cash generated by the Company for investment.

Included in costs related to products abandoned and restructuring for the year ended January 31, 1996, are special charges totaling \$43.8 million, net of recoveries, related to the abandonment of certain new product developmental efforts and the related impairment of certain assets and the restructuring of the SafeCard division of Ideon and the Ideon corporate infrastructure. The original charge of \$45.0 million was composed of accrued liabilities of \$36.2 million and asset impairments of \$8.8 million. Also included in costs related to products abandoned and restructuring are marketing and operational costs incurred for Ideon products abandoned of \$53.2 million.

Membership Information

The following chart sets forth the approximate number of members and net additions for the last three fiscal years. All membership data has been restated to reflect the acquisition of Ideon; however, it has not been restated to reflect other Acquired Members:

Year Ended	Number of Members	Net New Member Additions for the Period
January 31, 1997	66,335,000	6,685,000
January 31, 1996	59,650,000	12,750,000*
January 31, 1995	46,900,000	3,820,000

*Includes approximately 8 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.

Cancellations for memberships processed by the Company for the years ended January 31, 1997, 1996 and 1995 were \$401 million, \$376 million and \$354 million, respectively. This cancellation data does not reflect cancellations processed by certain of the Company's clients which 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 have been provided principally through cash flows from operations and credit facilities, while acquisitions have also been funded through the issuance of Common Stock. The Company terminated its previous credit agreement, effective March 19, 1996, and entered into the New Credit Agreement effective March 26, 1996 (as defined and described in Note E to the Consolidated Financial Statements). The New Credit Agreement provides for a \$500 million revolving credit facility with a variety of different types of loans available thereunder. At January 31, 1997, no borrowings under the New Credit Agreement were outstanding. The New Credit Agreement contains certain customary restrictive covenants including, without limitation, financial covenants and restrictions on certain corporate transactions, and also contains various events of default provisions including, without limitation, defaults arising from certain changes in control of the Company.

In January 1997, Wright Express Corporation ("Wright Express"), a wholly-owned subsidiary, entered into a new revolving credit facility agreement replacing its previous revolving line of credit. The new credit facility has an available line of \$60 million. At January 31, 1997, Wright Express had \$31.4 million outstanding under the new credit facility. The new credit facility expires February 8, 1999.

All costs related to the mergers with Davidson, Sierra and Ideon have been reflected in the Company's consolidated statement of income for the year ended January 31, 1997. Such costs are non-recurring and those associated with the Company's mergers with Davidson and Sierra are comprised primarily of merger and integration costs. Such costs associated with the Ideon Merger include integration and transaction costs as well as costs relating to certain outstanding litigation matters (see Notes B and I to the Consolidated Financial Statements) giving consideration to the Company's intended approach to these matters. Most of the provision is related to these outstanding litigation matters. The Company is unable at this time to determine the estimated timing of the future cash outflows with respect to this liability. Although the Company has attempted to estimate the amounts that will be required to settle these litigation matters, there can be no assurance that the actual aggregate amount of such settlements will not exceed the amount of the provision accrued.

The Company invested approximately \$55.9 million in acquisitions, net of cash acquired, during fiscal 1997. Substantially all 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 other than those relating to the above-mentioned litigation matters. The Company anticipates that cash flows from operations and its credit facilities 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 \$59.7 million for the year ended January 31, 1997.

On February 11, 1997, the Company issued \$550 million in principal amount of 3% convertible subordinated notes (the "3% Notes") due February 15, 2002. Interest on the 3% Notes is payable semi-annually on February 15 and August 15 of each year, commencing August 15, 1997 (see Note M to the Consolidated Financial Statements).

The Company intends to continue to review potential acquisitions that it believes would enhance the Company's growth and profitability. Any acquisitions will initially be financed through excess cash flows from operations, the Company's New Credit Agreement (see Note E to the Consolidated Financial Statements) and from the issuance of the 3% Notes. However, depending on the financing necessary to complete an acquisition, additional funding may be required.

The Company accounts for stock option grants in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Under the Company's current plans, options may be granted at not less than the fair market value on the date of grant and therefore no compensation expense is recognized for the stock options granted. In fiscal 1997, the Company adopted the disclosure provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" (see Notes A and F to the Consolidated Financial Statements).

In 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company adopted SFAS No. 121 in fiscal 1997. The impact of adopting the new method did not have a significant effect on the Company's financial statements.

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 membership 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. As is typical in the consumer software industry, the Company's software business is highly seasonal. Net revenues and operating income are highest during the third and fourth quarters and are lowest in the first and second quarters. This seasonal pattern is primarily due to the increased demand for the Company's software products during the year-end holiday selling season.

In fiscal 1997, the Company's international businesses represented less than 10% 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.

Forward-Looking Statements

Except for historical information contained herein, the above discussion contains certain forward-looking statements that involve potential risks and uncertainties. The Company's future results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, changes in market conditions, effects of state and federal regulations and risks inherent in international operations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof or to reflect the occurrence of unanticipated events.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Auditors

Board of Directors and Shareholders
CUC International Inc.

We have audited the accompanying consolidated balance sheets of CUC International Inc. ("CUC") as of January 31, 1997 and 1996, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 1997. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. We did not audit the financial statements of the following wholly-owned subsidiaries: Davidson & Associates, Inc. ("Davidson") as of December 31, 1995 and for the years ended December 31, 1995 and 1994, Sierra On-Line, Inc. ("Sierra") as of March 31, 1996 and for the years ended March 31, 1996 and 1995 and Ideon Group, Inc. ("Ideon") as of December 31, 1995 and for the year ended December 31, 1995 and the year ended October 31, 1994. Effective January 1, 1995, Ideon changed its fiscal year end from October 31 to December 31 (the "Ideon Transition Period"). We also did not audit the statement of operations for the Ideon Transition Period which includes a loss of \$49.9 million included as a charge to retained earnings in the 1996 consolidated financial statements. These financial statements reflect, as of January 31, 1996, total assets constituting 31.5% of the consolidated financial statements total and reflect total revenues constituting 27.6% and 28.2% of the consolidated financial statements totals for the years ended January 31, 1996 and 1995, respectively, and were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to Davidson, Sierra and Ideon for the periods indicated above, is based solely on the reports of other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CUC at January 31, 1997 and 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, based upon our audits and the reports of other auditors, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Stamford, Connecticut
March 10, 1997

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Sierra On-Line, Inc.
Bellevue, Washington

We have audited the consolidated balance sheet of Sierra On-Line Inc. and subsidiaries (the "Company") as of March 31, 1996 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended March 31, 1996, not presented separately herein. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 1996, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 1996 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Seattle, Washington

June 24, 1996

Independent Auditors' Report

The Board of Directors
Davidson & Associates, Inc.

We have audited the consolidated balance sheet of Davidson & Associates, Inc. and subsidiaries as of December 31, 1995 and the related consolidated statements of earnings, shareholders' equity and cash flows and related financial statement schedule for each of the years in the two-year period ended December 31, 1995, not presented separately herein. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Davidson & Associates, Inc. and subsidiaries as of December 31, 1995 and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 1995 in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

KPMG PEAT MARWICK LLP

Long Beach, California
February 21, 1996

Report of Independent Certified Public Accountants

To the Board of Directors and
Stockholders of Ideon Group, Inc.

In our opinion, the consolidated financial statements of Ideon Group, Inc. (formerly known as SafeCard Services, Incorporated), and its subsidiaries (not presented separately herein), present fairly, in all material respects, the financial position of Ideon Group, Inc. and its subsidiaries at December 31, 1995, and the results of their operations and their cash flows for the year ended December 31, 1995, the two months ended December 31, 1994, and the year ended October 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above. We have not audited the consolidated financial statements of Ideon Group, Inc. for any period subsequent to December 31, 1995.

As discussed in Note 1, the Company changed the amortization periods for deferred subscriber acquisition costs effective December 31, 1994.

PRICE WATERHOUSE LLP

Tampa, Florida
February 2, 1996

CUC International Inc. and Subsidiaries

Consolidated Balance Sheets

(Dollar amounts in thousands)

	January 31	
	1997	1996

Assets		
Current assets:		
Cash and cash equivalents	\$ 553,144	\$ 333,036
Marketable securities	69,139	97,164
Receivables, less allowances of \$55,225 and \$39,051	578,630	463,492
Prepaid membership materials	37,579	39,061
Prepaid expenses, deferred income taxes and other	191,583	158,523

Total current assets	1,430,075	1,091,276
Marketable securities	--	13,328
Membership solicitations in process	76,281	60,713
Deferred membership acquisition costs	401,564	404,655
Contract renewal rights, net	31,695	38,845
Excess of cost over net assets acquired, net	334,343	293,961
Properties, net	145,620	113,353
Deferred income taxes and other	53,794	52,065

Total assets	\$2,473,372	\$2,068,196
	=====	
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 405,388	\$ 296,048
Federal and state income taxes	75,988	35,957

Total current liabilities	481,376	332,005
Deferred membership income	702,359	682,823
Convertible debt (net of unamortized original issue discount of \$488 and \$586)	23,487	23,389
Zero coupon convertible notes (net of unamortized original issue discount of \$588)	--	14,410
Other	11,060	13,046
Commitments and contingencies (Notes B and I)		
Shareholders' equity:		
Common stock-par value \$.01 per share; authorized 600 million shares; issued 409,011,654 shares and 385,576,801 shares	4,090	3,856
Additional paid-in capital	619,532	430,449
Retained earnings	722,354	601,472
Treasury stock, at cost, 6,136,757 shares and 5,115,947 shares	(56,618)	(30,998)
Restricted stock, deferred compensation	(28,212)	--
Foreign currency translation adjustment	(6,056)	(2,256)

Total shareholders' equity	1,255,090	1,002,523

Total liabilities and shareholders' equity	\$2,473,372	\$2,068,196
	=====	

See accompanying notes.

CUC International Inc. and Subsidiaries

Consolidated Statements of Income

(Dollar amounts in thousands, except per common share amounts)

	Year ended January 31,		
	1997	1996	1995
Revenues			
Membership, service fees and other	\$ 1,972,430	\$1,643,242	\$1,363,561
Software	375,225	291,990	191,050
Total revenues	2,347,655	1,935,232	1,554,611
Expenses			
Operating	701,262	593,508	474,126
Marketing	887,852	737,440	618,330
General and administrative	311,904	281,628	223,010
Merger, integration, restructuring and litigation charges associated with business combinations	179,945	--	--
Costs related to Ideon products abandoned and restructuring	--	97,029	7,900
Gain on sale of The ImagiNation Network	--	--	(19,739)
Equity in loss from The ImagiNation Network	--	--	1,990
Interest income, net	(9,549)	(9,685)	(7,937)
Total expenses	2,071,414	1,699,920	1,297,680
Income before income taxes	276,241	235,312	256,931
Provision for income taxes	112,142	90,337	94,874
Income before cumulative effect of accounting change for income taxes	164,099	144,975	162,057
Cumulative effect of accounting change for income taxes	--	--	2,000
Net income	\$ 164,099	\$ 144,975	\$ 164,057
Income before cumulative effect of accounting change	\$.41	\$.37	\$.42
Cumulative effect of accounting change	--	--	.01
Net income per common share	\$.41	\$.37	\$.43

See accompanying notes.

payment of cash and common stock (583,354 shares)	2,200,965	22	14,445	(14,630)				(163)	
Payment of withholding taxes on options by payment of common stock (437,456 shares)				(10,990)				(10,990)	
Issuance of stock under stock purchase plan (\$19.92 to \$26.75)	123,512	1	2,982					2,983	
Stock issued in conversion of notes	3,385,612	34	14,760					14,794	
Tax benefit arising from exercise of stock options			48,922					48,922	
Stock issued in connection with acquisitions	9,065,671	91	40,320	(34,125)				6,286	
Restricted stock issuance	1,365,000	13	30,472			\$(30,485)		-	
Amortization of restricted stock						2,273		2,273	
Equity distributions				(1,620)				(1,620)	
Cash dividends				(2,798)				(2,798)	
Charge to reflect change in Davidson, Sierra and Ideon fiscal years				(4,674)				(4,674)	
Net unrealized loss on marketable securities			(625)					(625)	
Foreign currency translation adjustment							(3,800)	(3,800)	
Net income				164,099				164,099	
Balance at January 31, 1997	409,011,654	\$4,090	\$619,532	\$722,354	\$(56,618)	\$-	\$(28,212)	\$(6,056)	\$1,255,090

See accompanying notes.

CUC International Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Dollar amounts in thousands)

	Year ended January 31,		
	1997	1996	1995
Operating activities			
Net income	\$ 164,099	\$ 144,975	\$ 164,057
Adjustments to reconcile net income to net cash provided by operating activities:			
Membership acquisition costs	(638,182)	(605,058)	(508,807)
Amortization of membership acquisition costs	641,272	556,548	467,019
Deferred membership income	19,298	76,285	61,941
Membership solicitations in process	(15,568)	(15,077)	(2,693)
Amortization of contract renewal rights and excess cost	26,199	24,349	27,058
Gain on sale of The ImagiNation Network	--	--	(19,739)
Equity loss from The ImagiNation Network	--	--	1,990
Write-off of purchased in-process research and development	--	--	3,587
Cumulative effect of change in accounting for income taxes	--	--	(2,000)
Deferred income taxes	(35,970)	(32,068)	12,487
Amortization of original issue discount on convertible notes and restricted stock	4,350	1,646	1,965
Loss on impairment of assets	--	7,569	--
Depreciation	32,459	25,387	16,405
Effect of change in amortization periods for Ideon membership acquisition costs	--	65,500	--
Net loss during change in fiscal year-ends	(4,674)	(49,944)	--
Change in working capital items, net of acquisitions:			
Receivables	(106,300)	(152,392)	(51,638)
Prepaid membership materials	3,928	(5,562)	(5,844)
Prepaid expenses and other current assets	(2,342)	(36,130)	(20,755)
Accounts payable, accrued expenses and federal and state income taxes payable	193,737	57,891	40,245
Product abandonment and related liabilities	(20,796)	20,796	--
Other, net	(956)	(30,499)	(8,512)
Net cash provided by operating activities	260,554	54,216	176,766
Investing activities			
Proceeds from sale of The ImagiNation Network	--	--	19,739
Loan to The ImagiNation Network, net	--	--	(2,895)
Proceeds from sales of marketable securities	137,277	255,916	136,977
Purchases of marketable securities	(96,517)	(138,198)	(161,585)
Acquisitions, net of cash acquired	(55,931)	(75,142)	(63,437)
Acquisitions of properties	(59,665)	(63,148)	(39,561)
Net cash used in investing activities	(74,836)	(20,572)	(110,762)
Financing activities			
Issuance of common stock	42,811	35,269	40,321
Proceeds from convertible debt offering, net	--	--	48,250
Payments for purchase of treasury shares	--	(9,801)	(483)
Equity distributions	(1,620)	--	--
(Repayments) borrowings of long-term obligations, net	(4,003)	1,064	(16,416)
Dividends paid	(2,798)	(8,159)	(7,519)
Net cash provided by financing activities	34,390	18,373	64,153
Net increase in cash and cash equivalents	220,108	52,017	130,157
Cash and cash equivalents at beginning of period	333,036	281,019	150,862
Cash and cash equivalents at end of period	\$ 553,144	\$ 333,036	\$ 281,019

See accompanying notes.

CUC International Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note A--Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of CUC International Inc., its wholly-owned subsidiaries and its joint ventures (collectively, the "Company"). The Company operates in two business segments: membership services and software. Membership services are distributed to consumers through various channels which include financial institutions, credit unions, charities, other cardholder based organizations and retail establishments. The software segment develops, publishes and distributes educational and entertainment software for home and school use. All significant intercompany transactions have been eliminated in consolidation. All periods presented reflect the Company's reclassifications of deferred membership acquisition costs (previously classified as an offset to deferred membership income) and membership solicitations in process (previously classified as a current asset) to non-current assets.

Use of Estimates

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

The software segment of the Company is subject to certain business risks which could affect future operations and financial performance. The risks include (without limitation) changing computer environments, rapid technological change, development of new products, concentrations in manufacturing facilities, competitive pricing and reliance on distribution channels.

Cash and Cash Equivalents

The Company considers all highly liquid investment instruments with terms of three months or less at the time of acquisition to be cash equivalents. Included in cash and cash equivalents are marketable securities available-for-sale stated at fair value which approximates cost.

Concentration of Credit Risks

The estimated fair value of amounts reported in the consolidated financial statements has been determined by using available market information and appropriate valuation methodologies. All current assets (with the exception of marketable securities) and current liabilities are carried at cost, which approximates fair value, because of their short-term nature. The fair value of the Notes at January 31, 1997 and 1996 was \$78.3 million and \$42.6 million, respectively, based upon its quoted market price (see Note E).

Notes to Consolidated Financial Statements (Continued)

Note A--Summary of Significant Accounting Policies (continued)

Concentration of Credit Risks (continued)

Financial instruments which potentially subject the Company to concentration of credit risk consist primarily of accounts receivable. This risk is limited in the membership services segment due to the large number of entities representing the Company's membership base. These entities include major banks, financial institutions and large oil companies and retailers which are primarily located throughout the United States. Software accounts receivable include amounts principally from geographically dispersed dealers, distributors, retail chains and superstores in the software industry, as well as schools and school districts. The Company performs periodic credit evaluations of its software customers and maintains reserves which estimate the potential for future product returns. Such reserves have been included in allowances for accounts receivable.

Software Research and Development Costs and Costs of Software Revenue

Under the criteria set forth in Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," capitalization of software development costs begins upon the establishment of technological feasibility of the product. Costs meeting this criteria are insignificant and, therefore, research and development costs related to designing, developing and testing new software products are charged to operating expenses as incurred. Purchased in-process research and development costs are charged to expense on the date acquired if it has no alternative future use and technological feasibility is not established. Software research and development costs aggregated \$66.2 million, \$52.9 million and \$36.3 million for the years ended January 31, 1997, 1996 and 1995, respectively. Costs of software revenue include material costs, manufacturing labor and overhead and royalties paid to developers and affiliated label publishers. Costs of software revenue are included in operating expenses and aggregated \$109.6 million, \$115.3 million and \$73.3 million for the years ended January 31, 1997, 1996 and 1995, respectively.

Membership Acquisition Costs and Deferred Membership Income

In accordance with the provisions of Statement of Position 93-7, "Reporting on Advertising Costs," membership acquisition costs are deferred and charged to operations as membership fees are recognized. These costs, which relate directly to membership solicitations (direct response advertising costs), principally include: postage, printing, kits, mailings, publications (including coupon books) and telemarketing costs. Substantially all of these costs are incurred for services performed by outside sources. Such costs are amortized on a straight-line basis as revenues are realized over the average membership period (generally one to three years). 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. However, if membership acquisition costs were to exceed the membership fee, an appropriate adjustment would be made for any significant impairment.

Amortization of membership acquisition costs, including deferred renewal costs, which consist principally of charges from sponsoring institutions and publications, amounted to \$641.3 million, \$556.5 million and \$467.0 million for the years ended January 31, 1997, 1996 and 1995, respectively. All advertising costs other than direct response advertising costs are expensed in the period incurred. Such amounts were \$246.6 million, \$172.3 million and \$133.8 million for the years ended January 31, 1997, 1996 and 1995, respectively.

Notes to Consolidated Financial Statements (Continued)

Note A--Summary of Significant Accounting Policies (continued)

Membership Acquisition Costs and Deferred Membership Income (continued)

Membership fees are generally billed through financial institutions and other cardholder based institutions and are recorded as deferred membership income upon acceptance of membership, net of estimated cancellations, and pro-rated over the membership period.

Deferred membership income is classified as non-current in the consolidated balance sheet items since working capital will not be required as the deferred income is recognized over future periods.

Provisions for membership cancellations were \$34.5 million and \$37.0 million at January 31, 1997 and 1996, respectively. Such amounts are included in accrued expenses. In addition, accrued expenses include commissions payable of \$31.2 million and \$21.6 million at January 31, 1997 and 1996, respectively.

Membership Solicitations In Process

These costs consist of initial membership acquisition costs pertaining to membership solicitation programs that were in process at year-end. Accordingly, no membership fees had been received or recognized at year-end. The costs are generally accumulated over a two or three month solicitation period and are transferred to membership acquisition costs when the membership begins.

Software Revenue Recognition

The Company recognizes revenue in accordance with the provisions of Statement of Position No. 91-1, "Software Revenue Recognition." Revenue from software sales is recognized upon shipment, provided no significant vendor obligations remain and collection of the resulting receivable is deemed probable. Other insignificant vendor obligations consisting primarily of costs associated with telephone support to customers after delivery of software are accrued. The Company's agreements with certain distributors and retailers permit them to exchange products or provide price protection under certain circumstances. The Company provides an allowance for estimated exchanges and price protection.

Contract Renewal Rights

Contract renewal rights represent the value assigned to acquired contracts and are being amortized over 2 to 16 years using the straight-line method. As of January 31, 1997 and 1996, accumulated amortization amounted to \$59.0 million and \$51.5 million, respectively.

Excess of Cost Over Net Assets Acquired

The excess of cost over net assets acquired is being amortized over 5 to 30 years using the straight-line method. As of January 31, 1997 and 1996, accumulated amortization amounted to \$67.0 million and \$49.1 million, respectively. The carrying value of the excess of cost over net assets acquired will be reviewed by management if the facts and circumstances suggest that the value may be impaired. If this review indicates that the carrying amounts will not be recoverable, as determined based on the undiscounted cash flows of the entities acquired over the remaining amortization period, management will reduce the carrying amount by the estimated shortfall in cash flows.

Notes to Consolidated Financial Statements (Continued)

Note A--Summary of Significant Accounting Policies (continued)

Net Income Per Common Share

Net income per common share of the Company's common stock, par value \$.01 per share ("Common Stock"), has been computed using the weighted average number of common and dilutive common equivalent shares outstanding (after giving effect to the acquisitions accounted for in accordance with the pooling-of-interests method (see Note B) and the three-for-two split of the Common Stock (see Note F)). The weighted average number of common and dilutive common equivalent shares was 405.1 million, 392.2 million and 379.3 million for the years ended January 31, 1997, 1996 and 1995, respectively. Fully diluted earnings per share did not differ significantly from primary earnings per share in any year.

Impairment of Long-Lived Assets

In 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company adopted SFAS No. 121 in fiscal 1997, the impact of which was not material.

Stock Based Compensation

The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." Under the Company's current plans, options may be granted at not less than the fair market value on the date of grant and therefore no compensation expense is recognized for the stock options granted. In fiscal 1997, the Company adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" (see Note F).

Note B--Mergers and Acquisitions

Pooling-of-Interests Business Combinations

During July 1996, the Company acquired all of the outstanding capital stock of Davidson & Associates, Inc. ("Davidson") for a purchase price of approximately \$1 billion, which was satisfied by the issuance of approximately 45.1 million shares of Common Stock. Also during July 1996, the Company acquired all of the outstanding capital stock of Sierra On-Line, Inc. ("Sierra") for a purchase price of approximately \$858 million, which was satisfied by the issuance of approximately 38.4 million shares of Common Stock. Davidson and Sierra develop, publish and distribute educational and entertainment software for home and school use. During August 1996, the Company acquired all of the outstanding capital stock of Ideon Group, Inc. ("Ideon"), principally a provider of credit card enhancement services, for a purchase price of approximately \$393 million, which was satisfied by the issuance of approximately 16.6 million shares of Common Stock.

The mergers with Davidson, Sierra and Ideon (the "Fiscal 1997 Pooled Entities") have been accounted for in accordance with the pooling-of-interests method of accounting and, accordingly, the accompanying consolidated financial statements have been restated as if the Fiscal 1997 Pooled Entities and the Company had operated as one since inception. Further, all common share and per common share data have been restated for prior periods and certain reclassifications have been made to the historical financial statements to conform to the Company's presentation.

CUC International Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note B--Mergers and Acquisitions (continued)

The following represents revenues and net income of the Company and the Fiscal 1997 Pooled Entities for the two years and the last complete interim period preceding the mergers.

	Six Months Ended July 31, 1996	Year Ended January 31, 1996	Year Ended January 31, 1995
----- (Unaudited)			
Revenues:			
The Company	\$ 880,403	\$ 1,401,551	\$1,182,896
Fiscal 1997 Pooled Entities	190,820	533,681	371,715
	-----	-----	-----
	\$1,071,223	\$ 1,935,232	\$1,554,611
	=====	=====	=====
Net Income (Loss):			
The Company	\$ 83,558	\$ 164,669	\$ 124,566
Fiscal 1997 Pooled Entities	9,024	(19,694)	39,491
	-----	-----	-----
	\$ 92,582	\$ 144,975	\$ 164,057
	=====	=====	=====

Davidson, Sierra and Ideon previously used the fiscal years ended December 31, March 31 and December 31, respectively, for their financial reporting. To conform to the Company's January 31 fiscal year end, Davidson's and Ideon's operating results for January 1996 have been excluded from, and Sierra's operating results for February and March 1996 have been duplicated in, the Company's year ended January 31, 1997 operating results in the accompanying financial statements. The excluded and duplicated periods have been adjusted by a net \$4.7 million charge to retained earnings at January 31, 1997. Effective January 1, 1995, Ideon changed its fiscal year end from October 31 to December 31 (the "Ideon Transition Period"). The Ideon Transition Period has been excluded from the accompanying consolidated statements of income. Ideon's revenues and net loss for the Ideon Transition Period were \$34.7 million and \$(49.9) million, respectively. This excluded period has been adjusted by a \$49.9 million charge to retained earnings at January 31, 1996. The net loss for the Ideon Transition Period was principally the result of a \$65.5 million one-time, non-cash, pre-tax charge recorded in connection with a change in amortization periods for deferred membership acquisition costs. Prior to the change, membership acquisition costs were generally amortized up to ten years for single year membership periods and up to twelve years for multi-year membership periods. These amortization periods represented the estimated life of the member. At December 31, 1994, the amortization periods were shortened to one year and three years for single and multi-year membership periods, respectively (initial membership period without regard for anticipated renewals).

Notes to Consolidated Financial Statements (Continued)

Note B--Mergers and Acquisitions (continued)

Principally in connection with the Davidson, Sierra and Ideon mergers, the Company charged approximately \$179.9 million (\$118.7 million or \$.29 per common share after-tax effect) to operations as merger, integration, restructuring and litigation charges for the year ended January 31, 1997. Such costs in connection with the Davidson and Sierra mergers with the Company (approximately \$48.6 million) are nonrecurring and are comprised primarily of transaction costs, other professional fees and integration costs. Such costs associated with the Company's merger with Ideon (the "Ideon Merger") (approximately \$127.2 million) are nonrecurring and include integration and transaction costs as well as a provision relating to certain litigation matters (see Note I) giving consideration to the Company's intended approach to these matters. Most of the provision is related to these outstanding litigation matters. In determining the amount of the provision, the Company estimated the cost of settling these litigation matters. In estimating such cost, the Company considered potential liabilities related to these matters and the estimated cost of prosecuting and defending them (including out-of-pocket costs, such as attorneys' fees, and the cost to the Company of having its management involved in numerous complex litigation matters). The Company is unable at this time to determine the estimated timing of the future cash outflows with respect to this liability. Although the Company has attempted to estimate the amounts that will be required to settle these litigation matters, there can be no assurance that the actual aggregate amount of such settlements will not exceed the amount accrued. Payments related to the above matters will reduce the amount of the provision. During the year ended January 31, 1997, such payments amounted to \$80.5 million. The Company considered litigation-related costs and liabilities, as well as integration and transaction costs, in determining the agreed upon exchange ratio in respect of the Ideon Merger.

In determining the amount of the provision related to the Company's proposed integration and consolidation efforts, the Company estimated the significant severance costs to be accrued upon the consummation of the Ideon Merger and costs relating to the expected obligations for certain third-party contracts (e.g., existing leases and vendor agreements) to which Ideon is a party and which are neither terminable at will nor automatically terminated upon a change-in-control of Ideon. The Company incurred significant integration costs because Ideon's credit card registration and enhancement services are substantially similar to the Company's credit card registration and enhancement services. All of the business activities related to the operations performed by Ideon's Jacksonville, Florida office were transferred to the Company's Comp-U-Card Division in Stamford, Connecticut upon the consummation of the Ideon Merger. The Company does not expect any loss in revenue as a result of these integration and consolidation efforts.

During March 1996, Davidson acquired all of the outstanding capital stock of Condor, Inc. (subsequently renamed "Blizzard North"), a developer of entertainment software. During August 1996, the Company acquired substantially all of the assets and liabilities of Kevlin Services, Incorporated ("Kevlin") and one other corporation affiliated with Kevlin for a purchase price of approximately \$27 million, which was satisfied by the issuance of approximately 1.2 million shares of Common Stock. Kevlin provides membership-based consumer services to customers of financial institutions. During September 1996, the Company acquired all of the outstanding capital stock of Dine-A-Mate, Inc. ("Dine-A-Mate") for a purchase price of approximately \$36 million, which was satisfied by the issuance of approximately 1.4 million shares of Common Stock. Dine-A-Mate offers discount dining and entertainment program memberships. During January 1997, the Company acquired all of the outstanding capital stock of Plextel Telecommunications, Inc. ("Plextel"), for a purchase price of approximately \$53

Notes to Consolidated Financial Statements (Continued)

Note B--Mergers and Acquisitions (continued)

million, which was satisfied by the issuance of approximately 2.2 million shares of Common Stock. Plectel operates an affinity-based, computerized dating service. Also during January 1997, the Company acquired all of the outstanding capital stock of Knowledge Adventure, Inc. ("KA"), for a purchase price of approximately \$86.1 million, which was satisfied by the issuance of approximately 3.5 million shares of Common Stock. KA designs, develops and markets children's educational computer software. These acquisitions were accounted for in accordance with the pooling-of-interests method of accounting. However, the Company's financial statements for periods prior to the dates of acquisition have not been restated due to immateriality.

During June 1995, the Company acquired all of the outstanding capital stock of Getko Group Inc. ("Getko") for a purchase price of approximately \$100 million, which was satisfied by the issuance of approximately 5.6 million shares of Common Stock. Getko distributes complimentary welcoming packages to new homeowners throughout the United States and Canada. During September 1995, the Company acquired all of the outstanding capital stock of North American Outdoor Group, Inc. ("NAOG") for a purchase price of approximately \$52 million, which was satisfied by the issuance of approximately 2.3 million shares of Common Stock. NAOG owns one of the largest for-profit hunting and general interest fishing membership organizations in the United States, and also owns various other membership organizations. During January 1996, the Company acquired all of the outstanding capital stock of Advance Ross Corporation ("Advance Ross") for a purchase price of approximately \$183 million, which was satisfied by the issuance of approximately 8.9 million shares of Common Stock. Advance Ross processes value-added tax refunds to travelers in over 20 European countries. The acquisitions of Getko, NAOG and Advance Ross (collectively, the "Fiscal 1996 Pooled Entities") were accounted for in accordance with the pooling-of-interests method of accounting. Therefore, the Company's financial statements have been restated for all prior periods to include these entities. Further, all common share and per common share data have been restated for prior periods and certain reclassifications have been made to the historical financial statements to conform to the Company's presentation.

The following represents revenues and net income of the Company and the Fiscal 1996 Pooled Entities for the one year and the last complete interim period preceding the mergers, not giving effect to the Fiscal 1997 Pooled Entities.

	Nine Months Ended October 31, 1995	Year Ended January 31, 1995
	----- (Unaudited)	-----
Revenues:		
The Company	\$ 949,886	\$1,044,669
Fiscal 1996 Pooled Entities	87,130	138,227
	-----	-----
	\$1,037,016	\$1,182,896
	=====	=====
Net Income:		
The Company	\$ 113,656	\$ 117,591
Fiscal 1996 Pooled Entities	7,103	6,975
	-----	-----
	\$ 120,759	\$ 124,566
	=====	=====

Notes to Consolidated Financial Statements (Continued)

Note B--Mergers and Acquisitions (continued)

Getko, NAOG and Advance Ross previously used the fiscal years ended November 30, December 31 and December 31, respectively for their financial reporting. To conform to the Company's January 31 fiscal year end, Getko's operating results for December 1993 and January 1994 and NAOG's operating results for January 1994 have been excluded from the Company's year ended January 31, 1995 operating results in the accompanying financial statements. The excluded periods have been adjusted by a net \$4.1 million charge to retained earnings at January 31, 1995. In addition, Advance Ross' operating results for January 1995 have been excluded from the year ended January 31, 1996 operating results in the accompanying financial statements. This excluded period has been adjusted by a \$0.1 million charge to retained earnings at January 31, 1996.

During fiscal 1996, Davidson and Sierra acquired all of the outstanding capital stock of various companies, by issuing an aggregate of .6 million and 2.1 million shares of Davidson's and Sierra's common stock, respectively (.8 million and 3.9 million equivalent shares of Common Stock, respectively). During fiscal 1995, Davidson acquired all of the outstanding shares of a company, by issuing .6 million shares of Davidson's common stock (.8 million equivalent shares of Common Stock).

These acquisitions were accounted for in accordance with the pooling-of-interests method of accounting. Therefore, the financial statements of Davidson and Sierra, including all common and per common share data, were previously restated to include these entities.

Purchase Business Combinations

During fiscal 1997, the Company acquired certain entities for an aggregate purchase price of \$60.1 million, satisfied by the payment of \$35.3 million in cash and the issuance of .3 million shares of Common Stock. One of the purchase agreements provides that the former shareholders are eligible to receive additional payments over the next three years, not to exceed \$22 million in the aggregate, based upon the achievement of certain objectives. During fiscal 1996, the Company acquired certain entities for an aggregate purchase price of \$84.5 million, satisfied by the payment of \$82.1 million in cash and the issuance of .1 million shares of Common Stock. The 1997 and 1996 excess cost over net assets acquired resulting from these acquisitions aggregated \$55.0 million and \$80.9 million, respectively.

During January 1995, the Company acquired all of the outstanding capital stock of Essex Corporation and subsidiaries ("Essex") for \$27.5 million. The purchase price was satisfied by the payment of \$25.9 million in cash and the issuance of .1 million shares of Common Stock. The former shareholders of Essex may receive additional payments, not to exceed \$57.5 million, in the aggregate, based on the achievement of certain objectives, through the next fiscal year. The Company's management believes that payments to such shareholders aggregating in excess of \$30 million would be extremely remote. Essex is a third-party marketer of financial products for banks, primarily marketing annuities through financial institutions. In connection with this acquisition, the Company received current assets of \$8.1 million and non-current assets of \$1.4 million and assumed current liabilities of \$7.0 million. The balance of \$25.0 million was included in the excess of cost over net assets acquired. Additionally, during fiscal 1995, the Company acquired certain companies for an aggregate purchase price of \$45.7 million, satisfied by the payment of \$42.2 million in cash and the issuance of .5 million shares of Common Stock. The excess of cost over net assets acquired resulting from these acquisitions aggregated \$34.1 million.

Notes to Consolidated Financial Statements (Continued)

Note B--Mergers and Acquisitions (continued)

The preceding acquisitions were accounted for in accordance with the purchase method of accounting and, accordingly, the results of operations have been included in the consolidated results of operations from the respective dates of acquisition. The results of operations for the periods prior to the respective dates of acquisition were not significant to the Company's operations.

Note C--Marketable Securities

Marketable securities consist principally of corporate bonds, tax-free municipal obligations, U.S. Treasury notes and commercial paper. Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. All securities at January 31, 1997 and 1996 were classified as available-for-sale and were reported at fair value with net unrealized holding gains and losses, net of tax effect, reported in shareholders' equity until realized. Fair value was based upon quoted market prices or investment adviser estimates and any securities not maturing within one year are classified as non-current assets. Declines in the market value of available-for-sale securities deemed to be other than temporary resulted in charges to current earnings and the establishment of a new cost basis.

Note D--Properties

Property acquired is recorded at cost. Depreciation of properties is provided for using the straight-line method over the estimated useful lives of the assets. The following is a summary of properties as of January 31 (in thousands):

	1997	1996
Computer equipment	\$ 97,218	\$ 70,077
Telephone equipment	33,458	34,113
Furniture and other equipment	88,018	74,290
Buildings	37,809	23,309
Leasehold improvements	21,207	16,798
Less accumulated depreciation	(132,090)	(105,234)
Properties, net	\$ 145,620	\$ 113,353

Note E--Revolving Credit Facilities and Convertible Notes

The Company terminated its previous credit agreement effective March 19, 1996 and effective March 26, 1996 entered into a new credit agreement 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 "New Credit Agreement").

The New Credit Agreement provides for a \$500 million revolving credit facility with a variety of different types of loans available thereunder. Interest is payable, depending on the type of loan utilized by the Company, at a variety of rates based on the federal funds rate, LIBOR, the prime rate or rates quoted by participating banks based on an auction process provided for in the New Credit Agreement. At January 31, 1997, no borrowings under the New Credit Agreement were outstanding. In addition, the New Credit Agreement requires the Company to maintain certain financial ratios and contains other restrictive covenants including, without limitation, financial covenants and restrictions on certain corporate transactions, and also contains various events of default provisions including, without limitation, defaults arising from certain changes in control of the Company.

Notes to Consolidated Financial Statements (Continued)

Note E--Revolving Credit Facilities and Convertible Notes (continued)

The zero coupon convertible notes issued in connection with the Company's fiscal 1990 recapitalization were recorded at their fair value on the date of issuance and were issued in \$100 principal amounts and multiples thereof. Each \$100 principal amount was convertible into 22.78 shares of Common Stock. Virtually all of the zero coupon convertible notes were converted into Common Stock by the maturity date of June 6, 1996.

Cash payments for interest made by the Company on all its obligations amounted to \$5.7 million, \$5.1 million and \$4.6 million for the years ended January 31, 1997, 1996 and 1995, respectively.

In January 1997, Wright Express Corporation ("Wright Express"), a wholly-owned subsidiary of the Company, entered into a new revolving credit facility agreement replacing its previous revolving line of credit. The new credit facility has an available line of \$60 million. The new credit facility expires February 8, 1999. Interest on the outstanding borrowings is computed, at the option of Wright Express, under various methods. At January 31, 1997, Wright Express had \$31.4 million outstanding under the new credit facility with an interest rate of 6.04%. Borrowings under the previous arrangement at January 31, 1996 aggregated \$15.4 million with interest rates ranging from 6.31% to 7.25%. Such amounts are included in other current liabilities.

On April 12, 1994, Sierra issued \$50 million in principal amount of 6 1/2% convertible subordinated notes due April 1, 2001 (the "Notes"). Interest on the Notes is payable semi-annually on April 1 and October 1 of each year. Each \$7.62 principal amount of Notes is convertible into one share of Common Stock, subject to adjustment under certain conditions. The Notes are redeemable after April 2, 1997, at the option of Sierra, at specified redemption prices. The Notes are subordinated to all existing and future Senior Indebtedness (as defined in the Indenture governing the Notes) of Sierra. Issuance costs have been netted against the principal convertible debt balance and are being amortized on a straight-line basis over seven years. During fiscal 1996 and 1995, Sierra paid \$0.9 million and \$1.0 million, included in interest expense, to induce conversion of \$11.7 million and \$14.3 million of Notes into .8 million shares and 1 million shares of Sierra common stock (1.5 million equivalent shares and 1.9 million equivalent shares of Common Stock), respectively.

Note F--Shareholders' Equity

The Company has authorized capital stock consisting of 600 million shares of Common Stock and one million shares of preferred stock, \$.01 par value per share ("Preferred Stock"). At January 31, 1997, there were outstanding 402.9 million shares of Common Stock. The Company has never issued any shares of Preferred Stock.

On September 26, 1996, the Company's Board of Directors declared a three-for-two split of the Common Stock, in the nature of a stock dividend, effective October 21, 1996, paid to shareholders of record on October 7, 1996. Accordingly, the financial statements and all common share and per common share data have been retroactively adjusted to reflect the stock split. The par value of the additional shares of Common Stock issued in connection with the stock split was credited to Common Stock and charged to retained earnings.

Notes to Consolidated Financial Statements (Continued)

Note F--Shareholders' Equity (continued)

At January 31, 1997, there were outstanding approximately \$24 million principal amount of Notes, convertible into approximately 3.1 million shares of Common Stock. The Company also has reserved .6 million shares of Common Stock for issuance upon the exercise of certain outstanding warrants to purchase Common Stock which the Company assumed in connection with its acquisition of Advance Ross during fiscal 1996.

The Company has elected to follow APB No. 25 and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123 requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB No. 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

The Company grants options to employees primarily pursuant to three stock option plans: the 1992 Employee Stock Option Plan (the "1992 Plan"), the 1992 Bonus and Salary Replacement Stock Option Plan (the "Replacement Plan") and the 1987 Stock Option Plan (the "1987 Plan"). Under these plans, the Company may grant options to purchase in the aggregate up to 70.8 million shares of Common Stock. At January 31, 1997, there were outstanding in the aggregate options to purchase 35.5 million shares of Common Stock pursuant to the 1992 Plan, the Replacement Plan and the 1987 Plan. Options granted under the 1992 Plan generally are exercisable at 20% per year commencing one year from the date of grant. Options granted under the Replacement Plan generally are exercisable at 33% per year commencing one year from the date of grant. Options granted under the 1987 Plan generally are exercisable at 25% per year commencing one year from the date of grant. Options granted under the Company's stock option plans generally have 10 year terms. All options outstanding under these plans are non-qualified stock options. These stock option plans include options acquired by the Company in connection with its various acquisitions accounted for in accordance with the pooling-of-interests method of accounting (see Note B).

The Company grants options to its non-employee directors pursuant to its 1994 Directors Stock Option Plan (the "1994 Directors Plan"). The 1994 Directors Plan provides that options to acquire an aggregate of up to .3 million shares of Common Stock may be granted to non-employee directors of the Company in office on each of November 23, 1994, 1995, 1996 and 1997. Options under the 1994 Directors Plan are exercisable in full on the date of grant. At January 31, 1997, there also were outstanding grants made to non-employee directors of the Company under the Company's 1990 Directors Stock Option Plan (the "1990 Directors Plan") and 1992 Directors Stock Option Plan (the "1992 Directors Plan"), under which the Company is no longer granting options.

The Company has certain other stock option plans pursuant to which it no longer makes any new option grants, but pursuant to which there continues to exist outstanding options to purchase shares of Common Stock. These options generally expire ten years after their grant dates. Under these plans, there are currently outstanding both non-qualified stock options and incentive stock options to purchase 3.8 million shares of Common Stock in the aggregate at January 31, 1997. These stock option plans include plans assumed by the Company in connection with its acquisitions of Sierra and KA during fiscal 1997.

Notes to Consolidated Financial Statements (Continued)

Note F--Shareholders' Equity (continued)

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, which also requires that the information be determined as if the Company had accounted for its employee stock options granted subsequent to January 31, 1995 under the fair value method of that Statement. The fair value of these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for fiscal 1997 and 1996, respectively: risk-free interest rates of 6.3% and 5.3%; volatility factors of the expected market price of the Company's common stock of .28 and .26; and a weighted-average expected life for the options of 5 years for both years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma net income would have been approximately \$154.4 million and \$142.5 million and pro forma net income per common share would have been \$.38 and \$.36 for the fiscal years ended January 31, 1997 and 1996, respectively.

In accordance with the provisions of SFAS No. 123, the pro forma disclosures include only the effect of stock options granted in fiscal 1996 and fiscal 1997. These pro forma effects may not be representative of the effects of SFAS No. 123 on future years because of the fact that options vest over several years and new grants generally are made each year.

Changes in outstanding options were as follows:

	Options	Weighted-Average Exercise Price
Outstanding January 31, 1994	40,407,897	\$ 6.33
Options granted	15,152,418	\$ 12.36
Options exercised	(6,615,669)	\$ 3.73
Options cancelled	(1,005,478)	\$ 6.43

Outstanding January 31, 1995	47,939,168	\$ 8.35
Options granted	7,193,868	\$ 16.71
Options exercised	(9,432,882)	\$ 5.33
Options cancelled	(1,834,083)	\$ 9.08

Outstanding January 31, 1996	43,866,071	\$ 10.02
Options granted	7,619,780	\$ 18.98
Options exercised	(9,495,058)	\$ 5.63
Options cancelled	(1,604,747)	\$ 15.08

Outstanding January 31, 1997	40,386,046	\$ 12.81
=====		

CUC International Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note F--Shareholders' Equity (continued)

As of January 31, 1997, 1996 and 1995, there were options exercisable of 11,818,528, 12,193,065 and 10,610,540, respectively. Outstanding options at January 31, 1997 had exercise prices ranging from \$0.01 to \$35.07. The weighted-average value of options granted during fiscal 1997 and 1996 was \$7.51 and \$6.69, respectively.

The following table summarizes information concerning outstanding and exercisable options as of January 31, 1997:

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
\$ 0.01 - \$10.00	11,234,664	5.54	\$ 5.10	7,424,541	\$ 4.71
\$10.01 - \$20.00	21,877,942	7.76	\$13.47	3,881,386	\$12.91
\$20.01 - \$30.00	6,989,851	9.26	\$22.56	286,257	\$25.54
\$30.01 - \$40.00	283,589	7.43	\$31.64	226,344	\$31.37
	40,386,046	7.41	\$12.91	11,818,528	\$ 8.40

The Company has reserved 11,390,625 shares of Common Stock for issuance in connection with its 1989 Restricted Stock Plan. As of January 31, 1997, 10,494,423 shares of restricted Common Stock had been granted under this plan. During fiscal 1997, 720,000 shares of restricted Common Stock were granted under the plan and 645,000 shares of restricted Common Stock were granted other than under the plan. The aggregate fair value on the date of grant of such restricted Common Stock was \$30.5 million, which amount was deducted from shareholders' equity and is being amortized over the vesting period of 10 years.

The Company has reserved 1,125,000 shares of Common Stock in connection with its 1994 Employee Stock Purchase Plan, which enables employees to purchase shares of Common Stock from the Company at 90% of the fair market value on the fifteenth day following the last day of each calendar quarter, in an amount up to 25% of the employees' year-to-date earnings.

The following summarizes shares of Common Stock reserved for issuance as of January 31, 1997:

Conversion of Notes	3,146,720
Exercise of outstanding Warrants	600,000
Stock Options outstanding	40,386,046
Stock Options not yet granted	8,357,529
Restricted stock plan not yet granted	896,202
Stock purchase plan not yet purchased	847,276

	54,233,773
	=====

CUC International Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note G--Income Taxes

The components of income before income taxes for the years ended January 31 are as follows (in thousands):

	1997	1996	1995
Domestic	\$237,567	\$210,211	\$238,219
Foreign	38,674	25,101	18,712
	=====	=====	=====
	\$276,241	\$235,312	\$256,931
	=====	=====	=====

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of January 31 are as follows (in thousands):

	1997	1996
Deferred tax assets:		
Deferred membership income and acquisition costs, net	\$ 15,931	\$18,421
Other accrued liabilities	34,908	10,836
Recapitalization expenses	--	1,181
Merger and litigation expenses	27,169	--
Compensatory stock options	3,984	972
Net operating loss carryforwards	1,347	1,347
Relocation expenses	3,630	3,439
Amortization	1,627	--
All other	13,099	9,060
	-----	-----
Total deferred tax assets	101,695	45,256
Deferred tax liabilities:		
Insurance retention refund	22,612	19,546
Depreciation	7,897	7,195
All other	9,447	6,569
	-----	-----
Total deferred tax liabilities	39,956	33,310
	-----	-----
Net deferred tax assets	\$ 61,739	\$11,946
	=====	=====

The provision (benefit) for income taxes consists of the following for the years ended January 31 (in thousands):

	1997	1996	1995
Current:			
Federal	\$ 127,075	\$ 72,665	\$ 83,333
State	11,880	9,820	10,351
Foreign	9,157	7,606	5,178
	-----	-----	-----
	148,112	90,091	98,862
Deferred:			
Federal	(33,515)	493	(5,544)
State	(2,839)	(447)	791
Foreign	384	200	765
	-----	-----	-----
	(35,970)	246	(3,988)
	-----	-----	-----
Total provision	\$ 112,142	\$ 90,337	\$ 94,874
	=====	=====	=====

CUC International Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note G--Income Taxes (continued)

A reconciliation of the provision for income taxes at the Federal statutory rate to the Company's consolidated tax provision follows for the years ended January 31 (in thousands):

	1997	1996	1995
Income tax at statutory rate (35%)	\$ 96,684	\$ 81,778	\$ 89,926
State income taxes, net of Federal benefit	5,525	7,334	6,769
Foreign taxes differential	948	825	1,352
Tax exempt interest	(1,761)	--	(2,613)
Amortization of excess costs	4,200	4,627	2,237
Technology under development	--	--	1,381
Nonconsolidated losses	--	--	(849)
Merger costs	9,998	--	--
Other, net	(3,452)	(4,227)	(3,329)
	<u>\$ 112,142</u>	<u>\$ 90,337</u>	<u>\$ 94,874</u>

Income tax payments amounted to \$29.0 million, \$56.3 million and \$55.3 million for the years ended January 31, 1997, 1996 and 1995, respectively.

Note H--Transactions with Related Parties

Ideon

Until his resignation as Chief Executive Officer and a director of SafeCard Services, Incorporated ("SafeCard"), a subsidiary of Ideon, on December 19, 1992, Steven J. Halmos, SafeCard's co-founder, provided his services to SafeCard through High Plains Capital Corporation ("HPCC"), a company owned by himself and his brother, Peter Halmos, SafeCard's other co-founder. After that date, Steven J. Halmos, acting in the capacity of an Advisor on Marketing and Operational Strategy, provided services directly to SafeCard pursuant to a written agreement (as amended and restated as of April 1, 1993, the "Steven J. Halmos Agreement"). On May 26, 1994, SafeCard reached a settlement with Steven J. Halmos to terminate the Steven J. Halmos Agreement and various other agreements between SafeCard and Mr. Halmos that provided for payments to Mr. Halmos of \$2 million a year through March 31, 1998. The settlement, which arose in connection with Ideon's management restructuring in April 1994 and a resulting decision to cease using Mr. Halmos' services, resulted in a \$4.4 million cash payment to Mr. Halmos and charge to fiscal 1995 earnings. Subsequent to his termination Mr. Halmos exercised options to purchase 3.9 million shares of Ideon's common stock (approximately 2.3 million equivalent shares of Common Stock). Shareholders' equity increased \$37.8 million resulting from the exercise of such options and the related tax benefit.

In September 1994, Ideon acquired Wright Express. Ideon's former Chairman and Chief Executive Officer, Paul G. Kahn, was a director of Wright Express prior to its acquisition by Ideon. During negotiations between Ideon and Wright Express, Mr. Kahn did not attend any meetings or participate in any discussions of the Board of Directors of Wright Express and abstained from voting on the acquisition by Ideon's Board of Directors.

Notes to Consolidated Financial Statements (Continued)

Note H--Transactions with Related Parties (continued)

SafeCard markets its CreditLine product pursuant to an agreement (as amended, the "CreditLine Agreement") with CreditLine Corporation ("CLC"), a corporation owned by Steven J. Halmos and Peter Halmos, and their families. The CreditLine Agreement grants SafeCard an exclusive license to market CreditLine through certain credit card issuers (including all issuers with which SafeCard has contractual relationships) and provides that profits and losses, if any, are shared equally between CLC and SafeCard. The CreditLine Agreement is the subject of litigation as described in Note I.

Sierra

In July 1996, the Company acquired Sierra. The Company's Chairman and Chief Executive Officer, Walter A. Forbes, was a director of Sierra prior to its acquisition by the Company (the "Sierra Merger"). During negotiations between the Company and Sierra, Mr. Forbes did not participate in any meetings or deliberations of Sierra's Board of Directors with respect to the Sierra Merger and abstained from the vote of the Board of Directors of the Company to approve the Sierra Merger agreement.

Note I--Commitments and Contingencies

Rental expense under operating leases amounted to \$39.6 million, \$37.6 million and \$27.7 million for the years ended January 31, 1997, 1996 and 1995, respectively. These leases provide for normal escalation charges in addition to the base rental. At January 31, 1997, the minimum rental commitments under non-cancelable operating leases with initial or remaining terms of more than one year aggregated \$176.7 million (\$38.3 million for 1998, \$31.7 million for 1999, \$25.7 million for 2000, \$19.7 million for 2001, \$14.8 million for 2002 and \$46.5 million thereafter).

The Company has a Savings Incentive Plan ("Savings Plan") for all eligible employees which qualifies as a 401(k) plan. The Savings Plan provides that a participant may contribute up to 15% of his or her annual salary, subject to limitations, while the Company will contribute up to \$61 per pay period for the first \$92 contributed by a participant. Davidson's 401(k) plan covers eligible employees who elect to participate and Davidson has the discretion to make contributions to this plan, which vest based on length of service. The Company's contributions to the Savings Plan and Davidson's contributions to its 401(k) plan for fiscal 1997, 1996 and 1995 aggregated \$5.6 million, \$4.1 million and \$3.2 million, respectively.

Ideon

At January 31, 1997, Ideon was defending or prosecuting claims in fifteen complex lawsuits, twelve of which involved Peter Halmos, former Chairman of the Board and Executive Management Consultant to SafeCard, and various parties related to him as adversaries. Peter Halmos is also a plaintiff in three other lawsuits, one against a former officer, one against a director of Ideon and one against SafeCard's outside counsel, in which neither SafeCard nor Ideon have been named as defendant. The fifteen cases in which Ideon or its subsidiaries is a party to are as follows:

Notes to Consolidated Financial Statements (Continued)

Note I--Commitments and Contingencies (continued)

A suit initiated by Peter Halmos, related entities, and Myron Cherry (a former lawyer for SafeCard) in April 1993 in Cook County Circuit Court in Illinois against SafeCard and one of Ideon's directors, purporting to state claims aggregating in excess of \$100 million, principally relating to alleged rights to "incentive compensation," stock options or their equivalent, indemnification, wrongful termination and defamation. On February 7, 1995, the court dismissed with prejudice Peter Halmos' claims regarding alleged rights to "incentive compensation," stock options or their equivalent, wrongful termination and defamation. Mr. Halmos has appealed this ruling. SafeCard has filed an answer to the remaining indemnification claims. Its obligation to file an answer to the claims of Myron Cherry have been stayed pending settlement discussions. On December 28, 1995, the court stayed Halmos' indemnification claims pending resolution of a declaratory judgment action filed by Ideon in Delaware Chancery Court.

A suit which seeks monetary damages and certain equitable relief filed by SafeCard in August 1993 in Laramie County Circuit Court in Wyoming against Peter Halmos and related entities alleging that Peter Halmos dominated and controlled SafeCard, breached his fiduciary duties to SafeCard, and misappropriated material non-public information to make \$48 million in profits on sales of SafeCard stock. In March 1994, Mr. Halmos and related entities filed a counterclaim in which claims were made of conspiracy in restraint to trade, monopolization and attempted monopolization, unfair competition and restraint of trade, breach of contract for indemnity and intentional infliction of emotional distress. SafeCard's motion to sever the conspiracy, monopolization and restraint of trade claims was granted in May 1994. The claims for the conspiracy, monopolization, restraint of trade and unfair competition were dismissed without prejudice in June 1994. On April 12, 1995, the trial court granted the motion of Mr. Halmos and certain related entities to amend their counterclaims. The amended counterclaims include claims for indemnification for legal expenses incurred in the action and a claim that SafeCard's contract with CreditLine should be rescinded. On April 19, 1995, the trial court granted Mr. Halmos' motion for summary judgment that certain of SafeCard's claims against him were barred by the statute of limitation. On March 14, 1996, the Wyoming Supreme Court reversed the trial court's ruling that certain of SafeCard's claims were barred by the statute of limitations. Pursuant to the Court's order of July 31, 1996, the action has been abated to permit the parties to engage in settlement negotiations.

A suit seeking monetary damages by Peter Halmos, purportedly in his name and in the name of CreditLine Corporation and Continuity Marketing Corporation against SafeCard, one of its officers and three of Ideon's directors in United States District Court in the Southern District of Florida, in September 1994 purporting to state various tort claims, state and federal antitrust claims and claims of copyright infringement. The claims principally relate to the allegation by Peter Halmos and his companies that SafeCard has taken action to prevent him from being a successful competitor. All discovery in the case has been stayed pending a ruling on a motion to dismiss filed by SafeCard, its officer and Ideon's directors. On August 16, 1995, the United States Magistrate Judge filed a Report and Recommendation that the case be dismissed. The parties have filed various beliefs and memoranda in response to this Report. On January 4, 1996, the Magistrate recommended ruling that the statute of limitations was tolled during pendency of the case in federal court and the plaintiffs' state law claims were thus not time-barred. Defendants have filed an objection to this recommendation.

Notes to Consolidated Financial Statements (Continued)

Note I--Commitments and Contingencies (continued)

A suit seeking monetary damages by Peter Halmos, as trustee for the Peter A. Halmos revocable trust dated January 24, 1990 and the Halmos Foundation, Inc. individually and certain other named parties on behalf of themselves and all others similarly situated against SafeCard, one of its officers, one of its former officers and three of Ideon's directors in the United States District Court for the Southern District of Florida in December 1994. This litigation involves claims by a putative class of sellers of SafeCard Stock for the period January 11, 1993 through December 8, 1994 for alleged violations of the federal and states securities laws in connection with alleged improprieties in SafeCards' investor relations program. The complaint also includes individual claims made by Peter Halmos in connection with the sale of stock by two trusts controlled by him. SafeCard and the individual defendants have filed a motion to dismiss. There has been limited discovery on class certification and identification of "John Doe" defendant issues. Ideon filed its opposition to the pending motion for class certification on December 11, 1995. Plaintiffs' reply was filed March 19, 1996. On September 9, 1996, the Court entered an order abating the action until December 9, 1996 to permit the parties to engage in settlement negotiations. The parties filed a joint status report on December 10, 1996 requesting an order abating the action until January 24, 1997 to permit further settlement discussions. On February 11, 1997, the Court entered an order abating the stay and setting the case for trial beginning September 2, 1997.

A suit seeking monetary damages and injunctive relief by LifeFax, Inc. and Continuity Marketing Corporation, companies affiliated with Peter Halmos, in the State Circuit Court in Palm Beach County, Florida in April 1995 against Ideon, Family Protection Network, Inc., SafeCard, one of Ideon's directors and Ideon's Chief Executive Officer purporting to state various statutory and tort claims. The claims principally relate to the allegation by these companies that SafeCard's Early Warnings Service and Family Protection Network were conceived and commercialized by, among others, Peter Halmos and have been improperly copied. An amended complaint filed on June 14, 1995 seeking monetary damages adds to the prior claims certain claims by Nicholas Rubino that principally relate to the allegation that SafeCard's Pet Registration Product was conceived by Mr. Rubino and has been improperly copied. The Company has filed an appropriate answer.

A suit seeking monetary damages and declaratory relief by Peter Halmos, individually and as trustee for the Peter A. Halmos revocable trust dated January 24, 1990 and by James B. Chambers, individually and on behalf of himself and all others similarly situated against Ideon, SafeCard, each of the members of Ideon's Board of Directors, three non-board member officers of Ideon, Ideon's previous outside auditor and one of Ideon's outside counsel in the United States District Court for the Southern District of Florida in June 1995. The litigation involves claims by a putative class of purchasers of Ideon stock between December 14, 1994 and May 25, 1995 and on behalf of a separate class of all record holders of SafeCard stock as of April 27, 1995. The putative class claims are for alleged violations of the federal securities laws, for alleged breach of fiduciary duty and alleged negligence in connection with certain matters voted on at the Annual Meeting of SafeCard stockholders held on April 27, 1995. Ideon and the individual defendants have filed a motion to dismiss these claims. There has been limited discovery on class certification issues. Ideon filed its opposition to the pending motion for class certification on December 11, 1995. Plaintiffs' reply was filed March 19, 1996. On September 9, 1996, the Court entered an order abating the action until December 9, 1996 to permit the parties to engage in settlement negotiations. On December 5, 1996, plaintiffs filed a motion for leave to file an amended complaint, name additional parties (previously named as "John Does") and include additional legal claims. The amended complaint is a purported buyer and class action under the securities and racketeering laws alleging Ideon and others engaged in a stock manipulation scheme to artificially inflate the price of SafeCard/Ideon stock between January 1993 and December 1995. On February 11, 1997, the Court entered an order abating the stay and setting this case for trial beginning on September 2, 1997. On February 27, 1997, the Company filed a response in opposition to plaintiffs' motion for leave to file an amended complaint.

Notes to Consolidated Financial Statements (Continued)

Note I--Commitments and Contingencies (continued)

A purported shareholder derivative action initiated by Michael P. Pisano, on behalf of himself and other stockholders of SafeCard and Ideon against SafeCard, Ideon, two of their officers, and Ideon's directors in United States District Court, Southern District of Florida. This litigation involves claims that the officers and directors of SafeCard have improperly refused to accede Peter Halmos' litigation and indemnification demands against Ideon. Ideon and the individual defendants have filed motions to dismiss the first amended complaint. On September 29, 1995, Pisano filed a second amended complaint which made additional allegations of waste and mismanagement against Ideon's officers and directors in connection with the Family Protection Network and PGA Tour Partner products. On December 26, 1995, Ideon filed motions to dismiss the Second Amended Complaint. On June 4 and June 19, 1996, orders were entered dismissing plaintiff's claims with prejudice for failure to join an indispensable party, Peter Halmos. On June 27, 1996, plaintiff filed a notice of appeal. Plaintiff filed initial and reply briefs and Ideon filed an answer brief. Oral agreement on the appeal is scheduled for April 10, 1997.

A suit seeking monetary damages filed by Peter Halmos against SafeCard, one of its directors, its former general counsel, and its legal counsel in the Circuit Court, Fifteenth Judicial Circuit, in and for Palm Beach County, Florida on August 10, 1995. This litigation involves claims by Peter Halmos for breach of fiduciary duty and constructive fraud, fraud, and negligent misrepresentation and is based on allegations arising out of the resolution of a shareholder class action lawsuit in 1991 and SafeCard's subsequent filing of an action against Halmos and his related companies in Wyoming in 1993. Plaintiff filed an amended complaint on June 26, 1996 and on July 11, 1996 Ideon moved to dismiss plaintiff's amended complaint or in the alternative to stay the action.

A declaratory judgment action by Ideon and its directors against Peter Halmos in Delaware Chancery Court, New Castle County. This action seeks a declaration regarding Ideon's advance indemnification obligations, if any, to Peter Halmos in connection with his many lawsuits. Halmos filed a motion to dismiss on jurisdictional grounds on November 17, 1995. Ideon filed a brief in opposition and an amended complaint on February 14, 1996. On April 22, 1996, Halmos filed an answer and amended counterclaims in which High Plains Capital Corporation ("High Plains") and Halmos Trading & Investment Company ("Halmos Trading") were added as additional parties. The amended counterclaims seek advancement and/or indemnification for Halmos, High Plains and Halmos Trading for certain litigations and an IRS investigation. The amended counterclaims also seek recovery against individual defendant directors based on allegations they willfully and unjustly denied Halmos indemnification and/or advancement. Ideon filed an answer and affirmative defenses to the amended counterclaims on May 6, 1996.

A suit by High Plains against Ideon, SafeCard, two of its directors and The Dilenschneider Group, Inc. in Circuit Court in Palm Beach County, Florida. This litigation involves claims by High Plains for certain incentive compensation arising out of Halmos' affiliation with SafeCard. The complaint includes claims for breach of written agreements regarding additional services and expenses, an alternative claim for quantum meruit based on written agreement and a count for tortious interference with advantageous business relationship. Ideon filed a motion for final summary judgment. Discovery has been stayed pending a ruling on this motion.

A suit filed by High Plains against Ideon and SafeCard in Circuit Court in Broward County, Florida. This litigation involves claims by High Plains for alleged breach of oral contract, alleged violation of Florida's Uniform Trade Secrets Act, alleged misappropriation of trade secrets and for declaration that certain alleged trade secrets are property of High Plains. Ideon filed motions to dismiss and to transfer on December 15, 1995.

Notes to Consolidated Financial Statements (Continued)

Note I--Commitments and Contingencies (continued)

A suit by Peter Halmos, purportedly in the name of Halmos Trading, seeking monetary damages and specific performance against SafeCard, one of its former officers and one of Ideon's directors in Circuit Court in Broward County, Florida, making a variety of claims related to the contested lease of SafeCard's former Ft. Lauderdale headquarters. SafeCard had vacated the building, ceased making payments related to such lease and had filed counterclaims. On March 25, 1996, the parties entered into a Settlement Agreement under which Ideon made a payment of \$3.8 million to settle all claims currently pending or previously brought in this lawsuit.

A suit by Lois Hekker on behalf of herself and all others similarly situated seeking monetary damages against Ideon and its former Chief Executive Officer in the United States District Court for the Middle District of Florida on July 28, 1995. The litigation involves claims by a putative class of purchasers of Ideon stock for the period April 25, 1995 through May 25, 1995 for alleged violation of the federal securities laws in connection with statements made about Ideon's business and financial performance. Defendants filed a motion to dismiss on October 2, 1995. On January 3, 1996, the court stayed all merits discovery pending rulings on the motion to dismiss and on the plaintiff's motion for class certification. On August 19, 1996, the court denied the Company's motion to dismiss. The Company filed its answer on September 30, 1996.

A suit by First Capital Partners, Thomas F. Frist III and Patricia F. Elcan against Ideon and two of its employees in the United States District Court for the Southern District of New York. The litigation involves claims against Ideon, its former CEO and its Vice President of Investor Relations for alleged material misrepresentations and omissions in connection with announcements relating to Ideon's expected earnings per share in 1995 and its new product sales, which included the PGA Tour Card Program, Family Protection Network and Collections of the Vatican Museums. On July 15, 1996, Ideon filed a motion to dismiss. The Company withdrew its motion to dismiss and answered the complaint on December 5, 1996.

As noted in Note B, the Company established a reserve upon the consummation of the Ideon Merger related, in part, to these litigation matters. The Company is also involved in certain other claims and litigation arising in the ordinary course of business, which are not considered material to the financial position, operations or cash flows of the Company.

Note J--Costs Related to Products Abandoned and Restructuring - Ideon

Included in costs related to products abandoned and restructuring in the Consolidated Statement of Income for the year ended January 31, 1996, were special charges totaling \$43.8 million, net of recoveries, related to the abandonment of certain new product developmental efforts and the related impairment of certain assets and the restructuring of the SafeCard division of Ideon and the Ideon corporate infrastructure as discussed below. The original charge of \$45.0 million was composed of accrued liabilities of \$36.2 million and asset impairments of \$8.8 million. In December 1995 Ideon recovered \$1.2 million of a \$3.9 million deposit included in the above charges. Also included in costs related to products abandoned and restructuring are marketing and operational costs incurred for products abandoned of \$53.2 million. During the year ended January 31, 1997, all remaining amounts that had been previously accrued were paid.

Notes to Consolidated Financial Statements (Continued)

Note J--Costs Related to Products Abandoned and Restructuring - Ideon
(continued)

During fiscal 1996, the following costs related to products abandoned and restructuring were incurred. In early 1995, Ideon launched an expanded PGA TOUR Partners program that provided various benefits to members. Consumer response rates after the launch were significantly less than Ideon management's expectations, the product as configured was deemed not economically viable and a charge of \$18 million was incurred associated with the abandonment of the product marketing including employee severance payments (approximately 130 employees), costs to terminate equipment and facilities leases, costs for contract impairments and write-downs taken for asset impairments. In September 1995, after a period of product redesign and test marketing, Ideon discontinued its PGA TOUR Partners credit card servicing role and recorded a charge of \$3.6 million for costs associated with the abandonment of this role, including employee severance payments (approximately 60 employees), costs to terminate equipment and facilities leases and the recognition of certain commitments. In April 1995, Ideon launched a nationwide child registration and missing child search program. Consumer response rates after the launch were significantly less than Ideon management's expectations and a charge of \$9 million was incurred to cover severance payments (approximately 100 employees), costs to terminate equipment and facilities leases and write-down taken for asset impairments. As a result of the discontinuance of these products, Ideon undertook an overall restructuring of its operations and incurred charges of \$7.2 million to terminate operating leases and write-down assets to realizable value, \$3.0 million for restructuring its SafeCard division and \$4.2 million for restructuring its corporate infrastructure.

During fiscal 1995, costs related to products abandoned and restructuring were incurred when Ideon reorganized its operations and named a new senior management team, resulting in \$7.9 million of charges for various severance agreements and a lease termination.

Note K--Sale of The ImagiNation Network - Sierra

The operating activities of The ImagiNation Network, Inc. ("INN") were consolidated with those of Sierra through July 26, 1993. On July 27, 1993, Sierra sold 42% of INN's voting stock and reduced its ownership interest to 58% and reduced its voting control such that Sierra recorded its liquidation preference in excess of recorded book value as shareholders' equity.

In December 1994, Sierra sold its remaining equity interest in INN to AT&T and recorded a gain of \$19.7 million. Sierra also entered into a multi-year publishing agreement with AT&T to provide content for INN. The publishing agreement provides for AT&T to fund up to \$4 million of Sierra's development expenditures under an existing publishing agreement and up to \$23 million of Sierra's development expenditures, subject to certain limitations, through non-refundable royalty advances. The non-refundable royalty advances are reflected net of research and development expense.

CUC International Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note L--Business Segments

Business segment data consists of the following at or for the years ended January 31 (in thousands):

	1997	1996	1995
Revenues:			
Membership services	\$1,972,430	\$1,643,242	\$1,363,561
Software	375,225	291,990	191,050
	<u>\$2,347,655</u>	<u>\$1,935,232</u>	<u>\$1,554,611</u>
Operating Profit:			
Membership services	\$ 245,453	\$ 184,699	\$ 218,145
Software	21,239	40,928	30,849
	<u>\$ 266,692</u>	<u>\$ 225,627</u>	<u>\$ 248,994</u>
Identifiable Assets:			
Membership services	\$2,268,604	\$1,803,577	\$1,566,186
Software	204,768	264,619	205,936
	<u>\$2,473,372</u>	<u>\$2,068,196</u>	<u>\$1,772,122</u>
Capital Expenditures:			
Membership services	\$ 34,312	\$ 53,048	\$ 29,809
Software	25,353	10,100	9,752
	<u>\$ 59,665</u>	<u>\$ 63,148</u>	<u>\$ 39,561</u>
Depreciation and Amortization:			
Membership services	\$ 49,450	\$ 40,358	\$ 27,683
Software	9,208	9,378	15,780
	<u>\$ 58,658</u>	<u>\$ 49,736</u>	<u>\$ 43,463</u>

Operating profit consists of revenues less operating expenses excluding interest income, net and includes merger, integration, restructuring and litigation charges of \$131.3 million and \$48.6 million for membership services and software, respectively, for the fiscal year ended January 31, 1997 (see Note B). Fiscal 1996 membership services includes \$97.0 million of costs related to Ideon products abandoned and restructuring. Fiscal 1995 includes \$7.9 million of costs related to Ideon products abandoned and restructuring and a \$17.7 million gain on sale of INN, net for membership services and software, respectively (see Notes J and K).

Note M--Subsequent Event

On February 11, 1997, the Company issued \$550 million in principal amount of 3% convertible subordinated notes (the "3% Notes") due February 15, 2002. Interest on the 3% Notes is payable semi-annually on February 15 and August 15 of each year, commencing August 15, 1997. Each \$1,000 principal amount of 3% Notes is convertible into 32.6531 shares of Common Stock subject to adjustment in certain events. The 3% Notes may be redeemed at the option of the Company at any time on or after February 15, 2000, in whole or in part, at the redemption prices (as defined in the Indenture governing the 3% Notes) plus accrued interest to the redemption date. The 3% Notes will be subordinated in right of payment to all existing and future Senior Debt (as defined in the Indenture governing the 3% Notes) of the Company. Issuance costs are being amortized on a straight-line basis over five years.

Notes to Consolidated Financial Statements (Continued)

Note N--Quarterly Results of Operations (unaudited)

(Dollar amounts in thousands, except per common share amounts)

The quarterly results of operations have been restated to reflect the poolings-of-interests transactions with the Fiscal 1997 Pooled Entities discussed in Note B.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter

Fiscal 1997				
Total revenues	\$515,479	\$555,744	\$602,203	\$674,229
Income (loss) before income taxes	84,124	77,217	(31,829)	146,729
Net income (loss)	52,121	40,461	(18,009)	89,526
Net income (loss) per common share	.13	.10	(.04)	.22
Fiscal 1996				
Total revenues	\$430,659	\$466,048	\$492,556	\$545,969
Income (loss) before income taxes	62,270	(1,756)	71,989	102,809
Net income (loss)	38,304	(2,368)	43,399	65,640
Net income (loss) per common share	.15	(.01)	.16	.25

The second quarter of fiscal 1997 includes \$28.6 million (\$25.1 million or \$.06 per common share after-tax effect) of merger costs related to the completion of the Davidson and Sierra acquisitions. The third quarter of fiscal 1997 includes \$147.2 million (\$89.6 million or \$.22 per common share after-tax effect) of merger costs principally related to the completion of the Ideon acquisition. The fourth quarter of fiscal 1997 includes \$4.1 million which primarily represents investment banking fees directly related to the acquisitions of Plectel and KA.

The fourth quarter of fiscal 1996 includes \$5.2 million (\$4.2 million or \$.01 per common share after-tax effect) of merger costs incurred in connection with the acquisition of Advance Ross. The first, second, third and fourth quarters of fiscal 1996 include \$8.1 million, \$73.1 million, \$16.4 million and (\$.6 million), respectively, of Ideon's costs related to products abandoned and restructuring.

ITEM 9.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10.

DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the Company's Proxy Statement under the sections titled "Proposal 1: Election of Directors" and "Directors and Executive Officers" is incorporated herein by reference in response to this item.

ITEM 11.

EXECUTIVE COMPENSATION

The information contained in the Company's Proxy Statement under the section titled "Executive Compensation and Other Information" is incorporated herein by reference in response to this item, except that the information contained in the Proxy Statement under the sub-headings "Compensation Committee Report on Executive Compensation and "Performance Graph" is not incorporated herein by reference and is not to be deemed "filed" as part of this filing.

ITEM 12.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the Company's Proxy Statement under the section titled "Security Ownership of Management and Certain Beneficial Owners" is incorporated herein by reference in response to this item.

ITEM 13.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the Company's Proxy Statement under the section titled "Executive Compensation and Other Information - Certain Relationships and Related Transactions" is incorporated herein by reference in response to this item.

PART IV

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

(a) (1) The following consolidated financial statements of CUC International Inc. are filed under "Item 8. Financial Statements and Supplementary Data":

Consolidated balance sheets--January 31, 1997 and 1996

Consolidated statements of income--Years ended January 31, 1997, 1996 and 1995

Consolidated statements of shareholders' equity--Years ended January 31, 1997, 1996 and 1995

Consolidated statements of cash flows--Years ended January 31, 1997, 1996 and 1995

Notes to consolidated financial statements

(a) (2) and (d) The following consolidated financial statement schedule of CUC International Inc. is included in Item 14(d):

Schedule II--Valuation and qualifying accounts--Years ended January 31, 1997, 1996 and 1995

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, or are inapplicable, and therefore have been omitted.

(b) Reports on Form 8-K

(1) Current Report on Form 8-K, filed on January 22, 1997, reporting an Item 5 ("Other Events") event.

(2) Current Report on Form 8-K, filed on January 31, 1997, reporting an Item 5 ("Other Events") event.

(a) (3) and (c) Exhibits:

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company, as filed June 5, 1996 (filed as Exhibit 3.1 to Company's Form 10-Q for the period ended April 30, 1996).*
3.2	By-Laws of the Company (filed as Exhibit 3.2 to the Company's Registration Statement, No. 33-44453, on Form S-4 dated December 19, 1991).*
4.1	Form of Stock Certificate (filed as Exhibit 4.1 to the Company's Registration Statement, No. 33-44453, on Form S-4 dated December 19, 1991).*
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10.16	Form of Director Stock Option for 1990 and 1992 Directors Stock Option 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).*

Exhibit No.	Description
10.17	Form of Director Stock Option for 1994 Directors Stock Option Plan, as amended (filed as Exhibit 10.15 to the Company's Form 10-Q for the period ended October 31, 1996).*
10.18	1987 Stock Option Plan, as amended (filed as Exhibit 10.16 to the Company's Form 10-Q for the period ended October 31, 1996).*
10.19	1990 Directors Stock Option Plan, as amended (filed as Exhibit 10.17 to the Company's Form 10-Q for the period ended October 31, 1996).*
10.20	1992 Directors Stock Option Plan, as amended (filed as Exhibit 10.18 to the Company's Form 10-Q for the period ended October 31, 1996).*
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10.22	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).*
10.23	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).*
10.24	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).*
10.25	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).*
10.26	Amendment No. 1 dated as of July 24, 1996, among Davidson & Associates, Inc., CUC International Inc. and Stealth Acquisition I Corp. (filed as Exhibit 2.2 to the Company's Report on Form 8-K filed August 5, 1996).*
10.27	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).*
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10.29	Amendment No. 2 dated as of July 24, 1996, among Sierra On-Line, Inc., CUC International Inc. and Larry Acquisition Corp. (filed as Exhibit 2.5 to the Company's Report on Form 8-K filed August 5, 1996).*

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10.32	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).*
10.33	Form of U.S. Underwriting Agreement dated October 1996, among CUC International Inc., certain selling stockholders and the U.S. Underwriters (filed as Exhibit 1.1 (a) to the Company's Registration Statement on Form S-3, Registration No. 333-13537, filed on October 9, 1996).*
10.34	Form of International Underwriting Agreement dated October 1996, among CUC International Inc., certain selling stockholders and the International Underwriters (filed as Exhibit 1.1 (b) to the Company's Registration Statement on Form S-3, Registration No. 333-13537, filed on October 9, 1996).*
10.35	Registration Rights Agreement dated as of February 11, 1997, between CUC International Inc. and Goldman, Sachs & Co. (for itself and on behalf of the other purchasers party thereto) (filed as Exhibit 4(b) to the Company's Report on Form 8-K filed February 13, 1997).*
11	Statement Re: Computation of Per Share Earnings.
21	Subsidiaries of the Company.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Deloitte & Touche LLP.
23.3	Consent of KPMG Peat Marwick LLP.
23.4	Consent of Price Waterhouse LLP.
27	Financial Data Schedule.

* Incorporated by reference

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

By /s/ Walter A. Forbes

Walter A. Forbes
Chief Executive Officer and
Chairman of the Board of Directors

Date: April 28, 1997

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

Signature -----	Title -----	Date ----
by /s/ Walter A. Forbes ----- (Walter A. Forbes)	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	April 28, 1997
by /s/ Cosmo Corigliano ----- (Cosmo Corigliano)	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 28, 1997
by /s/ Bartlett Burnap ----- (Bartlett Burnap)	Director	April 28, 1997
by /s/ T. Barnes Donnelley ----- (T. Barnes Donnelley)	Director	April 28, 1997
by /s/ Stephen A. Greyser ----- (Stephen A. Greyser)	Director	April 28, 1997
by /s/ Christopher K. McLeod ----- (Christopher K. McLeod)	Director	April 28, 1997
by /s/ Burton C. Perfit ----- (Burton C. Perfit)	Director	April 28, 1997
by /s/ Robert P. Rittereiser ----- (Robert P. Rittereiser)	Director	April 28, 1997

SIGNATURES (continued)

Signature -----	Title -----	Date -----
by /s/ Stanley M. Rumbough, Jr. ----- (Stanley M. Rumbough, Jr.)	Director	April 28, 1997
by /s/ E. Kirk Shelton ----- (E. Kirk Shelton)	Director	April 28, 1997
by /s/ Kenneth A. Williams ----- (Kenneth A. Williams)	Director	April 28, 1997

CUC International Inc. and Subsidiaries
Schedule II--Valuation and Qualifying Accounts

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions		Deductions --Describe	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts --Describe		
Year ended January 31, 1997:					
Allowance for doubtful accounts	\$39,051,000	\$117,854,000	\$ 7,961,000 (A)	\$109,641,000 (B)	\$55,225,000 (E)
Allowance for membership cancellations	36,983,000		398,750,000 (C)	401,195,000 (D)	34,538,000 (F)
Year ended January 31, 1996:					
Allowance for doubtful accounts	24,113,000	55,155,000	195,000 (A)	40,412,000 (B)	39,051,000 (E)
Allowance for membership cancellations	36,609,000 (G)		376,180,000 (C)	375,806,000 (D)	36,983,000 (F)
Year ended January 31, 1995:					
Allowance for doubtful accounts	12,940,000	46,273,000	1,260,000 (A)	36,360,000 (B)	24,113,000 (E)
Allowance for membership cancellations	33,246,000		355,496,000 (C)	353,674,000 (D)	35,068,000 (F)

- (A) Pre-acquisition balance of subsidiary purchased during fiscal year
- (B) Uncollectible accounts written off
- (C) Charged to balance sheet account "Deferred Membership Income"
- (D) Charges for refunds upon membership cancellations
- (E) Deducted from balance sheet account "Receivables"
- (F) Included in accrued expenses
- (G) Includes activity related to the Ideon Transition Period of \$9,327,000 charged to other accounts and \$7,786,000 of deductions.

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23.1	Consent of Ernst & Young LLP.	
23.2	Consent of Deloitte & Touche LLP.	
23.3	Consent of KPMG Peat Marwick LLP.	
23.4	Consent of Price Waterhouse LLP.	
27	Financial Data Schedule.	

AMENDMENT NO. 2 TO
EMPLOYMENT AGREEMENT

This Amendment No. 2 to Employment Agreement ("Amendment") is made as of this first day of January, 1997 by and between CUC International Inc. (the "Company") and Cosmo Corigliano ("Executive").

1. The Employment Agreement between the Company and Executive dated as of February 1, 1994, as amended by agreement dated February 21, 1996 (as so amended, the "Employment Agreement") is hereby amended so that Section VIII, Paragraphs A and B thereof shall read as follows:

A. The Executive's employment may be terminated by the Company at any time Without Cause or for Cause upon thirty (30) days' notice to the Executive. If the Executive's employment terminates due to either a Without Cause Termination or a Constructive Discharge, as defined in this Section below, the Company shall pay the Executive (or his surviving spouse, estate or personal representative, as applicable) his Base Salary as in effect at the time of the termination for a period of twenty-four (24) months following such termination. Such amount shall be payable as provided in Section IV.A hereof. Earned but unpaid Base Salary and earned but unpaid incentive compensation awards will be paid in a lump sum at the time of such termination. The benefits and perquisites described in this Agreement will be continued for twenty-four (24) months. In the event of any such Without Cause Termination or Constructive Discharge, any unvested stock options held by the Executive which would have vested during the twenty-four (24) months following such termination, shall continue to vest in accordance with the respective terms of the applicable stock option agreements pursuant to which such options were granted, notwithstanding anything to the contrary in any such stock option agreements.

The Executive shall not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor shall the amount of any such payment be reduced by any compensation earned by the Executive as the result of employment by another employer after the date the Executive's employment hereunder terminates.

B. If the Executive resigns (unless the Executive resigns pursuant to a Constructive Discharge) or the Executive's employment terminates due to a Termination for Cause, as defined in this Section below, earned but unpaid Base Salary and any earned but unpaid incentive compensation will be paid to the Executive in a lump sum within sixty (60) days of such termination. No other payments will be made or benefits or perquisites provided by the Company.

2. Section XI of the Employment Agreement shall be amended to read as follow:

A. In the event there is a Change in Control, as defined below, any and all unvested stock options held by the Executive shall immediately upon such Change in Control be deemed fully vested and shall remain exercisable until the applicable expiration dates contained in the applicable stock option agreements pursuant to which such stock options were granted, whether or not the Executive's employment is terminated.

B. 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 or any subsidiary thereof shall be merged with or into 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, (iii) the Company shall sell substantially all of its assets to another corporation which is not a wholly-owned subsidiary, (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 Securities Exchange Act of 1934, as amended, shall acquire 51% or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record) or (v) any other event shall take place that a majority of the Board of Directors of the Company, in its sole discretion, shall determine constitutes a "Change in Control" for the purposes hereof. 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 Securities Exchange Act of 1934, as amended.

3. Except as may be expressly set forth herein to the contrary, the Employment Agreement remains unmodified and all other terms and conditions thereof shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 2 as of the date first written above.

CUC INTERNATIONAL INC.

By:

Cosmo Corigliano

E. Kirk Shelton

AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT

This Amendment No. 1 to Employment Agreement ("Amendment") is made as of this first day of January, 1997 by and between CUC International Inc. (the "Company") and Amy N. Lipton ("Executive").

1. The Employment Agreement between the Company and Executive dated as of February 1, 1996 (the "Employment Agreement") is hereby amended so that Section VIII, Paragraphs A and B thereof shall read as follows:

A. The Executive's employment may be terminated by the Company at any time Without Cause or for Cause upon thirty (30) days' notice to the Executive. If the Executive's employment terminates due to either a Without Cause Termination or a Constructive Discharge, as defined in this Section below, the Company shall pay the Executive (or her surviving spouse, estate or personal representative, as applicable) her Base Salary as in effect at the time of the termination for a period of twenty-four (24) months following such termination. Such amount shall be payable as provided in Section IV.A hereof. Earned but unpaid Base Salary and earned but unpaid incentive compensation awards will be paid in a lump sum at the time of such termination. The benefits and perquisites described in this Agreement will be continued for twenty-four (24) months. In the event of any such Without Cause Termination or Constructive Discharge, any unvested stock options held by the Executive which would have vested during the twenty-four (24) months following such termination, shall continue to vest in accordance with the respective terms of the applicable stock option agreements pursuant to which such options were granted, notwithstanding anything to the contrary in any such stock option agreements.

The Executive shall not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor shall the amount of any such payment be reduced by any compensation earned by the Executive as the result of employment by another employer after the date the Executive's employment hereunder terminates.

B. If the Executive resigns (unless the Executive resigns pursuant to a Constructive Discharge) or the Executive's employment terminates due to a Termination for Cause, as defined in this Section below, earned but unpaid Base Salary and any earned but unpaid incentive compensation will be paid to the Executive in a lump sum within sixty (60) days of such termination. No other payments will be made or benefits or perquisites provided by the Company.

2. Section XI of the Employment Agreement shall be amended to read as follow:

A. In the event there is a Change in Control, as defined below, any and all unvested stock options held by the Executive shall immediately upon such Change in Control be deemed fully vested and shall remain exercisable until the applicable expiration dates contained in the applicable stock option agreements pursuant to which such stock options were granted, whether or not the Executive's employment is terminated.

B. 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 or any subsidiary thereof shall be merged with or into 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, (iii) the Company shall sell substantially all of its assets to another corporation which is not a wholly-owned subsidiary, (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 Securities Exchange Act of 1934, as amended, shall acquire 51% or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record) or (v) any other event shall take place that a majority of the Board of Directors of the Company, in its sole discretion, shall determine constitutes a "Change in Control" for the purposes hereof. 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 Securities Exchange Act of 1934, as amended.

3. Except as may be expressly set forth herein to the contrary, the Employment Agreement remains unmodified and all other terms and conditions thereof shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 as of the date first written above.

CUC INTERNATIONAL INC.

By:

Amy N. Lipton

Kirk Shelton

CUC International Inc. and Subsidiaries

Exhibit 11--Statement Re: Computation of per Share Earnings

	Year ended January 31,		
	1997	1996	1995

	(in thousands, except per common share amounts)		
Primary			
Average shares outstanding	392,230	367,755	358,127
Net effect of dilutive stock options or stock options exercised during the year-based on the treasury stock method using average market price	12,843	24,452	21,134

Total	405,073	392,207	379,261
	=====		
Net income	\$164,099	\$144,975	\$164,057
	=====		
Net income per common share	\$.405	\$.370	\$.433
	=====		
Fully diluted			
Average shares outstanding	392,230	367,755	358,127
Net effect of dilutive stock options or stock options exercised during the year-based on the treasury stock method using the year-end market price, if higher than average market price or market price at date of exercise	12,994	26,547	23,306
Net effect of zero coupon convertible notes-based on the if converted method	4,297	7,181	9,423

	409,521	401,483	390,856
	=====		
Net income	\$164,099	\$144,975	\$164,057
Interest expense: Zero coupon convertible notes	1,288	2,215	3,141

Net income	\$165,387	\$147,190	\$167,198
	=====		
Net income per common share	\$.404	\$.367	\$.428
	=====		

CUC International Inc. and Subsidiaries

Exhibit 21--Subsidiaries of the Company

Subsidiary -----	State of Incorporation -----
FISI*Madison Financial Corporation	Tennessee
Benefit Consultants, Inc.	Delaware
Entertainment Publications, Inc.	Michigan

Consent of Independent Auditors

We consent to the incorporation by reference of our report dated March 10, 1997, with respect to the consolidated financial statements and schedule of CUC International Inc. included in this Annual Report (Form 10-K) for the year ended January 31, 1997, in the following Registration Statements and related Prospectuses:

Form S-3s,

33-30306, 33-47271, 33-58598, 33-63237, 33-95126, 333-11035, 333-13537, 333-17323, 333-17411, 333-20391 and 333-23063

Form S-8s,

33-17247	CUC International Inc. 1985 Non-Qualified Stock Option Plan
33-17248	CUC International Inc. 1985 Incentive Stock Option Plan
33-17249	CUC International Inc. 1987 Performance Share Stock Option Plan
33-26875	CUC International Inc. 1987 Stock Option Plan
33-75682	CUC International Inc. 1987 Stock Option Plan as amended
33-93322	CUC International Inc. 1987 Stock Option Plan as amended
33-41823	CUC International Inc. 1990 Directors Stock Option Plan
33-48175	Entertainment Publications Inc. 1988 Non-Qualified Stock Option Plan
33-58896	CUC International Inc. 1992 Bonus and Salary Replacement Stock Option Plan
33-91656	CUC International Inc. 1992 Bonus and Salary Replacement Stock Option Plan as amended
333-03241	CUC International Inc. 1992 Bonus and Salary Replacement Stock Option Plan as amended
33-74068	CUC International Inc. 1992 Directors Stock Option Plan
33-74066	CUC International Inc. 1992 Employee Stock Option Plan
33-91658	CUC International Inc. 1992 Employee Stock Option Plan as amended
333-00475	CUC International Inc. 1992 Employee Stock Option Plan as amended
333-03237	CUC International Inc. 1992 Employee Stock Option Plan as amended
33-75684	CUC International Inc. 1994 Employee Stock Purchase Plan
33-80834	CUC International Inc. Savings Incentive Plan
33-93372	CUC International Inc. 1994 Directors Stock Option Plan
333-09633	Sierra On-Line, Inc. 1987 Stock Option Plan
333-09637	Sierra On-Line, Inc. 1995 Stock Option and Award Plan
333-09655	Papyrus Design Group Inc. 1992 Stock Option Plan
333-22003	Knowledge Adventure 1993 Stock Option Plan

ERNST & YOUNG LLP

Stamford, Connecticut
April 30, 1997

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this annual report of CUC International Inc. on Form 10-k and Registration Statements Nos. 33-30306, 33-47271, 33-58598, 33-63237, 33-95126, 333-11035, 333-13537, 333-17323, 333-17411, 333-20391, and 333-23063 for CUC International Inc. on Forms S-3 and in Registration Statement Nos. 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, 33-93372, 333-09633, 333-09637, 333-09655, 333-22003, of CUC International Inc. on Form S-8 of our report dated June 24, 1996 (relating to the consolidated financial statements of Sierra On-Line, Inc. and subsidiaries for the year ended March 31, 1996, not presented separately therein), appearing in the CUC International Inc. Current Report on Form 8-K (filed with the Securities and Exchange Commission on September 17, 1996).

DELOITTE & TOUCHE LLP

Seattle, Washington
April 30, 1997

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors
Davidson & Associates, Inc.

We consent to the incorporation by reference in the Registration Statement (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, 33-93372, 333-09633, 333-09637, 333-09655 and 333-22003) pertaining to 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. 1992 Employee Stock Option Plan as amended, the CUC International Inc. 1992 Employee Stock Option Plan as amended, the CUC International Inc. 1994 Employee Stock Purchase Plan, the CUC International Inc. Savings Incentive Plan, the CUC International Inc. 1994 Directors Stock Option Plan, the Sierra On-Line, Inc. 1987 Stock Option Plan, the Sierra On-Line, Inc. 1995 Stock Option and Award Plan, the Papyrus Design Group, Inc. 1992 Stock Option Plan, and the Knowledge Adventure 1993 Stock Option Plan, respectively, and in the Registration Statements (Form S-3s: Numbers 33-30306, 33-47271, 33-58598, 33-63237, 33-95126, 333-11035, 333-13537, 333-17323, 333-17411, 333-20391 and 333-23063) of our report dated February 21, 1996, with respect to the consolidated balance sheet of Davidson & Associates, Inc. and subsidiaries as of December 31, 1995, and the related consolidated statements of earnings, shareholders' equity, and cash flows and related schedule for each of the years in the two-year period ended December 31, 1995.

KPMG PEAT MARWICK LLP

Long Beach, California
April 24, 1997

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (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, 33-93372, 333-09633, 333-09637, 333-09655, and 333-22003) pertaining to 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. 1992 Employee Stock Option Plan as amended, the CUC International Inc. 1992 Employee Stock Option Plan as amended, the CUC International Inc. 1994 Employee Stock Purchase Plan, the CUC International Inc. Savings Incentive Plan, the CUC International Inc. 1994 Directors Stock Option Plan, the Sierra On-Line, Inc. 1987 Stock Option Plan, the Sierra On-Line, Inc. 1995 Stock Option and Award Plan, the Papyrus Design Group Inc. 1992 Stock Option Plan and the Knowledge Adventure 1993 Stock Option Plan respectively, and in the Registration Statements on Form S-3 (Numbers 33-30306, 33-47271, 33-58598, 33-63237, 33-95126, 333-11035, 333-13537, 333-17323, 333-17411, 333-20391, and 333-23063) of our report dated February 2, 1996, related to the consolidated financial statements of Ideon Group, Inc. appearing of page 23 of this Form-10K.

PRICE WATERHOUSE LLP
Tampa, Florida
April 28, 1997